

**EURASIAN TRANSPORT  
CORRIDOR INVESTMENT  
CENTER**

LOAN NO.8328 000021-01-GEO / 3520-GEO  
(BATUMI BYPASS ROAD PROJECT)

Special Purpose Project Financial Statements  
For the Year Ended 31 December 2020

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO.8328 000021-01-GEO / 3520-GEO**

**TABLE OF CONTENTS**

---

	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS	1
INDEPENDENT AUDITOR'S REPORT	2-4
SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020:	
Statement of sources and uses of funds	5-6
Balance sheet statement	7
Statement of expenditure withdrawal schedule	8
Designated account statement	9
Notes to the special purpose project financial statements	10-19

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION  
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

---

Management of the Batumi bypass road project (the "Project") implemented by the Eurasian Transport Corridor Investment Center ("ETCIC" or Transport Reform and Rehabilitation Center – "Organisaiton") 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 2020 and its sources and uses of funds and movement in designated account for the Year Ended 31 December 2020, in compliance 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 and Asian Infrastructure Investment Bank.

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

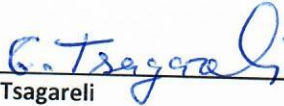
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis 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 and Asian Infrastructure Investment 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 2020 were authorised for issue on 29 June 2021 by the Management.

**On behalf of the Management:**

  
\_\_\_\_\_  
**Giorgi Tsagareli**  
Director

29 June 2021

  
\_\_\_\_\_  
**Marina Majagaladze**  
Financial Manager

29 June 2021

## INDEPENDENT AUDITOR'S REPORT

To the management of Eurasian Transport Corridor Investment Center:

### Opinion

We have audited the accompanying special purpose project financial statements of the Batumi bypass road project (the "Project") financed under the Loan Agreement No. 8328-GEO dated 17 June 2017 (the "Agreement") and Loan Agreement No. 3520-GEO dated 12 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 2020, the Balance Sheet as at 31 December 2020 and the related Statement of Expenditure Withdrawal Schedule ("SOEs") and Statement of Designated Account for the Year Ended 31 December 2020 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 2020 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 and Asian Infrastructure Investment 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 an

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 Organisation 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 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.



Srбуhi Hakobyan  
On behalf of Deloitte and Touche LLC

*Deloitte & Touche*

29 June 2021

Tbilisi, Georgia

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 31 December 2020  
(in US Dollars)**

	Actual		Planned*		Variance	Cumulative to date
	Year to date	Cumulative to date	Year to date	Cumulative to date	Year to date	Cumulative to date
			Unaudited	Unaudited	Unaudited	Unaudited
<b>FUNDS RECEIVED BY SOURCES</b>						
<b>AIIB Funds</b>	<b>11,404,548</b>	<b>38,070,762</b>	-	-	-	-
Direct payments	6,760,786	16,784,598	-	-	-	-
Reimbursement via advance on designated account	-	8,982,020	-	-	-	-
Capitalised Charges	993,669	2,711,658	-	-	-	-
Intermediate Bank Charges withhold from Replenishment amounts and Refunded	-	195	-	-	-	-
Additional advance	3,650,093	9,592,291	-	-	-	-
<b>ADB Funds</b>	<b>7,716,065</b>	<b>26,055,090</b>	-	-	-	-
Direct payments	7,499,241	21,031,646	-	-	-	-
Reimbursement via advance on designated account	-	281,165	-	-	-	-
Retroactive	-	4,096,608	-	-	-	-
Capitalised Charges	216,824	645,671	-	-	-	-
<b>Government Funds</b>	<b>8,116,539</b>	<b>57,386,544</b>	-	-	-	-
Government of Georgia	8,116,539	57,247,834	-	-	-	-
GOG retroactive funds for ADB (foreign exchange gain)	-	138,710	-	-	-	-
<b>TOTAL FUNDS RECEIVED</b>	<b>27,237,152</b>	<b>121,512,396</b>	-	-	-	-
<b>Foreign exchange difference, net</b>	<b>8,799</b>	<b>(11,943)</b>	-	-	-	-
<b>LESS: EXPENDITURE</b>						
Category 1 - Civil works	9,685,217	32,158,835	9,685,217	32,158,835	-	-
Category 2 - Consulting services	1,291,666	3,094,974	1,291,666	3,094,974	-	-
Category 3 - Project management and institutional support	-	-	-	-	-	-
Category 4 - Interest and other financing charges	993,669	2,711,658	993,669	2,711,658	-	-
<b>AIIB TOTAL</b>	<b>11,970,552</b>	<b>37,965,467</b>	<b>11,970,552</b>	<b>37,965,467</b>	-	-
Category 1 - Civil works	6,185,046	22,020,901	6,185,046	22,020,901	-	-
Category 2 - Consulting services	1,307,347	3,045,387	1,307,347	3,045,387	-	-
Category 3 - Project management and institutional support	129,019	257,604	129,019	257,604	-	-
Category 4 - Interest and other financing charges	216,824	645,671	216,824	645,671	-	-
<b>ADB TOTAL</b>	<b>7,838,236</b>	<b>25,969,563</b>	<b>7,838,236</b>	<b>25,969,563</b>	-	-

