

EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER

LOAN NO.3803-GEO AND NO.50271
(NORTH-SOUTH CORRIDOR (KVESHETI-KOBI) ROAD
PROJECT)

Special Purpose Project Financial Statements
For the year ended 31 December 2023

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

TABLE OF CONTENTS

	Page
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 2023:	
STATEMENT OF SOURCES AND USES OF FUNDS	5-6
BALANCE SHEET STATEMENT	7
STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE	8
IMPREST ACCOUNT STATEMENT	9
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS	10-20
1. BACKGROUND	10
2. ACCOUNTING POLICIES	10
3. BASIS OF FUNDING	11
4. METHODS OF WITHDRAWAL	11
5. RECONCILIATION OF AMOUNTS SHOWN AS RECEIVED FROM THE ADB AND EBRD TO ACTUAL EXPENDITURE OF THE PROJECT	12
7. COMMITMENTS AND CONTINGENCIES.....	19
8. OPERATING ENVIRONMENT	19
9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE	20
10. APPROVAL OF FINANCIAL STATEMENTS.....	20

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
NORTH-SOUTH CORRIDOR (KVESHETI-KOBI) 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 2023**

Management of the North-South Corridor (Kvesheti-Kobi) Road- (the “Project”) implemented by the Eurasian Transport Corridor Investment Center (“ETCIC” or Transport Reform and Rehabilitation Center – “Organisation”) is responsible for the preparation of the special purpose project financial statements that present fairly the Statement of Sources and Uses of Funds for the year ended 31 December 2023, the Balance Sheet as at 31 December 2023 and the related Statement of Expenditure Withdrawal Schedule (“SOEs”) and Statement of Imprest Account for year ended 31 December 2023, in accordance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under the Cash Basis of Accounting* (“IPSAS – Cash Basis”), and the Guidelines for the Financial Governance and Management of Investment Projects Financed by Asian Development Bank and European Bank for Reconstruction and Development.

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

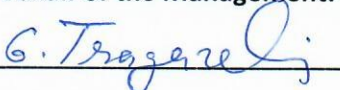
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information.
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis 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 Project’s 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 European Bank for Reconstruction and Development;
- 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 2023 were authorised for issue on 26 June 2024 by the Management.

On behalf of the Management:



Giorgi Tsagareli
Director

26 June 2024



Marina Majagaladze
Finance Manager

26 June 2024

INDEPENDENT AUDITOR'S REPORT

To the management of Eurasia Transport Corridor Investment Center:

Opinion

We have audited the accompanying special purpose project financial statements of the North-South Corridor (Kvesheti-Kobi) Road Project (the "Project") financed under the Loan Agreement No. 3803-GEO dated 27 August 2019 (the "Agreement 1") and Loan Agreement No. 50271 dated 11 October 2019 (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 2023, the Balance Sheet as at 31 December 2023 and the related, Statement of Expenditure Withdrawal Schedule ("SOEs") and Imprest Account Statement for the year ended 31 December 2023 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 2023 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, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

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 European Bank for Reconstruction and Development 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 and fair presentation of these special purpose project financial statements in accordance with the cash basis of IPSAS, the basis of accounting as further detailed in Note 2.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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.



Shota Nanitashvili

On behalf of Deloitte and Touche LLC

Deloitte & Touche

26 June 2024

Tbilisi, Georgia

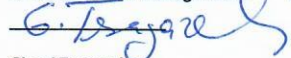
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
NORTH-SOUTH CORRIDOR (KVESHETI-KOBI) ROAD PROJECT
LOAN NO 3803-GEO AND NO 50271**

