

# **EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER**

LOAN NO.8328/000021-1-GEO / 3520-GEO  
(BATUMI BYPASS ROAD PROJECT)

Special Purpose Project Financial Statements  
For the Year Ended 31 December 2022

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
 BATUMI BYPASS ROAD PROJECT  
 LOAN NO 8328/000021-1-GEO / 3520-GEO**

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**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 2022**

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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 2022 and its sources and uses of funds and movement in designated account for the Year Ended 31 December 2022, 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:

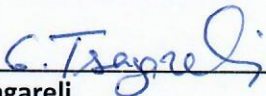
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis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

## SPECIAL PURPOSE 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. 8328/000021-1-GEO dated 17 June 2017 (the "Agreement 1") and Loan Agreement No. 3520-GEO dated 12 June 2017 (the "Agreement 2"), implemented by the Eurasian Transport Corridor Investment Center ("ETCIC" or Transport Reform and Rehabilitation Center – "Organisation"), 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 Designated Account Statement 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 are presented 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") 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 1 and Agreement 2. As a result, the special purpose project financial statements may not be suitable for another purpose.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

This report is intended solely for use by the management of the Project in communicating to the Ministry of Regional Development and Infrastructure of Georgia, Asian Development Bank and Asian Infrastructure Investment Bank information about the Project's compliance with the financial reporting provisions of the Agreement 1 and Agreement 2. 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 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.

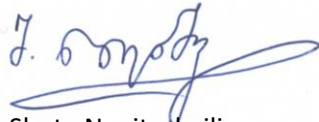
## **Auditor's Responsibilities for the Audit of the Special Purpose Project Financial Statements**

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.

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  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-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	
		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>4,522,300</b>	<b>53,175,597</b>	-	-	-	-
Direct Payment	7	1,970,672	25,053,352	-	-	-	-
Replenishments		-	8,982,020	-	-	-	-
Capitalised Charges	7	1,179,657	4,722,361	-	-	-	-
Intermediate Bank Charges withhold from Replenishment amounts and Refund		-	195	-	-	-	-
Additional advance	7	1,371,971	14,417,669	-	-	-	-
<b>ADB Funds</b>		<b>6,228,424</b>	<b>46,683,993</b>	-	-	-	-
Direct payments	7	5,986,445	41,061,327	-	-	-	-
Replenishments		-	281,165	-	-	-	-
ADB reimbursement	7	31,454	170,165	-	-	-	-
Retroactive		-	4,096,608	-	-	-	-
Capitalised Charges	7	210,525	1,071,728	-	-	-	-
<b>Government Funds</b>		<b>3,017,355</b>	<b>70,172,682</b>	-	-	-	-
Government of Georgia GOG retroactive funds for ADB (foreign exchange gain)		3,017,355	70,033,972	-	-	-	-
		-	138,710	-	-	-	-
<b>TOTAL FUNDS RECEIVED</b>		<b>13,768,079</b>	<b>170,170,982</b>	-	-	-	-
Foreign exchange difference ADB portion, net	7	5	(14,635)	-	-	-	-
Foreign exchange difference GOG portion, net		-	(127)	-	-	-	-
<b>Foreign exchange difference, net</b>		<b>5</b>	<b>(14,762)</b>	-	-	-	-

