

JOINT STOCK COMPANY “TELASI”

ANNUAL REPORT **according to the results of works performed in 2009**

Chairman of the Supervisory Board

A.Zavrazhnov

Director General

A handwritten signature in blue ink, appearing to be 'Y. Pimonov', is positioned between the title 'Director General' and the name 'Y. Pimonov'.

Y. Pimonov

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Chapter I. General Data

1.1. Brief History

Tbilisi Power Grid («Tbilelectricgrid») was founded in 1937 and had two functions: technical and commercial, controlled by the Tbilisi City Council. «Tbilelectricgrid» received power from the single power generation object – the ZAGES (hydrostation), built according to the plan GOELRO (state electrification of Russia).

In 1965 by decision of the USSR Ministry of Energy and Electrification, the commercial functions of “Tbilelectricgrid” were transferred to the “GRUZENERGO”. But significant reduction of cash collection during that period resulted in return of commercial functions in 1968 to “Tbilelectricgrid”.

From October 7, 1993 «Tbilelectricgrid» became a municipal enterprise under the Tbilisi City Council.

The Joint Stock Company “Telasi” was founded under the Law of Georgia “On Entrepreneurs” by the Resolution of Cabinet Council of Republic of Georgia № 228, 14.04.1993 «On Organizational Arrangements for Transformation of Public Enterprises and Associations of Public Enterprises into Joint Stock Companies” and by the Decree of State Property Management Department of Georgia №1-3/188, 06.05.1998.

Holder of 75% shares is “Silk Road Holdings B.V.” – affiliated company of INTER RAO Holding B.V., sole shareholder of which is OJSC “INTER RAO UES”.

Company carries out the following main types of activity:

- electric power sales (purchase and sale);
- production-technical activity (services and maintenance of power grids);
- power transit services;
- technical services to subscribers;
- billing and collection services for external service organizations.

Service to customers and maintenance of power grids is carried out in 19 customers service centers and 11 operational districts located in all the administrative districts of Tbilisi.

Chapter II. Members of the Supervisory Board of Company

Supervisory Board of the JSC “Telasi” as at December 31, 2009

1. Vagner Aleksandr Evgenievich – Chairman of the Supervisory Board
2. Ishkhneli Lasha – Deputy Chairman of the Supervisory Board
3. Chincharauli Timur Grigorievich – Member of the Supervisory Board
4. Zavrazhnov Andrei Aleksandrovich – Member of the Supervisory Board
5. Bobrishev Mikhail Vasilievich – Member of the Supervisory Board
6. Salimova Natalia Vladimirovna – Member of the Supervisory Board

In 2009 according to the decision of the special general meeting of shareholders of 24.12.2009, the following persons were elected members of the Supervisory Board of JSC “Telasi”:

1. Bobrishev Mikhail Vasilievich
2. Zavrazhnov Andrei Aleksandrovich
3. Salimova Natalia Vladimirovna

2.1. Information on Members of the Supervisory Board as at December 31, 2009

Chairman of the Supervisory Board	Alexander Vagner
Date of birth	1965
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, Grozny Institute of Oil
Job title at the principal place of business	Head of the Department of Procurement of Fuel Resources, Block of Assets Management, CJSC «Inter RAO UES»
Citizenship	Russia
Date of the first election in the Supervisory Board	11.03.2009
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0
Information on transactions between the Supervisory Board member and Company	No transactions were performed
Information on claims against the Supervisory Board member	No claims were declared

Deputy Chairman of the Supervisory Board	Ishkhneli Lasha
Date of birth	1971
Principal place of business	Agency of State Property Management, LPPL
Education	Higher education, Juilliard School, New-York, USA
Job title at the principal place of business	First Deputy Chairman of the Agency of State Property Management, LPPL
Citizenship	Georgia
Date of the first election in the Supervisory Board	11.03.2009
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0
Information on transactions between the Supervisory Board member and Company	No transactions were performed
Information on claims against the Supervisory Board member	No claims were declared

