

Electricity System Commercial Operator JSC

**Financial Statements
for 2013**



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Independent Auditors' Report

To the Shareholder of
Electricity System Commercial Operator JSC

We have audited the accompanying financial statements of Electricity System Commercial Operator JSC (the "Company"), which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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 judgment, 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Georgia LLC

KPMG Georgia LLC
1 July 2014



KPMG Georgia LLC, a company incorporated under the Laws of Georgia, a part of the KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Electricity System Commercial Operator JSC
Statement of Financial Position as at 31 December 2013

GEL	Notes	31 December 2013	31 December 2012
Assets			
Property and equipment	10	240,772	303,231
Intangible assets		3,343	1,542
Other non-current assets		2,661	2,358
Deferred tax asset	11	440,915	433,834
Non-current assets		687,691	740,965
Inventories	12	7,663	10,249
Current tax assets		450,678	422,956
Trade and other receivables	13	18,968,685	24,544,320
Cash and cash equivalents	14	13,871,128	8,167,881
Current assets		33,298,154	33,145,406
Total assets		33,985,845	33,886,371
Equity	15		
Share capital		87,309	200
Non-cash owner contribution reserve		(15,660)	71,449
Property and equipment revaluation surplus		106,124	78,603
Retained earnings		5,475,059	4,566,073
Total equity		5,652,832	4,716,325
Liabilities			
Trade and other payables	16	28,333,013	29,170,046
Current liabilities		28,333,013	29,170,046
Total liabilities		28,333,013	29,170,046
Total equity and liabilities		33,985,845	33,886,371

Electricity System Commercial Operator JSC
Statement of Profit or Loss and Other Comprehensive Income for 2013

GEL	Note	2013	2012
Revenue	5	116,854,142	171,695,599
Cost of goods sold/service rendered	5	(112,690,795)	(167,929,026)
Gross profit		4,163,347	3,766,573
Other income	6	22,122	325,654
Administrative expenses	8	(3,437,260)	(3,563,571)
Other expenses		(11,557)	-
Impairment reversal/(loss) on trade receivables		-	87,780
Results from operating activities		736,652	616,436
Net finance income	7	168,676	895,183
Profit before tax		905,328	1,511,619
Income tax benefit (expense)	9	3,658	(61,342)
Profit for the year		908,986	1,450,277
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Revaluation of property and equipment	10	32,377	-
Related income tax	11	(4,856)	-
Other comprehensive income, net of income tax		27,521	-
Total comprehensive income		936,507	1,450,277

These financial statements were approved by management on 1 July 2014 and were signed on its behalf by:


Vakhtang Ambokadze
General Director


Khatuna Chaduneli
Chief Accountant

Electricity System Commercial Operator JSC
Statement of Changes in Equity for 2013

GEL	Share capital	Non-cash owner contribution reserve	Property and equipment revaluation surplus	Retained earnings	Total equity
Balance at 1 January 2012	200	71,449	83,276	3,111,123	3,266,048
Total comprehensive income for the year					
Profit for the year	-	-	-	1,450,277	1,450,277
Other comprehensive income					
Transfer of revaluation reserve to retained earnings, net of tax	-	-	(4,673)	4,673	-
Total comprehensive income for the year	-	-	(4,673)	1,454,950	1,450,277
Balance at 31 December 2012	200	71,449	78,603	4,566,073	4,716,325
Balance at 1 January 2013	200	71,449	78,603	4,566,073	4,716,325
Total comprehensive income for the year					
Profit for the year	-	-	-	908,986	908,986
Other comprehensive income					
Revaluation of property and equipment, net of tax	-	-	27,521	-	27,521
Total comprehensive income for the year	-	-	27,521	908,986	936,507
Transactions with owners, recorded directly in equity					
Increase of share capital	87,109	(87,109)	-	-	-
Balance at 31 December 2013	87,309	(15,660)	106,124	5,475,059	5,652,832

Electricity System Commercial Operator JSC
Statement of Cash Flows for 2013

GEL	Note	2013	2012
Cash flows from operating activities			
Profit for the year before tax		905,328	1,511,619
<i>Adjustments for:</i>			
Depreciation and amortisation	10	103,877	103,064
Impairment reversal on trade receivables	17b(ii)	-	(87,780)
Gain on disposal of property and equipment		-	(3,421)
Revaluation decrease/write off of property and equipment		11,505	-
Net finance income	7	(168,676)	(895,183)
Cash from operating activities before changes in working capital and provisions		852,034	628,299
Change in inventories		2,586	913
Change in trade and other receivables		5,585,053	10,792,224
Change in trade and other payables		(1,833,701)	(8,659,664)
Cash flows from operations before income tax paid		4,605,972	2,761,772
Income tax paid		(36,002)	(381,125)
Net cash from operating activities		4,569,970	2,380,647
Cash flows from investing activities			
Proceeds from sale of property and equipment		-	12,969
Interest received		1,155,926	750,472
Acquisition of property and equipment	10	(19,664)	(23,228)
Acquisition of intangible assets		(2,682)	(975)
Acquisition of other investments		(303)	(1,638)
Net cash from investing activities		1,133,277	737,600
Net increase in cash and cash equivalents		5,703,247	3,118,247
Cash and cash equivalents at 1 January		8,167,881	5,049,634
Cash and cash equivalents at 31 December	14	13,871,128	8,167,881