Georgian Railway LLC

Independent Auditors' Report

Financial Statements
For the Year Ended 31 December 2005

GEORGIAN RAILWAY LLC

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GEORGIAN RAILWAY LLC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Georgian Railways LLC (the Company).

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company at 31 December 2005, the results of its operations and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Georgia;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended 31 December 2005 were authorised for issue on 20 January 2009 by the management board.

On behalf of the Management Board:

General Director	Acting Chief Accountant
Irakli Ezugbaia	Amiran Tevzadze

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Georgian Railway LLC:

We have audited the accompanying financial statements of Georgian Railway LLC (the "Company"), which comprise the balance sheet as of 31 December 2005 and the related income statement, statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Company for the year ended 31 December 2004 were audited by other auditors whose report, dated 20 April 2007, expressed a disclaimer of opinion.

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 controls 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 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.

Basis for adverse opinion

As described in Note 2 to the financial statements, the Company has not adopted the following standards:

- IAS 2 "Inventories"
- IAS 7 "Cash Flow Statements"
- IAS 12 "Income Taxes"
- IAS 16 "Property, Plant and Equipment"
- IAS 17 "Leases"
- IAS 19 "Employee Benefits"
- IAS 24 "Related Party Disclosures"
- IAS 27 "Consolidated and Separate Financial Statements"
- IAS 28 "Accounting for Investments in Associates"
- IAS 36 "Impairment of Assets"
- IAS 40 "Investment Property"

which is a departure from the International Financial Reporting Standards. We were unable to determine the effect of such departures on these financial statements.

We did not observe the counting of physical inventories as of 31 December 2005 and 2004. Due to the nature of accounting records of the Company, we were not able to satisfy ourselves as to the inventory quantities by other audit procedures.

Due to the inadequacy of the accounting system and the underlying accounting records, we were unable to satisfy ourselves as to the following items (all amounts are in thousands of Georgian Lari – GEL):

- Revenues of GEL 276,547 for the year ended 31 December 2005;
- Staff costs of GEL 72,392 for the year ended 31 December 2005;
- Repair and maintenance expenses of GEL 25,966 for the year ended 31 December 2005;
- Materials expenses of GEL 25,712 for the year ended 31 December 2005;
- Other operating expenses of GEL 16,770 for the year ended 31 December 2005;
- Fuel expenses of GEL 8,165 for the year ended 31 December 2005;
- Other provisions expenses of GEL 5,390 for the year ended 31 December 2005;
- Other income of GEL 6,636 for the year ended 31 December 2005;
- Foreign exchange gain of GEL 2,141 for the year ended 31 December 2005;
- Other expenses of GEL 2,036 for the year ended 31 December 2005;
- Refundable VAT included in Prepayments and other current assets of GEL 12,318 as at 31 December 2005;
- Prepaid taxes other than income taxes included in Prepayments and other current assets of GEL 3,681 as at 31 December 2005;
- Retained earnings of GEL 53,169 as at 31 December 2005;
- Advances received included in Trade payables and advances received of GEL 5,600 as at 31 December 2005;
- Current income tax payable of GEL 12,509 as at 31 December 2005, and related tax expenses of GEL 13,159 for the year ended 31 December 2005;
- Other taxes payable and corresponding provision GEL 14,082 as at 31 December 2005;
- Other liabilities GEL 5,920 as at 31 December 2005;

Adverse Opinion

In our opinion, because of the effects of the matters discussed in the basis for adverse opinion, the financial statements do not present fairly, in all material respects, the financial position the Company as of December 31, 2005 and of its financial performance and its cash flows for the year then ended in accordance with IFRS.

Emphasis of Matter

We draw your attention to Note 3, discussing the restatement of the financial statements of the Company as of 31 December 2004, and for the year then ended.

Deloitte & Touche

19 January 2009

GEORGIAN RAILWAY LLC

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Year ended 31 December 2005	Year ended 31 December 2004
	GEL'000	GEL'000
Operating Revenues		
Freight traffic	240,157	228,477
Passenger traffic	11,816	8,339
Rental of carriages	10,130	13,453
Other revenue	14,444	13,871
Total revenue	**276,547**	**264,140**
Operating expenses		
Staff costs	(72,392)	(65,425)
Depreciation and amortization	(39,117)	(44,508)
Repair and maintenance	(25,966)	-
Materials	(25,712)	(39,908)
Tax fines	(24,820)	(11,221)
Other operating expenses	(16,770)	(32,391)
Electricity	(12,740)	(13,324)
Change in provision for doubtful debts	(6,473)	(3,901)
Fuel	(8,165)	(7,667)
Rental of carriages	(6,237)	(13,847)
Change in other provisions	(5,390)	(4,878)
Taxes other than income tax	(2,361)	(2,612)
Total operating expenses	**(246,143)**	**(239,682)**
Income from operations	**30,404**	**24,458**
Other income	6,636	379
Foreign exchange gain, net	2,141	3,429
Other expense	(2,036)	(2,546)
Interest expense, net	(934)	(1,153)
Income before taxation	**36,211**	**24,567**
Income tax expense	(13,159)	(16,273)
Net income	**23,052**	**8,294**

On behalf of the Management Board:

General Director
Irakli Ezugbaia

Acting Chief Accountant
Amiran Tevzadze

The notes on pages 8-25 are an integral part of these financial statements.
The Independent Auditors' Report is on page 2-4.