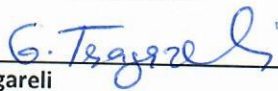
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 31 December 2020  
(in US Dollars)**

Category 1 - Civil works	7,566,072	55,949,614	7,566,072	55,949,614	-	-
Category 2 - Consulting services	473,465	1,144,035	473,465	1,144,035	-	-
Category 3 - Project management and institutional support	54,133	257,853	54,133	257,853	-	-
Category 4 - Interest and other financing charges	-	-	-	-	-	-
<b>GOG TOTAL</b>	<b>8,093,670</b>	<b>57,351,502</b>	<b>8,093,670</b>	<b>57,351,502</b>	-	-
<b>TOTAL PROJECT EXPENDITURE</b>	<b>27,902,458</b>	<b>121,286,532</b>	<b>27,902,458</b>	<b>121,286,532</b>	-	-
<b>NET FLOW OF FUNDS</b>	<b>(656,507)</b>	<b>213,921</b>	-	-	-	-

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

On behalf of the Management:

  
Giorgi Tsagareli  
Director

29 June 2021

  
Marina Majagaladze  
Financial Manager

29 June 2021

The notes on pages 10 to 19 form an integral part of these special purpose project financial statements.

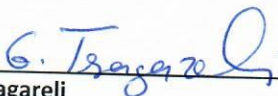


**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**BALANCE SHEET STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in US Dollars)**

	<u>31 December 2020</u>
<b>ASSETS</b>	
AIIB designated account	
ADB imprest account	105,295
GOG Project account	73,616
	<u>35,010</u>
<b>TOTAL ASSETS</b>	<b><u>213,921</u></b>
<b>Funds received:</b>	
Funds received from AIIB	
Funds received from ADB	38,070,762
Funds received from GOG	26,055,090
GOG retroactive funds for ADB (Foreign exchange gain)	57,247,834
	<u>138,710</u>
<b>Total funds received</b>	<b><u>121,512,396</u></b>
<b>Project expenditure:</b>	
Financed by AIIB	
Financed by ADB	(37,965,467)
Financed by GOG	(25,969,563)
	<u>(57,351,502)</u>
<b>Total project expenditure</b>	<b><u>(121,286,532)</u></b>
Foreign exchange difference, net	<u>(11,943)</u>
<b>TOTAL FUNDS RECEIVED LESS PROJECT EXPENDITURE</b>	<b><u>213,921</u></b>

On behalf of the Management:

  
\_\_\_\_\_  
Giorgi Tsagareli  
Director

29 June 2021

  
\_\_\_\_\_  
Marina Majagaladze  
Financial Manager

29 June 2021

The notes on pages 10 to 19 form an integral part of these special purpose project financial statements.

EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI PASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO

STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE  
FOR THE YEAR ENDED 31 DECEMBER 2020  
*(in US Dollars)*

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2020
-	-	-	-
-	-	-	-

There was no SOE type of expenditure in 2020.

On behalf of the Management:

  
\_\_\_\_\_  
Giorgi Tsagareli  
Director

29 June 2021

  
\_\_\_\_\_  
Marina Majagaladze  
Financial Manager

29 June 2021

The notes on pages 10 to 19 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**DESIGNATED ACCOUNT STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in US Dollars)**