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS (CONTINUED)**

**FOR THE YEAR ENDED 31 December 2022**

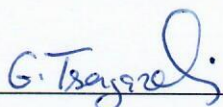
*(in US Dollars)*

**LESS: EXPENDITURE**

Category 1 - Civil works	9	2,193,714	42,830,640	2,193,714	42,830,640	-	-
Category 2 - Consulting services	9	1,214,224	5,574,920	1,214,224	5,574,920	-	-
Category 3 - Project management and institutional support		-	-	-	-	-	-
Category 4 - Interest and other financing charges	9	1,179,657	4,722,361	1,179,657	4,722,361	-	-
<b>AIIB TOTAL</b>		<b><u>4,587,595</u></b>	<b><u>53,127,921</u></b>	<b><u>4,587,595</u></b>	<b><u>53,127,921</u></b>	-	-
Category 1 - Civil works	9	4,318,113	38,953,130	4,318,113	38,953,130	-	-
Category 2 - Consulting services	9	1,618,662	6,210,652	1,618,662	6,210,652	-	-
Category 3 - Project management and institutional support		82,173	433,847	82,173	433,847	-	-
Category 4 - Interest and other financing charges	9	210,525	1,071,729	210,525	1,071,729	-	-
<b>ADB TOTAL</b>		<b><u>6,229,473</u></b>	<b><u>46,669,358</u></b>	<b><u>6,229,473</u></b>	<b><u>46,669,358</u></b>	-	-
Category 1 - Civil works	9	2,393,075	67,537,427	2,393,075	67,537,427	-	-
Category 2 - Consulting services	9	496,624	2,149,272	496,624	2,149,272	-	-
Category 3 - Project management and institutional support	9	165,887	533,202	165,887	533,202	-	-
Category 4 - Interest and other financing charges		-	-	-	-	-	-
<b>GOG TOTAL</b>		<b><u>3,055,586</u></b>	<b><u>70,219,901</u></b>	<b><u>3,055,586</u></b>	<b><u>70,219,901</u></b>	-	-
<b>TOTAL PROJECT EXPENDITURE</b>		<b><u>13,872,654</u></b>	<b><u>170,017,180</u></b>	<b><u>13,872,654</u></b>	<b><u>170,017,180</u></b>	-	-
<b>NET FLOW OF FUNDS</b>		<b><u>(104,570)</u></b>	<b><u>139,040</u></b>	<b><u>-</u></b>	<b><u>-</u></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

28 June 2023



**Marina Majagaladze**  
Finance Manager

28 June 2023

The notes on pages 12 to 26 form an integral part of these special purpose project financial statements.



**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

	Actual as at 31 December 2021		Planned as at 31 December 2021		Variance	
	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>10,582,534</b>	<b>48,653,297</b>	-	-	-	-
Direct Payment	6,298,082	23,082,680	-	-	-	-
Replenishments	-	8,982,020	-	-	-	-
Capitalised Charges	831,045	3,542,704	-	-	-	-
Intermediate Bank Charges withhold from Replenishment amounts and Refunded	-	195	-	-	-	-
Additional advance	3,453,407	13,045,698	-	-	-	-
<b>ADB Funds</b>	<b>14,400,479</b>	<b>40,455,569</b>	-	-	-	-
Direct payments	14,084,466	35,116,112	-	-	-	-
Replenishments	-	281,165	-	-	-	-
ADB reimbursment	100,481	100,481	-	-	-	-
Retroactive	-	4,096,608	-	-	-	-
Capitalised Charges	215,532	861,203	-	-	-	-
<b>Government Funds</b>	<b>9,907,493</b>	<b>67,294,037</b>	-	-	-	-
Government of Georgia	9,907,493	67,155,327	-	-	-	-
GOG retroactive funds for ADB (foreign exchange gain)	-	138,710	-	-	-	-
<b>TOTAL FUNDS RECEIVED</b>	<b>34,890,506</b>	<b>156,402,903</b>	-	-	-	-
Foreign exchange difference ADB portion, net	(2,729)	(14,640)	-	-	-	-
Foreign exchange difference GOG portion, net	(94)	(127)	-	-	-	-
<b>Foreign exchange difference, net</b>	<b>(2,823)</b>	<b>(14,767)</b>	-	-	-	-
<b>LESS: EXPENDITURE</b>						
Category 1 - Civil works	8,478,092	40,636,927	8,478,092	40,636,927	-	-
Category 2 - Consulting services	1,265,722	4,360,696	1,265,722	4,360,696	-	-
Category 3 - Project management and institutional support	-	-	-	-	-	-
Category 4 - Interest and other financing charges	831,045	3,542,704	831,045	3,542,704	-	-
<b>AIIB TOTAL</b>	<b>10,574,859</b>	<b>48,540,327</b>	<b>10,574,859</b>	<b>48,540,327</b>	-	-

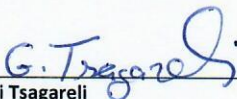
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