GEORGIAN RAILWAY LLC

BALANCE SHEET
AT 31 DECEMBER 2005

	Notes	31 December 2005 GEL'000	31 December 2004 GEL'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	417,991	418,431
Intangible and other non-current assets	5	4,435	151
Investments	6	10,182	9,703
Total non-current assets		432,608	428,285
CURRENT ASSETS			
Cash and cash equivalents	7	10,908	3,497
Trade and other receivables	8	6,356	13,820
Prepayments and other current assets	9	11,533	4,863
Prepaid current income tax		-	658
Receivables from inter-branch settlements		-	1,449
Inventories	10	29,697	27,519
Total current assets		58,494	51,806
TOTAL ASSETS		**491,102**	**480,091**
LIABILITIES AND EQUITY			
CAPITAL AND RESERVES			
Charter capital	11	362,764	364,805
Retained earnings		53,169	36,617
Total Equity		415,933	401,422
NON-CURRENT LIABILITIES			
Borrowings	12	15,919	20,260
Total non-current liabilities		15,919	20,260
CURRENT LIABILITIES			
Current portion of borrowings	12	4,389	4,347
Provisions	13	714	-
Trade payables and advances received	14	21,636	21,418
Current income tax payable	15	12, 509	-
Other taxes payable	16	14,082	13,756
Other liabilities	17	5,920	18,888
Total current liabilities		59,250	58,409
TOTAL LIABILITIES		**75,169**	**78,669**
TOTAL EQUITY AND LIABILITIES		**491,102**	**480,091**

On behalf of the Management Board:

General Director
Irakli Ezugbaia

Acting Chief Accountant
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Charter capital GEL'000	Retained earnings GEL'000	Total GEL'000
Balance at 1 January 2004 (restated, refer to note 3)		**364,805**	**35,323**	**400,128**
Profit for the period (restated, refer to note 3)		-	8,294	8,294
Dividends		-	(7,000)	(7,000)
Balance at 31 December 2004		**364,805**	**36,617**	**401,422**
Profit for the period		-	23,052	23,052
Withdrawals from capital	11	(2,041)	-	(2,041)
Dividends	18	-	(6,500)	(6,500)
Balance at 31 December 2005		**362,764**	**53,169**	**415,933**

In 2005 the company declared dividends of GEL 6,500 thousand (2004: GEL 7,000 thousand). The dividends were paid to Georgian Government throughout the year, refer Note 18.

On behalf of the Management Board:

General Director
Irakli Ezugbaia

Acting Chief Accountant
Amiran Tevzadze

The notes on pages 8-25 are an integral part of these financial statements.
The Independent Auditors' Report is on page 2-4.

1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS

Limited Liability Company "Georgian Railway" (the Company) was incorporated in Georgia on 8 December 1998.

The legal address of the Company is: 15 Queen Tamar Avenue, Tbilisi 0112, Georgia.

The Company is fully owned by the State of Georgia represented by the State Enterprise Management Agency.

The Company operates the nationwide railway system providing freight and passenger traffic, maintenance of railway infrastructure and construction of railway lines within Georgia.

The Company controls a number of entities operating in Georgia. These entities are unconsolidated subsidiaries for the purposes of reporting under International Financial Reporting Standards ("IFRS").

These entities as at 31 December 2005 and 2004 were as follows:

Name	Legal form	Nature of business	Ownership interest	
			2005	2004
Reinforced Concrete Tie Factory	LLC	Manufacturing	100%	100%
Chkhenisi Crushed Stone Factory	LLC	Manufacturing	100%	100%
Refrigerated and Isothermal Transportation Company	LLC	Transportation	100%	-
Tbilisi Cross Melding Factory	LLC	Manufacturing	100%	100%
Sak Rkinigza Project	LLC	Construction	100%	100%
Selling Base of Unclaimed Freight and Construction Materials	LLC	Transportation	100%	100%
Polyclinic of Railway Central Clinical Hospital	LLC	Medical	100%	100%
Railway Telecom	LLC	Communication	100%	100%
Borjomi Rehabilitation Centre	LLC	Medical	-	100%
Railway Insurance	LLC	Insurance	-	100%
Railway Central Clinical Hospital	LLC	Medical	-	100%
Gori Tie Factory	LLC	Manufacturing	-	100%
Railways Maternity House	LLC	Medical	-	100%
Kutaisi Multi Profile Hospital	LLC	Medical	-	100%

In addition, the Company had equity investment in associate – JSC Chitakhevi-Borjomi with the ownership interest of 25% as at 31 December 2005 and 2004.

