



PUBLIC JOINT STOCK
COMPANY ROSSETI KUBAN
(PJSC ROSSETI KUBAN)

**NOTES TO THE ACCOUNTING (FINANCIAL) STATEMENTS
FOR 2021**

Krasnodar
2022

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1. BACKGROUND INFORMATION

PJSC Rosseti Kuban (hereinafter referred to as the “Company”) is the largest electric grid company in the territory of Krasnodar Region and the Republic of Adygeya that transmits and distributes electricity to the distribution grid with a voltage of 110 kV and lower located in populated areas, village settlements, separate cities and neighborhood centre of Krasnodar Region and the Republic of Adygeya, including Sochi.

Full name: Public Joint Stock Company Rosseti Kuban .

Short name: PJSC Rosseti Kuban.

Registered on February 10, 1993.

Entered in the Single State Register of Legal Entities by Inspection of the Federal Tax Service of Russia No. 3 in Krasnodar under No. 1022301427268 of September 17, 2002. Certificate 23 No. 001806938.

TIN (KPP): 2309001660 (997650001).

Legal form / form of property PJSC Rosseti Kuban – Public Joint Stock Company (Code OKOPF 47) / private ownership (Code OKFS 16).

Registered office (legal address) PJSC Rosseti Kuban – 350033, the Russian Federation, Krasnodar, 2A Stavropolskaya Street.

The core activities of the Company are:

- providing services for distribution and transmission of energy that is transferred out of the electrical system;
- services for technological connection of consumers to electric networks.

Table 1 – **Permits (licences) for certain types of work**

Branch of activities	Issuing authority	Details	Validity period
1	2	3	4
For extraction licence (fresh groundwater mining for household drinking process water supply in Krasnodar)	Ministry of Natural Resources of Krasnodar Region	КРД No. 80383 ВЭ	From November 30, 2015 to July 20, 2034
For extraction licence (fresh groundwater mining for household drinking process water supply Tverskaya village of Apsheronk district of Krasnodar Region)	Ministry of Natural Resources of Krasnodar Region	КРД No. 80380ВЭ	From October 26, 2015 to January 1, 2035
Execution of works related to the usage of information classified as state secret	Federal Security Service of the Russian Federation (FSB) in Krasnodar Region	ГТ 0084635, registration number 2050	From August 31, 2020 – July 13, 2023
Transportation by buses of other persons of licensee for own requirements	Federal Transportation Inspection Service (Rostransnadzor) of The Ministry of Transport of the Russian Federation	AH-23-000047	From April 8, 2019 – unlimited

Accounting Statements of PJSC Rosseti Kuban contain operational performance of all branch offices, representative offices and other business units, as follows:

Table 2 – **Branches of PJSC Rosseti Kuban**

№	Name	Registered office
1.	Krasnodar Electrical Networks	350000, Krasnodar, 131 Pashkovskaya Str.
2.	Sochi Electrical Networks	354000, Sochi, 42 Konstitutsii USSR Str.
3.	Armavir Electrical Networks	352900, Armavir, 54 Vorovskogo Str.
4.	Adygeya Electrical Networks	385000, Maykop, 358 Shovgenova Str.
5.	Timashevsk Electrical Networks	352700, Timashevsk, 176 Lenina Str.
6.	Tikhoretsk Electrical Networks	352122, Tikhoretsk, 62 Dzerzhinskogo Str.
7.	Leningrad Electrical Networks	353745, Leningradskaya village, 6 Divizii 302 Str.
8.	Slavyansk Electrical Networks	353560, Slavyansk-na-Kubani, 49 Stroitelei Str.
9.	South-West Electrical Networks	353902, Novorossiysk, 1 Vostochnyy Mol
10.	Labinsk Electrical Networks	352503, Labinsk, 334 Mira Str.
11.	Ust-Labinsk Electrical Networks	352232, Ust-Labinsk, 4 Krasnodarskaya Str.

The average annual number of employees in PJSC Rosseti Kuban for the reporting period amounted to 8, 876, in 2020 amounted to 8,959, prior to preceding 2019 amounted to 8,644.

Company's auditor:

Full name: Limited Liability Company Ernst & Young
 Legal address: 115035, Moscow, 77 Sadovnicheskaya naberezhnaya, building 1
 Current address: 115035, Moscow, 77 Sadovnicheskaya naberezhnaya, building 1
 TIN: 7709383532
 PSRN: 1027739707203
 Phone/fax: 8 (495) 755-97-00/8; (495) 755-97-01

Management Board of the Company is the General Meeting of Shareholders, the Board of Directors of the Company, Management Board (Collegial Executive Body of the Company), General Director (Chief Executive Officer of the Company).

Chief Executive Officer of the Company: Ebzeev Boris Borisovich.

Chief Accountant of the Company: Loskutova Lyudmila Vladimirovna.

Table 3 – Members of the Board of Directors of the Company (as of December 31, 2021):

No.	Full name	Principal place of employment and official capacity	Position on the Board of Directors of Rosseti Kuban
1.	Krainskiy Daniil Vladimirovich	Deputy General Director for Legal Support of PJSC Rosseti	Chairman of the Board of Directors
2.	Gladkovskiy Grigoriy Konstantinovich	Deputy Chief Engineer of PJSC Rosseti	Member of the Board of Directors
3.	Goncharov Yuriy Vladimirovich	Head Adviser of the General Director of PJSC Rosseti	Member of the Board of Directors
4.	Kazakov Aleksandr Ivanovich	–	Member of the Board of Directors
5.	Kaloeva Madina Valerevna	Director for Corporate Management – Head of Corporate Governance Department of PJSC FGC UES	Member of the Board of Directors
6.	Kravchenko Konstantin Yurevich	Temporarily Acting Deputy General Director for Digital Transformation of PJSC Rosseti	Member of the Board of Directors
7.	Medvedev Mikhail Vladimirovich	Adviser to the Director-General of JSC “Avangard”	Member of the Board of Directors
8.	Molskiy Aleksey Valerevich	Deputy Director General for Investments, Capital Construction and Implementation of Services of PJSC Rosseti	Member of the Board of Directors
9.	Polinov Aleksey Aleksandrovich	Principal Counsellor of the General Director of PJSC Rosseti	Member of the Board of Directors
10.	Ebzeev Boris Borisovich	Chairman of the Management Board, General Director of PJSC Rosseti South, Chairman of the Management Board, Chief Executive Officer of PJSC Rosseti Kuban (holding more than one office)	Member of the Board of Directors
11.	Yavorskiy Viktor Korneevich	Member of the Presidium of the Board of "OPORA RUSSIA"	Member of the Board of Directors

Table 4 – Composition of Management Board of the Company (as of December 31, 2021):

No	Full name	Principal place of employment and official capacity	Status in the Management of PJSC Rosseti Kuban
1.	Ebzeev Boris Borisovich	Chairman of the Management Board, General Director of PJSC Rosseti South, Chairman of the Management Board, Chief Executive Officer of PJSC Rosseti Kuban (holding more than one office)	Chairman of the Management Board
2.	Armaganyan Edgar Garrievich	First Deputy Chief Executive Officer— Director of Sochi Electrical Networks Branch of PJSC Rosseti Kuban	Deputy Chairman of the Management Board
3.	Dzhabrailova Yulianna Khasanovna	Deputy Chief Executive Officer- Chief of the Apparatus of PJSC Rosseti South, Chief of the Apparatus of PJSC Rosseti Kuban (holding more than one office)	Member of the Management Board
4.	Iordanidi Kirill Aleksandrovich	Deputy Chief Executive Officer for Economics and Finance of PJSC Rosseti South, Deputy Chief Executive Officer for Economics and Finance of PJSC Rosseti Kuban (holding more than one office)	Member of the Management Board
5.	Korzhanevskiy Viktor Anatolevich	Deputy Chief Executive Officer for Investment Operations of PJSC Rosseti Kuban	Member of the Management Board
6.	Loskutova Lyudmila Vladimirovna	Chief Accountant - Head of the Accounting and Tax Accounting Department of PJSC Rosseti Kuban	Member of the Management Board
7.	Mishanin Aleksey Aleksandrovich	Deputy Chief Executive Officer for Technical Issues – Chief Engineer of PJSC Rosseti Kuban	Member of the Management Board
8.	Nishchuk Oleg Fedorovich	Deputy Chief Executive Officer of Implementation Services of PJSC Rosseti Kuban	Member of the Management Board

The Auditing Committee of the Company is the supervisory authority for financial and operational activities of the Company.

Table 5 – Composition of the Company's Audit Committee (as of December 31, 2021):

No	Full name	Principal place of employment and official capacity	Status in the Audit Committee
1.	Kovaleva Svetlana Nikolaevna	Chairman of the Committee - Internal Audit Director - Head of Internal Audit Department pf PJSC Rosseti	Chairman of the Audit Committee
2.	Rogachev Kirill Evgenevich	Chief Expert of Operational Audit Department of Internal Audit Department of PJSC Rosseti	Member of the Audit Committee
3.	Trishina Svetlana Mikhailovna	Secretary of the Committee - Deputy Head of Internal Audit Department - Head of Corporate Audit and Control of Subsidiary Companies Office of Internal Audit Department of PJSC Rosseti	Member of the Audit Committee
4.	Pyatakova Olga Gennadevna	Chief Expert of Operational Audit Department of Internal Audit Department of PJSC Rosseti	Member of the Audit Committee
5.	Tsarkov Viktor Vladimirovich	First Deputy Head of Internal Audit Department of PJSC Rosseti	Member of the Audit Committee

Table 6 – The Main Subsidiaries and Affiliates

Name of the subsidiary	Participatory interest (%)	Registered office	Line of business
1	2	3	4
Joint-Stock Company Energetik Holiday Facility	100	353490, Krasnodar Region, Gelendzhik, Divnomorskoye village, 4 Pionerskaya Str.	Organization of recreation and recovery of children and adults, primarily employees of PJSC Kubanenergo and their families; organization and conduct of seminars and conferences
Joint-Stock Company Kuban Energoservis	100	350080, Krasnodar Region, Krasnodar, 47 Novorossiyskaya Str.	Design, installation and adjustment of power, gas and process equipment metering units, hot and cold water supply

2. FUNDAMENTAL PRINCIPLES OF ACCOUNTING POLICIES

PJSC Rosseti Kuban keeps accounting records in accordance with the requirements for Russian Accounting Standards and Federal Law of December 6, 2011 No. 402-FZ “On Accounting” and also in accordance with Corporate Standard of PJSC Rosseti “*Uniform Corporate Accounting Principles for accounting purposes*”.