<b>Depository Bank</b>	State Tresury	
<b>Address</b>	16 V. Gorgasali street	
	Tbilisi, 0114	
	Georgia	
<hr/>		
AiIB - Balance as at 31 December 2019		671,299
ADB - Balance as at 31 December 2019		186,988
GOG - Balance as at 31 December 2019		12,141
		<hr/>
<b>Balance as at 31 December 2019</b>		<b>870,428</b>
		<hr/>
<b>ADD</b>		
AiIB reimbursement		3,650,093
ADB replenishment		-
GOG Replenishment		22,869
		<hr/>
<b>DEDUCT</b>		
Funds used for the Project expenditure – AiIB		(4,216,097)
Funds used for the Project expenditure – ADB		(122,171)
Funds used for the Project expenditure – GOG		-
		<hr/>
Foreign Exchange Gain		8,799
		<hr/>
AiIB - Balance as at 31 December 2020		105,295
ADB - Balance as at 31 December 2020		73,616
GOG - Balance as at 31 December 2020		35,010
		<hr/>
<b>Balance as at 31 December 2020</b>		<b>213,921</b>
		<hr/> <hr/>

**On behalf of the Management:**

  
 \_\_\_\_\_  
 Giorgi Tsagareli  
 Director

29 June 2021

  
 \_\_\_\_\_  
 Marina Majagaladze  
 Financial Manager

29 June 2021

The notes on pages 10 to 19 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(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 – "Organisaiton") was formed within the Investment Center for Euro-Asian Transport Corridor to manage allocated credits/loans received from the International Development Association ("IDA"), the International Bank for Reconstruction and Development ("IBRD"), the Asian Development Bank ("ADB"), Asian Infrastructure Investment Bank ("AIIB") and the European Investment Bank (EIB) and monitor the implementation of transport sector projects.

Government of Georgia ("borrower") has requested (i) a loan of EUR 108,190,000 (equivalent to 114,000,000) from Asian Development Bank's ("ADB") ordinary capital resources, and (ii) a loan of USD 114,000,000 from the Asian Infrastructure Investment Bank ("AIIB") to help finance the Batumi Bypass Road Project. The borrower will contribute approximately USD 87,200,000 for land acquisition and resettlement and taxes and duties.

On 12 and 17 June 2017 the loan agreements number 3520-GEO and 8328-GEO with above-mentioned amounts were signed between ADB and Government of Georgia and AIIB and Government of Georgia, respectively. The borrower is obliged to use the proceeds of the loan for financing of expenditure of the project in accordance with the provisions of this loan agreement.

The Project will construct a new two-lane 14.3 km long highway to provide a bypass to the Batumi port city (second largest city in Georgia). The road will be constructed on a new alignment, which passes through a number of mountainous settlements. Due to hilly nature of the terrain, this stretch of road requires construction of 5 tunnels and 19 bridges over rivers and valleys. Additionally, the controlled-access highway will have 4 grade separated interchanges to regulate traffic ingress/egress. The Project will also finance construction supervision and quality assurance services associated with the civil works including specialised structural and geotechnical works. The Project is expected to be completed by 31 December 2025.

**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, Asian Infrastructure Investment Bank 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  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in US Dollars)**

---

**3. DESIGNATED ACCOUNT**

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

**4. BASIS OF FUNDING**

According to the terms of the Agreement:

- Category 1 – Works which is divided into 1A Batumi Bypass Road, 1B Rehabilitation and Civil Works and 1C Poti Bridge and Approach Roads and Bakurtsikhe-Tsnori Road are financed by 48%, 0% and 0% of the total expenditure claimed by AIIB and 32.3%, 100% and 100% of the total expenditure claimed by ADB, respectively\*;
- Category 2 – Consulting services, which are divided into 2A Construction Supervision for Batumi Bypass Road, 2B Feasibility Study and Detailed Design and 2C Construction Supervision for Poti Bridge and Approach Roads and Bakurtsikhe-Tsnori Road are financed by 50%, 0% and 0% of the total expenditure claimed by AIIB and by 50%, 100% and 100% of the total expenditure claimed by ADB, respectively\*;
- Category 3 – Project Management and Institutional Support is financed by 100% of the total expenditure claimed by ADB\*;
- Category 4 – Interest and Other Financing Charges are 100% financed by ADB and AIIB.

\* Exclusive of taxes and duties imposed within the territory of the borrower.

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

**5. METHODS OF WITHDRAWAL**

The methods of withdrawal used from the inception of the loan to 31 December 2020 were as follows:

**(a) Designated 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.

**(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 AIIB and ADB directly to third parties. Organisation forms withdrawal applications for request of direct payments and sends it to the AIIB and ADB for settlement.