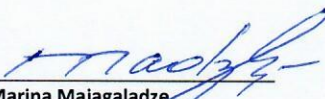
Category 1 - Civil works	12,614,115	34,635,017	12,614,115	34,635,017	-	-
Category 2 - Consulting services	1,546,604	4,591,991	1,546,604	4,591,991	-	-
Category 3 - Project management and institutional support	94,070	351,674	94,070	351,674	-	-
Category 4 - Interest and other financing charges	215,532	861,203	215,532	861,203	-	-
<b>ADB TOTAL</b>	<b>14,470,321</b>	<b>40,439,885</b>	<b>14,470,321</b>	<b>40,439,885</b>	-	-
Category 1 - Civil works	9,194,810	65,144,351	9,194,810	65,144,351	-	-
Category 2 - Consulting services	513,582	1,652,649	513,582	1,652,649	-	-
Category 3 - Project management and institutional support	104,422	367,314	104,422	367,314	-	-
Category 4 - Interest and other financing charges	-	-	-	-	-	-
<b>GOG TOTAL</b>	<b>9,812,814</b>	<b>67,164,314</b>	<b>9,812,814</b>	<b>67,164,314</b>	-	-
<b>TOTAL PROJECT EXPENDITURE</b>	<b>34,857,994</b>	<b>156,144,526</b>	<b>34,857,994</b>	<b>156,144,526</b>	-	-
<b>NET FLOW OF FUNDS</b>	<b>29,689</b>	<b>243,609</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

28 June 2023

  
Marina Majagaladze  
Finance Manager

28 June 2023

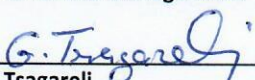
The notes on pages 12 to 26 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

**BALANCE SHEET STATEMENT  
AS AT 31 DECEMBER 2022  
(in US Dollars)**

	31 December 2022	31 December 2021
<b>ASSETS</b>		
AIIB designated account	-	112,970
ADB imprest account	139,040	1,045
GOG Project account	-	129,594
<b>TOTAL ASSETS</b>	<b>139,040</b>	<b>243,609</b>
<b>Funds received:</b>		
Funds received from AIIB	53,175,597	48,653,297
Funds received from ADB	46,683,993	40,455,569
Funds received from GOG	70,172,682	67,155,327
GOG retroactive funds for ADB (Foreign exchange gain)	138,710	138,710
<b>Total funds received</b>	<b>170,170,982</b>	<b>156,402,903</b>
<b>Project expenditure:</b>		
Financed by AIIB	(53,127,921)	(48,540,327)
Financed by ADB	(46,669,358)	(40,439,885)
Financed by GOG	(70,219,901)	(67,164,314)
<b>Total project expenditure</b>	<b>(170,017,180)</b>	<b>(156,144,526)</b>
Foreign exchange difference, net	(14,762)	(14,767)
<b>TOTAL FUNDS RECEIVED LESS PROJECT EXPENDITURE</b>	<b>139,040</b>	<b>243,609</b>

On behalf of the Management:

  
Giorgi Tsagareli  
Director

28 June 2023

  
Marina Majagaladze  
Finance Manager

28 June 2023

The notes on pages 12 to 26 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
 BATUMI PASS ROAD PROJECT  
 LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

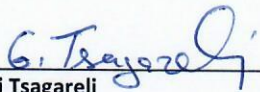
Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2022
00190	28/07/2022	1,045	1,045
		<u>1,045</u>	<u>1,045</u>

There was no SOE type of expenditure in 2022.

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

There was no SOE type of expenditure in 2021.

On behalf of the Management:

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

28 June 2023

  
 \_\_\_\_\_  
 Marina Majagaladze  
 Finance Manager

28 June 2023

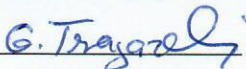
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**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

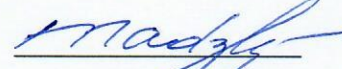
<b>Depository Bank Address</b>	<b>State Treasury 16 V. Gorgasali street Tbilisi, 0114 Georgia</b>
<hr/>	
AIB - Balance as at 31 December 2020	105,295
ADB - Balance as at 31 December 2020	73,616
GOG - Balance as at 31 December 2020	35,010
	<hr/>
<b>Balance as at 31 December 2020</b>	<b>213,921</b>
<hr/>	
<b>ADD</b>	
AIB Direct Payment via designated account	3,453,407
ADB replenishment	-
GOG Replenishment	100,481
	<hr/>
<b>DEDUCT</b>	
Funds used for the Project expenditure – AIB	(3,445,732)
Funds used for the Project expenditure – ADB	(69,843)
Funds used for the Project expenditure – GOG	(5,896)
	<hr/>
Foreign Exchange Gain	(2,729)
	<hr/>
AIB - Balance as at 31 December 2021	112,970
ADB - Balance as at 31 December 2021	1,045
GOG - Balance as at 31 December 2021	129,595
	<hr/>
<b>Balance as at 31 December 2021</b>	<b>243,609</b>
<hr/>	
<b>ADD</b>	
AIB Direct Payment via designated account	1,371,971
ADB replenishment	-
GOG Replenishment	31,454
	<hr/>
<b>DEDUCT</b>	
Funds used for the Project expenditure – AIB	(1,437,265)
Funds used for the Project expenditure – GOG	(69,843)
Funds used for the Project expenditure – ADB	(1,050)
	<hr/>
Foreign Exchange Gain	5
	<hr/>
AIB - Balance as at 31 December 2022	47,676
ADB - Balance as at 31 December 2022	6
GOG - Balance as at 31 December 2022	91,364
	<hr/>
<b>Balance as at 31 December 2022</b>	<b>139,040</b>

