

# **EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER**

LOAN NO.3524-GEO  
(SECONDARY ROAD IMPROVEMENT PROJECT)

Special Purpose Project Financial Statements  
For the year ended 31 December 2022

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
SECONDARY ROAD IMPROVEMENT PROJECT  
LOAN NO.3524-GEO**

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**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY (KHEVI-UBISA SECTION) IMPROVEMENT PROJECT**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION  
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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Management of the Secondary Road Improvement Project (the "Project") implemented by the Eurasian Transport Corridor Investment Center ("ETCIC" or Transport Reform and Rehabilitation Center – "Organisation") is responsible for the preparation of the special purpose project financial statements that present fairly the Statement of Sources and Uses of Funds for the year ended 31 December 2022, the Balance Sheet as at 31 December 2022 and the related Statement of Expenditure Withdrawal Schedule ("SOEs") and Statement of Imprest Account for the year ended 31 December 2022, in accordance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under the Cash Basis of Accounting* ("IPSAS – Cash Basis"), and the Guidelines for the Financial Governance and Management of Investment Projects Financed by Asian Development Bank.

In preparing the special purpose project financial statements, management is responsible for:

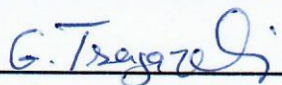
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash 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 and detecting fraud and other irregularities.

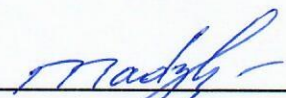
The special purpose project financial statements for the year ended 31 December 2022 were authorised for issue on 28 June 2023 by the Management.

**On behalf of the Management:**

  
\_\_\_\_\_

**Giorgi Tsagareli**  
Director

28 June 2023

  
\_\_\_\_\_

**Marina Majagaladze**  
Finance Manager

28 June 2023

## INDEPENDENT AUDITOR'S REPORT

To the management of Eurasia Transport Corridor Investment Center:

### Opinion

We have audited the accompanying special purpose project financial statements of the Secondary Road Improvement Project (the "Project") financed under the Loan Agreement No. 3524-GEO dated 19 June 2017 (the "Agreement"), implemented by the Eurasian Transport Corridor Investment Center, which comprise Statement of Sources and Uses of Funds for the year ended 31 December 2022, the Balance Sheet as at 31 December 2022 and the related, Statement of Expenditure Withdrawal Schedule ("SOEs") and Statement of Imprest Account for the year ended 31 December 2022 and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements for the year ended 31 December 2022 presents fairly, in all material respects, in accordance with the cash basis of International Public Sector Accounting Standard (IPSAS) promulgated by the International Federation of Accountants (IFAC), as further detailed in Note 2.

### Basis for Opinion

We conducted our audit in accordance with International Standards of Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Project Financial Statements section of our report. We are independent of the Organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the Special Purpose Project financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the special purpose project financial statements, which describes the basis of accounting. The special purpose project financial statements are prepared to assist the Project's management in complying with the financial reporting provisions of the Agreement. As a result, the special purpose project financial statements may not be suitable for another purpose.

This report is intended solely for use by the management of the Project in reporting the information to the Government of Georgia, and in communicating to the Asian Development Bank information about the Project's compliance with the financial reporting provisions of the Agreement. This report is not intended for the benefit of any other third parties and we accept no responsibility or liability to any party other than those mentioned above in respect of the report. Should any third party take decisions based on the contents of the report, the responsibility for such decisions shall remain with those third parties. Our opinion is not modified in respect of this matter.

## **Responsibility of Management and Those Charged with Governance 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 cash basis of IPSAS, the basis of accounting as further detailed in Note 2.

