

**EURASIAN TRANSPORT
CORRIDOR INVESTMENT
CENTER**

LOAN NO.2560-GEO
(ROAD CORRIDOR INVESTMENT PROGRAM –
PROJECT 1)

**Special Purpose Project Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2013**

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM
LOAN NO.2560-GEO**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

Management of the Road Corridor Investment Program – Project 1 (the "Project") implemented by the Eurasian Transport Corridor Investment Center ("ETCIC" or Transport Reform and Rehabilitation Center – "TRRC") is responsible for the preparation of the special purpose project financial statements that present fairly the financial position of the Project as at 31 December 2013, and its sources and uses of funds and movement in impressed account the year ended 31 December 2013, in compliance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under the Cash Basis of Accounting* ("IPSAS – Cash Basis"), and in conformity with the Guidelines for the Financial Governance and Management of Investment Projects Financed by Asian Development Bank.

In preparing the financial statements, management is responsible for:

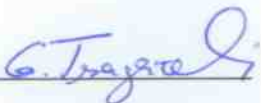
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Project, financial position and its sources and uses of funds and movements in designated accounts;
- Making an assessment of the Projects ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and disclose with reasonable accuracy at any time the financial position of the Project, and which enable them to ensure that the special purpose project financial statements of the Project comply with the Guidelines for the Financial Governance and Management of Investment Projects Financed by Asian Development Bank;
- Maintaining statutory accounting records in compliance with Georgian legislation;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project; and
- Preventing detecting and fraud and other irregularities.

The special purpose project financial statements for the year ended 31 December 2013 were authorised for issue on 23 June 2014 by the Management.

On behalf of the Management:



Giorgi Tsagareli
Director

23 June 2014



Marina Majagaladze
Financial Manager

23 June 2014

INDEPENDENT AUDITOR'S REPORT

To the management of Eurasia Transport Corridor Investment Center:

We have audited the accompanying special purpose project financial statements of the Road Corridor Investment Program – Project 1 (the "Project") financed under the Loan Agreement No. 2560-GEO dated 29 October 2009, implemented by the Eurasian Transport Corridor Investment Center, which comprise the Balance Sheet as at 31 December 2013 and the related Statement of Sources and Uses of Funds, Statement of Expenditures Withdrawal Schedule ("SOEs") and statement of Imprest Account Statement for the year ended 31 December 2013 and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "special purpose project financial statements"). The special purpose financial statements have been prepared by the management using the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under the Cash Basis of Accounting* ("IPSAS – Cash Basis"), and in conformity with the Guidelines for the Financial Governance and Management of Investment Projects Financed by Asian Development Bank as described in Note 2.

Management's responsibility for the special purpose project financial statements

Management is responsible for the preparation and fair presentation of these special purpose project financial statements in accordance with the basis of accounting described in Note 2. This includes determining that the IPSAS – Cash Basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these special purpose project 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 special purpose project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose project financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the special purpose project 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 Project'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 special purpose project 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 special purpose project financial statements present fairly, in all material respects, the financial position of the Project as at 31 December 2013, and its sources and uses of funds, SOEs and movement in imprest account for the year ended 31 December 2013 in accordance with the IPSAS – Cash Basis of accounting and Asian Development Bank Guidelines, as further detailed in Note 2.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the special purpose financial statements which describe the basis of accounting. The special purpose project financial statements are prepared to assist the Project to comply with the requirements of Asian Development Bank. As a result, the special purpose project financial statements may not be suitable for another purpose. Our report is intended solely for use by the management of the Project, the Government of Georgia and the Asian Development Bank and should not be distributed or used by anyone other than these specified parties.