**(c) (Reimbursement)**

Withdrawals from the Loan Account may be made to finance eligible expenditure incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement, in connection with Works and Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**  
*(in US Dollars)*

**(d) 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.

**6. STATEMENT OF EXPENDITURE**

Any individual payment to be reimbursed or liquidated under the statement of expenditure procedure shall not exceed the equivalent of USD 100,000 for Loan No 8328 000021-01-GEO. The amount of Statement of Expenditure ("SOE") represents the expenditure incurred in the year 2020. The year of actual expenditure and submission of withdrawal application to AIIB may be different.

**7. RECONCILIATION OF AMOUNTS SHOWN AS RECEIVED FROM THE AIIB AND ADB TO ACTUAL EXPENDITURE OF THE PROJECT**

	<b>31 December 2020</b>
<b>Application of Withdrawals Schedule</b>	
AIIB - Expenses incurred in 2020 as per the Applications of Withdrawals Schedule	6,760,786
AIIB - Expenses incurred in 2020 without Applications of Withdrawals Schedule	4,216,097
AIIB - Expenses for financial charges during the implementation	993,669
ADB - Expenses incurred in 2020 as per the Applications of Withdrawals Schedule	7,499,241
ADB - Expenses incurred in 2020 without Applications of Withdrawals Schedule	122,171
ADB - Expenses for financial charges during the implementation	216,824
	<b>19,808,788</b>
AIIB reimbursement via designated account	3,650,093
AIIB direct payments via designated account	6,760,786
Front end fee	993,669
ADB reimbursement via designated account	-
ADB direct payments via designated account	7,499,241
ADB Capitalised charges	216,824
Foreign Exchange Difference	8,799
	<b>19,129,412</b>
<b>Add:</b>	
<b>Opening Balances</b>	
AIIB - Designated Account	671,299
ADB - Designated Account	186,988
	<b>858,287</b>
<b>Designated Account</b>	<b>858,287</b>
<b>Less:</b>	
<b>Closing Balances</b>	
AIIB - Designated Account	105,295
ADB - Designated Account	73,616
	<b>178,911</b>
<b>Designated Account</b>	<b>178,911</b>
<b>TOTAL EXPENDITURE INCURRED IN 2020</b>	<b>19,808,788</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**  
*(in US Dollars)*

**TOTAL WITHDRAWAL SCHEDULE EXPENSES - AIIB**

<b>Withdrawal No.</b>	<b>Withdrawal application date</b>	<b>Total amount in withdrawal schedule</b>	<b>Total attributable to 2020</b>
00078	19/02/2020	64,468	64,468
00079	19/02/2020	43,619	43,619
00080	19/02/2020	62,972	62,972
00081	26/02/2020	756,272	756,272
00082	28/02/2020	391,549	391,549
00084	25/03/2020	746,446	746,446
00085	27/03/2020	386,462	386,462
00086	27/03/2020	32,050	32,050
00087	25/03/2020	21,265	21,265
00088	27/03/2020	21,457	21,457
00090	24/04/2020	60,126	60,126
00093	24/04/2020	480,774	480,774
00094	27/04/2020	228,840	228,840
00099	2/06/2020	614,659	614,659
00100	4/06/2020	292,567	292,567
00101	15/06/2020	52,770	52,770
00103	26/06/2020	590,628	590,628
00104	26/06/2020	291,471	291,471
00105	26/06/2020	50,385	50,385
00106	26/06/2020	24,923	24,923
00107	26/06/2020	29,884	29,884
00109	4/08/2020	639,490	639,490
00110	12/08/2020	314,532	314,532
00111	4/08/2020	49,871	49,871
00111	18/09/2020	524,030	524,030
00112	12/08/2020	26,023	26,023
00113	12/08/2020	26,131	26,131
00116	22/09/2020	257,744	257,744
00117	18/09/2020	114,153	114,153
00118	22/09/2020	95,704	95,704
00119	22/09/2020	57,724	57,724
00120	28/09/2020	458,404	458,404
00121	29/09/2020	225,466	225,466
00122	29/09/2020	35,354	35,354
00123	28/09/2020	77,165	77,165
00124	29/09/2020	58,365	58,365
00128	27/11/2020	612,169	612,169
00129	27/11/2020	42,683	42,683
00127	2/12/2020	286,757	286,757
00130	2/12/2020	21,982	21,982
00131	7/12/2020	29,907	29,907
00132	7/12/2020	53,303	53,303

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**  
*(in US Dollars)*

00133	9/12/2020	27,473	27,473
00134	9/12/2020	34,513	34,513
00135	18/12/2020	346,627	346,627
00136	16/12/2020	751,722	751,722
CAP	15/03/2020	545,491	545,491
CAP	15/09/2020	448,178	448,178
		<u>11,404,548</u>	<u>11,404,548</u>