On behalf of the Management:



Giorgi Tsagareli  
Director

28 June 2023



Marina Majagaladze  
Finance Manager

28 June 2023

The notes on pages 12 to 26 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)  
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 – “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 dated 12 June 2017 (the “Agreement 2”) and 8328-GEO dated 17 June 2017 (the “Agreement 1”) 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 consists of following parts:

- 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;
- Construction of new Poti Bridge and approach roads, and new Bakurtsikhe-Tsnori road;
- Construction supervision and quality assurance services associated with the civil works including specialised structural and geotechnical works;
- Rehabilitation of a 21 km road section, including 7 landslide sections, along the Tbilisi (Gldani) – Tianeti road;
- Provision of consulting services for the feasibility study and detailed design; supervision of the construction of the Batumi bypass road, Poti bridge and approach roads, and new Bakurtiskhe-Tsnori road, and Project management and institutional support.

The loan closing dates for the loan number 8328/000021-1-GEO and number 3520-GEO are 30 June 2023 and 31 December 2025, respectively.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

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**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 1 and Agreement 2, are prepared for management analysis and in order to report the information to the Ministry of Regional Development and Infrastructure 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 expenditures** 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.

**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 1 and Agreement 2.

**4. BASIS OF FUNDING**

According to the terms of the Agreement 1 and Agreement 2:

- 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 financed by 100% by ADB and AIIB

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

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

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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 2022 and 31 December 2021, 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) (Retroactive Financing)**

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.

**(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. The amount of Statement of Expenditure ("SOE") represents the expenditure incurred in the year 2022 and 2021. The year of actual expenditure and submission of withdrawal application to AIIB may be different.



**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Application of Withdrawals Schedule</b>		
AIIB - Expenses incurred as per the Applications of Withdrawals Schedule	1,970,672	6,298,082
AIIB - Expenses incurred without Applications of Withdrawals Schedule	1,437,265	3,445,732
AIIB - Expenses for financial charges during the implementation	1,179,657	831,045
ADB - Expenses incurred as per the Applications of Withdrawals Schedule	6,017,899	14,184,946
ADB - Expenses incurred for liquidation only/without applications of Withdrawals Schedule	1,050	69,843
ADB - Expenses for financial charges during the implementation	210,525	215,532
	<b>10,817,068</b>	<b>25,045,180</b>
ADB reimbursement	31,454	100,526
ADB direct payment	5,986,445	14,084,421
ADB Capitalized charges	210,525	215,532
AIIB Direct Payment via designated account	1,371,971	3,453,407
AIIB direct payments	1,970,672	6,298,082
AIIB Interest and Commitment Charges	1,179,657	831,045
Foreign Exchange Difference	5	(2,729)
	<b>10,750,729</b>	<b>24,980,284</b>
<b>Add:</b>		
<b>Opening Balances</b>		
AIIB - Designated Account	112,970	105,295
ADB - Designated Account	1,045	73,616
	<b>114,015</b>	<b>178,911</b>
<b>Designated Account</b>		
<b>Less:</b>		
<b>Closing Balances</b>		
AIIB - Designated Account	47,676	112,970
ADB - Designated Account	-	1,045
	<b>47,676</b>	<b>114,015</b>
<b>Designated Account</b>		
<b>TOTAL EXPENDITURE INCURRED IN 2022</b>	<b>10,817,068</b>	<b>25,045,180</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