Deloitte & Touche

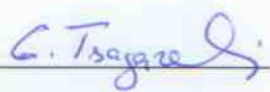
23 June 2014
Tbilisi, Georgia

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO 2560-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in US Dollars)**

	Actual		Planned		Variance	
	Year to date	Cumulative to date	Year to date <i>Unaudited</i>	Cumulative to date <i>Unaudited</i>	Year to date <i>Unaudited</i>	Cumulative to date <i>Unaudited</i>
FUNDS RECEIVED BY SOURCES						
Asian Development Bank (ADB) Funds	31,847,146	90,189,887				
Direct payments	31,117,780	88,879,793				
SOE procedures	623,637	762,561				
Additional advance	-	441,804				
Summary sheet	105,729	105,729				
Government of Georgia (GoG) co-financing	13,102,045	29,203,192				
TOTAL FUNDS RECEIVED	44,949,191	119,393,079				
Foreign exchange difference	(10)	(473)				
LESS: EXPENDITURES						
Category 1 - Civil works and land acquisitions	29,198,125	81,016,911	29,198,125	81,016,911	-	-
Category 2 - Consultant's services for works supervision and design	2,116,710	8,167,141	2,116,710	8,167,141	-	-
Category 3 - Project management support	274,234	487,385	274,234	487,385	-	-
Category 4 - Consultancy for capacity development of RDMRDI	40,062	40,062	40,062	40,062	-	-
ADB TOTAL	31,629,131	89,711,499	31,629,131	89,711,499	-	-
Category 1 - Civil works and land acquisitions	12,524,506	26,732,765	12,524,506	26,732,765	-	-
Category 2 - Consultant's services for works supervision and design	554,861	2,445,973	554,861	2,445,973	-	-
Category 3 - Project management support	10,204	11,521	10,204	11,521	-	-
Category 4 - Consultancy for capacity development of RDMRDI	12,464	12,464	12,464	12,464	-	-
GoG TOTAL	13,102,035	29,202,723	13,102,035	29,202,723	-	-
TOTAL PROJECT EXPENDITURES	44,731,166	118,914,222	44,731,166	118,914,222		
NET FLOW OF FUNDS	218,015	478,384				

On behalf of the Management:


Giorgi Tsagareli
Director

23 June 2014


Marina Majagaladze
Financial Manager

23 June 2014

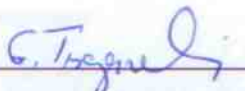
The notes on pages 8 to 14 form an integral part of these special purpose project financial statements.


**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM - PROJECT 1
LOAN NO. 2560-GEO**

**BALANCE SHEET STATEMENT
AS AT 31 DECEMBER 2013
(in US Dollars)**

	<u>31 December 2013</u>
ASSETS	
ADB imprest account	<u>478,384</u>
TOTAL ASSETS	<u><u>478,384</u></u>
Funds received:	
Funds received from ADB	90,189,887
Funds received from GoG	<u>29,203,192</u>
Total funds received	<u>119,393,079</u>
Project expenditures:	
Financed by ADB	(89,711,499)
Financed by GoG	<u>(29,202,723)</u>
Total project expenditures	<u>(118,914,222)</u>
Foreign exchange difference	(473)
TOTAL PROJECT EXPENDITURES AND OTHER FUNDS	<u><u>478,384</u></u>

On behalf of the Management:


Giorgi Tsagareli
Director


Marina Majagaladze
Financial Manager

23 June 2014

23 June 2014

The notes on pages 8 to 14 form an integral part of these special purpose project financial statements.

EURASIAN TRANSPORT CORRIDOR CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO

STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE
FOR THE YEAR ENDED 31 DECEMBER 2013
(in US Dollars)