The financial statements were approved by the management board and authorised for issue on 30 September 2008.

The Company employed approximately 16 thousand and 17 thousand employees in 2005 and 2004, respectively.

Pricing policy

Although, the Company has a certain level of independence in different aspects of its operations and their management, the Company's operations are closely regulated by the state. Tariff rates are finally approved by the Ministry of Transport and Communications.

A Tariffs for domestic freight transportation

Domestic freight transportation is a natural monopoly subject to regulation in accordance with The Law on the Railway Code of Georgia, dated December 28, 2002.

Tariffs for domestic freight transportation services are prescribed by Decrees:

- No. 74 approved by the Minister of Georgian Transport and Communications on Amendments and Additions to Decree No.1 approved by the Minister of Georgian Transport and Communications on Tariff Policy of the Georgian Railway during Freight Years of 2002;
- No. 112/n approved by the Deputy General Director of Georgian Railway on the Measures and Undertakes to Attract Cargo for Georgian Railway.

Domestic freight tariffs are denominated in Georgian Lari.

B Tariffs for domestic transportation of passengers and baggage

Domestic transportation of passengers and baggage is a natural monopoly subject to regulation in accordance with the Law on the Railway Code of Georgia dated December 28, 2002.

Tariffs for domestic transportation of passengers and baggage are prescribed by Decrees approved by the General Director/Commercial Director of the Georgian Railway, and denominated in Georgian Lari.

C Tariffs for international transportation of freight and passengers

CIS rail tariffs apply to:

- Freight transit via CIS railways;
- Third country freight transportation to/from the CIS;
- Freight transportation between CIS rail terminals.

Tariffs for international freight transportation services are prescribed by Decrees:

- No. 74 approved by the Minister of Georgian Transport and Communications on Amendments and Additions to Decree No.1 approved by the Minister of Georgian Transport and Communications on Tariff Policy of the Georgian Railway during Freight Years of 2002;
- No. 112/n approved by the Deputy General Director of Georgian Railway on the Measures and Undertakes to Attract Cargo for Georgian Railway.

Tariffs are based on the International Rail Transit Tariff and Unified Transit Tariff denominated in Swiss Francs.

Technical terms and conditions for transportation of freight through the territory of CIS are based on the International Freight Transportation Agreement ("IFTA") issued by the Organization of Cooperation Between Railways.

Technical terms and conditions for transportation of freight through the territory of Georgia are based on the Rules of Freight Transportation by Railway approved by Decree No. 26 of Minister of Transport and Communications of Georgia.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of provisional compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, except for the application of the following standards:

- IAS 2 Inventories;
- IAS 7 Cash Flow Statements;
- IAS 12 Income Taxes;
- IAS 16 Property, Plant and Equipment;
- IAS 17 Leases;
- IAS 19 Employee Benefits;
- IAS 24 Related Party Disclosures;
- IAS 27 Consolidated and Separate Financial Statements;
- IAS 28 Accounting for Investments in Associates;
- IAS 36 Impairment of Assets;
- IAS 40 Investment Property.

Basis of preparation

The financial statements have been prepared on the historical cost and accrual basis except for the revaluation of certain non-current assets. The principal accounting policies are set out below.

The Company maintains its accounting records in accordance with the Georgian tax code as to preparation of the financial statements. Georgian tax code accounting principles differ from IFRS. Accordingly, the accompanying financial statements, which have been prepared from the Company's accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Adoption of new and revised standards

In the current year, the Company has adopted all of the following new and revised Standards and Interpretations issued by the IASB and IFRIC of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005:

- IAS 1 Presentation of Financial Statements;
- IAS 8 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies;
- IAS 10 Events After the Balance Sheet Date;
- IAS 21 The Effects of Changes in Foreign Exchange Rates;
- IAS 32 Financial Instruments: Disclosure and Presentation;
- IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Company's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 3 (Revised) Business Combinations (from 1 July 2009);
- IFRS 6 Exploration for and Evaluation of Mineral Resources (from 1 January 2006);
- IFRS 7 Financial Instruments: Disclosures (from 1 January 2007);
- IFRS 8 Operating Segments (from 1 January 2009);
- IAS 1 (Revised) Presentation of Financial Statements (from 1 January 2009);
- IAS 23 (Revised) Borrowing Costs (from 1 January 2009);
- IAS 27 (Revised) Consolidated and Separate Financial Statements (from 1 July 2009);
- IFRIC 4 Determining Whether an Arrangement Contains a Lease (from 1 January 2006);
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (from 1 January 2006);
- IFRIC 6 Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment (from 1 December 2005);
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (from 1 March 2006);
- IFRIC 8 Scope of IFRS 2 (from 1 May 2006);
- IFRIC 9 Reassessment of Embedded Derivatives (from 1 June 2006);
- IFRIC 10 Interim Financial Reporting and Impairment (from 1 November 2006);
- IFRIC 11: IFRS 2: Group and Treasury Share Transactions (from 1 March 2007);
- IFRIC 12: Service Concession Arrangements (from 1 January 2008);
- IFRIC 13 Customer Loyalty Programmes (from 1 July 2008);
- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (from 1 January 2008).
- IFRIC 15: Agreements for the Construction of Real Estate (from 1 January 2009)
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (from 1 October 2008)
- IFRIC 17: Distributions of Non-cash Assets to Owners (from 1 July 2009)

The management anticipates that the adoption of these Standards and Interpretations in future periods will have no material effect on the financial statements of the Company.