Data from Accounting Statements are presented in thousands Russian Rubles (if not otherwise mentioned).

2.1. Assets and liabilities in foreign currencies

The Company does not have assets and liabilities denominated in foreign currency at the beginning and the end of the reporting period.

2.2. Expenses for research, development and technological works (R&D)

Accounting of expenses for research, development and technological works is incurred in accordance with Accounting Regulation 17/02, approved by Order of the Ministry of Finance of the Russian Federation No. 115n of November 19, 2002 and subsequent changes. Writing off the expenses for each facility of R&D is made using the straight-line method.

2.3. Intangible assets

Accounting for intangible assets is kept by the Company in accordance with the Accounting Regulation 14/2007 “Intangible asset accounting”, approved by Order of the Ministry of Finance of the Russian Federation No. 153n of December 27, 2007.

Straight-line method is used for the amortization of the cost of the intangible assets with definite useful lives.

2.4. Fixed assets and construction in progress

Accounting for fixed assets is kept by the Company in accordance with the Accounting Regulation 6/01 “*Accounting for fixed assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 26н of March 30, 2001 and Accounting Guidelines on fixed assets, approved by Order of the Ministry of Finance of the Russian Federation No. 91n of October 13, 2003.

Accounting for construction in progress is kept by the Company in accordance with the Regulation of Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation No. 34Н of July 29, 1998 and in accordance with the Accounting Regulation of long-term investments (letter of the Russian Ministry of Finance No. 160 of December 30, 1993), if not at variance with subsequent regulatory legal acts on accounting.

Items of fixed assets are accepted for recording at original cost, determined according to the method of receipt-purchase for a fee, implementation by own efforts, construction, receiving without compensation and so on.

Costs on borrowings and loans related to investment asset formation (items of fixed assets, asset groups and other similar assets demanding much time and purchasing costs and (or) construction) are included in the cost of the depreciable asset.

Amortization of the items of fixed assets is calculated using the straight-line method on the basis of their useful lives.

Useful life is regulated by the Committee of the Company on receipt of fixed assets in accordance with the final report of the technical employees taking into consideration the information specified in technical documentation of the construction site.

Item of fixed assets	Useful life, years
<i>Material-working machinery and equipment</i>	
Power transformer	30
Shunt reactor	30
Current limiting reactor	30
Cell of gas-insulated switchgear	30
Cell of the complete distribution device	25
Current transformer (CT)	30
Voltage transformer (VT)	30
Switch	30
Disconnecter, isolating switch and short-circuiting device	30
<i>Constructions and transfer mechanisms (transmission lines)</i>	
Overhead transmission lines (OTL)	35
Cable transmission lines	30
Overhead and cable transmission lines	30

Fully amortizing (depreciated) fixed assets are not measured at amortized cost.

The result due to retirement, write-off and donation of fixed asset is reflected in the Statement of financial results and as a part of other revenues and expenses.

Fixed asset value has not changed, except for further construction, modernization and reconstruction of fixed assets. Expenses for reconstruction of fixed assets are reflected on the balance sheet of the reporting period to which the expenses relate.

Accounting for the property acquired under leasing is carried out in accordance with the Federal Law No. 164-FZ of October 29, 1998 “*On financial lease (leasing)*”.

2.5. Inventories

Inventory accounting is kept by the Company in accordance with the Federal Accounting Standards 5/2019 “*Inventories*”, approved by Order of the Ministry of Finance of the Russian Federation No. 180n of November 15, 2019.

Inventories are those assets which are consumed or sold during the operating cycle of the company or used for a period of not more than 12 months.

Inventories are recognized in the accounting while simultaneously complying with the following conditions:

- costs incurred due to the acquisition or creation of inventories will ensure that future economic benefits of the organization will be produced;
- the amount of costs incurred due to the acquisition or creation of inventories, or the equivalent, has been determined.

Inventories include:

- raw materials, fuel, spare parts, complementary parts intended for use during work performance, rendering services;
- tools, inventories, special clothes, dedicated tooling, package and other similar objects used in the performance of work, provision of services, except for these objects are considered as fixed assets for accounting purposes.

The average estimate of the actual cost of inventories issued or written off for other purposes is made by determining the actual cost of inventories at the time of issue (rolling valuation).

The Company creates the reserves for impairment of inventories in relation to all Company’s inventories for which there are signs of obsolescence of reserves, loss of their initial qualities, and their market value reduction.

2.6. Deferred expenses

The principled approach established in the Company is to recognize incurred expense in the balance sheet and accounting as a part of deferred expense and its equating to the asset. This approach is based on the fact that the future economic benefits (temporary benefits) related to the asset and appraisal of the asset value is probable.

The Company has established that the balance of deferred expenses is recorded in the lines “Other non-current assets” and “Other current assets”.

For this purpose the distribution between section I and section II of the balance sheet occurs on the basis of repayment period of the relevant expenses, i.e. the expenses where the repayment period is more than 12 months are to be recorded in the section I of the balance sheet and the other expenses are to be recorded in the section II.

2.7. Financial investments

Accounting for financial investments is kept by the Company in accordance with the Accounting Regulation 19/02 “*Accounting for financial investments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 126n of December 10, 2002.

Contributions to charter capitals of other organizations are recognized by the financial investments of the organization and recorded in accounting in the amount of actual expenses of the investor, i.e. according to the cost of assets entered against contribution in which the assets were recorded on the balance sheet.

Financial investments in which the current market value is not determined are subject to reflection in accounting and accounting statements at original cost as of reporting date (Clause 21, Accounting Regulation 19/02).

Financial investments in which the current market value is determined are subject to reflection in the accounting statements at the current market value at the end of the reporting period by means of adjustment of evaluation of investments for the previous reporting date (Clause 20, Accounting Regulation 19/02).

Debt securities are reflected at historical cost. Difference between nominal value of acquisition and nominal value of the securities is to be included in other revenues and expenses.

2.8. Borrowings and loans

Accounting for borrowings and loans is kept by the Company in accordance with the Accounting Regulation 15/2008 “*Accounting for borrowings and loans*”, approved by Order of the Ministry of Finance of the Russian Federation No. 107n of October 6, 2008.

2.9. Estimated liabilities

Accounting for estimated liabilities is kept by the Company in accordance with the Accounting Regulation 8/2010 “*Estimated liabilities, contingent liabilities and contingent assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 167n of December 13, 2010.

2.10. Deferred taxes

Accounting for deferred taxes is kept by the Company in accordance with the Accounting Regulation 18/02 “*Accounting for corporate income tax*”, approved by Order of the Ministry of Finance of the Russian Federation No. 114n of November 19, 2002.

The amounts of deferred tax asset and liability are to be reflected in expanded form on the balance sheet during the preparation of the accounting statements.

2.11. Revenue and other income

Accounting for revenue and other income is kept by the Company in accordance with the Accounting Regulation 9/99 “*Organization's income*”, approved by Order of the Ministry of Finance of the Russian Federation No. 32n of May 6, 1999.

Revenue is recognized in accounting of the Company, provided that the following conditions are met:

- 1) The organization has the right to receive revenue under the specific contract or it should be confirmed by other appropriate means;
- 2) The amount of revenue is to be defined;
- 3) There is confidence that there will be increase in economic benefits of the organization as a result of the concrete operation. There is confidence that there will be increase in economic benefits of the organization as a result of the concrete operation when the organization receives an asset in payment or there is no uncertainty about receipt of an asset;
- 4) If the ownership (possession, use and control) of production (goods) was transferred from the organization to the buyer or the work was accepted by the client (the service was provided);
- 5) Expenses that were incurred or will be incurred due to this operation may be identified.

Receipts related to the equity interest in other organizations; receipts from sale of fixed assets and other assets; fines, penalties and forfeitures for the breach of contract terms and conditions; receiving of assets without compensation; profit for past years; amounts of accounts payable for which the statute of limitations has expired; exchange differences and other income are the other income of the Company in accordance with the Clause 7, Accounting Regulation 9/99.

Other revenues are recorded in the statement of financial results less the expenses related to these revenues, in case that:

- corresponding rules of accounting require and do not prohibit such recognition of revenues;
- revenues and expenses related to them, as a result of one and the same or similar business activity (such as assignment for temporary use (temporary possession and use) of own assets) are not essential for financial characteristics of the Company.

2.12. Cost of goods sold, production, works, services, selling costs, administrative expenses and other expenses

Accounting for expenses is kept by the Company in accordance with the Accounting Regulation 10/99 “Organization's expenses”, approved by Order of the Ministry of Finance of the Russian Federation No. 33n of May 6, 1999. General business expenses are fully recognized in the cost of goods sold and services in the reporting period and distribution by types of activities is carried out in proportion to the revenue.

Administrative expenses are recorded in the account 26 “General business expenses” showing individual cost centers and nomenclature. Administrative expenses are recorded in the statement of financial results in the line “Administrative expenses”.

2.13. Government assistance

Accounting for funds received under government assistance is kept by the Company in accordance with the Accounting Regulation 13/2000 “Accounting for government assistance”, approved by Order of the Ministry of Finance of the Russian Federation No. 92n of December 16, 2000.

2.14. Associates and affiliates

Information on associates and affiliates is disclosed by the Company in accordance with the Accounting Regulation 11/2008 “*Information on Associates and Affiliates*” approved by Order of the Ministry of Finance of the Russian Federation No. 48n of April 29, 2008.

2.15. Information on segments

Information on segments is disclosed by the Company in accordance with the Accounting Regulation 12/2010 “*Information on segments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 143n of November 8, 2010.

2.16. Cash flow information

Cash flow information is disclosed by the Company in accordance with the Accounting Regulation 23/2011 “*Statement of cash flows*”, approved by Order of the Ministry of Finance of the Russian Federation No. 11n of February 2, 2011.

3. CHANGES IN ACCOUNTING POLICIES IN 2021

In 2021, some amendments were introduced to the Accounting Policies by the Company due to the entry into force of the new RAS 5/2019 “*Inventories*” on January 1, 2021, while the Company, in accordance with item 47 of this standard, chose a promising way to apply the change the Accounting Policies. Since the Company has chosen a perspective way of applying the change in accounting policy, the above-described changes did not affect the comparable data given in the accounting (financial) statements for 2021.