This includes determining that the International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" ("IPSAS – Cash Basis") is an acceptable basis for the preparation of the special purpose project financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose project financial statements, management is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Special Purpose Project Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We are also:

- Identify and access the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose project financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves the fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Shota Nanitashvili

On behalf of Deloitte and Touche LLC



28 June 2023

Tbilisi, Georgia

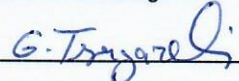
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
SECONDARY ROAD IMPROVEMENT PROJECT  
LOAN NO. 3524-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

|  | Notes | Actual as at 31 December 2022 |                    | Planned as at 31 December 2022*    |  | Variance                           |  |
|--|-------|-------------------------------|--------------------|------------------------------------|--|------------------------------------|--|
|  |       | Period to date                | Cumulative to date | Period to date<br><i>Unaudited</i> | Cumulative to date<br><i>Unaudited</i> | Period to date<br><i>Unaudited</i> | Cumulative to date<br><i>Unaudited</i> |
| <b>FUNDS RECEIVED BY SOURCES</b>             |       |                               |                    |                                    |  |                                    |  |
| Asian Development Bank (ADB) Funds           | 5     | 1,167,579                     | 20,952,375         | -                                  | -                                      | -                                  | -                                      |
| Government of Georgia (GoG) co-financing     |       | 246,618                       | 4,745,445          | -                                  | -                                      | -                                  | -                                      |
| <b>TOTAL FUNDS RECEIVED</b>                  |       | <b>1,414,197</b>              | <b>25,697,820</b>  | <b>-</b>                           | <b>-</b>                               | <b>-</b>                           | <b>-</b>                               |
| Foreign Exchange Difference                  |       | -                             | 543,896            | -                                  | -                                      | -                                  | -                                      |
| <b>LESS: EXPENDITURE (Reimbursement)</b>     |       |                               |                    |                                    |  |                                    |  |
| Category 1 – Works and consulting services   | 6     | 764,768                       | 18,948,711         | 764,768                            | 18,948,711                             | -                                  | -                                      |
| Category 2 - Project management support      |       | -                             | 29,219             | -                                  | 29,219                                 | -                                  | -                                      |
| Category 3 – Interest and commitment charges | 6     | 409,311                       | 1,485,040          | 409,311                            | 1,485,040                              | -                                  | -                                      |
| Category 4 – Unallocated                     |       | -                             | -                  | -                                  | -                                      | -                                  | -                                      |
| <b>ADB TOTAL</b>                             |       | <b>1,174,079</b>              | <b>20,462,970</b>  | <b>1,174,079</b>                   | <b>20,462,970</b>                      | <b>-</b>                           | <b>-</b>                               |
| Category 1 – Works and consulting services   | 6     | 246,618                       | 4,664,750          | 246,618                            | 4,664,750                              | -                                  | -                                      |
| Category 2 - Project management support      |       | -                             | 7,734              | -                                  | 7,735                                  | -                                  | -                                      |
| Category 3 – Interest and commitment charges |       | -                             | -                  | -                                  | -                                      | -                                  | -                                      |
| Category 4 – Unallocated                     |       | -                             | -                  | -                                  | -                                      | -                                  | -                                      |
| <b>GoG TOTAL</b>                             |       | <b>246,618</b>                | <b>4,672,484</b>   | <b>246,618</b>                     | <b>4,672,485</b>                       | <b>-</b>                           | <b>-</b>                               |
| <b>TOTAL PROJECT EXPENDITURE</b>             |       | <b>1,420,697</b>              | <b>25,135,454</b>  | <b>1,420,697</b>                   | <b>25,135,455</b>                      | <b>-</b>                           | <b>-</b>                               |
| <b>NET FLOW OF FUNDS</b>                     |       | <b>(6,500)</b>                | <b>18,470</b>      | <b>-</b>                           | <b>-</b>                               | <b>-</b>                           | <b>-</b>                               |

\*The project uses flex budget approach, so that at the end of the period Plan is always equal to Actual.

On behalf of the Management:



Giorgi Tsagareli  
Director

28 June 2023



Marina Majagaladze  
Finance Manager

28 June 2023

The notes on pages 10 to 17 form an integral part of these special purpose project financial statements.