**TOTAL WITHDRAWAL SCHEDULE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2022 - ADB**

<u>Withdrawal No.</u>	<u>Withdrawal application date</u>	<u>Total amount in withdrawal schedule</u>	<u>Total attributable to 2022</u>
00181	11-Jan-22	31,109	31,109
00182	11-Jan-22	18,848	18,848
00183	12-Jan-22	23,714	23,714
00184	1-Feb-22	34,112	34,112
00185	1-Feb-22	16,887	16,887
00186	8-Feb-22	2,243	2,243
00188	17-Feb-22	1,649	1,649
00189	17-Feb-22	2,019	2,019
00187	18-Feb-22	2,754	2,754
00191	14-Mar-22	2,512	2,512
00192	14-Mar-22	1,501	1,501
00193	17-Mar-22	1,886	1,886
00194	18-Mar-22	354,409	354,409
00195	18-Mar-22	164,697	164,697
00196	28-Mar-22	1,377	1,377
00197	8-Apr-22	2,683	2,683
00198	12-Apr-22	1,604	1,604
00199	14-Apr-22	1,962	1,962
00200	6-May-22	1,628	1,628
00201	11-May-22	2,728	2,728
00202	13-May-22	1,998	1,998
00203	31-May-22	1,557	1,557
00204	31-May-22	1,730	1,730
00205	8-Jun-22	2,798	2,798
00206	16-Jun-22	2,055	2,055
00212	27-Jun-22	16,619	16,619
00215	27-Jun-22	2,043	2,043
00217	27-Jun-22	22,222	22,222
00218	27-Jun-22	252,132	252,132
00210	28-Jun-22	93,468	93,468
00213	28-Jun-22	316,581	316,581
00214	28-Jun-22	161,483	161,483
00216	28-Jun-22	24,468	24,468
00211	29-Jun-22	212,936	212,936
00219	30-Jun-22	1,685	1,685
00221	15-Jul-22	2,114	2,114
00222	15-Jul-22	2,889	2,889
00223	25-Jul-22	20,516	20,516
00220	29-Jul-22	6,500	6,500
00207	8-Aug-22	42,113	42,113
00224	11-Aug-22	21,760	21,760
00226	17-Aug-22	56,879	56,879
00227	22-Aug-22	15,701	15,701
00228	23-Aug-22	26,230	26,230
00229	25-Aug-22	10,007	10,007
00230	26-Aug-22	25,586	25,586
00231	2-Sep-22	81,052	81,052
00232	7-Sep-22	38,628	38,628
00233	7-Sep-22	69,774	69,774
00234	15-Sep-22	4,130	4,130
00235	15-Sep-22	30,925	30,925

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

00237	21-Sep-22	41,721	41,721
00238	21-Sep-22	20,175	20,175
00239	28-Sep-22	8,260	8,260
00240	28-Sep-22	30,203	30,203
00241	28-Sep-22	41,249	41,249
00242	28-Sep-22	13,828	13,828
00243	28-Sep-22	32,751	32,751
00236	7-Oct-22	2,208	2,208
00236	7-Oct-22	2,883	2,883
00236	7-Oct-22	3,017	3,017
00236	7-Oct-22	1,756	1,756
00236	7-Oct-22	1,755	1,755
00236	7-Oct-22	2,107	2,107
00236	7-Oct-22	4,121	4,121
00244	26-Oct-22	9,925	9,925
00245	27-Oct-22	25,166	25,166
00248	9-Nov-22	128,487	128,487
00249	9-Nov-22	256,752	256,752
00251	29-Nov-22	82,990	82,990
00252	29-Nov-22	28,992	28,992
00253	29-Nov-22	80,578	80,578
00256	30-Nov-22	322,639	322,639
00257	30-Nov-22	163,890	163,890
00250	5-Dec-22	5,922	5,922
00250	5-Dec-22	3,493	3,493
00250	5-Dec-22	4,193	4,193
00255	5-Dec-22	38,974	38,974
00258	5-Dec-22	33,684	33,684
00259	12-Dec-22	1,095,170	1,095,170
00260	12-Dec-22	556,124	556,124
00261	13-Dec-22	303,411	303,411
00262	13-Dec-22	168,750	168,750
00263	15-Dec-22	86,796	86,796
00264	15-Dec-22	177,027	177,027
CAP 3	15-Mar-22	97,745	97,745
CAP 4	15-Sep-22	112,781	112,781
		<b>6,228,424</b>	<b>6,228,424</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