**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

	Notes	Actual as at 31 December 2023		Planned as at 31 December 2023*		Variance	
		Year to date	Cumulative to date	Year to date	Cumulative to date	Year to date	Cumulative to date
				Unaudited	Unaudited	Unaudited	Unaudited
FUNDS RECEIVED BY SOURCES							
ABD Funds	5	51,793,377	193,721,413				
Government Funds		12,151,382	48,937,535				
EBRD Credit Funds		9,761,033	41,771,457				
EBRD Grant Funds		-	99,735				
TOTAL FUNDS RECEIVED		73,705,792	284,530,140				
Foreign exchange difference, net		-	189				
LESS: EXPENDITURE							
Category (1) Works for Tunnel Section	6	33,010,379	141,105,732	33,010,379	141,105,732	-	-
Category (2) Works for Road Section and Services	6	12,625,275	44,299,418	12,625,275	44,299,418	-	-
Category (3) Incremental Administrative Expenses		-	-	-	-	-	-
Cat (4)_Interest and commitment charges	6	6,101,595	8,251,279	6,101,595	8,251,279	-	-
ADB TOTAL		51,737,249	193,656,429	51,737,249	193,656,429	-	-
Category (1) Works for Tunnel Section	6	9,761,033	41,237,457	9,761,033	41,237,457	-	-
Category (2) Works for Road Section and Services		-	-	-	-	-	-
Category (3) Incremental Administrative Expenses		-	-	-	-	-	-
Acquisition of drones and related training and capacity building	6	-	99,735	-	99,735	-	-
Cat (4)_Interest and commitment charges		-	534,000	-	534,000	-	-
EBRD TOTAL		9,761,033	41,871,192	9,761,033	41,871,192	-	-
Category (1) Works for Tunnel Section	6	6,958,252	32,235,310	6,958,252	32,235,309	-	-
Category (2) Works for Road Section and Services	6	2,751,905	9,631,770	2,751,905	9,631,770	-	-
Category (3) Incremental Administrative Expenses	6	2,441,225	7,052,692	2,441,226	7,052,692	-	-
Acquisition of drones and related training and capacity building		-	17,952	-	17,952	-	-
Cat (4)_Interest and commitment charges		-	-	-	-	-	-
GoG TOTAL		12,151,382	48,937,724	12,151,383	48,937,723	-	-
TOTAL PROJECT EXPENDITURE		73,649,664	284,465,345	73,649,665	284,465,344	-	-
NET FLOW OF FUNDS		56,128	64,984	-	-	-	-

*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

26 June 2024



Marina Majagaladze
Finance Manager

26 June 2024

The notes on pages 10 to 20 form an integral part of these special purpose project financial statements.


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

**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

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
FUNDS RECEIVED BY SOURCES						
ABD Funds	5	56,984,166	141,928,037			
Government Funds		13,546,273	36,786,152			
EBRD Funds		13,071,614	32,010,424			
		99,735	99,735			
TOTAL FUNDS RECEIVED		83,701,788	210,824,348			
Foreign exchange difference, net		-	189			
LESS: EXPENDITURE						
Category (1) Works for Tunnel Section	6	44,765,185	108,095,353	44,765,185	108,095,353	-
Category (2) Works for Road Section and Services	6	11,439,369	31,674,143	11,439,369	31,674,143	-
Category (3) Incremental Administrative Expenses		-	-	-	-	-
Cat (4)_Interest and commitment charges	6	786,375	2,149,685	786,375	2,149,685	-
ADB TOTAL		56,990,930	141,919,181	56,990,930	141,919,181	-
Category (1) Works for Tunnel Section	6	13,071,614	31,476,424	13,071,614	31,476,424	-
Category (2) Works for Road Section and Services		-	-	-	-	-
Category (3) Incremental Administrative Expenses		-	-	-	-	-
Acquisition of drones and related training and capacity building		99,735	99,735	99,735	99,735	-
Cat (4)_Interest and commitment charges		-	534,000	-	534,000	-
EBRD TOTAL		13,171,349	32,110,159	13,171,349	32,110,159	-
Category (1) Works for Tunnel Section	6	10,504,959	25,277,057	10,504,959	25,277,057	-
Category (2) Works for Road Section and Services	6	2,500,787	6,879,865	2,500,787	6,879,865	-
Category (3) Incremental Administrative Expenses	6	532,072	4,611,467	532,072	4,611,467	-
Acquisition of drones and related training and capacity building		8,455	17,952	8,455	17,952	-
Cat (4)_Interest and commitment charges		-	-	-	-	-
GOG TOTAL		13,546,273	36,786,341	13,546,273	36,786,341	-
TOTAL PROJECT EXPENDITURE		83,708,552	210,815,681	83,708,552	210,815,681	-
NET FLOW OF FUNDS		(6,764)	8,856	-	-	-

*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

26 June 2024


Marina Majagaladze
Finance Manager

26 June 2024

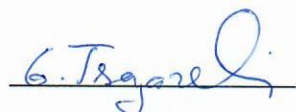
The notes on pages 10 to 20 form an integral part of these special purpose project financial statements.