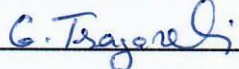
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
SECONDARY ROAD IMPROVEMENT PROJECT  
LOAN NO. 3524-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

|   | Notes | Actual<br>as at 31 December 2021 |                       | Planned as at 31 December<br>2021* |                       | Variance          |                       |
|---|-------|----------------------------------|-----------------------|------------------------------------|-----------------------|-------------------|-----------------------|
|   |       | Period<br>to date                | Cumulative to<br>date | Period<br>to date                  | Cumulative<br>to date | Period<br>to date | Cumulative<br>to date |
|   |       |                                  |                       | Unaudited                          | Unaudited             | Unaudited         | Unaudited             |
| <b>FUNDS RECEIVED BY SOURCES</b>                |       |                                  |                       |                                    |                       |                   |                       |
| Asian Development Bank (ADB)<br>Funds           | 5     | 177,524                          | 19,784,796            | -                                  | -                     | -                 | -                     |
| Government of Georgia<br>(GoG) co-financing     | 5     | 342,473                          | 4,498,829             | -                                  | -                     | -                 | -                     |
| <b>TOTAL FUNDS RECEIVED</b>                     |       | <b>519,997</b>                   | <b>24,283,624</b>     | <b>-</b>                           | <b>-</b>              | <b>-</b>          | <b>-</b>              |
| Foreign Exchange Difference                     |       | 543,896                          | 543,896               |                                    |                       |                   |                       |
| <b>LESS: EXPENDITURE<br/>(Reimbursement)</b>    |       |                                  |                       |                                    |                       |                   |                       |
| Category 1 – Works and consulting<br>services   | 6     | (519,237)                        | 18,183,943            | (519,237)                          | 18,183,943            | -                 | -                     |
| Category 2 - Project management<br>support      |       | -                                | 29,219                |                                    | 29,219                | -                 | -                     |
| Category 3 – Interest and<br>commitment charges | 6     | 225,826                          | 1,075,729             | 225,826                            | 1,075,729             | -                 | -                     |
| Category 4 – Unallocated                        |       | -                                | -                     | -                                  | -                     | -                 | -                     |
| <b>ADB TOTAL</b>                                |       | <b>(293,411)</b>                 | <b>19,288,891</b>     | <b>(293,411)</b>                   | <b>19,288,891</b>     | <b>-</b>          | <b>-</b>              |
| Category 1 – Works and consulting<br>services   | 6     | 269,512                          | 4,418,132             | 269,512                            | 4,418,132             | -                 | -                     |
| Category 2 - Project management<br>support      |       | -                                | 7,735                 | -                                  | 7,735                 | -                 | -                     |
| Category 3 – Interest and<br>commitment charges |       | -                                | -                     | -                                  | -                     | -                 | -                     |
| Category 4 – Unallocated                        |       | -                                | -                     | -                                  | -                     | -                 | -                     |
| <b>GoG TOTAL</b>                                |       | <b>269,512</b>                   | <b>4,425,867</b>      | <b>269,512</b>                     | <b>4,425,867</b>      | <b>-</b>          | <b>-</b>              |
| <b>TOTAL PROJECT EXPENDITURE</b>                |       | <b>(23,899)</b>                  | <b>23,714,759</b>     | <b>(23,899)</b>                    | <b>23,714,759</b>     | <b>-</b>          | <b>-</b>              |
| <b>NET FLOW OF FUNDS</b>                        |       | <b>-</b>                         | <b>24,970</b>         | <b>-</b>                           | <b>-</b>              | <b>-</b>          | <b>-</b>              |

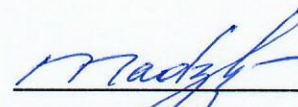
The project uses flex budget approach, so that at the end of the period Plan is always equal to Actual.

On behalf of the Management:



Giorgi Tsagareli  
Director

28 June 2023



Marina Majagaladze  
Finance Manager

28 June 2023

The notes on pages 10 to 17 form an integral part of these special purpose project financial statements.