4. CHANGES IN ACCOUNTING POLICIES IN 2022

The accounting policy for 2022 is amended related to the regulatory changes of accounting, that are required for application in 2022:

- FAS 6/2020 “*Fixed assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 204n of September 17, 2020;
- FAS 26/2020 “*Capital investments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 204n of September 17, 2020;
- FAS 25/2018 “*Lease accounting*”, approved by Order of the Ministry of Finance of the Russian Federation No. 208n of October 16, 2018;
- FAS 27/2021 “*Documents and document management system in accounting*”, approved by Order of the Ministry of Finance of the Russian Federation No. 62n of April 16, 2021.

The Company expects that changes in accounting policy due to changes in these standards will have a significant impact on the financial position of the Company, financial results of its operations and cash flow; the Company has not completed the calculation and assessment of the impact of these standards as of the date of signing of these statements.

5. INFORMATION DISCLOSURE ON SPECIFIC INDICATIONS OF ACCOUNTING STATEMENTS FOR 2021

5.1. Fixed assets

Real estate assets accepted for operation and in use undergoing the state registration are recorded in the account 01.06 “Real estate assets the ownership of which is not registered”. As of December 31, 2021 the original value of the real estate assets accepted for operation and in use undergoing the state registration amounted to 3,339,062 thousand rubles.

Fixed assets under the agreements providing for fulfilment of obligations by non-monetary assets were missing for the period from January 1 to December 31, 2021.

Information on fixed asset groups, change in value and usage are specified in Appendices 5.3.1; 5.3.3; 5.3.4

5.1.1. Capital investments in progress

Amount of advances and advance payment of services related to the construction and purchase of fixed assets without VAT; raw materials intended to be used for the purpose of creation of fixed assets are recorded on the balance sheet of the Company as capital investments in-progress. As of December 31, 2021 the amount of advances and advance payment of services related to the construction and purchase of fixed assets amounted to 637,506 thousand rubles, VAT from advances and advance payment of services related to the construction and purchase of fixed assets is recorded in the line 1260 “Other current assets” in the amount of 125,914 thousand rubles. As of December 31, 2021 the amount of raw materials intended to be used for the purpose of creation of fixed assets amounted to 1,430,590 thousand rubles.

Total cost on borrowings and loans included in the cost of investment assets (paragraph 3,4 item 17 of RAS 15/2008) is disclosed in Appendix 5.6.8.

Information on the presence and flow of construction in progress assets is disclosed in Appendix 5.3.5.

5.1.2. Fixed assets received for lease

There are no fixed assets received for lease in the current reporting period. In the coming period lease payments are not planned.

5.2. Other non-current and current assets

As of December 31, 2021, deferred expenses amounted to 239,377 thousand rubles depending of the date of write-off, fixed as of the date of acceptance for recording. These expenses are recorded on the balance sheet:

1) Non-exclusive rights for computer software:

- Useful life more than 12 months (line 1190) amounted to 120,545 thousand rubles;
- Useful life during 12 months (line 1260) amounted to 102,041 thousand rubles

2) Other:

- Useful life more than 12 months (line 1190) amounted to 12,613 thousand rubles;
- Useful life during 12 months (line 1260) amounted to 4,178 thousand rubles.

The amount of VAT from advances received amounted to 700,138 thousand rubles is recorded in the line 1260 as a part other current assets.

5.3. Financial investments

The analysis of financial investments of PJSC Rosseti Kuban for the presence of impairment indicators was conducted as of December 31, 2021. As a result of reserve for decrease in financial investments was restored in the amount of 100 thousand rubles and accrued in the amount of 8,261 thousand rubles. Information on the presence and flow of financial investments is disclosed in Appendices 5.4.1 and 5.4.2

5.4. Government assistance

In 2021, the decision was made by the Territorial authorities of Social Insurance Fund of the Russian Federation (SIF RF) concerning the funding for preventive measures to reduce occupational injuries.

Information is disclosed in Appendix 5.9.

5.5. Equity and reserves

At the beginning of 2021 the charter capital of the Company amounted to 33,465,783 700 rubles and consist of 334,657,837 ordinary shares at par value of 100 (one hundred) rubles per share.

On April 1, 2021, the Bank of Russia made an official registration of this additional issue and securities prospectus of PJSC Rosseti Kuban. State registration number 1-02-00063-A was given to the additional issue of securities.

Additional shares of the Company are placed within one year from the date of state registration of additional issue up to April 1, 2022.

The maximum amount of placement of additional shares of this issue is 69,583,132 at nominal value of 100 (one hundred) rubles per share for a total amount of 6,958,313 thousand rubles.

As of December 31, 2021, 7,167,844 of additional shares is placed and paid.

The placement of additional shares at the end of the reporting year has not been completed, state registration of changes to the Company's Articles of Association has not been made. The amount of authorized capital as of December 31, 2021 has not changed and amounted to 33,465,783,700 rubles.

Preferred shares did not issued by the Company.

Additional capital of the Company is formed as a result of paid-in capital in excess of par.

The company creates the capital reserve intended for loss coverage. These losses are not specifically defined but may occur in economic turnover. The capital reserve is created out of net profits of the Company.

5.6. Accounts receivable

Information on the presence and flow of accounts receivable for the reporting period is disclosed in the Table 5.1. Notes to the balance sheet and statement of financial results are represented in a tabular format. Accounts receivable that is arisen and paid off in the one reporting period is not included in the turnover.

Advances, advance payments paid by the Company in connection with the acquisition, creation of inventories as of December 31, 2021, taking into account the reserve on doubtful debts amounted to 19,303 thousand rubles.

Table 7 – Settlements with the budget

(thousands of RUB)

Indication	Debt as of December 31, 2020		Accrued for 2021	Paid for 2021	Debt as of December 31, 2021	
	Debit	Credit			Debit	Credit
VAT	–	541 998	2 972 497	2 978 406	–	536 089
Property tax	20	162 374	606 301	609 812	533	159 376
Income tax	302 279	–	1 097 611	1 047 266	251 934	–
Land charge	28 601	1 164	4 307	-22 725	1 277	872
Personal income tax	2	63 439	775 758	779 031	29	60 193
Transport tax	–	2 081	8 580	8 751	–	1 910
Other taxes and dues	–	2	1	-2	–	5
Total taxes	330 902	771 058	5 465 055	5 400 539	253 773	758 445
Tax Penalties	5 600	–	-14 177	-19 776	1	–
Fines	19 452	–	-45 247	-48 747	15 952	–
Total	355 954	771 058	5 405 631	5 332 016	269 726	758 445

The amount of accounts receivable for taxes and dues is decreased for 86,228 thousand rubles in 2021.

There was a considerable decrease in accounts receivable related to the corporate tax in the amount of 50,345 thousand rubles. Accounts receivable for income tax in the amount of 251,934 thousand rubles arose due to the fact that advance payments (paid in 2021) had exceeded the amount of income tax, calculated for year results.

The accounts receivable on land value tax is decreased for 27,324 thousand rubles are mainly relate to the recovery of the excessively recovered sum of land tax from the budget implemented by tax authority in 2021 when the judicial decision in favour of the Company has come into force on December 24, 2020, partially canceled the results of on-site tax inspection regarding the on land value tax for 2011-2012.

The decrease of accounts receivable on fines in the amount of 3,500 thousand roubles, penalties in the amount of 5,599 thousand rubles are mainly relate to the recovery from budget of the excessively recovered tax sanctions on land tax in 2021 in accordance with the judicial decision in favour of the Company that has come into force.

Table 8 – Settlements for insurance contributions

(thousands of RUB)

Indication	Debt as of December 31, 2020		Accrued for 2021	Paid for 2021	Debt as of December 31, 2021	
	Debit	Credit			Debit	Credit
Insurance contributions – total	22 436	135 442	1 772 938	1 734 420	6 183	157 707
including:						
Pension contribution	6	105 235	1 284 996	1 274 990	15	115 250
Compulsory health insurance	–	28 153	307 027	305 812	–	29 368
Social insurance	22 430	2 054	180 915	153 618	6 168	13 089
Penalties – total	–	–	1	1	–	–
Fines – total	94	–	87	121	128	–
Total	22 530	135 442	1 773 026	1 734 542	6 311	157 707

Accounts receivable related to the insurance contributions decreased by 16 219 thousand rubles in 2021. The decrease was mainly driven by decreasing in accounts receivable in respect of contributions to the Social Insurance Fund owing to the recovery of social insurance expenses made by the insurer for the period of 2021 from the Social Insurance Fund.

Table 9 – Allocation of taxes, penalties and fines according to the levels of budget

(thousands of RUB)

Indication	Debt as of December 31, 2020		Accrued for 2021	Paid for 2021	Debt as of December 31, 2021	
	Debit	Credit			Debit	Credit
Taxes – total	330 902	771 058	5 465 055	5 400 539	253 773	758 445
Federal budget	79 163	605 439	3 918 988	3 886 764	37 785	596 285
Regional tax, national tax	223 138	164 455	1 541 760	1 536 500	214 711	161 288
Local tax	28 601	1 164	4 307	-22 725	1 277	872
Penalties – total	5 600	–	-14 177	-19 776	1	–
Federal budget	1	–	-1 821	-1 821	1	–
Regional tax, national tax	–	–	-12 356	-12 356	–	–
Local tax	5 599	–	–	-5 599	–	–
Fines – total	19 452	–	-45 247	-48 747	15 952	–
Federal budget	9 688	–	-22 396	-21 095	10 989	–
Regional tax, national tax	3 202	–	-22 862	-21 119	4 945	–
Local tax	6 562	–	11	-6 533	18	–
Total	355 954	771 058	5 405 631	5 332 016	269 726	758 445

Accounts receivable of buyers and clients, other accounts receivable are disclosed in Appendices 5.6.1-5.6.3.

5.7. Accounts payable, loans and borrowings

Information on the presence and flow of accounts payable for the reporting period is disclosed in the Table 5.3. Notes to the balance sheet and statement of financial results are represented in a tabular format. Accounts payable that is arisen and paid off in the one reporting period is not included in the turnover.

The amount of accounts payable for tax payments decreased by 12,613 thousand rubles that was mainly driven by reducing the assessment of VAT and personal income tax.

Accounts payable on value added tax decreased by 5,909 thousand rubles, including due to a decrease in VAT accrual for the 4th quarter of 2021.

In 2021, accounts payable on insurance contributions increased by 22,265 thousand rubles, including pension fund contributions – by 10,015 thousand rubles, contributions to the statutory social insurance fund - by 11,035 thousand rubles. This change is associated with an increase in the taxable base in 2021.