Member of the Supervisory Board	Timur Chincharauli
Date of birth	1944
Principal place of business	Georgian Technical University
Education	Higher education, Georgian State Polytechnic Institute, Tbilisi
Job title at the principal place of business	Professor of the Georgian Technical University
Citizenship	Georgia
Date of the first election in the Supervisory Board	15.12.1998
Share in the authorized capital of Company, %	0
Number of the JSC "Telasi" shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared

Member of the Supervisory Board	Andrey Zavrazhnov
Date of birth	1975
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, Moscow Institute of Steel & Alloys
Job title at the principal place of business	Head of the Geographical Division "Transcaucasus, Turkey and Middle East", CJSC «Inter RAO UES»
Citizenship	Russia
Date of the first election in the Supervisory Board	24.12.2009
Share in the authorized capital of Company, %	0
Number of the JSC "Telasi" shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared

Member of the Supervisory Board	Mikhail Bobryshev
Date of birth	1973
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, Moscow State Legal Academy
Job title at the principal place of business	Deputy Head of the Geographical Division "Transcaucasus, Turkey and Middle East", CJSC «Inter RAO UES»
Citizenship	Russia
Date of the first election in the Supervisory Board	24.12.2009
Share in the authorized capital of Company, %	0
Number of the JSC "Telasi" shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared

Member of the Supervisory Board	Natalia Salymova
Date of birth	1978
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, Moscow State University of Economics, Statistics & Information Technologies
Job title at the principal place of business	Head of the Corporate Management, Block of Corporate and Property Relationship, CJSC «Inter RAO UES»
Citizenship	Russia
Date of the first election in the Supervisory Board	24.12.2009
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared

Before election of new members of the Supervisory Board at the special General Meeting of Shareholders on 24.12.2009, during 2009 the following persons were also members of the Supervisory Board:

a) from 01.01.2009 until 11.03.2009:

1. Rappoport Andrei Natanovich – Chairman of the Supervisory Board
2. Mantrov Mikhail Alekseevich – Member of the Supervisory Board
3. Ivanov Sergei Nikolayevich - Member of the Supervisory Board
4. Tolstoguzov Sergei Nikolayevich - Member of the Supervisory Board
5. Petriashvili Irakli Lerievich – Member of the Supervisory Board

б) from 11.03.2009 until 24.12.2009:

1. Gorev Evgeni Evgeniyevich – Member of the Supervisory Board
2. Kaplun Aleksei Aleksandrovich – Member of the Supervisory Board
3. Maryin Vladimir Mikhailovich – Member of the Supervisory Board

Information on Members of the Supervisory Board as at December 24, 2009

Chairman of the Supervisory Board	Andrey Rappoport
Date of birth	1963
Principal place of business	OJSC «Federal Grid Company of the UES»
Education	Higher education, Donetsk State University
Job title at the principal place of business	Chairman of the Board of Directors
Citizenship	Russian Federation
Date of the first election in the Supervisory Board	04.11.2003
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory Board member	No claims were declared

Member of the Supervisory Board	Michail Mantrov
Date of birth	1965
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, Moscow Energy Institute
Job title at the principal place of business	Deputy Director General – Head of Corporate Center CJSC «Inter RAO UES»
Citizenship	Russian Federation
Date of the first election in the Supervisory Board	04.10.2005
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared
Member of the Supervisory Board	Sergei Ivanov
Date of birth	1961
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, Moscow Institute of Physics & Technology
Job title at the principal place of business	Deputy Director General for Strategy and Investments CJSC «Inter RAO UES»
Citizenship	Russian Federation
Date of the first election in the Supervisory Board	10.08.2007
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared
Member of the Supervisory Board	Sergei Tolstoguzov
Date of birth	1964
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, G.I.Nosov Magnitogorsk Mining & Smelting Institute
Job title at the principal place of business	Deputy Director General for Management of Assets, CJSC «Inter RAO UES»
Citizenship	Russian Federation
Date of the first election in the Supervisory Board	10.08.2007
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared
Member of the Supervisory Board	Irakliy Petriashvili
Date of birth	1969
Principal place of business	Independent Trade Unions of Georgia
Education	Higher education, Georgian State Polytechnic Institute, Tbilisi
Job title at the principal place of business	Chairman
Citizenship	Georgia
Date of the first election in the Supervisory Board	22.11.2002
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared