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2012	Total SOE attributable to 2013	Attributable to 2013 - Component 1	Attributable to 2013 - Component 2	Attributable to 2013 - Component 4	Total SOE attributable to 2014 <i>Unaudited</i>
84	03/04/2013	-	-	-	-	-	-	-
85	01/04/2013	-	-	-	-	-	-	-
86	28/03/2013	-	-	-	-	-	-	-
87	29/03/2013	-	-	-	-	-	-	-
88	07/05/2013	-	-	-	-	-	-	-
89	06/05/2013	-	-	-	-	-	-	-
90	03/05/2013	-	-	-	-	-	-	-
91	03/05/2013	-	-	-	-	-	-	-
92	17/06/2013	-	-	-	-	-	-	-
93	17/06/2013	-	-	-	-	-	-	-
94	15/07/2013	-	-	-	-	-	-	-
95	28/06/2013	-	-	-	-	-	-	-
96	15/07/2013	-	-	-	-	-	-	-
97	12/07/2013	-	-	-	-	-	-	-
98	23/07/2013	-	-	-	-	-	-	-
99	23/07/2013	-	-	-	-	-	-	-
100	12/08/2013	-	-	-	-	-	-	-
101	12/08/2013	-	-	-	-	-	-	-
102	09/09/2013	-	-	-	-	-	-	-
103	09/09/2013	-	-	-	-	-	-	-
104	11/09/2013	-	-	-	-	-	-	-
105	11/09/2013	-	-	-	-	-	-	-
106	23/09/2013	-	-	-	-	-	-	-
107	26/09/2013	-	-	-	-	-	-	-
109	24/10/2013	367,571	133,906	233,665	48,823	-	184,842	-
111	18/10/2013	-	-	-	-	-	-	-
112	18/10/2013	-	-	-	-	-	-	-
113	18/10/2013	-	-	-	-	-	-	-
114	22/10/2013	-	-	-	-	-	-	-
115	23/10/2013	-	-	-	-	-	-	-
116	23/10/2013	-	-	-	-	-	-	-
117	18/10/2013	-	-	-	-	-	-	-
119	18/10/2013	-	-	-	-	-	-	-
120	20/11/2013	-	-	-	-	-	-	-
121	22/11/2013	-	-	-	-	-	-	-
122	20/11/2013	-	-	-	-	-	-	-
123	13/12/2013	-	-	-	-	-	-	-
124	12/12/2013	-	-	-	-	-	-	-
125	18/12/2013	-	-	-	-	-	-	-
126	13/12/2013	-	-	-	-	-	-	-
127	11/12/2013	-	-	-	-	-	-	-
128	11/12/2013	-	-	-	-	-	-	-
129	18/12/2013	256,066	-	256,066	148,232	40,062	67,772	-
		623,637	133,906	489,731	197,055	40,062	252,614	-

On behalf of the Management:

Giorgi Tsagareli
Director

23 June 2014

Marina Majagaladze
Financial Manager

23 June 2014

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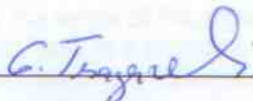
EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO


IMPREST ACCOUNT STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(in US Dollars)

Account No.	2120220223
Depository Bank	State Treasury
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia

Balance as at 1 January 2013	260,369
ADD	
ADB replenishment	729,366
DEDUCT	
Funds used for the Project expenditures	511,351
Balance as at 31 December 2013	478,384

On behalf of the Management:


Giorgi Tsagareli
Director


Marina Majagaladze
Financial Manager

23 June 2014

23 June 2014

The notes on pages 8 to 14 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in US Dollars)**

1. BACKGROUND

The Investment Center for Euro-Asian Transport Corridor was established in 1995 as a non-entrepreneurial and non-profit legal entity. A project unit named "Eurasian Transport Corridor Investment Center" (the "ETCIC" or Transport Reform and Rehabilitation Center – "TRRC") was formed within the Investment Center for Euro-Asian Transport Corridor to manage the allocated loan received from the Asian Development Bank ("ADB") and monitor the implementation of transport sector projects.

The purpose of the project ("Road corridor investment program – project 1") is the construction of a new two-lane road of approximately 28 km in length bypassing Kobuleti, and expansion and improvement of approximately 6 – km road section between Kobuleti and Batumi. The Asian Development Bank Loan Agreement No. 2560-GEO (SF) (the "Agreement") in the amount of Special Drawing Rights ("SDR") 75,892,000 was signed between the Government of Georgia ("GoG") and Asian Development Bank ("ADB") on 29 October 2009 and came into effect on 1 December 2009. Loan No 2843 was added to project financing on 18 April 2012 with the amount of USD 140,000,000. The closing date of the project is 31 December 2015. Funds available under Loan No 2843 will be utilized only after Loan No 2560 has been fully utilized, which has not occurred yet.