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

**BALANCE SHEET STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

	<u>31 December 2023</u>	<u>31 December 2022</u>
ASSETS		
ADB imprest account	64,984	8,856
TOTAL ASSETS	<u>64,984</u>	<u>8,856</u>
Funds received:		
Funds received from ADB	193,721,413	141,928,037
Funds received from EBRD	41,871,192	32,110,159
Funds received from GoG	48,937,535	36,786,152
Total funds received	<u>284,530,140</u>	<u>210,824,348</u>
Project expenditure:		
Financed by ADB	(193,656,429)	(141,919,181)
Financed by EBRD	(41,871,192)	(32,110,159)
Financed by GoG	(48,937,724)	(36,786,341)
Total project expenditure	<u>(284,465,345)</u>	<u>(210,815,681)</u>
Foreign exchange difference, net	189	189
TOTAL FUNDS RECEIVED LESS PROJECT EXPENDITURE	<u>64,984</u>	<u>8,856</u>

On behalf of the Management:



Giorgi Tsagareli
Director

26 June 2024



Marina Majagaladze
Finance Manager

26 June 2024

The notes on pages 10 to 20 form an integral part of these special purpose project financial statements.


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

**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2023	Total SOE attributable to 2022
181	07/04/2023	11,202	4,438	6,764
		11,202	4,438	6,764

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2022	Total SOE attributable to 2021
121	18/08/2022	7,587	7,587	-
		7,587	7,587	-

On behalf of the Management:



Giorgi Tsagareli
Director

26 June 2024



Marina Majagaladze
Finance Manager

26 June 2024

The notes on pages 10 to 20 form an integral part of these special purpose project financial statements.

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

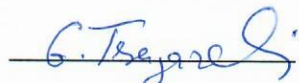
**IMPREST ACCOUNT STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

Account No.	210257032
Depository Bank	State Treasury
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia

Balance as at 31 December 2021	<u>15,620</u>
ADD	
ADB replenishment	<u>7,587*</u>
DEDUCT	
Funds used for the Project expenditures	<u>14,351</u>
Balance as at 31 December 2022	<u>8,856</u>
ADD	
ADB replenishment	<u>85,582*</u>
DEDUCT	
Funds used for the Project expenditures	<u>29,454</u>
Balance as at 31 December 2023	<u>64,984</u>

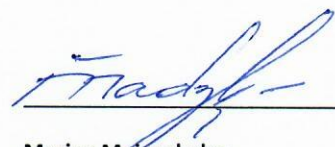
* This replenishment refers to initial deposit advanced to the imprest account for small payments to subcontractors.

On behalf of the Management:



Giorgi Tsagareli
Director

26 June 2024



Marina Majagaladze
Finance Manager

26 June 2024

The notes on pages 10 to 20 form an integral part of these special purpose project financial statements.

**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 2023
(in EUR)**

1. BACKGROUND

The Investment Center for Euro-Asian Transport Corridor was established in 1995 as a non-entrepreneurial and non-profit legal entity. A project unit named "Eurasian Transport Corridor Investment Center" (the "ETCIC" or Transport Reform and Rehabilitation Center – "Organisation") was formed within the Investment Center for Euro-Asian Transport Corridor to manage the allocated loan No. 3803-GEO dated 27 August 2019 (the "Agreement 1") received from the Asian Development Bank ("ADB") and loan No. 50271 dated 11 October 2019 (the "Agreement 2") received from European Bank for Reconstruction and Development ("EBRD"), and monitor the implementation of transport sector projects.

The purpose of the project ("North-South Corridor (Kvesheti-Kobi) Road Project) is the construction of (A) a climate-resilient bypass road approximately 23-kilometer (km) in length between Kvesheti and Kobi in the territory of the Borrower; and (B) climate-resilient all-weather local access roads approximately 5 km in total length; and (ii) the development and implementation of a gender-sensitive road safety awareness campaign to roadside villages and schools. The project is expected to be completed by 30 June 2026.

On 30 December 2020 sub-agreement was formed with European Bank for Reconstruction and Development. The donor agrees to provide a grant in the amount of EUR 100,000. Grant must be used for acquisition of drones, and related training and capacity buildings.

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 Development Bank and the European Bank for Reconstruction and Development. 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 EUR.

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 State Treasury.

