

**TRANSPORT REFORM AND  
REHABILITATION CENTER**

CREDIT NO. 5245-GE  
(FOURTH EAST-WEST HIGHWAY IMPROVEMENT  
PROJECT)

**Special Purpose Project Financial Statements**

**For the Year Ended 31 December 2015**

**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

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**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION  
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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Management of the Fourth East-West Highway Improvement Project (the "Project") implemented by the Transport Reform and Rehabilitation Center ("TRRC") is responsible for the preparation of the special purpose project financial statements that present fairly the financial position of the Project as at 31 December 2015, and its sources and uses of funds and movement in special account for the year ended 31 December 2015, in compliance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under the Cash Basis of Accounting* ("IPSAS – Cash Basis"), and in conformity with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "World Bank Guidelines").

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 special 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 on Annual Financial Reporting and Auditing for World Bank – Financed Activities issued by the World Bank's Financial Management Sector Board;
- 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 2015 were authorized for issue on 30 June 2016 by the Management.

**On behalf of Management:**

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

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

30 June 2016

30 June 2016





KPMG Georgia LLC  
2nd Floor, Besiki Business Centre  
4, Besiki Street  
0108 Tbilisi, Georgia  
Telephone +995 322 93 5713  
Fax +995 322 98 2276  
Internet www.kpmg.ge

## **Independent Auditors' Report**

To the management of the Transport Reform and Rehabilitation Center

We have audited the accompanying special purpose project financial statements of the Fourth East-West Highway Improvement Project (the "Project"), financed under the International Development Association (the "IDA"), Credit Agreement No. 5245-GE dated 06 June 2013, implemented by the Transport Reform and Rehabilitation Center (the "Center"), which comprise the Statement of Balance Sheet as at 31 December 2015 and the Statements of Sources and Uses of Funds, Statement of Expenditure Withdrawal Schedule ("SOEs") and Special Account Statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The special purpose project financial statements have been prepared by management in accordance with the International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting and in conformity with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities" (the "World Bank Guidelines") as described in Note 2 to the special purpose project financial statements.

### *Management's Responsibility for the Special Purpose Project Financial Statements*

Management is responsible for the preparation and fair presentation of these special purpose project financial statements in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* and the World Bank Guidelines, for determining the acceptability of the basis of accounting, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these special purpose project financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose project financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the special purpose project financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose project financial statements.

KPMG Georgia LLC, a company incorporated under the Laws of Georgia, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**Transport Reform and Rehabilitation Center**  
Independent Auditors' Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the special purpose project financial statements for the year ended 31 December 2015 present fairly, in all material respects, the financial position of the Project as at 31 December 2015, and its sources and uses of funds for the year then ended in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* and the World Bank Guidelines.

*Other Matters*

The special purpose project financial statements of the Project as at and for the year ended 31 December 2014 were audited by other auditors whose report dated 22 June 2015 expressed an unmodified opinion on those statements.

Data included on pages 4 to 12 of the accompanying special purpose project financial statements that are marked as "Unaudited" have not been audited.

*Basis of Accounting*

Without modifying our opinion, 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 Center to comply with the requirements of IDA and for providing information to the Government of Georgia and IDA to assist them in evaluating the Project implementation. As a result, the special purpose project financial statements may not be suitable for another purpose.