Revenue recognition

Revenues are recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenues can be measured reliably.

Revenues are accounted for at the time the actual flow of related goods and services occurs and transfer of risks and rewards has been completed, regardless of when cash or its equivalent is received or paid, and are reported in the statement of operations in the period to which they relate.

For the services related to freight transportation, revenue is recognized upon completion of the respective services.

Operating leases

The company as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and charged on a straight-line basis over the lease term.

The company as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, less any subsequent accumulated depreciation. Revaluations are performed in accordance with Georgian accounting legislation.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the retained earnings, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the retained earnings relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Vehicles, machinery and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following depreciation rates are used:

Group of assets	**Annual rate**
Cars; vehicles for road repair; special instruments and equipment; computers and other data processing and professional equipment	20%
Lories, busses, special vehicles and trailers; machinery and equipment for manufacturing; electricity related equipment; construction equipment; agricultural vehicles and equipment; office furniture	15%
Rail transport; power machines and equipment; electricity, turbine and other engines and diesel generator; electricity transmission and telecommunication equipment; pipelines	8%
Buildings and facilities	7%
Other	10%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Equity investments

Equity investments represented by investments in subsidiaries and associate are carried in the balance sheet at cost, less any impairment in the value of individual investments.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at bank. Cash equivalents include all highly liquid investments with original maturity of three months or less at the time of purchase.

Receivables and prepayments

Receivables and prepayments are stated at their nominal value as reduced by appropriate allowance for irrecoverable amounts. Such allowance reflects either specific cases or estimates based on evidence of recoverability.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Equity

Inputs and withdrawals of capital are based upon decrees of the Government. They are in the form of property, plant and equipment, inventory, and investments in subsidiaries. The value of the input or withdrawal of the capital is based upon the net book value of assets given or withdrawn or the net assets of subsidiaries given or withdrawn

Dividends

Dividends are declared and paid based upon the decree from the Government. Dividends decrees occur throughout the year based upon Government policy

Borrowings

Borrowings are initially recorded at the proceeds received, net of direct issue costs. Borrowings comprise short-term and long-term loans. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the borrowings to the extent that they are not settled in the period in which they arise.

Borrowing costs

Borrowing costs are charged to the income statement in the period in which they are incurred.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Payables

Payables are initially recognised at nominal value, which represents the fair value of consideration received. Subsequently, instruments with fixed maturity are re-measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Financial liabilities, which do not have a fixed maturity, are subsequently carried at cost.

Corporate taxes

Income Tax

Income tax expense is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated in accordance with the tax regulations of Georgia by applying the statutory tax rate of 20%. Current tax is recognised as an expense or benefit in the profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

The company does not account for deferred taxes in the financial statements.

Value added tax

Value added tax ("VAT") payable represents VAT related to sales payable to tax authorities upon collection of receivables from customers net of VAT on purchases which have been settled at the balance sheet date. In addition, VAT related to sales which have not been settled at the balance sheet date (VAT deferred) is also included in VAT payable. Where allowance has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

VAT recoverable relates to purchases which have not been settled at the balance sheet date. VAT recoverable is reclaimable against sales VAT upon payment for the purchases.

The tax authorities permit the settlement of sales and purchases VAT on a net basis.

Financial instruments

The Enterprise recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognised at nominal value, which represents the fair value of consideration given or received, respectively, including or net of any operating expenses, respectively. Any gain or loss at the initial measurement is recognised in the current year's financial results or credited (charged) directly to the equity whenever the financial instrument results from capital transactions. Accounting policies regarding the subsequent measurement of such instruments are disclosed in the respective accounting policies described in this Note.

Commitments and contingencies

Commitments and contingencies are not recognised in the financial statements. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Foreign currencies

The functional and presentation currency of the Company is the Georgian Lari ("GEL"). These financial statements are presented in thousands of Georgian Lari, unless otherwise indicated. Transactions in currencies other than the Lari are treated as transactions in foreign currencies. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All resulting differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

The exchange rates at the year-end used by the Company in the preparation of the financial statements were as follows:

	31 December 2005	31 December 2004
Georgian Lari/1 US Dollar	1.7925	1.8250
Georgian Lari/1 Euro	2.1245	2.4850
Georgian Lari/1 Swiss franc	1.3655	1.6098

Average exchange rates for the year ended 31 December 2005 and 2004 were as follows:

	Average for 2005	Average for 2004
Georgian Lari/1 US Dollar	1.8125	1.9167
Georgian Lari/1 Euro	2.2593	2.3814
Georgian Lari/1 Swiss franc	1.4597	1.5428

Use of estimates and assumptions

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant estimates relate to the estimation of useful lives of property, plant and equipment, assessment of impairment of financial assets and assessment of provisions.