**TOTAL WITHDRAWAL SCHEDULE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2021 - ADB**

Withdrawal No.	Withdrawal application date	Total amount in withdrawal schedule	Total attributable to 2021
00134	1/21/2021	55,557	55,557
00135	1/21/2021	27,330	27,330
00136	1/22/2021	30,427	30,427
00137	1/21/2021	52,488	52,488
00138	1/21/2021	24,788	24,788
00139	1/22/2021	25,308	25,308
00140	3/3/2021	309,904	309,904
00141	3/4/2021	137,977	137,977
00142	3/31/2021	100,526	-*
00143	4/20/2021	6,500	6,500
00144	5/7/2021	375,179	375,179
00145	5/7/2021	161,788	161,788
00146	6/7/2021	140,252	140,252
00147	6/7/2021	189,376	189,376
00148	6/7/2021	104,786	104,786
00149	6/9/2021	77,153	77,153
00150	6/18/2021	666,910	666,910
00151	6/18/2021	313,945	313,945
00152	7/12/2021	2,635	2,635
00153	8/27/2021	81,818	81,818
00154	8/27/2021	56,348	56,348
00155	8/27/2021	75,107	75,107
00156	9/20/2021	30,961	30,961
00157	9/20/2021	26,026	26,026
00158	9/20/2021	31,866	31,866
00159	9/20/2021	506,001	506,001
00160	9/20/2021	242,224	242,224
00161	9/22/2021	77,153	77,153
00162	10/8/2021	38,576	38,576
00163	10/25/2021	1,262,745	1,262,745
00164	10/15/2021	597,218	597,218
00165	11/15/2021	52,875	52,875
00166	10/15/2021	31,468	31,468
00167	10/15/2021	42,119	42,119
00168	10/25/2021	1,929	1,929
00170	11/26/2021	310,887	310,887
00171	11/24/2021	148,745	148,745
00172	12/8/2021	77,618	77,618
00173	12/8/2021	49,981	49,981
00174	12/8/2021	59,861	59,861
00175	12/13/2021	460,920	460,920
00176	12/13/2021	220,632	220,632
00177	12/16/2021	2,484,214	2,484,214
00178	12/16/2021	1,091,559	1,091,559
00179	12/16/2021	1,205,887	1,205,887
00180	12/16/2021	2,117,380	2,117,380
CAP - 921A	3/15/2021	112,155	112,155
CAP 1	9/15/2021	105,978	105,978
CAP 2	9/15/2021	(2,601)	(2,601)
		<b>14,400,479</b>	<b>14,299,953</b>

\*ADB Withdrawal application No. 00142 is SOE type of expenditure in 2021. The period covered of Withdrawal application No. 00142 was July 2018 – July 2019.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

**TOTAL WITHDRAWAL SCHEDULE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2022 – AIIB**

Withdrawal No	Withdrawal application date	Total amount in withdrawal schedule	Total attributable to 2022
00169	11-02-22	65,221	65,221
00170	11-02-22	36,229	36,229
00171	11-02-22	46,535	46,535
00172	30-03-22	526,676	526,676
00173	30-03-22	215,870	215,870
00174	19-07-22	235,318	235,318
00178	19-07-22	470,461	470,461
00175	03-08-22	117,796	117,796
00176	03-08-22	211,646	211,646
00177	03-08-22	252,132	252,132
00180	27-09-22	81,544	81,544
00181	29-09-22	38,754	38,754
00182	29-09-22	68,073	68,073
00183	02-11-22	40,758	40,758
00184	02-11-22	13,698	13,698
00185	02-11-22	32,404	32,404
00186	08-12-22	82,990	82,990
00187	20-12-22	28,548	28,548
00189	20-12-22	79,294	79,294
00191	22-12-22	247,806	247,806
00190	23-12-22	450,890	450,890
CAP - 010	15-03-22	449,051	449,051
CAP - 011	15-09-22	730,606	730,606
		<b>4,522,300</b>	<b>4,522,300</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