Table 10 – Amounts and repayment periods of borrowings and loans of PJSC Rosseti Kuban as of December 31, 2021

(thousands of RUB)

Name of the bank	No. of loan agreement	The amount of the actual debt	Interest debt	Repayment period
PJSC Rosseti	5736	0	17 898	Less than 1 month
PJSC Rosseti	5781	4 200 000	8 063	Amount of principal debt – less than 12 months, for percent – less than 3 months
LLC FGC – asset management *	6-3	600 000	0	Less than 6 months
JSC SMP Bank	No. 08-03-2021/OB	0	5	Less than 1 month
PAO Sberbank	5400/449	0	1 284	Less than 1 month
PAO Sberbank	5400/634	0	3 304	Less than 1 month
PAO Sberbank	5400/635	0	3 239	Less than 1 month
JSC Raiffeisen bank	No. 44895-KRD	0	399	Less than 1 month
Total line 1510	–	4 800 000	34 192	–
PJSC Sberbank	5400/449	777 178	0	Above 1.5 years
PJSC Sberbank	5400/634	2 000 000	0	Above 1.5 years
PJSC Sberbank	5400/635	1 960 593	0	Above 1.5 years
Bank GPB (JSC)	No. 0719-030-0000-K	1 000 000	0,00	Above 2 years
Bank GPB (JSC)	No. 0719-031-0000-K	730 968	0,00	Above 2 years
Bank GPB (JSC)	No. 0719-120-0000-K	648 886	0,00	Above 2 years
Bank GPB (JSC)	No. 0719-048-0000-ГC	1 356 190	0,00	Above 1.5 years
Bank GPB (JSC)	No. 0719-049-0000-ГC	1 575 000	0,00	Above 1.5 years
Bank GPB (JSC)	No. 0719-050-0000-ГC	1 187 500	0,00	Above 1.5 years
PJSC PS Bank (Promsvyazbank)	No. 0089-20-3-15	1 900 000	0,00	Above 2 years
JSC Raiffeisen bank	No. 44895-KRD	1 500 000	0,00	Above 1 year
PJSC Rosseti***	5736	1 400 000		Above 3 years
Total line 1410	–	16 036 315	0,00	–

* The legal entity (person) is a member of the same group of persons to which the Company belongs

*** The Company is entitled to manage more than 50% of total votes, attached to the shares that constitute the charter capital, the interest of this legal entity

Interest rates for debt portfolio of the Company have been formed in the range of 7,07% to 10,05% per annum as of December 31, 2021.

According to the results of the analysis of the statements of PJSC Rosseti Kuban for 2021, the Company recorded a violation of financial indicators under a loan agreement No. 5781 as of June 30, 2020 concluded with PJSC Rosseti. Due to the objective reasons for exceeding the indicators established by the loan agreement, as well as in accordance with the letter of PJSC Rosseti, the lender does not have intentions to request the acceleration of loan repayment prior to the scheduled date.

According to the results of the analysis of the statements of PJSC Rosseti Kuban for 2021, the creditor of the Company -PJSC Sberbank - recorded a violation of the condition for maintaining net credit turnover for the 3rd quarter of 2021 under the General Agreements No. 5400/449 as of July 9, 2018 , No. 5400/634 and 5400/635 as of November 18, 2019 . In accordance with the letter of PJSC Sberbank, the bank confirmed the lack of intention to use the right to request early repayment of debt amounts until the end of the issued tranches (up to July 21, 2023).

Information is disclosed in Appendices 5.6.5-5.6.8.

5.7.1. Securing obligations

As of December 31, 2021, the amount of bank guarantees received to insure the fulfilment of obligations under the contractor agreements/supply and repayment (return of advances) amounted to 1,777,286 thousand rubles on the off-balance sheet item 008 “Fulfilment of obligations and payments received” (Appendix 5.8.)

5.7.2. Information on opportunities of the Company to raise additional cash as of reporting date

Table 11 – Unused credit facilities by the Company

(thousands of RUB)

Creditor bank	Name and date of the contract	Amount of unutilized limit	Termination date of drawdown
PAO Sberbank	No. 5400/380 of September 29, 2017	3 000 000	September 23, 2022
PAO Sberbank	No. 5400/449 of July 9, 2018	1 222 822	July 8, 2023
PAO Sberbank	No.5400/635 of November 18, 2019	39 407	November 16, 2024
PAO Sberbank	No. 5400/695 of September 17, 2020	1 500 000	September 16, 2025
PAO Sberbank	No. 5400/696 of September 17, 2020	2 000 000	September 16, 2025
VTB Bank (PJSC)	No. KC-30750/0007/B-20 of August 20, 2020	1 425 000	July 20, 2025
VTB Bank (PJSC)	No. KC-30750/0008/B-20 of August 20, 2020	1 575 000	July 20, 2025
VTB Bank (PJSC)	No. KC-30750/0009/B-20 of August 20, 2020	1 575 000	July 20, 2025
VTB Bank (PJSC)	No. KC-30750/0013/B-20 of August 31, 2020	1 500 000	July 31, 2025
VTB Bank (PJSC)	No. KC-30750/0010/B-20 of August 31, 2020	1 575 000	July 31, 2025
VTB Bank (PJSC)	No. KC-30750/0014/B-20 of August 31, 2020	1 575 000	July 31, 2025
VTB Bank (PJSC)	No. KC-30750/0012/B-20 of August 31, 2020	1 850 000	July 31, 2025
VTB Bank (PJSC)	No. KC-30750/0011/B-20 of August 31, 2020	2 000 000	July 31, 2025
Bank "RRDB"(JSC)	No. 355ю of November 6, 2018	1 261 000	May 5, 2023
Bank "RRDB"(JSC)	No. 356ю of November 6, 2018	1 261 000	May 5, 2023
Bank "RRDB"(JSC)	No. 357ю of November 6, 2018	1 261 000	May 5, 2023
Bank "RRDB"(JSC)	No. 369ю of December 11, 2019	1 000 000	June 6, 2024
Bank "RRDB"(JSC)	No. 374ю of April 29, 2020	1 000 000	April 29, 2025
Bank "RRDB"(JSC)	No. 375ю of April 29, 2020	1 500 000	April 29, 2025
Bank "RRDB"(JSC)	No. 376ю of April 29, 2020	2 000 000	April 29, 2025

Creditor bank	Name and date of the contract	Amount of unutilized limit	Termination date of drawdown
Bank "RRDB"(JSC)	No. 379ю of August 25, 2020	1 575 000	February 25, 2025
Bank "RRDB"(JSC)	No. 397ю of December 29, 2021	1 200 000	December 29, 2028
Bank "RRDB"(JSC)	No. 398ю of December 29, 2021	2 000 000	December 29, 2026
Bank GPB (JSC)	No. 0719-031-0000-K of September 18, 2019	269 033	September 18, 2024
Bank GPB (JSC)	No. 0719-120-0000-K of November 20, 2019	2 351 115	November 15, 2024
Bank GPB (JSC)	No. 0720-048-0000-ГC of September 30,2020	143 810	September 16, 2025
JSC SMP Bank	No.08-22-2020/KJ of August 14, 2020	1 000 000	August 14, 2025
JSC SMP Bank	No. 08-03-2021/OB of February 1, 2021	500 000	February 1, 2024
AK Bars Bank (PJSC)	No. 6931/4/2021/0102 of February 26, 2021	500 000	February 26, 2024
AK Bars Bank (PJSC)	No. 6931/4/2021/0307 of February 26, 2021	500 000	February 26, 2024
PJSC Credit bank of Moscow	№ 0331/21 of July 14, 2021	1 500 000	July 14, 2026
JSC Bank of Russia	No. 00.19-5/01/138/21 of September 1, 2021	250 000	September 1, 2023

Available credit limits are opened up by the Company which makes it possible to refund borrowings subject to prompt repayment in 2021. As of December 31, 2021 the total amount of credit limit with termination of drawdown period in 2022-2025 amounted to 41,909,187 thousand rubles, including in the amount of 7,762,229 thousand rubles - in PAO Sberbank, in the amount of 14,058,000 thousand rubles - in Bank "RRDB" (JSC), in the amount of 2,763,958 thousand rubles – in Bank GPB (JSC), in the amount of 13,075,000 thousand rubles – in VTB Bank (PJSC), in the amount of 1,500,000 thousand rubles – in JSC SMP Bank, in the amount of 1,000,000 thousand rubles in AK Bars Bank (PJSC), in the amount of 1,500,000 thousand rubles in PJSC Credit bank of Moscow and in the amount of 250,000 thousand rubles – in JSC Bank of Russia.

As at December 31, 2021, free limits in the total amount of 1,300,000 thousand rubles under the loan agreements (concluded with PJSC Rosseti) are opened up.

5.8. Information on risks of business activity

Internal Control Policy and Risk Management Policy are approved by the Board of Directors of the Company (Minutes No. 233/2016 of March 18, 2016) and Risk Management Policy (Minutes of February 24, 2021 No. 420/2021), the main objective of which are to recognize and ensure the fulfilment of prevention measures intended to minimize the risks (control procedures) according to the deadlines, with the purpose of reducing the probability of financial and other losses that have an impact on achieving goals of the Company.

The risk management policy defines the general principles for the creation of the Risk Management (hereinafter referred to as the RM), its goals and objectives, general approaches to the organization, the distribution of responsibilities among the participants of the risk management and the nature of their interaction.