Member of the Supervisory Board	Gorev Evgeny Evgeniyevich
Date of birth	1975
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, M.V.Lomonosov Moscow State University
Job title at the principal place of business	Deputy Head of Corporate Center, Head of the Department of Legal Support, OJSC «Inter RAO UES»
Citizenship	Russian Federation
Date of the first election in the Supervisory Board	11.03.2009
Share in the authorized capital of Company, %	0
Number of the JSC «Telasi» shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared
Member of the Supervisory Board	Kaplun Aleksey Aleksandrovich
Date of birth	1973
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, Moscow State Institute of Engineering & Physics
Job title at the principal place of business	Head of the Management Regulation of OJSC «Inter RAO UES»
Citizenship	Russian Federation
Date of the first election in the Supervisory Board	11.03.2009
Share in the authorized capital of Company, %	0
Number of the JSC «Telasi» shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared
Member of the Supervisory Board	Maryin Vladimir Mikhailovich
Date of birth	1970
Principal place of business	CJSC «Inter RAO UES»
Education	Higher education, Moscow Energy Institute
Job title at the principal place of business	Head of the Management of Methodology and regulation of Procurement of OJSC «Inter RAO UES»
Citizenship	Russian Federation
Date of the first election in the Supervisory Board	11.03.2009
Share in the authorized capital of Company, %	0
Number of the JSC «Telasi» shares in ownership %	0
Information on transactions between the Supervisory board member and Company	No transactions were performed
Information on claims against the Supervisory board member	No claims were declared

In 2009 members of the Supervisory Board of Company did not conclude any deals with the shares of Company.

Chapter III

III. Information on Members of Executive Directorate

In accordance with the Articles of Association of Company, the authority of a sole executive body rests with the Director General. The collective executive body is not stipulated.

Director General administers current activity of Company, day-by-day management of Company and holds representative powers of Company. Supervisory Board concludes with the Director General labour contract discretely providing for the limits of powers, rights and liabilities of a Director General. Functions of a Director General cannot be transferred to the Supervisory Board.

As per decision of the Supervisory Board of October 27, 2005, Minutes № 10, Mr. Pimonov Yury Pavlovich was appointed Company's Director General.

Executive Directorate of JSC "Telasi" as at 31.12.2009

1. Pimonov Yury Pavlovich – Director General
2. Kobalia Mamuka Igorevich – Technical Director
3. Oganessian Eduard Sergeevich – Financial Director
4. Kartvelishvili David Yurievich – Commercial Director
5. Dzneladze Vladimir Shotayevich – Director of Logistics
6. Kakulia Soso Vakhtangovich – Corporate Director
7. Shatirov Vladimir Leonidovich – Director of Security

Information on the Director General and Members of the Executive Directorate

Director General	Yury Pimonov
Date of birth	1955
Principal place of business	JSC «Telasi»
Education	Higher education, Novocherkask Polytechnic Institute
Job title at the principal place of business	Director General
Date of the first appointment on position of the sole executive board	27.10.2005 г.
Citizenship	Russian Federation
Share in the authorized capital of Company, %	0
Number of the JSC "Telasi" shares in ownership %	0

Financial Director	Eduard Oganessian
Date of birth	1974
Principal place of business	JSC «Telasi»
Education	Higher education, Georgian Polytechnic Institute, Tbilisi
Job title at the principal place of business	Financial Director of the JSC "Telasi"
Date of the first appointment on position in the executive board	10.09.2007
Citizenship	Georgia
Share in the authorized capital of Company, %	0
Number of the JSC "Telasi" shares in ownership %	0

Technical Director	Mamuka Kobalia
Date of birth	1963
Principal place of business	JSC «Telasi»
Education	Higher education, Georgian Polytechnic Institute, Tbilisi
Job title at the principal place of business	Technical Director of the JSC «Telasi»
Date of the first appointment on position in the executive board	17.11.2006
Citizenship	Georgia
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0

Commercial Director	David Kartvelishvili
Date of birth	1973
Principal place of business	JSC «Telasi»
Education	Higher education, Georgian Polytechnic Institute, Tbilisi
Job title at the principal place of business	Commercial Director of the JSC “Telasi”
Date of the first appointment on position in the executive board	01.11.2006
Citizenship	Georgia
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0