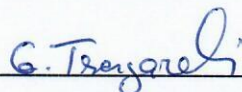


**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
SECONDARY ROAD IMPROVEMENT PROJECT  
LOAN NO. 3524-GEO**

**BALANCE SHEET STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

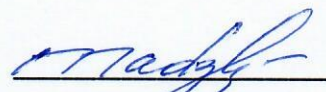
|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> |
|--|-----------------------------|-----------------------------|
| <b>ASSETS</b>  |                             |                             |
| ADB imprest account                                  | 18,470                      | 24,970                      |
| <b>TOTAL ASSETS</b>                                  | <b>18,470</b>               | <b>24,970</b>               |
| <b>Funds received:</b>                               |                             |                             |
| Funds received from ADB                              | 20,952,375                  | 19,784,796                  |
| Funds received from GoG                              | 4,745,445                   | 4,498,829                   |
| <b>Total funds received</b>                          | <b>25,697,820</b>           | <b>24,283,624</b>           |
| <b>Project expenditure:</b>                          |                             |                             |
| Financed by ADB                                      | (20,462,970)                | (19,288,891)                |
| Financed by GoG                                      | (4,672,484)                 | (4,425,867)                 |
| <b>Total project expenditure</b>                     | <b>(25,135,454)</b>         | <b>(23,714,758)</b>         |
| Foreign exchange difference, net                     | (543,896)                   | (543,896)                   |
| <b>TOTAL FUNDS RECEIVED LESS PROJECT EXPENDITURE</b> | <b>18,470</b>               | <b>24,970</b>               |

On behalf of the Management:

  
\_\_\_\_\_

**Giorgi Tsagareli**  
Director

28 June 2023

  
\_\_\_\_\_

**Marina Majagaladze**  
Finance Manager

28 June 2023

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**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
SECONDARY ROAD IMPROVEMENT PROJECT  
LOAN NO. 3524 – GEO**

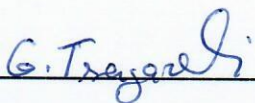
**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

| <b>Withdrawal No.</b> | <b>Withdrawal application date</b> | <b>Total SOE in withdrawal schedule</b> | <b>Total SOE attributable to 2022</b> |
|-----------------------|------------------------------------|---|---------------------------------------|
| 00200                 | 01/09/2022                         | 6,500                                   | 6,500                                 |
|                       |                                    | <b>6,500</b>                            | <b>6,500</b>                          |

| <b>Withdrawal No.</b> | <b>Withdrawal application date</b> | <b>Total SOE in withdrawal schedule</b> | <b>Total SOE attributable to 2021</b> |
|-----------------------|------------------------------------|---|---------------------------------------|
| -                     | -                                  | -                                       | -                                     |
|                       |                                    | <b>-</b>                                | <b>-</b>                              |

There was no SOE type of expenditure for the year ended 31 December 2021.

On behalf of the Management:

  
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**Giorgi Tsagareli**  
Director

28 June 2023

  
\_\_\_\_\_

**Marina Majagaladze**  
Finance Manager

28 June 2023

The notes on pages 10 to 17 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
SECONDARY ROAD IMPROVEMENT PROJECT  
LOAN NO. 3524 – GEO**

**IMPREST ACCOUNT STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

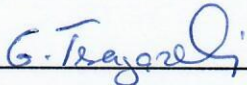
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|                 |  |
|-----------------|--|
| Account No.     | 210250199  |
| Depository Bank | State Treasury                                     |
| Address         | 16 V. Gorgasali street<br>Tbilisi, 0114<br>Georgia |

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|   |                             |
|---|-----------------------------|
| <b>Balance as at 31 December 2020</b>                   | <u><b>24,970</b></u>        |
| <b>ADD</b><br>ADB replenishment                         | <u>-</u>                    |
| <b>DEDUCT</b><br>Funds used for the Project expenditure | <u>-</u>                    |
| <b>Balance as at 31 December 2021</b>                   | <u><u><b>24,970</b></u></u> |
| <b>ADD</b><br>ADB replenishment                         | <u>-</u>                    |
| <b>DEDUCT</b><br>Funds used for the Project expenditure | <u>6,500</u>                |
| <b>Balance as at 31 December 2022</b>                   | <u><u><b>18,470</b></u></u> |

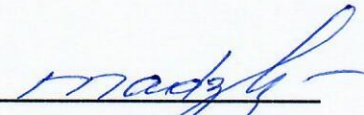
On behalf of the Management:



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**Giorgi Tsagareli**  
Director

28 June 2023



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**Marina Majagladze**  
Finance Manager

28 June 2023

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**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
SECONDARY ROAD IMPROVEMENT PROJECT  
LOAN NO. 3524 – GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

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**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 – “Organisation”) 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 objectives of the Project are increased mobility and accessibility of the residents of the Kharagauli municipality and tourists. The Project shall comprise rehabilitation of approximately 50 km road between Dzirula and Chumateleti to two-lane all-weather standard, including short access roads to the Borjomi-Kharagauli National Park and to Kharagauli and other railway stations. The Project shall include the provision of Consulting Services for construction supervision and Project management support. The Project was planned to be completed by 31 August 2021 but management extended deadline of the project as only 25% of total budgeted funds were received as at 31/12/2020.