**TOTAL WITHDRAWAL SCHEDULE EXPENSES - ADB**

<b>Withdrawal No.</b>	<b>Withdrawal application date</b>	<b>Total amount in withdrawal schedule</b>	<b>Total attributable to 2020</b>
00072	13/02/2020	27,618	27,618
00072	13/02/2020	36,850	36,850
00073	13/02/2020	20,074	20,074
00073	13/02/2020	23,789	23,789
00074	13/02/2020	32,741	32,741
00074	13/02/2020	31,358	31,358
00075	24/02/2020	508,908	508,908
00076	24/02/2020	269,657	269,657
00077	28/02/2020	21,265	21,265
00078	28/02/2020	33,234	33,234
00079	28/02/2020	21,268	21,268
00080	19/03/2020	502,296	502,296
00081	19/03/2020	252,502	252,502
00082	09/04/2020	60,126	60,126
00083	09/04/2020	21,682	21,682
00084	14/04/2020	29,569	29,569
00085	14/04/2020	1,588	1,588
00086	16/04/2020	1,943	1,943
00087	16/04/2020	3,319	3,319
00088	16/04/2020	323,521	323,521
00089	16/04/2020	154,551	154,551
00090	06/05/2020	52,770	52,770
00091	06/05/2020	22,770	22,770
00092	06/05/2020	30,432	30,432
00093	19/05/2020	413,614	413,614
00094	19/05/2020	196,964	196,964
00095	18/06/2020	397,444	397,444
00096	18/06/2020	197,265	197,265
00097	18/06/2020	50,385	50,385



**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
 BATUMI BYPASS ROAD PROJECT  
 LOAN NO 8328 000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
 FOR YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
 (in US Dollars)**

00098	18/06/2020	24,697	24,697
00099	18/06/2020	30,056	30,056
00100	27/07/2020	430,324	430,324
00101	27/07/2020	214,126	214,126
00102	27/07/2020	49,871	49,871
00103	27/07/2020	25,277	25,277
00104	30/07/2020	26,513	26,513
00105	17/08/2020	49,894	49,894
00106	17/08/2020	25,384	25,384
00107	17/08/2020	42,189	42,189
00108	31/08/2020	13,004	13,004
00109	31/08/2020	5,607	5,607
00111	21/08/2020	352,629	352,629
00112	21/08/2020	175,075	175,075
00113	02/09/2020	26,524	26,524
00114	14/09/2020	51,255	51,255
00115	14/09/2020	25,742	25,742
00116	14/09/2020	27,607	27,607
00117	18/09/2020	308,468	308,468
00118	18/09/2020	151,241	151,241
00119	23/09/2020	48,615	48,615
00119	23/09/2020	28,550	28,550
00120	23/09/2020	13,519	13,519
00120	23/09/2020	20,140	20,140
00121	23/09/2020	23,639	23,639
00121	23/09/2020	31,243	31,243
00123	22/10/2020	411,938	411,938
00124	22/10/2020	190,479	190,479
00125	03/11/2020	42,683	42,683
00126	03/11/2020	19,563	19,563
00127	03/11/2020	28,147	28,147
00129	03/12/2020	53,303	53,303
00130	03/12/2020	26,056	26,056
00131	03/12/2020	32,340	32,340
00132	11/12/2020	505,848	505,848
00133	11/12/2020	228,192	228,192
CAP	15/09/2020	109,792	109,792
CAP	15/03/2020	107,032	107,032
		<b>7,716,065</b>	<b>7,716,065</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI PASS ROAD PROJECT  
LOAN NO 8328/000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**  
*(in US Dollars)*