Director of Logistics	Vladimir Dzeladze
Date of birth	1970
Principal place of business	JSC «Telasi»
Education	Higher education, Independent Institute «Egrisi», Tbilisi
Job title at the principal place of business	Director of logistics of the JSC «Telasi»
Date of the first appointment on position in the executive board	03.01.2007
Citizenship	Georgia
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0

Corporate Director	Soso Kakulia
Date of birth	1950
Principal place of business	JSC «Telasi»
Education	Higher education, Moscow Energy Institute
Job title at the principal place of business	Corporate Director of the JSC «Telasi»
Date of the first appointment on position in the executive board	04.03.2009
Citizenship	Georgia
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0

Director of Security	Vladimir Shatirov
Date of birth	1953
Principal place of business	JSC «Telasi»
Education	Higher Education, S.M.Kirov Caspian Naval School
Job title at the principal place of business	Director of Security of the JSC «Telasi»
Date of the first appointment on position in the executive board	17.05.2007
Citizenship	Russian Federation
Share in the authorized capital of Company, %	0
Number of the JSC “Telasi” shares in ownership %	0

In 2009 members of the Executive Directorate of Company did not conclude any deals with the shares of Company.

Chapter IV. Addendum №1 to the Annual Report – non-consolidated Financial and Accounting Reports as per IFRS for the year 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of JSC Telasi

We have audited the accompanying financial statements of JSC Telasi (the "Company") which comprise the statement of financial position as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

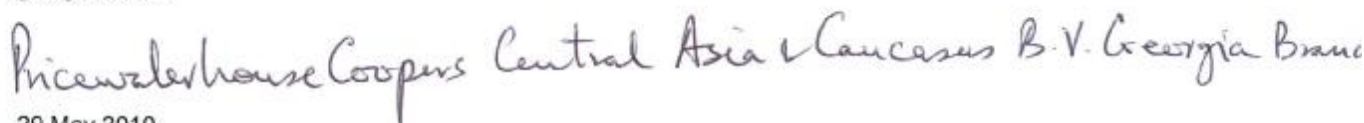
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 4(e) to the accompanying financial statements explaining that as at 31 December 2009, the Company's current liabilities exceeded its current assets by GEL 112,197 thousand and the Company had negative equity of GEL 27,721 thousand. These conditions indicate the existence of a material uncertainty which may raise significant doubt about the Company's ability to continue as a going concern.



29 May 2010
Tbilisi, Georgia

Balance Statement at December 31, 2009

Assets		2009	2008
	Note	thousands GEL	thousands GEL
Non-current assets			
Property, plant and equipment (PPE)	9	154 593	131 099
Intangible assets	10	1 494	250
Deferred expenses – non-current portion	11	8 239	12 788
		164 326	144 137
Current assets			
Deferred expenses – current portion	11	-	-
Tax liabilities	12	-	-
Inventories	13	9 591	8 884
Delivery and service liabilities	14	37 149	39 788
Other liabilities	15	9 254	6 501
Cash and cash equivalents	16	3 660	3 008
		59 654	58 181
Total assets		223 980	202 318
Equity and liabilities			
Equity			
Share capital		81 148	81 148
Revaluation reserve		80 103	32 390
Retained (undistributed) profit/(loss)		(188 972)	(187 018)
Total		(27 721)	(73 480)
Non-current liabilities			
Non-current notes payable		718	620
Financial leasing		-	-
Non-current loans		75 708	66 952
Deferred tax liabilities		3 424	-
		79 850	67 572
Current liabilities			
Current portion of long term notes payable	17	139	139
Current notes payable		-	-
Loans and borrowings	17	4 493	19 434
Taxes payable	18	21 795	28 352
Accounts payable	19	98 041	112 055
Advance payments		5 153	4 880
Other amounts payable	20	15 130	15 316
Provisions	21	8 495	9 335
Other current liabilities		18 605	18 716
		171 851	208 226
Total equity and liabilities		223 980	202 318

Profit and Loss Statement for the period December 31 2008 – December 31 2009
(Illustration of expenditures classification according to functions)