**TOTAL WITHDRAWAL SCHEDULE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2021 – AIIB**

<b>Withdrawal No</b>	<b>Withdrawal application date</b>	<b>Total amount in withdrawal schedule</b>	<b>Total attributable to 2021</b>
00138	2/19/2021	108,045	108,045
00139	2/22/2021	52,868	52,868
00140	2/22/2021	57,199	57,199
00141	3/22/2021	205,923	205,923
00142	3/15/2021	460,538	460,538
00143	5/31/2021	245,575	245,575
00144	5/17/2021	557,541	557,541
00146	6/24/2021	189,376	189,376
00147	6/24/2021	104,780	104,780
00148	6/24/2021	142,824	142,824
00149	6/29/2021	991,073	991,073
00150	6/29/2021	459,317	459,317
00151	9/24/2021	81,818	81,818
00152	9/24/2021	57,662	57,662
00153	9/24/2021	75,024	75,024
00154	9/24/2021	751,952	751,952
00155	9/24/2021	357,916	357,916
00157	10/27/2021	884,632	884,632
00158	10/28/2021	1,876,524	1,876,524
00159	11/15/2021	83,836	83,836
00160	10/27/2021	57,509	57,509
00161	10/27/2021	73,363	73,363
00162	12/10/2021	461,999	461,999
00163	12/13/2021	216,413	216,413
00164	12/10/2021	77,618	77,618
00165	12/13/2021	50,337	50,337
00166	12/13/2021	58,838	58,838
00167	12/20/2021	684,959	684,959
00168	12/20/2021	326,029	326,029
CAP - 008	3/15/2021	407,889	407,889
CAP - 009	9/15/2021	423,156	423,156
		<b>10,582,534</b>	<b>10,582,534</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(in US Dollars)**

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

**DESIGNATED ACCOUNT RECONCILIATION STATEMENT (ADB)**

	<u>Designated Account</u>
ADB - Designated Account	73,616
<b>Balance as at 31 December 2020</b>	<b>73,616</b>
ADB reimbursement	100,481
ADB direct payment	14,084,466
ADB Capitalized charges	215,532
Foreign Exchange Difference	(2,729)
<b>Total Increase</b>	<b>14,397,750</b>
ADB - Expenses incurred in 2021 as per the Applications of Withdrawals Schedule	14,184,946
ADB - Expenses incurred in 2021 without Applications of Withdrawals Schedule	69,843
ADB - Expenses for financial charges during the implementation	215,532
<b>Total Decrease</b>	<b>14,470,321</b>
ADB - Designated Account	1,045
<b>Balance as at 31 December 2021</b>	<b>1,045</b>
ADB reimbursement	31,454
ADB direct payment	5,986,445
ADB Capitalized charges	210,525
Foreign Exchange Difference	5
<b>Total Increase</b>	<b>6,228,429</b>
ADB - Expenses incurred in 2022 as per the Applications of Withdrawals Schedule	6,017,899
ADB - Expenses incurred in 2022 without Applications of Withdrawals Schedule	1,050
ADB - Expenses for financial charges during the implementation	210,525
<b>Total Decrease</b>	<b>6,229,474</b>
ADB - Designated Account	-
<b>Balance as at 31 December 2022</b>	<b>-</b>
<b>Designated Account</b>	
<b>Initial Advance/Replenishments:</b>	-
<b>Total</b>	<b>-</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
BATUMI BYPASS ROAD PROJECT  
LOAN NO 8328/000021-1-GEO / 3520-GEO**

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

**DESIGNATED ACCOUNT RECONCILIATION STATEMENT (AIIB)**

Loan number 8328/000021-1-GEO  
Depository Bank State Treasury

	<u>Designated Account</u>
AIB - Designated Account	<u>105,295</u>
<b>Balance as at 31 December 2020</b>	<b><u>105,295</u></b>
AIB Direct Payment via designated account	3,453,407
AIB direct payments	6,298,082
AIB Front end fee	831,045
<b>Total Increase</b>	<b><u>10,582,534</u></b>
AIB - Expenses incurred in 2021 as per the Applications of Withdrawals Schedule	6,298,082
AIB - Expenses incurred in 2021 without Applications of Withdrawals Schedule	3,445,732
AIB - Expenses for financial charges during the implementation	831,045
<b>Total Decrease</b>	<b><u>10,574,859</u></b>
AIB - Designated Account	<u>112,970</u>
<b>Balance as at 31 December 2021</b>	<b><u>112,970</u></b>
AIB Direct Payment via designated account	1,371,971
AIB direct payments	1,970,672
AIB Interest and Commitment Charges	1,179,657
<b>Total Increase</b>	<b><u>4,522,300</u></b>
AIB - Expenses incurred in 2022 as per the Applications of Withdrawals Schedule	1,970,672
AIB - Expenses incurred in 2022 without Applications of Withdrawals Schedule	1,437,265
AIB - Expenses for financial charges during the implementation	1,179,657
<b>Total Decrease</b>	<b><u>4,587,594</u></b>
AIB - Designated Account	<u>47,676</u>
<b>Balance as at 31 December 2022</b>	<b><u>47,676</u></b>
<b>Designated Account</b>	
<b>Initial Advance/Replenishments:</b>	<u>-</u>
<b>Total</b>	<b><u>-</u></b>