**2. ACCOUNTING POLICIES**

**Basis of accounting** – These special purpose project financial statements have been prepared in accordance with the cash-based International Public Sector Accounting Standard (IPSAS) promulgated by the International Federation of Accountants (IFAC).

These special purpose project financial statements, in accordance with the provisions of the Agreement, are prepared for management analysis and in order to report the information to the Government of Georgia and the Asian Development Bank. As a result these special purpose project financial statements may not be suitable for another purpose.

**Project financing** is recognised as a source of project funds when the cash is received.

**Project expenditure** are recognised as a use of project funds when the payments are made.

**Functional currency** – These 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 balances with the State Treasury.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
SECONDARY ROAD IMPROVEMENT PROJECT  
LOAN NO. 3524 – GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

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**3. BASIS OF FUNDING**

According to the terms of the Agreement, Category 1 – works and consulting, Category 2 – Project management Support are financed 100% of the total expenditure claimed by ADB and Category 3 – Interest and commitment charges are 100% financed by ADB. Category 1 and 2 is exclusive of taxes and duties imposed within the territory of the Georgia.

It is allowed by the donor, to utilise loan funds, subsequent to relevant approvals, to finance projects under other loans, if there are any residual unexpended funds.

**4. METHODS OF WITHDRAWAL**

The methods of withdrawal used from the inception of the loan to 31 December 2022 and 31 December 2021 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 expenditure for sub-projects from this special account. No amounts were drawn down during the period from 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 expenditure for sub-projects. Direct payments are made by ADB directly to third parties. Organisation forms withdrawal applications for request of direct payments and sends it to the ADB, 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 expenditure to be incurred.

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**5. RECONCILIATION OF AMOUNTS SHOWN AS RECEIVED FROM THE ADB TO ACTUAL EXPENDITURE OF THE PROJECT**

|   | 31 December<br>2022 | 31 December<br>2021 |
|---|---------------------|---------------------|
| <b>Application of Withdrawals Schedule</b>                        |                     |                     |
| Expenses incurred as per the Applications of Withdrawals Schedule | 764,768             | 2,169,279           |
| Expenses Return due to Cashed advance bank guarantee              | -                   | (2,217,581)         |
| Expenses incurred without Applications of Withdrawals Schedule    | 409,311             | 225,826             |
|   | <b>1,174,079</b>    | <b>177,524</b>      |
|   |                     |                     |
| ADB direct payments   | -                   | 2,169,279           |
| Advance Refund  | 758,268             | (2,217,581)         |
| Capitalised charges   | 409,311             | 225,826             |
| ADB Replenishments  | -                   | -                   |
|   | <b>1,167,579</b>    | <b>177,524</b>      |
|   |                     |                     |
| <b>Add:</b>   |                     |                     |
| <b>Opening Balances</b>   |                     |                     |
| Imprest Account   | 24,970              | 24,970              |
|   | <b>24,970</b>       | <b>24,970</b>       |
|   |                     |                     |
| <b>Less:</b>  |                     |                     |
| <b>Closing Balances</b>   |                     |                     |
| Imprest Account   | 18,470              | 24,970              |
|   | <b>18,470</b>       | <b>24,970</b>       |
|   |                     |                     |
| <b>TOTAL EXPENDITURES INCURRED</b>                                | <b>1,174,079</b>    | <b>177,524</b>      |