	Note	2009	2008
Revenue from sales	1	215 687	212 342
Costs of products sold	2	(95 953)	(97 819)
Total profit		119 734	114 523
Wages, amounts payable to employees, wage fund charges	3	(43 135)	(41 735)
Depreciation and amortization		(5 754)	(4 905)
Repair and technical maintenance	4	(5 780)	(4 667)
Taxes , less income tax	5	(4 761)	(6 953)
(Loss)/profit from depreciation	6	7 775	1 814
Provisions		(47 418)	(2 921)
Writing off of bed debts		-	-
Other operation expenses	7	(12 964)	(13 559)
Income from operation activity		7 697	41 597
Other income		4 262	13 043
Other costs		-	-
Net financial profit/(loss)	8	(13 599)	51 230
Income before taxes		(1 640)	105 870
Income tax		(597)	(22 239)
Income after taxes		(2 237)	83 631
Net profit/loss from routine activity		(2 237)	83 631
Extraordinary items		-	-
Net profit for the reporting period		(2 237)	83 631
Earnings per share		(0.03)	1.03
Diluted earnings per share			

Statement of Cash Flows

Direct method	Note	2009 thousands GEL	2008 thousands GEL
Cash flows from operating activities:			
Cash from realization		262 802	248 030
Cash paid to suppliers		(105 741)	(86 184)
Cash paid to employees		(43 629)	(37 264)
Taxes other than income tax paid		(39 475)	(37 784)
Income tax paid		(983)	(2 476)
Other operating expenses		(26 967)	(40 764)
Net cash from operating activities		46 008	43 559
Cash flows from investing activities:			
Sale (disposal) of PPE and intangible assets		148	35
Acquisition of PPE and intangible assets		(26 334)	(29 674)
Net cash used in investing activities		(26 186)	(29 639)
Cash flows from financing activities:			
Issuing of short-term credits		-	-
Refund (return) of issued short-term credits		-	-
Borrowed short-term (current) credits		-	30 194
Borrowed long-term (non-current) credits		18 200	19 707
Repayment of short-term credits		(30 685)	(57 580)
Repayment of long-term credits and other liabilities		-	-
Interests received		296	118
Interests paid		(6 984)	(6 191)
Net cash used in financing activities		(19 173)	(13 752)
Increase or decrease due to exchange rate changes		3	1 218
Cash and cash equivalents at the beginning of the reporting period	16	3 008	1 623
Cash and cash equivalents at the end of the reporting period	16	3 660	3 008
Net increase or decrease in cash and cash equivalents		652	1 385

	Statement of Changes in Equity						
	Authorized capital	Issued capital	Revaluation reserve	Target financing	Accumulated profit (loss)	Bought out stocks	Total
In thousands GEL							
Balance at 31 December 2006	81 148	-	-	-	(831 193)	-	(750 045)
Realized revaluation reserve					428		428
Net profit (loss) for the reporting period	-	-	42 665	-	35 467	-	78 132
Balance at 31 December 2007	81 148	-	42 665	-	(795 298)	-	(671 485)
Realized revaluation reserve			(10 275)		832		(9 443)
Discounts on non-current (long-term) loans					523 817		523 817
Net profit (loss) for the reporting period	-	-	-	-	83 631	-	83 631
Balance at 31 December 2008	81 148	-	32 390	-	(187 018)	-	(73 480)
Realized revaluation reserve			47 713		283		47 996
Net profit for the reporting period	-	-	-	-	(2 237)	-	(2 237)
Balance at 31 December 2009	81 148	-	80 103	-	(188 972)	-	(27 721)

Revenues from realization

Note 1

	2009	2008
	thousands GEL	thousands GEL
Electricity sales		
residential sector	110 590	108 859
commercial and industrial sector	76 278	75 636
public sector	20 799	19 682
other	339	418
Electricity transmission	7 681	7 748
Other revenues	-	-
	215 687	212 342

Purchased power

Note 2

	2009	2008
	thousands GEL	thousands GEL
Electricity	80 168	81 247
Transmission and distribution of electricity	15 784	16 572
	95 953	97 819