The development and functioning of the Risk Management is carried out on the basis of common principles, which are adopted and observed by the the governing bodies and employees of the Company at all levels of management:

- 1) operation of the Risk Management is a continuous, constantly operational process that affects all activities of the Company;
- 2) operation of the Risk Management contributes to the goals set out in the strategic and tactical planning documents;
- 3) Risk Management is an integral part of the decision-making process in the Company at all levels of administration. Risk Management contributes to informed decision-making, taking into consideration the analysis of all available information on probability and consequences of decisions and possible alternatives to decisions;
- 4) Risk Management contributes to achievement of the Company's goals, increase of productivity, health and safety support of the Company's employees, safety of the Company's activities, compliance with legal and regulatory requirements, environmental protection, improvement of service quality (client-oriented approach), efficiency of operations, management and reputation;;
- 5) Risk Management contributes to the optimal balance between risks and profitability for the Company as a whole taking into consideration the requirements of the legislation, provisions of internal documents and the Articles of Association of the Company, stipulates that when executing operations and deal-making associated with an increased risk of capital loss and investment, a reasonable risk score and compliance of the level of accepted risk with the established level of preferred risk should be taken into account;
- 6) uncertainty is an integral part of decisions made in the Company. Risk Management enables information on sources of uncertainty (risk factors) to be systematized and facilitated;
- 7) Risk Management functioning is based on a systematic approach that allows to ensure timely and qualitative identification, risk assessment and execution of control procedures formalized in internal documents of the Company. Systematic, regular, consistent management of all types of risks is carried out in all key areas of activity, at all levels of management of the Company;

- 8) Risk Management functioning is based solely on qualitative, timely, verified and confirmed information. Risk Management is based on information from sources such as historical data, experience, interested party feedback, observations, analyses, predictive data and expert assessments. However, decisions should take into consideration the limitations and assumptions of data sources or the modelling and risk assessment methods used and the possible subjectivity of the expert opinion on which the risk assessment is based;
- 9) governing bodies and managers of the Company ensure the dissemination of knowledge and skills in the field of risk management in the Company, contribute to the development of a corporate culture of compliance with the principles of risk management and decision-making taking into account the risks. Adequate and timely involvement of interested parties and, in particular, decision makers in the processes of risk management at all levels of management of the Company ensures the appropriate level of development of risk management and its compliance with the requirements of internal and external environment;
- 10) the risk owner is responsible for risk management within the prerogatives assigned his/her. Employees of the Company are responsible for compliance with the procedures, standards and measures for risk management established in the Company;
- 11) Risk Management is based on the principle of efficiency (productivity and cost-effectiveness) of risk management processes, namely, the need to achieve the established goals of the Company using the least amount of resources (economy) and (or) achieve the best result of the Company's activities using the established amount of resources (efficiency);
- 12) risk management processes affecting several areas of activity (business processes) or the activities of several structural divisions are based on collective decisions taken jointly on the basis of information available to various structural divisions, taking into consideration the opinions of all interested parties;
- 13) Risk management participants make all possible efforts and use possible resources to achieve the Company's goals, but risk management cannot guarantee full achievement of the Company's goals, as well as risk identification and absolute risk reduction;
- 14) Risk management operates in accordance with the conditions and factors of the external and internal environment;
- 15) risk management is a dynamic and responsive process;

- 16) The Company constantly monitors the operation of the risk management, as a result of which it develops measures aimed at improving and developing the risk management, the culture of compliance with the principles of risk management and decision-making taking into account the risks;
- 17) Risk Management of the Company complies with the principles set forth in the International Standard for Risk Management ISO 31000:2018 "Risk Management - Management," COSO concepts "Risk Management of the Organization: Integration with Strategy and Performance" and in methodological recommendations for state-owned companies/companies with public participation in the field of risk management.

The Company carries out collection and analysis of information characterizing the external and internal factors that have a negative impact on achieving goals of the Company every three months. The Company has developed and fulfills the measures in order to minimize the consequence of risk realization. These measures are focused on preventing the negative effects. At the same time political and economic factors have an impact on the activity of PJSC Rosseti Kuban. Because of these factors the Company can't guarantee that the measures intended to prevent the probability of negative effects will be able to remedy the situation, because these risk factors are out of the Company's control.

Industry risks

The risk of increased costs for electric power transmission services of other network organizations

Under the conditions of limited tariff growth, the regional regulator accepts significant revenue growth for individual network organizations by reducing (or unchanged) revenue from some network organizations in favor of an increase in other network organizations.

The subjective approach of the regional regulator to the distribution of the network component among network organizations in the regions where it operates, the absence of revision of tariff decisions for individual network organizations during several regulatory periods, the inclusion of the investment component for individual network organizations, or as a result of enforcement of instructions of the Federal Antimonopoly Service of the Russian Federation (FAS Russia) and court decisions may lead to the realization of risk. The issuer assesses the risk as significant with a moderate level of consequences from implementation. To prevent and mitigate the consequences of realization those risks, the Issuer provides supporting materials to the Regulatory Authorities (Regional Energy Commission - Prices and Rates Department of the Krasnodar Region). These materials confirm the level of economically justified expenditures. Therefore, the Issuer maintains its position about necessity of breakthrough growth of expenditures of the Issuer, being the power provider for Krasnodar Region and the Republic of Adygeya.

The risk of an increase in the price of electricity purchased with the purpose of compensation for losses.

Free pricing in the wholesale energy market (capacity), where the purchase of electric energy (capacity) is carried out in order to compensate for the technological expenses (losses) for electric power during the electric power transmission through the networks is a factor for the realization of this risk. If the risk is realized, there may be a change in the value of net profit, the total volume of uncontrolled expenses, the debt load, cost value of servicing raised funds. The risk is assessed by the company as "moderate" with an average level of consequences from realization. In order to minimize this risk and mitigate the consequences of its implementation, the shortfall in revenue in excess of the weighted average uncontrolled price of the wholesale electricity and capacity market on actual basis in relation to the accepted in the tariff balance decisions is claimed by the regulator for compensation in the future period of regulation

Risks associated with the political and economic situation in the country and region

Risks associated with adverse weather conditions which may lead to technological disturbances..

The actual value for achieving the reliability indicator of electric power transmission services in indicative terms did not exceed the planned values. The risk is assessed as "moderate" with an average level of consequences from implementation. To identify the causes of major technological disturbances (accidents), accident investigations are organized in accordance with the requirements of the Decree of the Government of the Russian Federation of October 28, 2009 No. 846 "On Approval of the Rules for Investigating the Causes of Accidents in the Electric Power Industry " (as amended). Based on the results of investigations, emergency prevention measures are being developed in order to minimize the consequences of the realization of the risk and henceforth prevent the occurrence of similar cases and cover the above-mentioned factors.

Sudden changes of regional scale (ecological, political, demographic, social) are unlikely, but their emergence will certainly affect the Company's activities. Taking into consideration the sufficient level of development of the transport infrastructure of the region, the risks of termination of transport communication due to inaccessibility and farness are minimal.

According to the Company, the situation in the region will have a favorable effect on the Company's activities and there is no reason to expect that the current changes in the situation in the region will lead to non-fulfillment of the Company's liabilities.

Financial risks

Inflation risk

The current inflation level cannot have a significant effect on the financial status of the Company. According to the data of the Federal State Statistics Service, the rate of the inflation for 2021 in the Russian Federation amounted to 8.4 percent. According to the forecasts of the social and economic development of the Ministry of Economic Development of the Russian Federation for 2022-2024, the inflation forecast for 2022-2023 could rise to 5-6 percent under favourable conditions.

For minimization of financial risks, risks associated with inflation processes and affecting the financial results of activity, the Company is implementing the plan of measures aimed at the effective management of material resources, improving labour efficiency, implementing the company's procurement policy in repair and other operational activities, optimizing costs through the rational utilization of material and human resources. Measures are being taken to analyze financial risks, plan and evaluate the actual profitability of the work, determine profitability indicators indicating the level of profitability of the Company, normative values of financial coefficients characterizing solvency and liquidity, which makes it possible to promptly detect drawbacks in the Company's work and take measures for their elimination. In accordance with Decree of the Government of the Russian Federation of December 29, 2011 No. 1178 "*On price formation in sphere of regulated prices (tariffs) in power industry*" when regulating electricity tariffs inflation level should be taken into consideration (consumer price index), that was defined in the prognosis of social and economic development of the Russian Federation. Thus, the Company considers these risks as moderate.

The risk of an increase in interest rates on credits and loans.

The Company attracts short-term and long-term borrowings from the Russian financial market. Since Company operates in the Russian Federation, inflation growth in the Russian Federation is one of the factors of overall growth of interest rates. Significant increase in interest rates on loans and borrowings can lead to debt service increase. Nowadays the risk of rising interest rates on loans is estimated as "significant" (On December 17th, the Board of Directors of the Bank of Russia made a decision on increase in the interest rate up to 8.50 percent per annum). To manage this risk, the Company optimizes the debt portfolio structure and reduces its servicing costs. According to the results of 2021, the average debt portfolio rate of the Company amounted to 9.48 percent. Besides, the Company strains after use of loans and borrowings with the fixed interest rate.

The Company's supposed actions in the event of negative effect of interest rates change on one's activity: attraction of longer-term loans to avoid negative effect of interest rates short-term fluctuations and diversify funding sources, negotiation with creditor banks, sending letters on the possibility of reducing interest rates on loans.

Legal risks

The risk of performance of a judicial act (settlement of disputes) on debt collection for power transmission services not in favor of the Company

The absence of documents conforming actual fulfillment of obligations on behalf of the Company, services and expenses incurred, including insufficient or poor quality of supporting materials, incoherence of activities of business units may lead to negative financial consequences for the Company when pronouncing judicial acts (settlement of disputes) on collection of debts for power transmission services not in favor of the Company, collection of court costs. Risk is assessed as "significant" with an average level of impact from realization

The Company participates in legal proceedings, the results of which may significantly affect the Company's financial and economic activities. The Company continuously monitors litigation practice, which allows this information to be used to achieve positive judicial decisions in its favor.

Impossibility of timely land registration (on high interest objects).

The Company's exposure to the risk of untimely land registration should be considered as "moderate". The risks of untimely land registration are minimal and do not significantly affect electric power transmission activities, however, land registration on a timely basis has a direct impact on the implementation of the investment program, the implementation of which have a direct impact on the reliability of electricity supply. The Company implements cooperation with government authorities of regional/republican/local significance, with rightholders of plots of land, as well as controlling the activities of contract organizations performing works on land registration.

In the event of change and/or presentation of claims, deliberate obstructiveness of registration of proprietary rights by the relevant agencies, incoherence of activities of the Company's employees, the Issuer will take the necessary measures to execute the relevant documentation.

Engaging of employees in corrupt practices

Violation and failure to comply with the requirements of the legislation of the Russian Federation, local regulatory legal acts and regulatory and administrative documents may lead to negative reputational consequences, as well as financial damage to the company. The Company uses best practices in assessing the risk of corruption - the zero tolerance policy of management to corruption and fraud, that is, if such a risk is identified, it is assessed as "critical" with a high level of consequences from implementation. This reflects a high level of corporate culture and the zero tolerance policy of management to corruption and fraud. The implementation of the Corruption Control Plan allows to form a negative attitude towards corruption behavior among the Company's management/employees.

Deliberate illegal acts on behalf of both legal entities and individuals, as well as on behalf of employees of the Company, causing economic damage and threat to the good name

The Company monitors changes in the legislation of the Russian Federation, and cooperation has been established with law enforcement agencies. Preventive maintenance is performed with employees of the Company. The risk is assessed as "moderate".