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FOR THE YEAR ENDED 31 DECEMBER 2022  
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**9. PROJECT EXPENDITURE BY COMPONENTS**

Project Activities	Year Ended 31 December 2022				Cumulative from inception			
	AIB Financing	ADB Financing	GOG Financing	Total	AIB Financing	ADB Financing	GOG Financing	Total
<b>Component A – Investment costs</b>								
Civil works	2,193,714	4,318,113	1,398,192	7,910,019	42,830,640	38,953,129	19,395,899	101,179,668
Land acquisition and resettlement	-	-	994,883	994,883	-	-	48,141,528	48,141,528
Consulting services	1,214,224	1,618,662	496,624	3,329,510	5,574,920	6,210,653	2,149,273	13,934,846
Project management and institutional support	-	82,173	165,887	248,060	-	433,847	533,201	967,048
<b>TOTAL COMPONENT A</b>	<b>3,407,938</b>	<b>6,018,948</b>	<b>3,055,586</b>	<b>12,482,472</b>	<b>48,405,560</b>	<b>45,597,629</b>	<b>70,219,901</b>	<b>164,223,090</b>
<b>Component B- Contingencies unallocated</b>								
Physical	-	-	-	-	-	-	-	-
Price	-	-	-	-	-	-	-	-
<b>TOTAL COMPONENT B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Component C – Financial charges during implementation</b>								
Interest during implementation	-	210,525	-	210,525	-	1,071,729	-	1,071,729
Commitment charges	-	-	-	-	-	-	-	-
Front-end fee	1,179,657	-	-	1,179,657	4,722,361	-	-	4,722,361
<b>TOTAL COMPONENT C</b>	<b>1,179,657</b>	<b>210,525</b>	<b>-</b>	<b>1,390,182</b>	<b>4,722,361</b>	<b>1,071,729</b>	<b>-</b>	<b>5,794,090</b>
<b>TOTAL PROJECT EXPENDITURE</b>	<b>4,587,594</b>	<b>6,229,473</b>	<b>3,055,586</b>	<b>13,872,654</b>	<b>53,127,921</b>	<b>46,669,358</b>	<b>70,219,901</b>	<b>170,017,180</b>

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

Project Activities	Year Ended 31 December 2021				Cumulative from inception			
	AIIB Financing	ADB Financing	GOG Financing	Total	AIIB Financing	ADB Financing	GOG Financing	Total
<b>Component A – Investment costs</b>								
Civil works	8,478,092	12,614,115	4,710,969	25,803,176	40,636,927	34,635,017	17,997,706	93,269,650
Land acquisition and resettlement	-	-	4,483,841	4,483,841	-	-	47,146,645	47,146,645
Consulting services	1,265,722	1,546,604	513,582	3,325,908	4,360,696	4,591,991	1,652,649	10,605,336
Project management and institutional support	-	94,070	104,422	198,492	-	351,674	367,314	718,988
<b>TOTAL COMPONENT A</b>	<b>9,743,814</b>	<b>14,254,789</b>	<b>9,812,814</b>	<b>33,811,417</b>	<b>44,997,623</b>	<b>39,578,682</b>	<b>67,164,314</b>	<b>151,740,619</b>
<b>Component B- Contingencies unallocated</b>								
Physical	-	-	-	-	-	-	-	-
Price	-	-	-	-	-	-	-	-
<b>TOTAL COMPONENT B</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Component C – Financial charges during implementation</b>								
Interest during implementation	831,045 *	215,532	-	1,046,577	3,542,704*	861,203	-	4,403,907
Commitment charges	-	-	-	-	-	-	-	-
Front-end fee	-	-	-	-	-	-	-	-
<b>TOTAL COMPONENT C</b>	<b>831,045</b>	<b>215,532</b>	<b>-</b>	<b>1,046,577</b>	<b>3,542,704</b>	<b>861,203</b>	<b>-</b>	<b>4,403,907</b>
<b>TOTAL PROJECT EXPENDITURE</b>	<b>10,574,859</b>	<b>14,470,321</b>	<b>9,812,814</b>	<b>34,857,994</b>	<b>48,540,327</b>	<b>40,439,885</b>	<b>67,164,314</b>	<b>156,144,526</b>

\*Organization decided to reclassify Interest during implementation from component B – Contingencies unallocated to component C - Interest during implementation

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

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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 2022 and 31 December 2021 on the funds received and disbursed during the year then ended.

**11. 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.

**12. 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.