*KPMG Georgia LLC*  
KPMG Georgia LLC  
30 June 2016





**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

**STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(in US Dollars)**

	Actual		Planned		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>						
International Development Association (IDA) funds	9,336,281	25,484,274				
Government of Georgia ("GoG") co-financing	2,857,771	9,017,916				
<b>TOTAL FUNDS RECEIVED</b>	<b>12,194,052</b>	<b>34,502,190</b>				
Foreign exchange difference	-	(4)				
<b>LESS: EXPENDITURES</b>						
Component 1 - Construction of Agara - Zemo Osiauri section (IDA -80%)	9,367,735	20,546,553	9,367,735	20,546,553	-	-
Component 2 - Institutional Strengthening (IDA 80%)	119,980	147,267	119,980	147,267	-	-
Component 3 Consulting Services (IDA - 80%)	1,449,800	1,610,642	1,449,800	1,610,642	-	-
Component 4- Project management (IDA - 80%)	98,167	137,461	98,167	137,461	-	-
<b>IDA TOTAL</b>	<b>11,035,682</b>	<b>22,441,923</b>	<b>11,035,682</b>	<b>22,441,923</b>	<b>-</b>	<b>-</b>
Component 1- Construction of Agara - Zemo Osiauri section (GoG - 20%)	2,440,686	8,541,311	2,440,686	8,541,311	-	-
Component 2 - Institutional Strengthening (GoG-20%)	29,990	39,481	29,990	39,481	-	-
Component 3 Consulting Services (IDA - 80%)	362,812	403,024	362,812	403,024	-	-
Component 4 - Project management (GoG - 20%)	24,283	34,096	24,283	34,096	-	-
<b>GoG TOTAL</b>	<b>2,857,771</b>	<b>9,017,912</b>	<b>2,857,771</b>	<b>9,017,912</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES BY COMPONENTS</b>	<b>13,893,453</b>	<b>31,459,835</b>	<b>13,893,453</b>	<b>31,459,835</b>	<b>-</b>	<b>-</b>
<b>TOTAL PROJECT EXPENDITURES</b>	<b>13,893,453</b>	<b>31,459,835</b>				
<b>NET FLOWS OF FUNDS</b>	<b>(1,699,401)</b>	<b>3,042,351</b>				

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 30 June 2016 and were signed on its behalf by:

  
Giorgi Tsagareli  
Director

  
Marina Majagaladze  
Financial Manager

30 June 2016

30 June 2016

The notes on pages 8 to 12 form an integral part of these special purpose project financial statements.

**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

**BALANCE SHEET STATEMENT  
AS OF 31 DECEMBER 2015  
(in US Dollars)**

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	<b>31 December 2015</b>
<b>ASSETS</b>	
IDA Designated Account	<u>3,042,351</u>
<b>TOTAL ASSETS</b>	<b><u>3,042,351</u></b>
<b>Funds received:</b>	
Funds received from IDA	25,484,274
Funds received from GoG	<u>9,017,916</u>
<b>Total funds received</b>	<b><u>34,502,190</u></b>
<b>Project expenditures:</b>	
Financed by IDA	(22,441,923)
Financed by GoG	<u>(9,017,912)</u>
<b>Total project expenditures</b>	<b><u>(31,459,835)</u></b>
Foreign exchange difference	<u>(4)</u>
<b>TOTAL PROJECT EXPENDITURES AND OTHER FUNDS</b>	<b><u>3,042,351</u></b>

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 30 June 2016 and were signed on its behalf by:

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

30 June 2016

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

30 June 2016

The notes on pages 8 to 12 form an integral part of these special purpose project financial statements.

**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(in US Dollars)**

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2014	Total SOE attributable to 2015	Attributable to 2015 - Component 1	Attributable to 2015 - Component 2	Attributable to 2015 - Component 3	Attributable to 2015 - Component 4	Total SOE Attributable to 2016
									<i>Unaudited</i>
9	23-Feb-15	133,350	133,350	-	-	-	-	-	-
10	9-Jul-15	97,116	-	97,116	-	32,796	-	64,320	-
11	28-Sep-15	-	-	-	-	-	-	-	-
12	11-Dec-15	74,594	-	74,594	-	53,007	-	21,587	-
13	15-Mar-16	13,192	-	10,782	-	2,192	8,590	-	2,410
		<b>318,252</b>	<b>133,350</b>	<b>182,492</b>	<b>-</b>	<b>87,995</b>	<b>8,590</b>	<b>85,907</b>	<b>2,410</b>

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 30 June 2016 and were signed on its behalf by:

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

30 June 2016

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

30 June 2016

The notes on pages 8 to 12 form an integral part of these special purpose project financial statements.