**TOTAL WITHDRAWAL SCHEDULE EXPENSES FOR THE YEAR 31 DECEMBER 2022 (ADB)**

| Withdrawal No. | Value date | Total amount in<br>withdrawal schedule | Total attributable to<br>2022 |
|----------------|------------|--|-------------------------------|
| 00193          | 12-Jan-22  | 7,134                                  | 7,134                         |
| 00194          | 11-May-22  | 24,286                                 | 24,286                        |
| 00195          | 27-Jun-22  | 88,215                                 | 88,215                        |
| 00197          | 22-Jul-22  | 216,690                                | 216,690                       |
| 00198          | 5-Aug-22   | 67,679                                 | 67,679                        |
| 00199          | 5-Aug-22   | 43,909                                 | 43,909                        |
| 00201          | 19-Aug-22  | 27,761                                 | 27,761                        |
| 00202          | 23-Aug-22  | 13,012                                 | 13,012                        |
| 00203          | 16-Sep-22  | 31,478                                 | 31,478                        |
| 00204          | 6-Dec-22   | 76,970                                 | 76,970                        |
| 00205          | 8-Dec-22   | 44,720                                 | 44,720                        |
| 00206          | 8-Dec-22   | 116,413                                | 116,413                       |
| CAP2           | 1-May-22   | 108,987                                | 108,987                       |
| CAP 3          | 1-Nov-22   | 300,324                                | 300,324                       |
|                |            | <b>1,167,579</b>                       | <b>1,167,579</b>              |

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**TOTAL WITHDRAWAL SCHEDULE EXPENSES FOR THE YEAR 31 DECEMBER 2021 (ADB)**

| withdrawal No. | Value date | Total amount in withdrawal<br>schedule | Total attributable to 2021 |
|----------------|------------|--|----------------------------|
| 000146         | 17-Mar-21  | 46,680                                 | 46,680                     |
| 000147         | 19-Mar-21  | 7,922                                  | 7,922                      |
| 000148         | 16-Mar-21  | 31,009                                 | 31,009                     |
| 000149         | 25-Mar-21  | 78,797                                 | 78,797                     |
| 000150         | 24-Mar-21  | 102,557                                | 102,557                    |
| 000151         | 26-Mar-21  | 14,576                                 | 14,576                     |
| 000153         | 31-Mar-21  | 101,756                                | 101,756                    |
| 000155         | 28-Apr-21  | 58,130                                 | 58,130                     |
| 000156         | 30-Apr-21  | 38,893                                 | 38,893                     |
| 000157         | 29-Apr-21  | 68,230                                 | 68,230                     |
| 000158         | 6-May-21   | 55,830                                 | 55,830                     |
| 000159         | 10-May-21  | 7,665                                  | 7,665                      |
| 000160         | 18-May-21  | 20,838                                 | 20,838                     |
| 000161         | 1-Jun-21   | 64,626                                 | 64,626                     |
| 000162         | 3-Jun-21   | 8,079                                  | 8,079                      |
| 000163         | 1-Jun-21   | 110,536                                | 110,534                    |
| 000164         | 3-Jun-21   | 137,298                                | 137,296                    |
| 000165         | 3-Jun-21   | 74,882                                 | 74,882                     |
| 000166         | 9-Jun-21   | 21,206                                 | 21,206                     |
| 000167         | 17-Jun-21  | 58,908                                 | 58,908                     |
| 000168         | 21-Jun-21  | 39,144                                 | 39,144                     |
| 000169         | 21-Jun-21  | 75,738                                 | 75,738                     |
| 000170         | 18-Jun-21  | 58,400                                 | 58,400                     |
| 000171         | 22-Jun-21  | 8,367                                  | 8,367                      |
| 000172         | 23-Aug-21  | 102,798                                | 102,798                    |
| 000173         | 31-Aug-21  | 66,950                                 | 66,950                     |
| 000174         | 31-Aug-21  | 133,230                                | 133,230                    |
| 000175         | 9-Aug-21   | 13,482                                 | 13,482                     |
| 000176         | 10-Sep-21  | 6,500                                  | 6,500                      |
| 000177         | 25-Aug-21  | 16,028                                 | 16,028                     |
| 000178         | 10-Sep-21  | 94,278                                 | 94,278                     |
| 000179         | 14-Sep-21  | 16,973                                 | 16,973                     |
| 000180         | 16-Sep-21  | 29,128                                 | 29,128                     |
| 000181         | 20-Sep-21  | 19,054                                 | 19,054                     |
| 000182         | 20-Sep-21  | 38,057                                 | 38,057                     |
| 000183         | 20-Sep-21  | 31,590                                 | 31,590                     |
| 000184         | 22-Sep-21  | 7,456                                  | 7,456                      |
| 000185         | 4-Nov-21   | 30,482                                 | 30,482                     |
| 000186         | 8-Nov-21   | 19,562                                 | 19,562                     |
| 000187         | 8-Nov-21   | 39,165                                 | 39,165                     |
| 000188         | 8-Nov-21   | 21,919                                 | 21,919                     |
| 000189         | 26-Nov-21  | 78,883                                 | 78,883                     |
| 000190         | 13-Dec-21  | 36,530                                 | 36,530                     |
| 000191         | 15-Dec-21  | 22,841                                 | 22,841                     |
| 000192         | 15-Dec-21  | 47,806                                 | 47,806                     |
| TL # 00152     | 16-Apr-21  | 6,500                                  | 6,500                      |
| CAP-921A       | 1-May-21   | 112,290                                | 112,290                    |
| CAP1           | 1-Nov-21   | 113,536                                | 113,536                    |
| TL # 9999      | 8-Dec-21   | (2,217,581)                            | (2,217,581)                |
|                |            | <u><u>177,524</u></u>                  | <u><u>177,524</u></u>      |