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

3. BASIS OF FUNDING

According to the terms of the Agreement 1 and Agreement 2, Category 1 – Works for Tunnel Section are co-financed by proceeds received from ADB, EBRD and GoG at a proportional rate of 65.6%, 19.1% and 15.3%, respectively, Category 2 – Works for Road Section and Services are financed by ADB and GOG by 82% and 18% respectively, Category 3 - Incremental Administrative Expenses are 100% financed by ADB and Category 4 – Interest and commitment charges expenses are financed by ADB and EBRD.

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

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

4. METHODS OF WITHDRAWAL

The methods of withdrawal used from the inception of the loan to 31 December 2023 and 31 December 2022 were as follows:

(a) Imprest account

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

(b) Direct Payment

Available amounts are drawn from time to time within limits determined under the credit agreement for direct payments of eligible expenditure for sub-projects. Direct payments are made by ADB and EBRD directly to third parties. Organisation forms withdrawal applications for request of direct payments and sends it to the ADB and EBRD 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.

(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.

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

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

	31 December 2023	31 December 2022
Application of Withdrawals Schedule		
Expenses incurred as per the Applications of Withdrawals Schedule	45,610,638	56,190,204
Expenses incurred without the Applications of Withdrawals Schedule	25,016	14,351
Expenses incurred as Capitalised charges	6,101,595	786,375
	51,737,249	56,990,930
ADB direct payments	45,606,200	56,197,791
Replenishment	85,582	-
ADB Capitalised charges	6,101,595	786,375
	51,793,377	56,984,166
Add:		
Opening Balances		
Imprest Account	8,856	15,620
	-	-
Less:		
Closing Balances		
Imprest Account	64,984	8,856
TOTAL EXPENDITURE INCURRED	51,737,249	56,990,930

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

TOTAL ADB WITHDRAWAL SCHEDULE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2023

Withdrawal No.	Value date	Total amount in withdrawal schedule	Total attributable to 2023
W/A # 00174	14-02-23	190,509	190,509
W/A # 00175	14-02-23	43,575	43,575
W/A # 00176	14-02-23	1,316,192	1,316,192
W/A # 00177	14-02-23	1,316,192	1,316,192
W/A # 00178	14-02-23	336,289	336,289
W/A # 00179	14-02-23	336,289	336,289
W/A # 00180	07-03-23	197,488	197,488
W/A # 00183	06-04-23	1,517,875	1,517,875
W/A # 00184	06-04-23	1,517,875	1,517,875
W/A # 00185	06-04-23	432,345	432,345
W/A # 00186	06-04-23	432,345	432,345
W/A # 00187	25-04-23	188,296	188,296
W/A # 00188	25-04-23	37,647	37,647
W/A # 00189	22-05-23	347,694	347,694
W/A # 00190	22-05-23	347,694	347,694
W/A # 00191	22-05-23	398,232	398,232
W/A # 00192	22-05-23	398,232	398,232
W/A # 00193	30-05-23	194,316	194,316
W/A # 00194	30-05-23	9,338	9,338
W/A # 00195	30-05-23	936,419	936,419
W/A # 00196	30-05-23	936,419	936,419
W/A # 00197	30-05-23	257,207	257,207
W/A # 00198	31-05-23	257,207	257,207
W/A # 00199	20-06-23	2,330,117	2,330,117
W/A # 00200	20-06-23	608,228	608,228
W/A # 00201	29-06-23	198,668	198,668
W/A # 00202	29-06-23	6,119	6,119
W/A # 00205	20-07-23	205,992	205,992
W/A # 00206	20-07-23	8,734	8,734
W/A # 00203	21-07-23	2,120,904	2,120,904
W/A # 00204	21-07-23	574,615	574,615
W/A # 00208	31-07-23	398,923	398,923
W/A # 00309	31-07-23	426,962	426,962
W/A # 00310	31-07-23	426,962	426,962
W/A # 00311	10-08-23	402,734	402,734
W/A # 00312	16-08-23	2,551,371	2,551,371
W/A # 00313	16-08-23	677,748	677,748
W/A # 00314	22-08-23	195,292	195,292
W/A # 00315	22-08-23	8,396	8,396
W/A # 00316	11-09-23	2,399,571	2,399,571
W/A # 00317	11-09-23	633,612	633,612
W/A # 00318	12-09-23	5,866	5,866
W/A # 00319	15-09-23	206,230	206,230