**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

**SPECIAL ACCOUNT STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(in US Dollars)**

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Account No.	202250932
Depository Bank	State Treasury
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia

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<b>Balance as at 1 January 2015</b>	<u><b>4,741,752</b></u>
<b>ADD</b>	
Funds received from IDA	9,336,281
<b>DEDUCT</b>	
Funds used for the Project expenditures	<u>(11,035,682)</u>
<b>Balance as at 31 December 2015</b>	<u><u><b>3,042,351</b></u></u>

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 30 June 2016 and were signed on its behalf by:

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

30 June 2016

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

30 June 2016

The notes on pages 8 to 12 form an integral part of these special purpose project financial statements.

**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(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 under the laws of Georgia in accordance with the Georgian Presidential Decree N 119 dated 16 April 1995. The founder of the Investment Center for Euro-Asian Transport Corridor is the Georgian Government.

A project unit named "Transport Reform and Rehabilitation Center" (the "Center") was formed within the Investment Center for Euro-Asian Transport Corridor. The Center's principal activity is 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) and the European Investment Bank (EIB) and monitor the implementation of transport sector projects.

The Center implements the Forth East-West Highway Improvement Project (the "Project"), financed under the International Development Association ("IDA"). Credit Agreement No. 5245-GE (the "Agreement") in the amount of 24.5 million Special Drawing Rights ("SDR") was signed between the Government of Georgia ("GoG") and IDA on 6 June 2013 ("inception"). The main objectives of the Project are: contribution to the gradual reduction of road transport cost and improving road safety along the section upgraded under the Project and strengthening the capacity of Government of Georgia, Road Department of the Ministry of Regional Development and Infrastructure of Georgia (RDMRDI) and the local road construction industry to plan and better manage and improve road traffic safety.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance** – These special purpose project financial statements have been prepared in accordance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under a Cash Basis of Accounting* and in conformity with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities" (the "World Bank Guidelines").

The purpose of these special purpose project financial statements is to provide information to the Government of Georgia and the International Development Association to assist them in evaluating the Project implementation.

**Cash basis of accounting** - Project financing is recognized as a source of project funds when the cash is received. Project expenditures are recognized as a use of the Project funds on the cash basis when the payments are made.

**Presentation currency** – The national currency of Georgia is the Georgian Lari ("GEL"). These special purpose project financial statements are presented in United States Dollars ("US Dollar" or "USD"), since management believes that this currency is more meaningful for the users of the special purpose project financial statements. All financial information presented in USD has been rounded to the nearest USD unless otherwise stated.

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

**Cash** – Cash represents the balances with the State Treasury of Georgia.

**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(in US Dollars)**

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**3. SPECIAL ACCOUNT**

The special account is a designated disbursement account of the Project maintained in US Dollars at the State Treasury of Georgia to ensure the payment of eligible expenditures, within defined limits, which do not require individual authorization from IDA in accordance with the Agreement.

**4. BASIS OF FUNDING**

According to the terms of the Agreement, the expenditures of all works, goods and consultant services contracts, including all applicable taxes are co-financed by proceeds received from IDA and the GoG at a proportional rate of 80% and 20%, respectively.

The land acquisition and associated resettlement costs are funded entirely by the GoG.

**5. METHODS OF WITHDRAWAL**

The methods of withdrawal used from the inception of the credit to 31 December 2015 were as follows:

**(a) Special Account**

The Center withdraws the eligible amounts from the special account and prepares and sends replenishment requests to the World Bank with authorized signatures. The replenishment requests and respective documentation are reviewed by the World Bank and an approved amount is transferred to the special account.

**(b) Direct Payment**

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

**(c) GoG Current Account**

The Project maintains a separate account where funds from the Government of Georgia are accumulated. The funds are further disbursed to sub-contractors based on the share of expenditures to be incurred. The Project has a common GEL account and special organization code for their funds in the State Treasury of Georgia.

**6. STATEMENT OF EXPENDITURES WITHDRAWAL SCHEDULE**

Withdrawals are to be made on the basis of SOEs for expenses on contracts within the following contractual limits:

- (i) All expenditures for works valued at less than USD 4,000,000;
- (ii) Consultant services contracts (firms) valued at less than USD 100,000;
- (iii) Consultant services contracts (individuals) valued at less than USD 50,000;
- (iv) All expenditures for goods and non-consulting services valued at less than USD 300,000.