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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)  
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**6. PROJECT EXPENDITURE BY COMPONENTS**

| Project Activities   | For the year 31 December 2022 |                  |                  | Cumulative from inception |                  |                   |
|--|-------------------------------|------------------|------------------|---------------------------|------------------|-------------------|
|  | ADB<br>Financing              | GoG<br>Financing | Total            | ADB<br>Financing          | GoG<br>Financing | Total             |
| <b>Component A –<br/>Investment costs</b>                                |                               |                  |                  |                           |                  |                   |
| Civil works  | 238,103                       | 146,463          | 384,566          | 14,628,447                | 2,708,752        | 17,337,199        |
| Cashed based<br>guarantee refund   | -                             | -                | -                | -                         | -                | -                 |
| Land<br>acquisition/social<br>mitigation                                 | -                             | 7,884            | 7,884            | -                         | 1,185,341        | 1,185,341         |
| Consultancy  | 526,666                       | 92,271           | 618,936          | 4,320,264                 | 770,657          | 5,090,921         |
| <b>TOTAL<br/>COMPONENT A</b>   | <b>764,768</b>                | <b>246,618</b>   | <b>1,011,386</b> | <b>18,948,711</b>         | <b>4,664,750</b> | <b>23,613,461</b> |
| <b>Component B -<br/>Project<br/>management costs</b>                    |                               |                  |                  |                           |                  |                   |
| Project<br>management costs  |                               |                  |                  | 29,219                    | 7,734            | 36,953            |
| <b>TOTAL<br/>COMPONENT B</b>   |                               |                  |                  | <b>29,219</b>             | <b>7,735</b>     | <b>36,954</b>     |
| <b>Component C –<br/>Contingencies<br/>unallocated</b>                   |                               |                  |                  |                           |                  |                   |
| Contingencies<br>unallocated   | -                             | -                | -                | -                         | -                | -                 |
| <b>TOTAL<br/>COMPONENT C</b>   | <b>-</b>                      | <b>-</b>         | <b>-</b>         | <b>-</b>                  | <b>-</b>         | <b>-</b>          |
| <b>Component D –<br/>Financial charges<br/>during<br/>implementation</b> |                               |                  |                  |                           |                  |                   |
| Financial charges<br>during<br>implementation                            | 409,311                       | -                | 409,311          | 1,485,040                 | -                | 1,485,040         |
| <b>TOTAL<br/>COMPONENT D</b>   | <b>409,311</b>                | <b>-</b>         | <b>409,311</b>   | <b>1,485,040</b>          | <b>-</b>         | <b>1,485,040</b>  |
| <b>TOTAL PROJECT<br/>EXPENDITURE</b>                                     | <b>1,174,079</b>              | <b>246,618</b>   | <b>1,420,697</b> | <b>20,462,970</b>         | <b>4,672,485</b> | <b>25,135,454</b> |