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any one of these conditions or estimates may result in adjustments to future depreciation rates.

Assessment of impairment of financial assets is based on actual collection of receivables in subsequent years.

Provisions are mainly represented by the provision for tax liabilities that is determined as the difference between the tax liability declared by the Company and the tax reconciliations act issued by the tax authorities.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Accounting for non-production property, plant and equipment

Included in property, plant and equipment are social infrastructure and other non-production assets, such as hospital, hostels, residencies etc. Management believes that expenditures incurred in respect of acquisition or construction of such assets qualify for the recognition as an asset on the premises that such expenditures are capable of contributing indirectly to the flow of cash and cash equivalents to the Company through a reduction of cash outflows related primarily to wages and salaries expenses. This is driven by the fact that such non-production assets are employed by the Company to provide in-kind benefits to its employees, which replace cash outflows on wages and salaries.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Trade and other accounts receivable

During the year management reconsidered the recoverability of its trade and other accounts receivable arising from company's operations which is included in its balance sheet at 31 December 2005 at GEL 6,356 thousand. Since most part of the receivables are generated more than 180 days ago, management questioned its recoverability and investigated all debtors on case-by-case basis. Amounts identified as non-recoverable were provisioned for. This situation will be closely monitored and future adjustments will be made if future development of this issue indicates that such adjustments are appropriate.

Prepayment and other current assets

During the year management reconsidered the recoverability of its prepayment and other current assets arising from company's operations which is included in its balance sheet at 31 December 2005 at GEL 11,533 thousand. Since most part of the assets are generated more than 180 days ago, management questioned its recoverability and investigated all debtors on case-by-case basis. Amounts identified as non-recoverable were provisioned for. This situation will be closely monitored and future adjustments will be made if future development of this issue indicates that such adjustments are appropriate.

3. PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

Prior period reclassifications

Certain reclassifications have been made to the financial statements as at 31 December 2004 and for the year then ended to conform to the presentation as at 31 December 2005 and for the year then ended as the current year presentation provides a better view of the financial position of the Company.

Nature of reclassification	Amount	Balance sheet/Income statement line as per the previous report	Balance sheet/Income statement line as per current report
Salaries payable included in accruals and other liabilities	3,261	Salaries payable	Accrued and other liabilities
Advances paid to suppliers transferred to the correct balance sheet line	2,717	Trade and other receivables	Prepayments and other current assets
Prepaid current income tax separated from prepayments and other current assets	1,870	Prepayments and other current assets	Prepaid current income tax
Incorrectly created reserves transferred to retained earnings	1,856	Revaluation and other reserves	Retained earnings
Charity and donations transferred to the correct income statement line	1,831	Operating expenses	Other expense
Vehicles received at the balance sheet date transferred to the correct balance sheet line	1,664	Prepayments and other current assets	Property, plant and equipment
Advances paid to suppliers transferred to the correct balance sheet line	399	Prepayments and other current assets	Intangible and other non-current assets
Other income transferred to the correct income statement line	379	Revenues	Other income
Loan to subsidiary transferred to the correct balance sheet line	100	Prepayments and other current assets	Intangible and other non-current assets
Netting off of VAT Payable with VAT receivable	25	Taxes payable	Prepayments and other current assets
Accrued interest on the loan to subsidiary transferred to the correct balance sheet line	6	Trade and other receivables	Intangible and other non-current assets
Investment transferred to the correct balance sheet line	2	Trade and other receivables	Investments

Prior period adjustments

In 2005 the Company's management discovered errors in the consolidated financial statements for the year ended 31 December 2004. Certain types of transactions were not properly recorded. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" the correction of the errors was done retrospectively. Comparative amounts were restated and the corrections were made to the earliest prior period presented.

The summary of correction of errors is as follows:

Type of correction	Amount of correction	Financial statements Item as of December 31, 2004 or for the year then ended.
Correction of cut-off error related to interest expense	(295)	Current portion of long-term loan
Correction of cut-off error related to interest expense	295	Interest expense, net
Correction of current income tax asset	(1,212)	Prepaid current income tax asset
Correction of current income tax asset	1,212	Income tax expense
Recognition of allowance for impairment of assets, recognition of investments owned by the Company, and reflection of redetermination of charter capital	29,702	Retained earnings less current year profit
Recognition of investments owned by the Company and allowance for impairment of the investment	7,680	Investments
Recognition of allowance for impairment of receivables and prepayments and provision for tax liabilities	20,290	Operating expenses
Recognition of allowance for impairment of prepayments and other current assets	(8,303)	Prepayments and other current assets
Recognition of allowance for impairment of receivables	(32,221)	Trade and other receivables
Recognition of allowance for impairment of other non-current assets	(365)	Intangible and other non-current assets
Reflection of redetermination of charter capital	(5,562)	Charter capital
Recognised tax fines	(11,221)	Other taxes payable