Salaries paid to employees and charges

Note 3

	2009	2008
	thousands GEL	thousands GEL
Wages	40 042	39 316
Social security expenses	-	8
Pension fund charges, other payments and benefits	3 093	2 411
	43 135	41 735

Expenses on repair and maintenance

Note 4

	2009 thousands GEL	2008 thousands GEL
High and low voltage stations	3 304	2 512
Other	2 476	2 156
	5 780	4 667

Taxes other than on income

Note 5

	2009 thousands GEL	2008 thousands GEL
VAT	2 973	6 142
Property tax	1 644	724
Road tax	-	-
Economic activity tax	-	-
Other	144	87
	4 761	6 953

Loss/(profit) from impairment

Note 6

	2009 thousands GEL	2008 thousands GEL
Bad debts	(13 994)	(5 998)
Other accounts receivables	6 219	4 184
VAT recoverable	-	-
Loss/(profit) from impairment	-	-
	(7 775)	(1 814)

Other operation expenses

Note 7

	2009	2008
	thousands GEL	thousands GEL
Executive expenses	-	-
Technical expenses	-	-
Membership fee	565	549
Utilities and communication expenses	2 560	2 537
Office equipment rent and maintenance	1 414	1 669
Travel and transportation expenses	943	520
Other	7 483	8 284
	12 964	13 559

Net finance costs

Note 8

	2009	2008
	thousands GEL	thousands GEL
Interest income	296	118
Interest expense		
Long-term promissory notes discount	-	-
Depreciation of expenses on non-current credits (leasing)		
financing	-	(40)
Short term (current) credits	-	(4 137)
Bank commissions (fees)	-	-
Promissory note	-	(18)
Long-term credits	(12 063)	(3 582)
Profit/loss from revaluation	(1 833)	58 890
	(13 599)	51 230

Note 9

Turnover of PPE

	Land	Buildings	Plant and equipment	Fixtures and fittings	Vehicles	CIP and spare parts	Total	thous. GEL
Cost after revaluation								
Balance at 01.01.09	25 065	7 582	79 887	7 286	4 291	14 893	139 004	
Revaluation reserve		18 370	48 942	112	586	-	68 010	
Elimination of accumulated depreciation and impairment	(8 956)	(52)	(48 698)	(5 984)	(1 896)	(6 925)	(72 511)	
Additions of PPE	213	1 833	6 753	1 395	580	11 423	22 196	
Transfer of PPE	-	1 735	6 812	-	-	(8 547)	-	
Disposal of assets	(66)	(48)	(820)	(471)	(701)	-	(2 106)	
Balance at 31.12.09	16 256	29 420	92 877	2 338	2 859	10 845	154 593	
Balance of accumulated depreciation and impairment at 01.01.09	-	431	4 551	2 136	787	-	7 905	
Impairment charges	8 956	3 248	43 957	2 735	1 103	6 925	66 924	
Elimination of accumulated depreciation and impairment	(8 956)	(52)	(48 698)	(5 984)	(1 896)	(6 925)	(72 511)	
Depreciation charges	-	262	3 580	1 328	447	-	5 617	
Reversal of impairment		(3 851)	(3 221)	(8)	(201)	-	(7 281)	
Disposal of assets	-	(38)	(169)	(207)	(240)	-	(654)	
Balance at 31.12.09	-	-	0	(0)	0	-	0	
Net book value								
Balance at 01.01.09	25 065	7 151	75 336	5 150	3 504	14 893	131 099	
Balance at 31.12.09	16 256	29 420	92 877	2 338	2 859	10 845	154 593	

Intangible assets**Note 10**

	Software	Licenses	Total
Balance at 01.01.09	683	116	799
Purchases	1 381	-	1 381
Inventory (stock count)	-	-	-
Realization/write-off of intangible assets	-	-	-
Depreciation	-	-	-
Balance at 31.12.09	2 064	116	2 180
Amortization and depreciation reserve			
Balance of accumulated amortization and depreciation reserve at 01.01.09	433	116	549
Amortizations expense for the year	137	-	137
Depreciation reserve accrued during the year	-	-	-
Amortization charged on intangible assets issued during the year	-	-	-
Amortization charged on intangible assets received and issued free of charge during the year	-	-	-
Balance at 31.12.09	570	116	686
Net book value			
Balance at 01.01.09	250	(0)	250
Balance at 31.12.09	1 494	-	1 494