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

W/A # 00320	15-09-23	12,164	12,164
W/A # 00325	20-09-23	1,156,368	1,156,368
W/A # 00326	20-09-23	1,156,368	1,156,368
W/A # 00327	20-09-23	1,176,229	1,176,229
W/A # 00328	20-09-23	1,176,229	1,176,229
W/A # 00329	20-09-23	2,390,821	2,390,821
W/A # 00330	20-09-23	630,141	630,141
W/A # 00331	27-10-23	250,335	250,335
W/A # 00332	01-11-23	8,009	8,009
W/A # 00333	13-11-23	966,237	966,237
W/A # 00334	13-11-23	966,237	966,237
W/A # 00335	13-11-23	248,607	248,607
W/A # 00336	13-11-23	248,607	248,607
W/A # 00341	05-12-23	634,571	634,571
W/A # 00339	06-12-23	569,473	569,473
W/A # 00340	06-12-23	569,473	569,473
W/A # 00342	06-12-23	636,673	636,673
W/A # 00337	07-12-23	204,177	204,177
W/A # 00338	07-12-23	8,624	8,624
W/A # 00343	12-12-23	1,167,310	1,167,310
W/A # 00344	12-12-23	1,167,310	1,167,310
W/A # 00345	12-12-23	298,589	298,589
W/A # 00346	12-12-23	298,589	298,589
W/A # 00348	14-12-23	186,946	186,946
W/A # 00349	14-12-23	6,280	6,280
W/A # 00350	14-12-23	1,250,143	1,250,143
W/A # 00351	14-12-23	1,250,143	1,250,143
W/A # 00352	14-12-23	319,414	319,414
W/A # 00353	14-12-23	319,414	319,414
CAP 5	15-05-23	2,327,405	2,327,405
CAP 5	15-11-23	3,774,190	3,774,190
		51,707,795	51,707,795

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

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

Withdrawal No.	Value date	Total amount in withdrawal schedule	Total attributable to 2022
W/A # 00071	1-Feb-22	117,454	117,454
W/A # 00072	1-Feb-22	16,051	16,051
W/A # 00073	3-Mar-22	1,109,498	1,109,498
W/A # 00074	3-Mar-22	1,109,498	1,109,498
W/A # 00075	4-Mar-22	238,792	238,792
W/A # 00076	4-Mar-22	238,792	238,792
W/A # 00077	18-Mar-22	123,349	123,349
W/A # 00078	18-Mar-22	18,144	18,144
W/A # 00079	17-Mar-22	2,182,072	2,182,072
W/A # 00080	17-Mar-22	2,182,072	2,182,072
W/A # 00081	17-Mar-22	464,310	464,310
W/A # 00082	17-Mar-22	464,310	464,310
W/A # 00083	18-Mar-22	123,212	123,212
W/A # 00084	18-Mar-22	12,144	12,144
W/A # 00085	21-Mar-22	788,239	788,239
W/A # 00086	21-Mar-22	788,239	788,239
W/A # 00087	21-Mar-22	167,566	167,566
W/A # 00088	21-Mar-22	167,566	167,566
W/A # 00089	20-Apr-22	371,340	371,340
W/A # 00090	20-Apr-22	371,340	371,340
W/A # 00091	7-Apr-22	313,255	313,255
W/A # 00092	7-Apr-22	313,255	313,255
W/A # 00093	27-Apr-22	58,682	58,682
W/A # 00094	6-May-22	132,137	132,137
W/A # 00095	6-May-22	17,365	17,365
W/A # 00096	31-May-22	134,208	134,208
W/A # 00097	31-May-22	20,745	20,745
W/A # 00098	31-May-22	1,152,055	1,152,055
W/A # 00099	31-May-22	1,152,055	1,152,055
W/A # 00100	31-May-22	273,503	273,503
W/A # 00101	31-May-22	273,503	273,503
W/A # 00102	10-Jun-22	1,566,662	1,566,662
W/A # 00103	10-Jun-22	1,566,662	1,566,662
W/A # 00104	10-Jun-22	363,145	363,145
W/A # 00105	10-Jun-22	363,145	363,145
W/A # 00106	16-Jun-22	1,387	1,387
W/A # 00107	14-Jun-22	366,263	366,263
W/A # 00108	14-Jun-22	366,263	366,263
W/A # 00109	14-Jun-22	332,919	332,919
W/A # 00110	14-Jun-22	332,919	332,919
W/A # 00111	27-Jun-22	134,120	134,120
W/A # 00112	27-Jun-22	12,317	12,317
W/A # 00113	23-Jun-22	1,900,461	1,900,461
W/A # 00114	23-Jun-22	1,900,461	1,900,461
W/A # 00115	23-Jun-22	443,567	443,567
W/A # 00116	23-Jun-22	443,567	443,567
W/A # 00118	26-Jul-22	6,169	6,169
W/A # 00119	2-Aug-22	132,004	132,004
W/A # 00120	2-Aug-22	25,589	25,589
W/A # 00122	12-Aug-22	834,775	834,775
W/A # 00123	12-Aug-22	834,775	834,775
W/A # 00124	12-Aug-22	211,286	211,286