2. ACCOUNTING POLICIES

Basis of accounting – These special purpose project financial statements have been prepared in accordance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under a Cash Basis of Accounting* and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with the Guidelines for the Financial Governance and Management of Investment Projects Financed by Asian Development Bank. Project financing is recognized as a source of project funds when the cash is received. Project expenditures are recognized as a use of project funds when the payments are made.

Functional currency – This special purpose project financial statements are expressed in United States Dollars ("US Dollar" or "USD").

Transactions in other currencies – Transactions in currencies other than reporting currencies are converted to US Dollars at the exchange rate prevailing at the date of the transaction.

Cash – Cash comprises cash on hand and balances with State Treasury.

3. IMPREST ACCOUNT

Imprest account is designated disbursement account of the Project maintained in US Dollars at State Treasury to ensure the payment of eligible expenditures, within defined limits, which do not require individual authorisation from ADB in accordance with the Agreement.

4. BASIS OF FUNDING

According to the terms of the Agreement, Category 1 – works are co-financed by proceeds received from ADB and GoG at a proportional rate of 82.3% and 17.7%, respectively, Category 2 – Consulting Services and Category 3 – Project Management Support expenses are 100% financed by ADB.

The GoG is paying all value added, non-residential and other taxes, and land acquisition costs.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(in US Dollars)**

5. METHODS OF WITHDRAWAL

The methods of withdrawal used from the inception of the loan to 31 December 2013 were as follows:

(a) Imprest account

Available amounts were drawn from time to time within limits determined within the loan agreements for the direct payment of eligible expenditures for sub-projects from this special account.

(b) Direct Payment

Available amounts are drawn from time to time within limits determined under the credit agreement for direct payments of eligible expenditures for sub-projects. Direct payments are made by World Bank directly to third parties. TRRC forms withdrawal applications for request of direct payments and sends it to the World Bank, for settlement.

(c) GoG current account

The Project maintains a separate account where funds from the Government of Georgia are accumulated. The funds are further disbursed to sub-contractors based on the share of expenditures to be incurred.

6. STATEMENT OF EXPENDITURES

Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of USD 100,000. The amount of Statement of Expenditures ("SOE") represents the expenditures incurred in the year 2013. The year of actual expenditure and submission of withdrawal application to ADB may be different.

7. RECONCILIATION OF AMOUNTS SHOWN AS RECEIVED FROM THE ADB TO ACTUAL EXPENDITURES OF THE PROJECT

	<u>31 December 2013</u>
Application of Withdrawals Schedule	
Expenses incurred in 2013 as per the Applications of Withdrawals Schedule	31,607,511
Expenses incurred in 2013 without Applications of Withdrawals Schedule	21,620
	<u>31,629,131</u>
ADB replenishments	729,366
ADB direct payments	31,117,780
Foreign exchange difference	-
	<u>31,847,146</u>
Add:	
Opening Balances	
Imprest Account	260,369
	<u>260,369</u>
Less:	
Closing Balances	
Imprest Account	478,384
	<u>478,384</u>
TOTAL EXPENDITURES INCURRED IN 2013	<u><u>31,629,131</u></u>

EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560 – GEO

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(in US Dollars)

