

**NORTH-SOUTH ROAD CORRIDOR INVESTMENT PROGRAM-PROJECT 2**

**LOAN NUMBER 2729-ARM**

**FINANCED BY ASIAN DEVELOPMENT BANK**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**For period from 01 January 2024 to 30 April 2025**

**YEREVAN  
June 2025**

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## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The management of the "Road Department" Fund (the "Organization" or "Fund") is responsible for the preparation and fair presentation of the special purpose financial statements for the period 01 January 2024 to 30 April 2025 of "North-South Road Corridor Investment Program - Project 2" (the Project) financed by the Asian Development Bank Loan 2729-ARM ("Loan Agreement") in compliance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) and the "Loan Disbursement Handbook" (as updated) issued by ADB.

In preparing the special purpose financial statements, Organization's 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 required disclosures for the year period from 01 January 2024 to 30 April 2025.

*Organization's 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 which enable them to ensure that the special purpose financial statements of the Project comply with IPSAS - Cash Basis and the ADB Guidelines;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Loan Agreement, and ADB related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- Insuring that the RA Government's co-financing is provided and used in accordance with the Loan Agreement and for the purposes for which it has been provided;
- Complying with the financial covenants under Article IV of the Loan Agreement;
- Procuring financed Works, Goods and Services in accordance with the Loan Agreement; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the period 01 January 2024 to 30 April 2025 were signed on 27 June 2025 by the management of "Road Department" Fund.

Arkadi Cherchinyan  
Executive Director



Shushanik Grigoryan  
Acting Head of Financial Management  
Department/Chief Accountant



## INDEPENDENT AUDITOR'S REPORT

To the Management of the "Road Department" Fund

### ***Qualified Opinion***

We have audited the special purpose financial statements of "North-South Road Corridor Investment Program - Project 2" ("the Project") financed by the Asian Development Bank Loan 2729-ARM ("Loan Agreement") concluded between the Republic of Armenia ("RoA") and Asian Development Bank ("ADB"), and implemented by the "Road Department" Fund (the "Organization" or "Fund"), which comprise the statement of cash receipts and payments for the period 01 January 2024 to 30 April 2025, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying special purpose financial statements present fairly, in all material respects, the cash flows for the period 01 January 2024 to 30 April 2025 in accordance with International Public Sector Accounting Standards: Financial Reporting Under the Cash Basis of Accounting, (IPSAS-Cash Basis) and the "Loan Disbursement Handbook" (as updated) issued by ADB.

### ***Basis for Qualified Opinion***

The statement of cash receipts and payments includes prepayments made to the constructor (Corsan Corviam Construcccion S.A) of 27,612,508 USD, which was initially charged under the category "Works". Subsequent to the payment, the Organization have initiated legal proceedings against Corsan Corviam Construcccion S.A. (see Note 14). While the payment was appropriately recorded under the cash basis of accounting when made, the ultimate recoverability of this amount is uncertain and subject to the outcome of the legal proceedings. Thus, this amount does not qualify as an eligible 'Works' expenditure under the Loan Agreement terms, as no construction services were received, until the arbitrage process will be completed and decision will be announced.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as issued by International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Project and of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical requirements in accordance with IESBA Code.

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

### ***Emphasis of Matter- Cash Basis of Accounting***

We draw attention to Note 2 to the financial statements, which describes that special purpose financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

### ***Emphasis of matters - Closing of the Project***

Without qualifying our opinion, we draw your attention to Note 15 of these special purpose financial statements which disclosed that the Project is closed as at the reporting date and the Project components were not achieved.

### ***Responsibilities of the Management for the Financial Statements***

Management of the Organization is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board ("IPSASB") and "Loan Disbursement Handbook" (as



updated) issued by ADB, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

Our objectives are to obtain reasonable assurance about whether the special purpose 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 high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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 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 assess the risks of material misstatement of the special purpose 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures.

We communicate with management 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.

#### **Report on Other Legal Requirements**

To comply with the terms of the Loan Agreement, the Organization's management shall insure that:

1. Loan funds have been used in accordance with the conditions of the Loan Agreement concluded between the Asian Development Bank (ADB) and the Republic of Armenia, and ADB Guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. The Government's co-financing is provided and used accordance with the Loan Agreement and for the purposes for which it has been provided;
3. The financial covenants under Article IV of the Loan Agreement have been complied with;
4. Financed Works, Goods and Services have been procured in accordance with the Loan Agreement.