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

W/A # 00125	12-Aug-22	211,286	211,286
W/A # 00126	26-Aug-22	1,133,707	1,133,707
W/A # 00127	26-Aug-22	1,133,707	1,133,707
W/A # 00128	26-Aug-22	274,583	274,583
W/A # 00129	26-Aug-22	274,583	274,583
W/A # 00130	15-Sep-22	141,109	141,109
W/A # 00131	15-Sep-22	35,887	35,887
W/A # 00132	15-Sep-22	390,200	390,200
W/A # 00133	15-Sep-22	390,200	390,200
W/A # 00134	15-Sep-22	368,923	368,923
W/A # 00135	15-Sep-22	368,923	368,923
W/A # 00136	16-Sep-22	3,899,216	3,899,216
W/A # 00137	16-Sep-22	3,899,216	3,899,216
W/A # 00138	16-Sep-22	939,328	939,328
W/A # 00139	16-Sep-22	939,328	939,328
W/A # 00140	20-Sep-22	518,216	518,216
W/A # 00141	20-Sep-22	518,216	518,216
W/A # 00143	20-Sep-22	492,705	492,705
W/A # 00145	23-Sep-22	492,753	492,753
W/A # 00146	28-Sep-22	164,776	164,776
W/A # 00147	28-Sep-22	7,189	7,189
W/A # 00148	9-Nov-22	153,189	153,189
W/A # 00149	9-Nov-22	7,137	7,137
W/A # 00150	22-Nov-22	883,945	883,945
W/A # 00151	22-Nov-22	883,945	883,945
W/A # 00152	22-Nov-22	221,652	221,652
W/A # 00153	22-Nov-22	221,652	221,652
W/A # 00154	25-Nov-22	404,892	404,892
W/A # 00155	25-Nov-22	404,892	404,892
W/A # 00156	28-Nov-22	393,835	393,835
W/A # 00157	29-Nov-22	395,595	395,595
W/A # 00158	1-Dec-22	194,325	194,325
W/A # 00160	6-Dec-22	1,328,879	1,328,879
W/A # 00161	6-Dec-22	1,328,879	1,328,879
W/A # 00162	6-Dec-22	335,089	335,089
W/A # 00163	6-Dec-22	335,089	335,089
W/A # 00164	13-Dec-22	1,331,377	1,331,377
W/A # 00165	13-Dec-22	1,331,377	1,331,377
W/A # 00166	13-Dec-22	338,886	338,886
W/A # 00167	13-Dec-22	338,886	338,886
W/A # 00168	14-Dec-22	380,030	380,030
W/A # 00169	14-Dec-22	380,030	380,030
W/A # 00170	14-Dec-22	379,368	379,368
W/A # 00171	14-Dec-22	379,368	379,368
W/A # 00172	14-Dec-22	174,093	174,093
W/A # 00173	14-Dec-22	36,536	36,536
CAP3	15-May-22	296,513	296,513
CAP4	15-Nov-22	489,862	489,862
		56,976,579	56,976,579