**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(in US Dollars)**

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

	<b>31 December 2015</b>
<b>Application of Withdrawals Schedule</b>	
Expenses incurred in 2015 as per the Applications of Withdrawals Schedule	11,035,682
Expenses incurred in 2015 without Applications of Withdrawals Schedule	-
	<u>11,035,682</u>
 IDA funds received during the period	 9,336,281
 <b>Add:</b>	
<b>Opening Balance</b>	
Special Account	4,741,752
	<u>4,741,752</u>
 <b>Less:</b>	
<b>Closing Balance</b>	
Special Account	3,042,351
	<u>3,042,351</u>
 <b>TOTAL EXPENDITURES INCURRED DURING THE PERIOD</b>	 <u><u>11,035,682</u></u>



**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(in US Dollars)**

**8. PROJECT EXPENDITURES BY COMPONENTS**

Project activities	Actual		Planned		Variance	
	Period to date	Cumulative to date	Period to date	Cumulative to date	Period to date	Cumulative to date
			<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b>Component 1 - Construction of Agara - Zemo Osiauri section</b>						
Civil works	10,548,992	23,685,453	10,548,992	23,685,453	-	-
Land acquisition	98,916	3,405,973	98,916	3,405,973	-	-
Supervision	1,160,513	1,996,438	1,160,513	1,996,438	-	-
<b>TOTAL COMPONENT 1</b>	<b>11,808,421</b>	<b>29,087,864</b>	<b>11,808,421</b>	<b>29,087,864</b>	<b>-</b>	<b>-</b>
<b>Component 2 – Institutional Strengthening</b>						
Training	10,148	46,926	10,148	46,926	-	-
Consultancy	139,822	139,822	139,822	139,822	-	-
		0		0		
<b>TOTAL COMPONENT 2</b>	<b>149,970</b>	<b>186,748</b>	<b>149,970</b>	<b>186,748</b>	<b>-</b>	<b>-</b>
<b>Component 3 – Consulting services</b>						
Consultancy	1,812,612	2,013,666	1,812,612	2,013,666	-	-
<b>TOTAL COMPONENT 3</b>	<b>1,812,612</b>	<b>2,013,666</b>	<b>1,812,612</b>	<b>2,013,666</b>	<b>-</b>	<b>-</b>
<b>Component 4 – Project Management Support</b>						
Goods for RDMDI	107,077	156,195	107,088	156,195	-	-
The Center's fees and operating costs	15,373	15,362	15,373	15,362	-	-
<b>TOTAL COMPONENT 4</b>	<b>122,450</b>	<b>171,557</b>	<b>122,461</b>	<b>171,557</b>	<b>-</b>	<b>-</b>
<b>TOTAL PROJECT EXPENDITURES</b>	<b>13,893,453</b>	<b>31,459,835</b>	<b>13,893,464</b>	<b>31,459,835</b>	<b>-</b>	<b>-</b>

The Project consists of the following main components:

- Upgrading of approximately 12 km of the existing 2-lane E60 East-West Highway through the construction of a 2-lane dual carriageway from Agara to Zemo Osiauri including interchanges, two bridges, several overpasses and underpasses and approximately 3.4 km of riverbank protection.
- Institutional support to the Road Department of the Ministry of Regional Development and Infrastructure (RDMDI) of Georgia and the Center related to the Project management, financial audits and Project monitoring and evaluation through the provision of goods and consultant's services.

The categories of expenditures incurred are presented in line with the categories specified in the Agreement.

Each component of the Project is further divided into four types of expenses for the SOE purposes: civil works, goods, consultants' services and operating costs.

**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
CREDIT NO. 5245-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(in US Dollars)**

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**9. COMMITMENTS AND CONTINGENCIES**

Management is not aware of any commitments and contingencies which would have a material impact on this special purpose project financial statements as at 31 December 2015 for the year then ended.

**10. GEORGIAN OPERATING ENVIRONMENT**

The Center's operations are located in Georgia. Consequently, the Center is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The special purpose project financial statements reflect management's assessment of the impact of the Georgian operating environment on the operations of the Center. The future operating environment may differ from management's assessment.

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

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

**12. APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

These special purpose project financial statements were authorized for issue by the management of the Center on 30 June 2016.