Deferred expenses

Note 11

	2009 thousands GEL	2008 thousands GEL
Deferred expenses – current portion	-	-
Deferred expenses – non-current portion	8 239	12 788
Total of differed expenses	8 239	12 788

Amortized expenses during the year

	-	-
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	2009 thousands GEL	2008 thousands GEL
Balance at January 01	(19 381)	-
Amortization during the year	27 620	(19 381)
Balance at December 31	8 239	(19 381)

Tax liabilities

Note 12

	2009 thousands GEL	2008 thousands GEL
VAT recoverable	-	-
Other	-	-
	-	-
Depreciation reserve (See Note 9)	-	-
	-	-

Inventories

Note 13

	2009 thousands GEL	2008 thousands GEL
Materials and supplies necessary for activity	7 219	7 361
Other inventories	2 372	1 523
	9 591	8 884

Liabilities from realization

Note 14

	2009 thousands GEL	2008 thousands GEL
	<u> </u>	<u> </u>
Residential sector	96 859	113 252
Commercial and industrial sectors	34 070	34 018
Public accounts receivables	14 151	14 780
Other	3 131	3 537
	148 210	165 586
Provision for impairment	(111 061)	(125 799)
	<u>37 149</u>	<u>39 788</u>

Other liabilities

Note 15

	2009 thousands GEL	2008 thousands GEL
	<u> </u>	<u> </u>
Advances and prepayments	10 613	10 330
Accounts receivables of related party	1 617	217
Advances given to employees	10	5
Other	309	585
	12 549	11 137
Provision for impairment	(3 295)	(4 636)
	<u>9 254</u>	<u>6 501</u>

Cash and cash equivalents

Note 16

	2009 thousands GEL	2008 thousands GEL
	<u> </u>	<u> </u>
Current bank accounts	24	35
Cash on hand	3 597	2 190
Bank deposits	-	770
Corporate cards	39	12
Cash and cash equivalents according to the Balance	3 660	3 008
Bank overdrafts	-	-
Cash and cash equivalents according to cash flow accounts	<u>3 660</u>	<u>3 008</u>

Current bank and other credits
Note 17

	2009	2008
	thousands GEL	thousands GEL
Credit from Silk Road Holding B.V.	-	-
Credit from the main shareholder	-	14 189
Bank credits	3 864	3 600
Other credits	-	50
	3 864	17 838
Accrued interests	768	1 595
	4 633	19 434

Taxes payable
Note 18

	2009	2008
	thousands GEL	thousands GEL
VAT payable	14 118	16 510
Social tax	-	-
Road tax	-	-
Non-residents income tax	-	98
Personal income tax	531	1 321
Other	7 145	10 423
	21 795	28 352

Liabilities from supplies and services

Note 19

	2009	2008
	thousands GEL	thousands GEL
Accounts payable	14 908	27 778
Accounts payable – related parties	83 133	84 277
State (public) benefits	-	-
	98 041	112 055

Amounts payable

Note 20

	2009	2008
	thousands GEL	thousands GEL
Executive expenses	8 394	6 050
Technical expenses	5 759	8 300
Other	977	966
	15 130	15 316

Provisions

Note 21

	2009	2008
	thousands GEL	thousands GEL
Provisions- litigation	8 495	9 335
Other	-	-
	8 495	9 335

Financial Analysis

Note 22

2009

2008

Earnings per share (EPS)	<i>Earnings per share/weighted average number of ordinary shares issued</i>	-0.03		1.03
Price-earnings ratio	<i>Market price per ordinary share/ net earning per share</i>	-36.28		0.97
Dividend (earning) yield	<i>Total dividend for the year/market price per ordinary share</i>	0		0
Debt ratio	<i>Total liabilities/total assets</i>	-908%		-375%
Return on equity	<i>Operation profit/operation assets</i>	3.4%		20.6%
Profit margin	<i>Net profit/sales</i>	-1%		39%
Current ratio	<i>Current assets/current liabilities</i>	0.35		0.28
Quick ratio	<i>Current assets less inventory/current liabilities</i>	0.29		0.24