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

6. PROJECT EXPENDITURE BY COMPONENTS

Project Activities	For the year ended 31 December 2023				Cumulative from inception			
	ADB Financing	GoG Financing	EBRD	Total	ADB Financing	GoG Financing	EBRD	Total
Component A – Investment Costs								
Civil Works for Tunnel Section	33,010,379	6,958,252	9,761,033	49,729,664	141,105,731	32,235,310	41,237,457	214,578,498
Civil Works for Road Section	10,222,818	2,221,321	-	12,444,139	38,022,236	8,230,422	-	46,252,658
Land acquisition	-	2,362,428	-	2,362,428	-	6,824,753	-	6,824,753
Consultancy	2,402,457	530,584	-	2,933,041	6,277,183	1,401,347	-	7,678,530
TOTAL COMPONENT A	45,635,654	12,072,585	9,761,033	67,469,272	185,405,150	48,691,832	41,237,457	275,334,439
Component B – Recurrent Costs								
Project Management Costs	-	78,797	-	78,797	-	227,940	-	227,940
TOTAL COMPONENT B	-	78,797	-	78,797	-	227,940	-	227,940
Component C – Contingencies								
Contingencies_Unallocated	-	-	-	-	-	-	534,000	534,000
TOTAL COMPONENT C	-	-	-	-	-	-	534,000	534,000
Component D – Financial Charges During Implementation								
Interest and commitment charges	6,101,595	-	-	6,101,595	8,251,279	-	-	8,251,279
TOTAL COMPONENT D	6,101,595	-	-	6,101,595	8,251,279	-	-	8,251,279
EBRD GRANT 50271 DRONES*	-	-	-	-	-	17,952	99,735	117,687
TOTAL PROJECT EXPENDITURE	51,737,249	12,151,382	9,761,033	73,649,664	193,656,429	48,937,724	41,871,192	284,465,345

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

Project Activities	For the year ended 31 December 2022				Cumulative from inception			
	ADB Financing	GoG Financing	EBRD	Total	ADB Financing	GoG Financing	EBRD	Total
Component A – Investment Costs								
Civil Works for Tunnel Section	44,765,185	10,504,959	13,071,614	68,341,758	108,095,353	25,277,058	31,476,424	164,848,834
Civil Works for Road Section	9,425,700	2,051,414	-	11,477,114	27,799,417	6,009,101	-	33,808,518
Land acquisition	-	457,543	-	457,543	-	4,462,325	-	4,462,325
Consultancy	2,013,669	449,374	-	2,463,042	3,874,726	870,763	-	4,745,489
TOTAL COMPONENT A	56,204,554	13,463,289	13,071,614	82,739,457	128,330,127	36,619,246	31,476,424	207,865,166
Component B – Recurrent Costs								
Project Management Costs	-	74,529	-	74,529	-	149,142	-	149,142
TOTAL COMPONENT B	-	74,529	-	74,529	-	149,142	-	149,142
Component C – Contingencies								
Contingencies_Unallocated	-	-	-	-	-	-	534,000	534,000
TOTAL COMPONENT C	-	-	-	-	-	-	534,000	534,000
Component D – Financial Charges During Implementation								
Interest and commitment charges								
Front end fee	786,375	-	-	786,375	2,149,685	-	-	2,149,685
TOTAL COMPONENT D	786,375	-	-	786,375	2,149,685	-	-	2,149,685
EBRD GRANT 50271 DRONES*	-	8,455	99,735	108,190	-	17,952	99,735	117,687
TOTAL PROJECT EXPENDITURE	56,990,929	13,537,818	13,071,614	83,708,551	141,919,180	36,768,389	32,010,424	210,815,680

*So far, only GOG share of financing has been used within the scope of Grant Agreement formed between Georgia and European Bank for Reconstruction and Development on 31 December 2022

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

The Project comprises the following main components:

- Component A – Investment Costs;
- Component B – Recurrent Costs;
- Component C - Contingencies_Unallocated
- Component D - Financial Charges During Implementation.
- EBRD GRANT 50271 DRONES

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

- Category 1 – Works for tunnel section
- Category 2 – Works for road sections and services
- Category 3 – Incremental administrative expenses; and
- Category 4 – Interest and commitment charges
- Acquisition of drones and related training and capacity building

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

7. COMMITMENTS AND CONTINGENCIES

The Management is not aware of any commitments and contingencies which would have a material impact on the financial position of the Project and the Imprest Account Statement as at 31 December 2023 and 31 December 2022 and on the funds received and disbursed during the year then ended.

8. OPERATING ENVIRONMENT

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

For the last several years Georgia has experienced a number of legislative changes, which have been largely related to Georgia's accession plan to the European Union. Whilst the legislative changes implemented during 2023 and 2022 paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

**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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(in EUR)**

9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

10. APPROVAL OF FINANCIAL STATEMENTS

These special purpose project financial statements were authorised for issue by the Management of ETCIC on 26 June 2024.