Occupational risks of the Company

The risk of occupational injuries is measured as critical with high level of consequences from implementation and smoothed by ensuring occupational safety by way of:

- issuing certified, high-quality protective equipment, detergents and disinfectants, serviceable tools, devices;
- control of their correct use;
- implementing and using technologies ensuring safe performance of works and safe working conditions;
- compliance with the requirements of regulatory legal acts on maintenance, in the field of labor protection, fire, industrial and environmental safety, including in the design, construction, upgrading and retooling;-
- control of execution/implementation of programs containing requirements for labor protection and aimed at prevention of injuries (programs for elimination of places most likely to cause injury, etc.);
- timely providing workplace training on labor protection with quality control of their understanding.

Reputational risk

The risk that the Company incurs losses due to such factors as a reduction in the number of customers (counterparties) because of the formation of negative image of financial stability, the financial position of the issuer, the quality of the work, is considered as minimal. The Company continuously works on maintaining the reliable and uninterrupted power supply to consumers, improving higher quality of service and customer-focused improvement - achieving the goals defined by the Strategy for development of integrated power grid of the Russian Federation. The realization of these goals and objectives largely determines the Company's reputation.

The Company is a natural monopoly, there is an annual increase in the number of electricity consumers. In addition, the Company developed good practice for long-term cooperation with its partners.

Strategy risk

The Company, being a part of the unified integrated distribution power grid of Russia, seeks to achieve the objectives defines at the national level. The Strategy for development of integrated power grid of the Russian Federation was approved by the Decree of the Government of the Russian Federation of April 3, 2013 No.511-p. Since the Company is a subsidiary of PJSC Rosseti, the largest Russian systemically important electric grid company, the Company is a participant in implementation of policies and programmes on activities (business processes) of PJSC Rosseti. The goal of this Strategy is to ensure reliable, high-quality and affordable energy supply to consumers by organizing the most efficient network infrastructure corresponding to the world standards.

To ensure the implementation of the tasks and achievement of the goals defined in the Development Strategy of PJSC Rosseti and and its subsidiaries and affiliates until 2030, as well as the objectives of the integrated power grid at the Federal level, the Long-term Development Program of PJSC Rosseti and its subsidiaries and affiliates (Rosseti Group of Companies) is approved until 2030.

These documents define the main risks that the Company may face in implementing the strategy. The list of these risks includes:

- reduction in yield for electric power transmission;
- failure to adopt regulatory initiatives to improve pricing in the industry;
- implementation of large-scale network infrastructure projects that do not provide the necessary return level on invested capital;
- cyber-attacks against network infrastructure facilities.

Decisions on the launch of the specific strategy (programme) in the Company's activity is made by the Board of Directors.

The probability of the risk of losses arising from errors (defects) made in management decisions, defining the strategy and activities of the Company, is assessed as low.

Measures to prevent the occurrence of this risk are:

- elaboration of proposals and scenarios to improve the implementation of specific policies and programmes;

- analysis of effectiveness of particular strategy, adoption of managerial solutions by the results of analysis;

- development and implementation of key performance indicators to achieve policies, linking them with bonuses of managers of the Company;

- continuous monitoring by the structural units of the Issuer's the ratio of the cost of implementing a specific strategy to the received profit and submission to the Board of Directors of the Company of the information for decision-making (including, by definition, the quantity and quality of resources).

Operational risks

Risk of reduction of electric power transmission services to consumers connected to regional distribution networks

Volume reduction of electrical energy consumption may be driven by the impact of such external factor as economic crises and the decline in output of goods, the construction by consumers of their own generation, weather anomalies, industrial accidents, man-made disasters, a pandemic and the observance of quarantine regime by both individuals and legal entities.

Internal risk factors include undersupply of energy due to supply interruptions. Potential influence of these factors may influence on reducing the volume of services for transmission of energy, and therefore, changing of revenue of the Company. At present, the risk is assessed as "moderate" with an average level of consequences from realization.

However, as forecasted, the energy system of the Republic of Adygea and the Krasnodar region, developed by the Grid Operator of Unified Energy System (GO UES) as part of the “Scheme and Program for the Development of Unified Energy System of Russia for 2021-2027” the demand on electric power and capacity will increase. The Company participates in the formation of the Scheme and Program for the Development of the Electric Power Industry of the Krasnodar region, on the basis of which the Company's investment program is formed, the purpose of which is to expand the potential market for services and increase the number of connected consumers. The Company monitors and forecasts electric consumption by voltage levels, by which the price (tariff) for electric energy transmission services is differentiated, and by categories of consumers, as well as monitoring physical parameters of electric energy and capacity balance, carrying out work to increase the accuracy and reliability of demand planning for electric energy and capacity. The current and forecast economic situation in the region and in the whole country is also monitored, preparatory work is underway for the proper functioning of energy equipment in the corresponding seasons of the year, maintenance and repair of energy facilities are carried out.

Risk of non-fulfillment by counterparties of obligations to pay for power transmission services within the terms established by the agreement/contract and/or or partial implementation

As a result of the risk of non-fulfillment by counterparties of obligations to pay for services, the Company's accounts receivable index is subject to the greatest influence in the Company's reporting due to the inability of counterparties to pay for services of the Company. The risk is due to the insufficient performance of mechanisms for increasing payment discipline in the market for the provision of electricity transmission services, the consumer's lack of incentive to timely payments for electric power transmission services. The economic slowdown in Russia may affect the expense growth for electric power transmission to the distribution grids of the Company that while maintaining the established tariffs, will lead to a reduction in profits. As a result of this, disputed and overdue receivables for power transmission services arise, which leads to a decrease in liquidity and financial stability of the Company. To reduce this risk, the Company carries out work on receivables management aimed at optimizing its level and repayment of debts. The Company estimates the risk as "moderate" with an average level of consequences from realization.

Risk of changing network configuration and working system

The change in the network working system, the presence of transit cross-flow with intersystem regions, the presence of emergency modes, the consolidation of electrical network property, as a result, the increase in load losses are the main factors in the realization of this risk. The consequences of realization of this risk may be exceeding the established level of power losses set out in the Company's business plan for the current year. The society estimates the risk as "moderate" with a low level of consequences from realization.

In order to prevent the realization of this risk, the Company monitors and predicts electric consumption by voltage levels, by which the price (tariff) for electric energy transmission services is differentiated, and by categories of consumers, as well as monitoring the physical parameters of the balance of power energy and capacity, and conducting work to increase the accuracy and reliability of planning demand for power energy and capacity. In addition, data on loss volumes and prices for electric energy used by guaranteeing suppliers in calculating the cost of loss of electric energy are monitored.

Risk of natural technical failures in the protection systems of information and telecommunication systems of integrated power grid facilities

The reasons for this risk may be the use of outmoded equipment, lack of technical support, the use of equipment after the expiry of the service life of the equipment. The realization of this risk may lead to a decrease in the security of the electric grid complex facilities, temporary simple work in information and telecommunication systems. The society estimates the risk as "moderate" with a low level of consequences from realization.

In order to prevent the realization of this risk, the Company provides technical support for information protection tools, periodically analyzes the working capacity of information security products, provides repair and/or replacement of equipment, and also monitors the provision of protection systems with guaranteed and reserve power supply.

The risk of breakdown and (or) terminating the functioning of facilities of IT infrastructure and telecommunication systems of power grid facilities

The leading sources of risk realization may be unlawful acts of third parties as a result of a computer attack, which may lead to infliction of material damage to the Company, damage to business reputation, as well as disconnection of electricity consumers. The company evaluates risk as "significant" with a high level of consequences if adopted.

Inclusion of security requirements in the technical assignment for the creation of information infrastructure facilities and telecommunication systems of power grid facilities.

Implementation of information security products at information infrastructure facilities in accordance with the technical specifications for their creation.

The Company monitors the actions of the Company's employees through information security systems, monitors and analyzes external events of IT security, applies certified information security products.

Risk of undue influence on the facilities of the power grid facilities and their information and telecommunication systems (terrorist, sabotage, criminal and other), including using information technologies

The attractiveness of the targets for terrorist groups (the facility, during the failure of which the restriction of power supply to large electricity consumers is introduced) and, as a result, the failure of the equipment, power outage at consumers for a long time is the main factor for the realization of the risk. The company evaluates risk as "significant" with a high level of consequences if adopted.

Work is underway in the Company:

- installation of engineering safeguard system, video surveillance system, diagnostics monitoring and control system, security alarm at electric power industry facilities;
- reconstruction of technical security equipment at the facilities of Fuel & Energy Complex in accordance with the Company's investment programme.
- organization of the physical security of the most important Fuel & Energy Complex facilities;
- inclusion of security requirements in the technical scope of work for the creation of information infrastructure facilities and telecommunication systems of power grid facilities;
- introduction of information security products at information infrastructure facilities in accordance with technical scope of work;
- monitoring the actions of the Company's employees through information security systems. External information security events are monitored and analyzed, certified information security products are used.

Investments risks

Implementation of investment programme of the Company demands fund raising both owned and loaned, on conditions satisfying the requirements of tariff system.

The main of the investment risks is the risk of increasing the volume of financing of the investment program in general and/or in accordance with the Project Brief (in relation to the established limits), the untimely inclusion of projects in the investment program, the absence of a contractor, accessible equipment compliant with the necessary requirements for the implementation of innovation projects. At present, the current risks are assessed as moderate.

The sources of risk may be an increase in the cost of materials, equipment and work for objective reasons (financial crisis, inflation, foreign economic changes, natural disasters, etc.), the refusal of contractors to participate in procurement procedures for the implementation of an innovative project.

To minimize risk of untimely and incorrect implementation of investment programme, a set of measures are applied:

- inclusion in the investment program of only those projects for which there are applicant organizations that meet the necessary requirements for the implementation of innovative projects;
- timely submission of proposals during the formation and adjustment of the investment program;
- control of implementation of investment projects according to cost and terms.

5.9. Deferred taxes

In order to recognize revenues and expenses when calculating the income tax, the Company applies accrual method of accounting. The company accounts and includes in the report deferred tax assets and obligations on income tax. Deferred tax assets and obligations are accounted for temporary differences that are incomes and expenditures, which form the profit (loss) in one reporting period and taxable base on income tax in other reporting periods.

Current income tax is tax for taxation purposes determined in accordance with the legislation of the Russian Federation on taxes and dues. The future (deferred) component of income tax expense is reflected in the Statement of Financial Results.