Withdrawal No.	Withdrawal application date	Total amount in withdrawal schedule	Total attributable to 2012	Total attributable to 2013	Total amount attributable to 2014
					<i>Unaudited</i>
84	03/04/2013	164,629	-	164,629	-
85	01/04/2013	284,507	-	284,507	-
86	28/03/2013	455,105	-	455,105	-
87	29/03/2013	336,681	-	336,681	-
88	07/05/2013	1,318,592	-	1,318,592	-
89	06/05/2013	1,813,148	-	1,813,148	-
90	03/05/2013	151,250	-	151,250	-
91	03/05/2013	105,772	-	105,772	-
92	17/06/2013	821,825	-	821,825	-
93	17/06/2013	587,635	-	587,635	-
94	15/07/2013	55,540	-	55,540	-
95	28/06/2013	119,842	-	119,842	-
96	15/07/2013	869,684	-	869,684	-
97	12/07/2013	1,165,502	-	1,165,502	-
98	23/07/2013	66,996	-	66,996	-
99	23/07/2013	147,115	-	147,115	-
100	12/08/2013	66,235	-	66,235	-
101	12/08/2013	158,969	-	158,969	-
102	09/09/2013	1,863,184	-	1,863,184	-
103	09/09/2013	1,341,060	-	1,341,060	-
104	11/09/2013	63,325	-	63,325	-
105	11/09/2013	118,152	-	118,152	-
106	23/09/2013	121,022	-	121,022	-
107	26/09/2013	276,924	-	276,924	-
109	24/10/2013	473,300	239,635	233,665	-
111	18/10/2013	2,025	-	2,025	-
112	18/10/2013	4,586	-	4,586	-
113	18/10/2013	1,020,705	-	1,020,705	-
114	22/10/2013	2,348,321	-	2,348,321	-
115	23/10/2013	976,772	-	976,772	-
116	23/10/2013	1,403,765	-	1,403,765	-
117	18/10/2013	104,510	-	104,510	-
119	18/10/2013	64,547	-	64,547	-
120	20/11/2013	657,377	-	657,377	-
121	22/11/2013	1,499,701	-	1,499,701	-
122	20/11/2013	103,638	-	103,638	-
123	13/12/2013	507,041	-	507,041	-
124	12/12/2013	341,026	-	341,026	-
125	18/12/2013	5,631,245	-	5,631,245	-
126	13/12/2013	1,909,820	-	1,909,820	-
127	11/12/2013	1,931,989	-	1,931,989	-
128	11/12/2013	138,018	-	138,018	-
129	18/12/2013	256,066	-	256,066	-
		31,847,146	239,635	31,607,511	-

EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(in US Dollars)

8. RECONCILIATION OF CASH IN IMPREST ACCOUNT AND GOG'S ACCOUNT

	<u>Imprest Account</u>	<u>GoG's Account</u>
Balance as at 1 January 2013	260,369	-
Increase	729,366	13,102,035
Decrease	<u>(511,351)</u>	<u>(13,102,035)</u>
Balance as at 31 December 2013	<u>478,384</u>	<u>-</u>
Imprest Account		
Initial Advance/Replenishments:		
24 October 2013	473,300	
18 December 2013	<u>256,066</u>	
Total	<u>729,366</u>	
SOE liquidation:		
I quarter	56,066	
II quarter	68,200	
III quarter	136,024	
IV quarter	<u>229,441</u>	
	<u>489,731</u>	

EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(in US Dollars)

9. PROJECT EXPENDITURES BY COMPONENTS

Project Activities	Year ended 31 December 2013			Cumulative from inception		
	ADB Financing	GoG Financing	Total	ADB Financing	GoG Financing	Total
Component 1 - Construction of Kobuleti Bypass section						
Civil works	29,198,125	7,535,545	36,733,670	81,016,911	17,278,127	98,295,038
Land acquisition	-	4,988,961	4,988,961	-	9,454,638	9,454,638
Consultant's services for works supervision and design	2,116,710	554,861	2,671,571	8,167,141	2,445,973	10,613,114
TOTAL COMPONENT 1	31,314,835	13,079,367	44,394,202	89,184,052	29,178,738	118,362,790
Component 2 - Capacity development of the Roads Department of MORDI						
Consultancy	40,062	12,464	52,526	40,062	12,464	52,526
TOTAL COMPONENT 2	40,062	12,464	52,526	40,062	12,464	52,526
Component 4 – Project management support						
Consultancy for land acquisition and resettlement	91,076	-	91,076	180,248	-	180,248
Staff cost	129,796	3,458	133,254	222,521	3,458	225,979
Postage	348	-	348	1,635	-	1,635
Financial audit service	4,956	-	4,956	18,660	-	18,660
ORIS Consultant	-	-	-	3,015	-	3,015
Training	41,231	6,746	47,977	41,231	6,746	47,977
Other expenses	6,827	-	6,827	20,075	1,317	21,392
TOTAL COMPONENT 4	274,234	10,204	284,438	487,385	11,521	498,906
TOTAL PROJECT EXPENDITURES	31,629,131	13,102,035	44,731,166	89,711,499	29,202,723	118,914,222