The effect of the adjustments and reclassifications made to the financial statements for the year ended 31 December 2004 is as follows:

Type of correction	As previously reported 31 December 2004	Amount of reclassification	Amount of correction	As restated 31 December 2004
Other revenues	(14,250)	379	-	(13,871)
Operating expenses	221,223	(1,831)	20,290	239,682
Other income	-	(379)	-	(379)
Interest expense, net	858	-	295	1,153
Other expenses	715	1,831	-	2,546
Income tax expense	15,061	-	1,212	16,273
Property, plant and equipment	416,767	1,664	-	418,431
Intangible and other non-current assets	11	505	(365)	151
Investments	2,021	2	7,680	9,703
Trade and other receivables	49,165	(3,124)	(32,221)	13,820
Prepayments and other current assets	14,108	(942)	(8,303)	4,863
Prepaid current income tax	-	1,870	(1,212)	658
Charter capital	(359,243)	-	(5,562)	(364,805)
Retained earnings 1 January 04	(63,169)	(1,856)	29,702	(35,323)
Revaluation and other reserves	(1,856)	1,856	-	-
Current portion of long-term loan	(4,052)	-	(295)	(4,347)
Salaries payable	(3,261)	3,261	-	-
Accrued and other liabilities	(15,627)	(3,261)	-	(18,888)
Taxes payable	(2,560)	25	(11,221)	(13,756)

4. PROPERTY, PLANT AND EQUIPMENT

The revalued and carrying amounts of property, plant and equipment were as follows:

	31 December 2005	31 December 2004
Buildings and constructions	219,294	225,641
Vehicles	97,339	102,897
Machinery and equipment	46,774	45,810
Construction-in-progress	51,863	40,776
Other	2,721	3,307
Total	**417,991**	**418,431**

5. INTANGIBLE AND OTHER NON-CURRENT ASSETS

Intangible and other non-current assets were as follows:

	31 December 2005	31 December 2004
Advances paid for acquisition of non-current assets	6,331	399
Loan to subsidiary	251	106
Intangible assets	27	11
	6,609	516
Less: provision for impairment	(2,174)	(365)
Total	**4,435**	**151**

6. INVESTMENTS

Unconsolidated investments as at 31 December 2005 and 31 December 2004 were as follows:

	Nature of business	Ownership interest in 2005	31 December 2005	Ownership interest in 2004	31 December 2004
Reinforced Concrete Tie Factory LLC	Manufacturing	100%	5,887	100%	5,887
Chkhenisi Crushed Stone Factory LLC	Manufacturing	100%	2,200	100%	2,200
Chitakhevi-Borjomi JSC	Energy	25%	2,021	25%	2,021
Refrigerated and Isothermal Transportation Company LLC	Transportation	100%	1,817	0%	-
Tbilisi Cross Melding Factory LLC	Manufacturing	100%	403	100%	403
Sak Rkinigza Project LLC	Construction	100%	28	100%	28
Selling Base of Unclaimed Freight and Construction Materials LLC	Transportation	100%	15	100%	15
Polyclinic of Railway Central Clinical Hospital LLC	Medical	100%	9	100%	9
Railway Telecom LLC	Communication	100%	2	100%	2
Absolute Bank JSC	Banking	-	179	-	183

	Nature of business	Ownership interest in 2005	31 December 2005	Ownership interest in 2004	31 December 2004
Borjomi Rehabilitation Centre LLC	Medical	0%	-	100%	639
Railway Central Clinical Hospital LLC	Medical	0%	-	100%	368
Gori Tie Factory LLC	Manufacturing	0%	-	100%	208
Railways Maternity House LLC	Medical	0%	-	100%	74
Kutaisi Multi Profile Hospital LLC	Medical	0%	-	100%	49
			12,561		12,086
Less: allowance for impairment			(2,379)		(2,383)
Total			**10,182**		**9,703**

Absolute Bank JSC has been liquidated pre 2004. However the investment is not written off and the shares are not identified as at 31 December 2005 and 2004.

7. CASH AND CASH EQUIVALENTS

	31 December 2005	31 December 2004
Cash on hand	20	95
Cash at banks	10,888	3,402
Total	**10,908**	**3,497**

8. TRADE AND OTHER RECEIVABLES

	31 December 2005	31 December 2004
Trade receivables	52,803	56,024
Other receivables	2,838	2,544
	55,641	58,568
Allowance for doubtful debts	(49,285)	(44,748)
Total	**6,356**	**13,820**

9. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2005	31 December 2004
Refundable VAT	12,318	6,704
Advances paid to suppliers	4,452	2,304
Prepaid taxes other than income tax	3,681	3,912
Other current assets	42	246
	20,493	13,166
Allowance for irrecoverable amounts	(8,960)	(8,303)
Total	**11,533**	**4,863**

10. INVENTORIES

	31 December 2005	31 December 2004
Inventories	29,697	27,519

Inventories are comprised of materials and spare parts, fuel, uninstalled equipment, and scrap.