**8. RECONCILIATION OF CASH IN DESIGNATED ACCOUNT**

	<u>Designated Account</u>
AiIB - Designated Account	671,299
ADB - Designated Account	186,988
<b>Balance as at 31 December 2019</b>	<b><u>858,287</u></b>
AiIB reimbursement via designated account	3,650,093
AiIB direct payments via designated account	6,760,786
Front end fee	993,669
ADB reimbursement via designated account	-
ADB direct payments via designated account	7,499,241
ADB Capitalised charges	216,824
Foreign Exchange Difference	8,799
<b>Total Increase</b>	<b><u>19,129,412</u></b>
AiIB - Expenses incurred in 2020 as per the Applications of Withdrawals Schedule	6,760,786
AiIB - Expenses incurred in 2020 without Applications of Withdrawals Schedule	4,216,097
AiIB - Expenses for financial charges during the implementation	993,669
ADB - Expenses incurred in 2020 as per the Applications of Withdrawals Schedule	7,499,241
ADB - Expenses incurred in 2020 without Applications of Withdrawals Schedule	122,171
ADB - Expenses for financial charges during the implementation	216,824
<b>Total Decrease</b>	<b><u>19,808,788</u></b>
AiIB - Designated Account	105,295
ADB - Designated Account	73,616
<b>Balance as at 31 December 2020</b>	<b><u>178,911</u></b>
<b>Designated Account</b>	
<b>Initial Advance/Replenishments:</b>	<u>-</u>
<b>Total</b>	<u>-</u>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
NORTH-SOUTH CORRIDOR (KVESHETI-KOBI) ROAD PROJECT  
LOAN NO 3803-GEO AND NO 50271**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

**9. PROJECT EXPENDITURE BY COMPONENTS**

Project Activities	Year Ended 31 December 2020			Cumulative from inception			
	AIIB Financing	ADB Financing	GOG Financing	AIIB Financing	ADB Financing	GOG Financing	Total
<b>Component A – Investment costs</b>							
Civil works							
Land acquisition and resettlement	9,685,217	6,185,046	3,734,414	32,158,835	22,020,901	13,286,866	67,466,602
Consulting services	1,291,666	1,307,347	3,831,658	-	-	42,662,748	42,662,748
Project management and institutional support	-	129,019	473,465	3,094,974	3,045,387	1,144,035	7,284,396
	-	-	54,133	-	257,604	257,853	515,457
<b>TOTAL COMPONENT A</b>	<b>10,976,883</b>	<b>7,621,412</b>	<b>8,093,670</b>	<b>35,253,809</b>	<b>25,323,892</b>	<b>57,351,502</b>	<b>117,929,203</b>
<b>Component B- Contingencies unallocated</b>							
Physical Price	-	-	-	-	-	-	-
<b>TOTAL COMPONENT B</b>							
<b>Component C – Financial charges during implementation</b>							
Interest during implementation	993,669	216,824	-	2,426,658*	645,671	-	3,072,329
Commitment charges	-	-	-	-	-	-	-
Front-end fee	-	-	-	285,000	-	-	285,000
<b>TOTAL COMPONENT C</b>	<b>993,669</b>	<b>216,824</b>	<b>-</b>	<b>2,711,658</b>	<b>645,671</b>	<b>-</b>	<b>3,357,329</b>
<b>TOTAL PROJECT EXPENDITURE</b>	<b>11,970,552</b>	<b>7,838,236</b>	<b>8,093,670</b>	<b>37,965,467</b>	<b>25,969,563</b>	<b>57,351,502</b>	<b>121,286,532</b>

\*Organization decided to reclassify GEL 1,432,989 from prior year cumulative Front-end fee to Interest during implementation

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI PASS ROAD PROJECT  
LOAN NO 8328/000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**  
*(in US Dollars)*

---

The Project comprises the following main components:

Component A – Investment Costs;  
Component B – Contingencies; and  
Component C – Financial Charges during Implementation – CAP;

If the amount of the Loan allocated to a category appears to exceed all agreed expenditure in that Category, ADB and AIIB 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  
Category 2 – Consulting services  
Category 3 – Project management and institutional support  
Category 4 – Interest and commitment charges; and

**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 Designated Account Statement as at 31 December 2020 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 and 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.

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

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organisation in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Organisation may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Organisation's operations largely depends on the duration and the incidence of the pandemic effects on the world and Georgian economy.

The economic shock caused by the coronavirus and the expectations of the future development of pandemic and its impact on the Georgian economy have been reflecting on increased volatility of the foreign exchange market and weakening of Georgian Lari against other currencies.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328 000021-01-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**  
*(in US Dollars)*

---

Management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Organisation. Management believes it is taking all the necessary measures to support the sustainability and development of the Organisation's operations.

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

Spread of Covid-19 pandemic still has a significant negative impact on the world economy and country-specific measures. Deteriorated outlook of the future caused increased volatility of the foreign exchange market subsequent to the year-end.

Ongoing Covid-19 related situation does not have significant effect on the Project. Construction was continued and there was successful transition of administrative function to partial remote working and projects ongoing as planned.

**13. APPROVAL OF SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

These special purpose project financial statements were authorised for issue by the Management of ETCIC on 29 June 2021.