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(in US Dollars)**

Project Activities	Year ended 31 December 2012			Year ended 31 December 2011			Year ended 31 December 2010		
	ADB Financing	GoG Financing	Total	ADB Financing	GoG Financing	Total	ADB Financing	GoG Financing	Total
Component 1 - Construction of Kobuleti Bypass section									
Civil works	34,307,965	5,991,135	40,299,100	6,704,870	1,446,109	8,150,979	10,805,951	2,305,338	13,111,289
Land acquisition	-	81,997	81,997	-	2,645,254	2,645,254	-	1,738,426	1,738,426
Consultant's services for works supervision and design	2,262,952	581,548	2,844,500	2,562,677	999,332	3,562,009	1,224,802	310,232	1,535,034
TOTAL COMPONENT 1	36,570,917	6,654,680	43,225,597	9,267,547	5,090,695	14,358,242	12,030,753	4,353,996	16,384,749
Component 2 - Capacity development of the Roads Department of MORDI									
TOTAL COMPONENT 2	-	-	-	-	-	-	-	-	-
Component 4 - Project management support									
Consultancy for land acquisition and resettlement	60,917	-	60,917	28,255	-	28,255	-	-	-
Staff cost	42,684	-	42,684	30,757	-	30,757	19,284	-	19,284
Postage	356	-	356	931	-	931	-	-	-
Financial audit service	9,204	-	9,204	4,500	-	4,500	-	-	-
ORIS Consultant	-	-	-	3,015	-	3,015	-	-	-
Other expenses	11,120	1,317	12,437	648	-	648	1,480	-	1,480
TOTAL COMPONENT 4	124,281	1,317	125,598	68,106	-	68,106	20,764	-	20,764
TOTAL PROJECT EXPENDITURES	36,695,198	6,655,997	43,351,195	9,335,653	5,090,695	14,426,348	12,051,517	4,353,996	16,405,513

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)
(in US Dollars)**

The Project comprises the following main components:

- Component 1 - Construction of a new two-lane road of approximately 28 km in length bypassing Kobuleti and the expansion and improvement of approximately 6-km road section between Kobuleti and Batumi;
- Component 2 - Capacity development of the Roads Department of Ministry of Regional Development and Infrastructure (MORDI);
- Component 3 - Road safety enhancement; and
- Component 4 - Project management support, including detailed design and supervision consultancy.

The amount of the Loan is allocated to Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category. The Project comprises the following main categories:

- Category 1 - Civil works and Land acquisitions
- Category 2 - Consultant's services for works supervision and design
- Category 3 - Project management support
- Category 4 - Consultancy for capacity development of RDMRDI

The Components for project expenses are further divided into four types of expenses for SOE purposes: Civil Works, Goods, Consultants' Services and Operating Costs.

10. COMMITMENTS AND CONTINGENCIES

The Management is not aware of any commitments and contingencies which would have a material impact on the financial position of the Project and the Imprest Account Statement as at 31 December 2013 and on the funds received and disbursed during the year then ended.

11. OPERATING ENVIRONMENT

Emerging markets such as Georgia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks.

Laws and regulations affecting businesses in Georgia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Georgia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

12. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There were no significant events subsequent to the balance sheet date.

13. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Management of ETCIC on 23 June 2014.