In our opinion, except for the matter described in Bases for Qualified Opinion section and Findings on Non-Compliance section, the Organization's management has, in all material respects, complied with the above requirements for the period 01 January 2024 to 30 April 2025.

#### **Findings on Non-Compliance**

As disclosed in Note 12, the Organization made a prepayment of \$35,091,380 to the constructors which remains outstanding as of the reporting date, despite the Project having been officially closed without completion of the contracted works.

"BDO Armenia" CJSC  
30 June 2025



Vahagn Sahakyan, FCCA  
Managing Partner

North-South Road Corridor Investment Program -Project 2  
ADB Loan 2729-ARM  
For the period 01 January 2024 to 30 April 2025

The financial statements were signed by the management of "Road Department" Fund on 30 June 2025. The accompanying notes form an integral part of these project financial statements.

Shushanli  
Acting H.E.  
to ADB Management Committee. It may be

Head of Financial Management Department/Chief Accountant

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## NOTES TO THE FINANCIAL STATEMENTS

### *North-South Road Corridor Investment Program-Project 2*

#### *ADB Loan 2729-ARM*

*For the period 01 January 2024 to 30 April 2025*

### **1. General information**

#### **1.1. Project financing**

According to the Scope Financing Agreement between the Republic of Armenia (RoA) and the Asian Development Bank (ADB) signed on 15 September 2009, ADB agreed to provide the RoA multi-tranche financial facility in the total amount of 500 million USD (United States Dollars) to finance the North-South Road Corridor Investment Program.

Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based. Each loan constitutes a separate tranche. Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

According to the Loan Agreement North-South Road Corridor Investment Program-Project 2 (special operations) ("Project", or "Tranche 2") between the RoA and the ADB on 30 May 2011, ADB provided the RoA the Loan 2729-ARM in the total amount of 170,000,000 USD. The Loan is provided for financing the Tranche-2.

In accordance with letter agreement dated 17 June 2016, submitted between Ministry of Transport, Communication and Information Technology of the RoA and the ADB, a reallocation of ADB 2729-ARM loan from Tranche 2 was agreed to fund USD 6,000,000 expenditures of the Tranche 1.

Co-financing is provided through the state budget resources of the RoA. The co-financing is provided to cover taxes and duties applicable.

The Closing date of Tranche 2 is set at 31 December 2024 (Amendment to the Loan Agreement dated November 22, 2023).

#### **1.2. Project objectives**

The Project's goals financed by the loan 2729-ARM are:

- (i) Facilitate efficient sub regional road transport transit;
- (ii) Increase trade flows and competitiveness;
- (iii) Lower transport costs;
- (iv) Increase mobility and accessibility to markets, jobs and social services;
- (v) Improve governance.

The Project's components are:

- Reconstruction of approximately 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road
- Consulting services and Project management, including preparation of feasibility studies and detailed design of subsequent Project's proposed for financing under the Investment Program, construction supervision, preparation of tender documents, procurement and capacity building;



### 1.3. The Project Budget

The Project updated budget totals 210,000,000 US dollars.

Taxes and duties imposed by the tax laws of the Republic of Armenia are not paid through the Loan funds. Those are paid from co-financing funds provided by the Republic of Armenia.

Category	ADB Loan 2729-ARM /Project-2/			The Republic of Armenia*	Total
	Initial	Reallocated	Updated		
	USD	USD	USD		
Works	149,700,000	2,200,954	151,900,954	-	151,900,954
Consulting Services	7,000,000	6,799,046	13,799,046	-	13,799,046
Interest	10,000,000	(6,000,000)	4,000,000	-	4,000,000
Other (including local taxes)	-	-	-	32,000,000	32,000,000
Unallocated	3,300,000	(3,000,000)	300,000	8,000,000	8,300,000
<b>Total</b>	<b>170,000,000</b>	<b>-</b>	<b>170,000,000</b>	<b>40,000,000</b>	<b>210,000,000</b>

*\*The budget is an estimate of the Republic of Armenia Government commitment to cover taxes and duties arising during the implementation of the project.*

The Total budget does not include funds allocated by the Republic of Armenia for Land Acquisition and Resettlement Plan activities.