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| Project Activities   | For the year 31 December 2021 |                  |                  | Cumulative from inception |                  |                   |
|--|-------------------------------|------------------|------------------|---------------------------|------------------|-------------------|
|  | ADB<br>Financing              | GoG<br>Financing | Total            | ADB<br>Financing          | GoG<br>Financing | Total             |
| <b>Component A –<br/>Investment costs</b>                            |                               |                  |                  |                           |                  |                   |
| Civil works  | 1,349,116                     | 241,674          | 1,590,789        | 17,078,860                | 3,030,986        | 20,109,846        |
| Cashed based guarantee<br>refund                                     | (2,688,516)*                  | (468,697)        | (3,157,213)*     | (2,688,516)               | (468,697)        | (3,157,213)       |
| Land acquisition/social<br>mitigation                                | -                             | 353,150          | 353,150          | -                         | 1,177,457        | 1,177,457         |
| Consultancy  | 820,163                       | 143,385          | 963,548          | 3,793,599                 | 678,386          | 4,471,985         |
| <b>TOTAL COMPONENT A</b>   | <b>(519,237)</b>              | <b>269,512</b>   | <b>(249,725)</b> | <b>18,183,943</b>         | <b>4,418,132</b> | <b>22,602,075</b> |
| <b>Component B - Project<br/>management costs</b>                    |                               |                  |                  |                           |                  |                   |
| Project management<br>costs  | -                             | -                | -                | 29,219                    | 7,735            | 36,954            |
| <b>TOTAL COMPONENT B</b>   | <b>-</b>                      | <b>-</b>         | <b>-</b>         | <b>29,219</b>             | <b>7,735</b>     | <b>36,954</b>     |
| <b>Component C –<br/>Contingencies<br/>unallocated</b>               |                               |                  |                  |                           |                  |                   |
| Contingencies<br>unallocated   | -                             | -                | -                | -                         | -                | -                 |
| <b>TOTAL COMPONENT C</b>   | <b>-</b>                      | <b>-</b>         | <b>-</b>         | <b>-</b>                  | <b>-</b>         | <b>-</b>          |
| <b>Component D – Financial<br/>charges during<br/>implementation</b> |                               |                  |                  |                           |                  |                   |
| Financial charges during<br>implementation                           | 225,826                       | -                | 225,826          | 1,075,729                 | -                | 1,075,729         |
| <b>TOTAL COMPONENT D</b>   | <b>225,826</b>                | <b>-</b>         | <b>225,826</b>   | <b>1,075,729</b>          | <b>-</b>         | <b>1,075,729</b>  |
| <b>TOTAL PROJECT<br/>EXPENDITURE</b>                                 | <b>(293,411)</b>              | <b>269,512</b>   | <b>(23,899)</b>  | <b>19,288,891</b>         | <b>4,425,867</b> | <b>23,714,758</b> |

\*The Negative amounts of expenditures are due to Advance return from contractor Akkord Inc for the incorrect provision of services and not fulfillment of contract terms. Advance Payments were reimbursed under the cash advance bank guarantee, from which GOG share of funding was transferred to Treasury Service of Georgia with the amount of 1.248 mln GEL and Co-financing share of ADB, which equaled to 6,936,371 GEL was returned back to loan account in USD equivalent. In total these amounts consist of net amounts returned as well forex losses generated from returned amounts.

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The Project comprises the following main components:

- Component A – Investment Costs;
- Component B – Project management costs
- Component C – Contingencies; and
- Component D – Financial charges during implementation

If the amount of the Loan allocated to a Category appears to exceed all agreed expenditure 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 – Works and consulting services
- Category 2 – Project management support
- Category 3 – Interest and commitment charges; and
- Category 4 – Unallocated

## **7. 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 as at 31 December 2022 and on the funds received and disbursed during the period then ended.

## **8. OPERATING ENVIRONMENT**

Operating environment – Emerging markets such as Georgia are subject to different risks than more developed markets; these include economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to evolve rapidly with tax and regulatory frameworks subject to varying interpretations. The future direction of Georgia’s economy is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

For the last several years Georgia has experienced a number of legislative changes, which have been largely related to Georgia’s accession plan to the European Union. Whilst the legislative changes implemented during 2022 and 2021 paved the way, more can be expected as Georgia’s action plan for achieving accession to the European Union continues to develop.

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**9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

There are no material events subsequent to the end of the year that would require disclosure as part of the financial statements.

**10. APPROVAL OF FINANCIAL STATEMENTS**

These special purpose project financial statements were authorised for issue by the Management of ETCIC on 28 June 2023.