11. CHARTER CAPITAL

The charter capital contributed by the State of Georgia was equal to GEL 362,764 thousand and GEL 364,805 thousand as at 31 December 2005 and 2004, respectively.

	Capital	Description
Balance at 1 January 2005	364,805	
8 June 2005	(159)	Share capital decreased
27 July 2005	(1,129)	Share capital decreased
21 December 2005	(753)	Share capital redetermined
Balance at 31 December 2005	362,764	

During 2005 the State of Georgia, the 100% shareholder, withdrew from Georgia Railways investments and property, plant and equipment by decree of the State Property Management Agency

12. BORROWINGS

Non-current borrowings as at December 31, 2005 and 2004 comprised an outstanding balance of a USD denominated loan obtained by the Company under a non-revolving credit line agreement signed with the European Bank for Reconstruction and Development ("EBRD") on December 22, 1998 and ratified by the Parliament of Georgia on July 30, 1999. The total amount of the credit line was equal to USD 20 million.

The outstanding balances as at December 31, 2005 and 2004 were as follows:

	31 December 2005	31 December 2004
Long-term portion of loan from EBRD	15,919	20,260
Current portion of loan from EBRD	4,389	4,347
Total	**20,308**	**24,607**

The repayment schedule set forth under the loan agreement requires payment of semi-annual equal instalments of USD 1,110 thousand. The final instalment is due in August 2010.

The interest rate is LIBOR + 1%. The loan is secured by a guarantee from the State of Georgia represented by the Ministry of Finance.

The carrying amount of long-term bank borrowings is considered to be a reasonable estimate of their fair value as the nominal interest rate on long-term bank borrowings is considered to be a reasonable approximation of the fair market rate with reference to loans with similar credit risk level and maturity period at the reporting date.

According to the abovementioned loan agreement, the Company has to comply with the following financial covenants at all times beginning from the year of 2000: "debt service coverage ratio" at a minimum of 1.5, "working ratio" at a maximum of 0.9, and "borrower's debtor days" at a maximum of 90 days. The Company complies with all the financial covenants as at 31 December 2005.

Calculation of compliance with covenants is presented below:

	2005		2004	
Covenant	**Required**	**Actual**	**Required**	**Actual**
Debt to Service Coverage Ratio	At least 1.50	3.11	At least 1.50	8.64
Working Ratio	Maximum 0.90	0.75	Maximum 0.90	0.74
Borrower's Debtor Days	Maximum 90 days	75.37 days	Maximum 90 days	69.07 days

13. PROVISIONS

As at 31 December 2005 provision for litigation consists of court cases that management believes that it is probable that they will not successfully defend.

14. TRADE PAYABLES AND ADVANCES RECEIVED

	31 December 2005	31 December 2004
Trade payables	16,036	21,418
Advances received from customers	5,600	-
Total	**21,636**	**21,418**

As at 31 December 2005 advances received from customers mainly relates to advances received for freight transportation in the amount of GEL 4,732 thousand.

Trade payables consisted of the following as at 31 December 2005:

	31 December 2005
Current payables	8,352
Balance of settlement accounts with other railways	7,684
Total	**16,036**

15. CURRENT INCOME TAX PAYABLE

	31 December 2005	31 December 2004
Current income tax payable	12,509	-

16. OTHER TAXES PAYABLE

	31 December 2005	31 December 2004
Provision for tax liability	10,964	7,347
Social tax	1,017	1,406
Personal income tax	594	847
Other	1,507	4,156
Total	**14,082**	**13,756**

17. OTHER LIABILITIES

	31 December 2005	31 December 2004
Salaries payable	4,333	3,261
Other short-term liabilities	1,587	15,627
Total	**5,920**	**18,888**

18. DIVIDENDS PAID

Description	Amount of dividend	Declaration date	Payment date
Government decree on dividends 2005 declared	250	19 May 2005	24 May 2005
Government decree on dividends 2005 declared	400	13 June 2005	22 June 2005
Government decree on dividends 2005 declared	850	12 July 2005	21 July 2005
Government decree on dividends 2005 declared	650	-	26 August 2005
Government decree on dividends 2005 declared	500	23 September 2005	26 September 2005
Government decree on dividends 2005 declared	450	23 September 2005	29 September 2005
Government decree on dividends 2005 declared	700	21 October 2005	31 October 2005
Government decree on dividends 2005 declared	1,200	30 November 2005	21 November 2005
Government decree on dividends 2005 declared	1,200	-	23 December 2005
Government decree on dividends 2005 declared	300	-	30 August 2005
Total	6,500		

19. PENSIONS AND RETIRMENT PLANS

Employees of the Company receive pension benefits from the State in accordance with the laws and regulations of Georgia. No post-employment benefit liabilities exist for the Enterprise.