Current income tax is recognized as obligation to budget equal to the amount of tax payable to the budget for the reporting period.

Income tax expense (qualified income tax) is calculated by multiplying accounting income (loss) by income tax rate, established in accordance with the legislation of the Russian Federation on taxes and dues.

The Company determined the following components of income tax in 2021, thousands of RUB:

Table 12 – **Income tax**

(thousands of RUB)

Line item	Amount	Tax rate	Amount	Income tax component
Profit/(loss) before tax	2 698 754	20%	539 751	qualified income tax
Deferred income tax, including:	256 780	20%	51 356	
Change of taxable temporary difference	(1 730 442)	20%	(346 088)	Changes in deferred tax liabilities
including:				including:
- differences appeared	(2 275 726)	20%	(455 145)	accrued deferred tax liabilities
- differences are repaid	545 284	20%	109 057	deferred tax liabilities are repaid
Changes in deductible	1 987 222	20%	397 444	Changes in deferred tax liabilities
including:				including:
- differences appeared	2 300 707	20%	460 141	accrued deferred tax liabilities
- differences are repaid	(313 485)	20%	(62 697)	deferred tax liabilities are repaid
Taxable (deductible) permanent differences	2 792 727	20%	558 545	Temporary tax asset (liability)

There are no reasons for changes in used tax rates versus the prior reporting period.

Information on profit taxation, deferred taxes flow is disclosed in Appendices 2.3 and 5.7.2.

5.10. Cost of goods sold, production, works, services, selling costs, administrative expenses and other expenses

Expenses (costs) are recognized in that reporting period where they occurred, regardless the time of the actual cash payment or another implementation (accrual principle assumption).

Table 13 – Explanation of the balance item “Miscellaneous expenditures” as a part of prime cost

(thousands of RUB)

Indication		Indication	2021
Line item	Line item		
Cost of goods sold	6510	46 800 254	49 902 736
including			
Miscellaneous expenditures	6515	25 562 435	27 418 600
Including			
Services of distribution grid companies		12 876 119	13 867 571
Services of “FGC UES” PJSC		7 627 903	8 051 470
Other expenses		5 058 413	5 499 559

5.10.1. Table 14 – Information on costs of energy resources use

Table 14 – Information on costs of energy resources use

Ser. No.	Accepted target indicators/indicators	Measurement unit	2020 (fact)	2021 (fact)
1.	2	3	5	5
1.1.	Electric power losses, including	Million rubles with VAT	9 940,924	10 883,478
		million kWh	2 340,764	2 502,071
1.1.1.	Expenditure for electrical substation own needs	Million rubles with VAT	68,744	86,796
		million kWh	17,278	19,954
1.2.	Consumption of resources for business needs including according to the type of resources	Million rubles with VAT	147,902	151,640
1.2.1.	fuel and energy, including	Million rubles with VAT	144,892	148501
		tonne of oil equivalent	4 142	4 164
1.2.1.1.	electric power	Million rubles with VAT	136,858	139,899
		thousand kWh	30 288,726	29 764,935
		thousand kWh for sqm of floor area	0,193	0,190
1.2.1.2.	heat energy	Million rubles with VAT	6,776	7,734
		Gcal	2 737,995	3 183,902
		Gcal for sqm of floor area	0,125	0,145
1.2.1.3.	natural gas	thousand m3	100,379	118,851
		Million rubles with VAT	1,259	0,869
1.2.2.	hot-water supply	thousand m3	–	–
		Million rubles with VAT	–	–
1.2.3.	cold-water supply	thousand m3	68,698	69,446
		Million rubles with VAT	3,009	3,139

Ser. No.	Accepted target indicators/indicators	Measurement unit	2020 (fact)	2021 (fact)
1.	2	3	5	5
1.3.	Equipped with devices for energy resources accounting, consumed for housekeeping needs of the Company	%	100	100
1.4.	Equipped with smart devices for energy accounting of consumers at the retail market in accordance with the Intellectual Energy Accounting Development Program *	%	23,7	23,72

* Equipped with smart devices for energy accounting is determined in accordance with the requirements of Decree of the Government of the Russian Federation of June 19, 2020 No. 890 "On procedure for granting access to the minimum set of functions of smart energy meters (capacity)".

5.11. Information on cash flows

In accordance with the Accounting Regulation 23/2011, the cash flows of organizations in the form of receipts and payments of value added tax (receipts from the buyers and clients, payments to suppliers and contractors and payments to the budget system of the Russian Federation and reimbursement from it) are recorded as compressed in the line 4119 “Other payments” of the form of balance sheet “Statement of Cash Flows” in the amount of 335,953 thousand rubles including:

- VAT as part of amounts received 9,563,477 thousand rubles;
- VAT as a part of money transferred (6,443,390) thousand rubles;
- VAT paid to the budget (2,935,878) thousand rubles;
- VAT recoverable 151,744 thousand rubles.

The result: 335,953 thousand rubles.

Highly liquid investments (cash equivalents) that can most quickly and easily be converted into previously known cash and subject to low risk of changes in value for the period from January 1 to December 31, 2021 amounted 16,478,000 thousand rubles (certificate of deposit). Cash transfer into certificate of deposit that is recognized as cash equivalents, is not cash flow and is not reflected in the Statement of Cash Flows.

Table 15 – The amount of a minimum cash balance on the current accounts of the Company as of December 31, 2021

(thousand rubles)

Foundation (additional agreement, trade confirmation)	Transaction starting date	Transaction expiration date	Amount of a minimum cash balance
1	2	3	4
Application No.201 of December 30, 2021 to the General Terms Agreement No. M3-0191/2012/007 of September 2, 2014	December 30, 2021	January 11, 2022	800 000
Application No.121 of December 30, 2021 to the General Terms Agreement No. M3-0191/2012/007 of September 2, 2014	December 30, 2021	January 10, 2022	75 000
Total branch of the Bank GPB (JSC) “South”			875 000
Total			875 000

There is no overdraft debt of PJSC Rosseti Kuban as of December 31, 2021.

As of December 31, 2021 there are no guarantees of third-parties received and not used by the Company in order to receive a loan where the amount of cash (raised by the Company) is indicated.

Cash (or cash equivalents) that cannot be used by the Company (for example, letters of credit opened in favour of other organizations related to the transactions in progress as of reporting date) is absent as of December 31, 2021.

5.12. Information on segments

According to Accounting Regulations 12/2010, the management and decision-making structure of the organization and the internal reporting system were taken as bases of segmentation in the Company. Calculations of reportable segments is made based on the information of management accounting.

The Company determined the structure of the reportable segments:

- 1) Electric power transmission;
- 2) Technological connection to electric networks.

The Company discloses information in the Accounting (Financial) Statements only by the reportable segments. The remaining segments are recorded as the other segments in the Accounting Statements. Information on the reportable segments does not contain data on the cash flow from operating, investment and financial operations because of the labour intensity of its presentation in the accounting (financial) statements.

Table 16 – Customers, revenue from sales which is less than 10% of the total revenue of the Company

(thousands of RUB)

Ser. No.	Line item (client)	Total amount of revenue	Including: electric power transmission	Including: other services
1.	Independent Energy Selling Company of Krasnodar Region JSC	18 067 285	18 067 232	53
2.	TNS Energo Kuban PJSC	25 832 039	25 688 475	143 564

Besides, information on reportable segments is disclosed in Appendix 5.13.

5.13. Related party disclosure

5.13.1. List of related parties

The operations of PJSC Rosseti Kuban are strongly affected by following individuals/legal entities, which are affiliated to the Company. In accordance with the legislation of the Russian Federation, PJSC Rosseti Kuban publishes the lists of affiliates of PJSC Rosseti Kuban on its website at: <https://rosseti-kuban.ru/aktsioneram-i-investoram/raskrytie-informatsii/spisok-affilirovannykh-lits-obschestva/>

Affiliated persons affecting the Company's activity:

- the largest shareholder of the Company – PJSC Rosseti (owns 93.58% of PJSC Rosseti Kuban shares);
- persons that are members of the management bodies of the Company (members of the Board of Directors, Management Board members, Chief Executive Officer of PJSC Rosseti Kuban).

PJSC Rosseti Kuban supervises the operations of its subsidiaries: Energetik Holiday Facility JSC and Kuban Energoservis JSC by methods of corporate management.

5.13.2. Operations carried out with related parties and transactions in progress with related parties where the settlements are executed through the bank under the terms of the contracts

Table 17 – Revenues and debts related to them for 2020

(thousands of RUB)

Contractor	As of December 31, 2019	Accrued	Paid	As of December 31, 2020
Energetik Holiday Facility JSC ***	38	2 075	(2 044)	69
Kuban Energoservis JSC ***	–	2 321	(2 269)	52
Rosseti PJSC***	–	1 422	(1 422)	–
JSC Fiber Optic Transmission Systems Management	–	5 227	(5 227)	–
PJSC Rosseti South *	–	4 639	(4 639)	–

Table 18 – Revenues and debts related to them for 2021

(thousands of RUB)

Contractor	As of December 31, 2020	Accrued	Paid	As of December 31, 2021
Energetik Holiday Facility JSC ***	69	1 764	(1 799)	34
Kuban Energoservis JSC ***	52	5 013	(4 894)	171
PJSC Rosseti ***	–	1 421	(1 421)	–
JSC Fiber Optic Transmission Systems Management	–	5 436	(4 077)	1 359

Table 19 – Expenses, other transactions and debts related to them for 2020

(thousands of RUB)

Contractor	As of December 31, 2019	Accrued	Paid	As of December 31, 2020
1	2	3	4	5
PJSC Rosseti***				
- other debts	(24 617)	(168 451)	153 049	(40 019)
- dividends	–	(595 146)	595 146	–
- calculations for interests	–	(196 712)	42 846	(153 866)
PJSC “FGC UES”*				
- trading transactions	(867 559)	(9 232 575)	9 307 647	(792 487)
- other debts	(12 001)	(4)	11 985	(20)
- other debts	10 495	357 500	(361 112)	6 883
provision	–	–	–	–
PJSC Rosseti North Caucasus*				
- other debts	(54)	(14)	14	(54)
- other debts	84 908	57 307	(67 946)	74 269
- provision	–	(66 459)	–	(66 459)
Energetik Holiday Facility JSC***				
- other debts	(130)	(15 457)	15 282	(305)
Technical Customer Centre JSC*				
- other debts	(2 207)	(1 347)	2 115	(1 439)
JSC Kuban Energoservis***				
- other debts	(26 075)	(1 034 298)	789 977	(270 396)
- other debts	–	225 881	(198 339)	27 542
- dividends	–	(668)	668	–
PJSC Research and Development Center of Federal Grid Company of Unified Energy System (FGC UES) **				
- other debts	–	(35)	35	–
JSC Fiber Optic Transmission Systems Management *				
- trading transactions	(101 019)	(294 892)	119 527	(276 384)
- other debts	(76 696)	(106 691)	160 222	(23 165)

Table 20 – Expenses, other transactions and debts related to them for 2021

(thousands of RUB)

Contractor	As of December 31, 2020	Accrued	Paid	As of December 31, 2021
1	2	3	4	5
PJSC Rosseti***				
- other debts	(40 019)	(151 733)	172 318	(19 434)
- settlements with shareholders	–	(760 060)	716 784	(43 276)
- calculations for interests	(153 866)	(286 355)	414 260	(25 961)
PJSC FGC UES*				
- trading transactions	(792 487)	(9 755 169)	9 732 840	(814 816)
- other debts	(20)	(28)	28	(20)

Contractor	As of December 31, 2020	Accrued	Paid	As of December 31, 2021
1	2	3	4	5
- other debts	6 883	9 397	(2 842)	13 438
provision	—	—	—	—

Contractor	As of December 31, 2020	Accrued	Paid	As of December 31, 2021
1	2	3	4	5
PJSC Rosseti North Caucasus *				
- other debts	(54)	–	–	(54)
- other debts	74 269	10 661	(12 371)	72 559
- provision	(66 459)	(8 032)	2 550	(71 941)
Energetik Holiday Facility JSC ***				
- other debts	(305)	(41 403)	41 653	(55)
Technical Customer Centre JSC *				
- other debts	(1 439)	(8 728)	4 863	(5 304)
JSC Kuban Energoservis ***				
- other debts	(270 396)	(1 759 152)	1 535 783	(493 765)
- other debts	27 542	410 502	(225 504)	212 540
- dividends	–	(19 894)	19 894	–
PJSC Research and Development Center of Federal Grid Company of Unified Energy System (FGC UES)*				
- other debts	–	(35)	35	–
JSC Fiber Optic Transmission Systems Management *				
- trading transactions	(276 384)	(500 053)	384 567	(391 870)
- other debts	(23 165)	(211 947)	212 062	(23 050)
LLC FGC-Asset Management*				
- calculations for interests		(14 898)	14 898	

* * The legal entity is a member of the same group of persons to which the Company belongs.

** The legal entity is entitled to manage more than 20% of shares of the Company.

*** The Company is entitled to manage more than 50% of total votes, attached to the shares that constitute the charter capital, the interest of this legal entity.

Settlements are carried out monthly, the terms of the contracts are market. Non-Cash Payments.

Write-off of accounts receivable for which the statute of limitations has expired and other bad debts, including write-off out of provision for doubtful debts, has not been made.

5.13.3. Benefits payable to key management personnel

Table 21 – Information on the amounts of key management personnel benefits

Types of benefits	Members of the Board of Directors		Members of the Auditing Committee		Members of the Management Board	
	2020	2021	2020	2021	2020	2021
1. Short-term benefits, including	29 493	16 530	844	986	2 271	1 793
1.1. Employee Remuneration for the reporting period (without vacation pay)	23 326	12 746	648	756	1 918	1 539
a) bonus	–	–	–	–	–	–
b) fringe benefits	–	–	–	–	–	–
c) other types of compensation given to employees as a result of specific labor indications and bottom line	–	–	–	–	–	–
1.2. Annual paid leave for the work in the reporting period	–	–	–	–	–	–
1.3. Other benefits in favour of key management personal (regardless terms and conditions of an Employment Contract) total, including	–	–	–	–	–	–
a) compensations for community charges;	–	–	–	–	–	–
b) health benefits (insurance);	–	–	–	–	–	–
c) lump-sum payments related to financial aid for vacation	–	–	–	–	–	–
d) full or partial payment for recreation;	–	–	–	–	–	–
e) full or partial payment for education for Company's personal benefit;	–	–	–	–	–	–
f) other (please specify) including:	–	–	–	–	–	–
Compensation for residential lease	–	–	–	–	–	–
Severance pay	–	–	–	–	–	–
1.4. Accrued taxes and other compulsory payments to the corresponding budgets and extra-budgetary funds	6 167	3 784	196	230	353	254
2. Long-term benefits, including:	–	–	–	–	–	–
2.1. Post-employment benefits, including	–	–	–	–	–	–
a) payments under the voluntary insurance agreements concluded with the insurance companies	–	–	–	–	–	–
b) payments under non-state pension agreements, concluded with non-state pension funds;	–	–	–	–	–	–
c) other payments, guaranteeing payment of pension benefits and other social guarantees after termination of labor activity;	–	–	–	–	–	–
2.2. Other long-term benefits	–	–	–	–	–	–
2.3. Long-term benefits accrual	–	–	–	–	–	–
3. Total benefits (short-term and long-term benefits) excluding accruals on them	23 326	12 746	648	756	1 918	1 539
4. Total benefits accruals (short-term and long-term benefits)	6 167	3 784	196	230	353	254

5.14. The going concern principle

Accounting (financial) statements of PJSC Rosseti Kuban for 2021 were drawn up in accordance with the going concern principle, which assumes that the Company is able to sell its assets and fulfil its liabilities in the normal course of business in the foreseeable future. As reflected in the present accounting (financial) statements, the Company's financial result (profit) in 2021 amounted to 1,711,834 thousand rubles (the Company's financial result (loss) in 2020 amounted to 1,501,278 thousand rubles which was mainly driven by the impact of negative consequences associated with the spread of COVID-19), short-term liabilities of the Company as of December 31, 2021 amounted to 19,414,188 thousand rubles; including debt obligations in the amount of 4,834,192 thousand rubles. Available credit limits are opened up by the Company which makes it possible to refund borrowings subject to prompt repayment in 2022.

As of December 31, 2021, the total amount of credit limit with termination of drawdown period in 2022-2025 amounted to 41,909,187 thousand rubles, including in the amount of 7,762,229 thousand rubles – in PAO Sberbank, in the amount of 14,058,000 thousand rubles - in Bank "RRDB" (JSC), in the amount of 2,763,958 thousand rubles in Bank GPB (JSC), in the amount of 13,075,000 thousand rubles – in VTB Bank (PJSC), in the amount of 1,500,000 thousand rubles – in JSC SMP Bank, in the amount of 1,000,000 thousand rubles in AK Bars Bank (PJSC), in the amount of 1,500,000 thousand rubles in PJSC Credit bank of Moscow and in the amount of 250,000 thousand rubles – in JSC Bank of Russia. As at December 31, 2021, free limits in the total amount of 1,300,000 thousand rubles under the loan agreements (concluded with PJSC Rosseti) are opened up.

According to the forecasts of the Company Management, the net operating cash flow in 2022 will be sufficient to cover Company's liabilities payable in 2022.

Thus, despite the shortage of working capital, the Company's management believes that the Company will be able to meet all its current obligations in 2022.

5.15. Estimated liabilities, contingent liabilities and assets

In 2021, the Company recognized in the accounting the estimated liabilities related to the possible compensation payments for unused vacations in the amount of 520,346 thousand rubles, previously formed estimated liability in the amount of 506,218 thousand rubles, ending balance of the reporting period amounted to 330,958 thousands rubles. As of December 31, 2021, the estimated liability was formed, related to the possible benefits pay according to the results of the year in the amount of 415,390 rubles.

The amount of the estimated liability according to the unsettled claims of the suppliers at the beginning of the reporting period is recorded in the Accounting (Financial) Statements in the amount of 683,734 thousand rubles. Charges amounted to 758,724 thousand rubles. The amount of the estimated liability according to the unsettled claims of the suppliers at the beginning of the reporting period is recorded in the Accounting Statements in the amount of 1,220,679 thousand rubles.

As of December 31, 2021, the on-site tax inspection for 2016-2018 has been completed, but the inspection certificate until the date of signature of the statements has not been submitted by the tax authority. According to the continuous development of practical application of taxation rules, the property tax may be disputed by the tax authorities and courts related to the movables and immovable, used by the Company. Risk of tax claims, as well as probability of adverse settlement of tax disputes (if they arise) is estimated by the Company as “possible”. For this purpose, the Company’s Management, acting on the prudence principle, made a decision on reserve for estimated liabilities for tax risks in the amount of 559,578 thousand rubles.

As of December 31, 2021, the amount of provision for lawsuits amounted to 276,278 thousand rubles (Appendix 5.7.1.).

Discounting of the amounts of estimated liabilities, recognized by the Company is not applicable, because the expected deadline for the fulfilment of obligations is less than 12 months after the reporting date.

The expected amounts of counter-claims or amounts of the third party claims in reimbursement of expenses that the Company is going to incur during the fulfilment of obligations, and also the assets recognized on such claims in accordance with the Clause 19 of the Accounting Regulation 8/2010 as of the reporting date are absent.

5.16. Events after the reporting period

Accounting for events after the reporting date and disclosure of information concerning these events in the statements is kept by the Company in accordance with the Accounting Regulation 7/98 “*Events after the reporting date*”, approved by Order of the Ministry of Finance of the Russian Federation No. 56n of November 25, 1998.

In February 2022, some countries announced new sanctions packages against Russian sovereign debt, a number of Russian banks and personal sanctions against Russian individuals.

As a result of geopolitical tensions grow since February 2022, there has been significant increase in volatility in the stock markets and foreign exchange markets, as well as the fall of the ruble against the dollar and the euro.

It is expected that these events may affect the activities of Russian organizations in various sectors of the economy.

Other economic events that have or may have an impact on financial position or operating results of the Company, that occur between the reporting date (December 31, 2021) and the date of signing of the Accounting (Financial) Statements of PJSC Rosseti Kuban for 2021 are absent.

Deputy Chief Executive Officer
for Economics and Finance
of PJSC Rosseti Kuban

K.A. Iordanidi

Chief Accountant – Head of
Department of Financial Records
Accounts and Tax Returns
of PJSC Rosseti Kuban

L.V. Loskutova

February 25, 2022

Appendices to the Balance Sheet and Statement of Financial Results

- Appendix 5.1.1 “The existence of intangible assets and intangible assets turnover”
- Appendix 5.2.1 “The existence and turnover of R&D deliverables”
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