20. RELATED PARTIES TRANSACTION

The Company is a government entity and as a result all other government entities, municipal entities and all members of Parliament, ministries and their deputies, managing directors of state entities as well as other officials acting on behalf and representing the State authority at different levels and their close family members are related parties. As a result of the large number of Related Parties and the limited resources of the Company, it is unable to comply with the disclosure requirements of International Accounting Standard No. 24 "Related Party Disclosure".

21. COMMITMENTS AND CONTINGENCIES

Operating environment

The Company's principal business operations are within Georgia. Due to the recent conflict between Georgia and the Russian Federation, the business environment is uncertain and may be subject to rapid change. The Company's operations and assets could be at risk due to negative changes in the political, economic or business environment within Georgia and between Georgia and the Russian Federation. These financial statements do not contain any adjustments, if any, that may arise from the realization of this uncertainty.

Litigation

The Company is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results.

Taxation

The Georgian tax authorities are increasingly directing their attention to the business community as the result of overall economic environment in Georgia. Because of that, local and national tax environment in Georgia is constantly changing and is subject to inconsistent application, interpretation, and enforcement. Non-compliance with Georgian laws and regulations can lead to the imposition of severe penalties and interest. Future tax inspections could result in additional commitments being revealed, which do not comply with the Company's tax records. Such commitments could be represented by taxes, penalties, and interest and their amounts could be material. While the Enterprise believes that it has complied with local tax legislation, there have been many new tax laws introduced in recent years, which are not always clearly written.

Recent volatility in global and Georgian financial markets

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in Georgia, notwithstanding any potential economic stabilisation measures that may be put into place by the Georgian government and the National bank of Georgia, there exists as at the date these financial statements are authorized for issue economic uncertainties surrounding the continual availability, and cost, of credit both for the entity and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may be not be recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the entity's profitability.

22. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In the year of 2006 the following subsidiaries were disposed to the State of Georgia (100% shareholder of the Company):

	Nature of business	Ownership interest	Carrying amount as at 31 December 2005	Price	Profit\ (Loss)
Selling Base of Unclaimed Freight and Construction Materials LLC	Transportation	100%	15	0	(15)
Polyclinic of Railway Central Clinical Hospital LLC	Medical	100%	9	0	(9)

Foundation of Refrigerated and Isothermal Transportation Company LLC in 2005 (with balance of GEL 1,817 thousand, refer to Note 6) was considered to be unsuccessful and the investee was fully liquidated in 2008. The liquidation resulted in a loss for the company of GEL 1,817

In 2006, Stadium Named after Mikheil Meskhi LLC was founded on the basis of the football stadium included in the Company's property as at 31 December 2005 with the carrying amount of GEL 25,925 thousand. The investee was disposed to the State of Georgia in 2007.

On 5 May 2006, Greenroad Holdings LLC paid USD 6,698 thousand (GEL 12,158 thousand) to the Company on behalf of Alegro Trans LLC. In 2003, the Supreme Court imposed Alegro Trans LLC to pay the amount to the Company. However, the amount was not paid and the management wrote off the receivable in 2004. According to the general agreement between the State of Georgia and Greenroad Holdings LLC dated 20 January 2006, the latter took commitment of paying the amount.

In 2007, the football stadium in Samtredia included in the Company's property, plant and equipment by a carrying amount of GEL 1,604 thousand, and the following subsidiaries were disposed to the State of Georgia:

	Nature of business	Ownership interest	Carrying amount as at 31 December 2005	Price	Profit/ (Loss)
Reinforced Concrete Tie Factory LLC	Manufacturing	100%	5,887	0	(5,887)
Chkhenisi Crushed Stone Factory LLC	Manufacturing	100%	2,200	0	(2,200)
Tbilisi Cross Melding Factory LLC	Manufacturing	100%	403	0	(403)

On 11 July 2007, the supervisory board of the Company was abolished according to the decree of the president of Georgia and on 9 June 2008 it was re-established.

In 2006, freight turnover was increased by 19%, the figure of 2006 decreased by 2% in 2007, and the figure of 2007 decreased by 5% in 2008.

Subsequent to 31 December 2005 but before the issuance of this report, the Company has declared and paid dividends in the total amount of GEL 5,000 thousand – in 2006, GEL 12,450 thousand – in 2007, and GEL 60,000 thousand – in 2008.

In August of 2008, the conflict between Georgia and Russia damaged the infrastructure of the Company and also caused losses due to inability to conduct transportation services during the conflict. However this event does not have any impact on financial statement as at 31 December 2005.

In September of 2008, High Professional Education College of Railway Transport of Georgia LLC was founded by 100% shareholding on the basis of one of the branches of the Company. This subsidiary in amount of GEL 656 thousand was disposed to the State of Georgia in October of 2008.

In December 2008, two agreements amounting to USD 51,696,292 were signed with the Wagon Repairs Company LLC for capital renovation and repairs of 1,473 wagons.

23. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the management and authorized for issue on 20 January 2009.