### 1.4. The Project Implementation Unit

The Project is implemented by "Road Department" Fund (the "Organization" or "Fund"). The Fund is the legal successor of the "Organization for Implementation of North-South Road Corridor Investment Program" State Non-Commercial Organization and "Transport Project Implementation Unit" State Institution. The reorganization was implemented in accordance with the Government of the Republic of Armenia Decree N 1304-A dated 15.12.2016.

In accordance with the Government of the RoA Decree N 1298 dated 06.08.2021 "Road Department" Non-Commercial Organization has been reorganized to the "Road Department" Fund.

The Fund is a non-commercial legal entity. Until 20 June 2019 the governing state authority of the Organization was the Ministry of Transport, Communication and Information Technology of the Republic of Armenia, then the Ministry of Territorial Administration and Infrastructure following the Government of the Republic of Armenia Decree N733-N dated 06.06.2019.

The main goal of the Organization is the efficient implementation of projects in the transport sector, including the implementation program of modernization of North-South Road Corridor Investment Program and Northern Corridor.

The legal and operating address of the Fund is: Government House 3, Yerevan, the Republic of Armenia.

### 1.5. Land Acquisition and Resettlement Plan (LARP)

The Project implementation requires land acquisition and resettlement of persons affected. The Republic of Armenia Government by the decree N 1139-N dated 6 Sept 2012 approved land acquisition and resettlement plan for North-South Road Corridor Investment Program-Project 2 (road section between towns of Ashtarak and Talin).

LARP is wholly financed by the Republic of Armenia Government. The cost of LARP was determined as 2,304,485 thousand Armenian Drams. The Government provided total amount to "Organization for Implementation of North-South Road Corridor Investment Program" State Non-Commercial Organization in year 2012. In accordance with the Republic of Armenia Government Decree N 603-N dated 12.06.2014, on 21 July 2014 an additional amount of 958,826 thousand AMD was provided for financing of LARP.

According to Government of the Republic of Armenia Decree N 626-N dated 23.05.2019 the lands necessary for the replacement of the existing communication lines on from 40+000-km to 47+400-km section of the Ashtarak-Talin have been recognized as of public superior interest.

According to Government of the Republic of Armenia Decree N 777-N dated 20.06.2019 the lands necessary for the replacement of the existing communication lines on from 37+544.68-km to 40+000 and from 47+400-km to 71+500-km section of the Ashtarak-Talin have been recognized as of public superior interest.

For the inspection, measurement, inventory and assessment of the alienated property the contract is concluded on 15.11.2018 between "Transport Project Implementation Organization" SNCO and "Uptime" LLC. A contract for the provision of consulting services has been signed. At present, the has been completed the inspection, measurement, inventory and ownership assessment of the aliened areas of the 8 km road section (29+600-km to 37+544.68-km) bypassing the archeological sites near Agarak community of Aragatsotn region of the Republic of Armenia and to those of communication lines of Ashtarak-Talin section (29+600-km to 37+544.68-km).

In order to carry out the process of ownership transfer process of the lands a consulting contract is concluded on 15.11.2018 between "Transport Project Implementation Organization" SNCO and "Media-Model" LLC. At present, the drafts of acquisition contracts for lands aligned to 8 km road bypassing the archeological site of Agarak community of Aragatsotn region of the Republic of Armenia (29+600-km to 37+544.68-km) and those of Ashtarak-Talin section (40+000-km to 47+400-km) in order to send them to the affected persons. The process of acquiring the mentioned alienated property is expected to be completed before signing a contract with the constructor.

With additional scope of LARP implementation based on dividing the Works in two Sections: Section 1 or Lot 1 for 8 km from 29+600 to km 37+545 and Section 2 or Lot 2 34 km from 37+545 to km 71+435 for implementing Lot 2 it was needed to acquire 345 new lands with additional budget 710,378.81 thousand AMD out of which in FY 2023 has been spent 200,066.0 thousand AMD.

Per quarterly report dated 19 May 2025 during the current reporting period, implementation of LARP Addendum 4 continued, covering access roads, the 34 km midfield section, and the New Yedesia interchange. Out of 317 draft acquisition contracts, 284 were signed, and 11 out of 14 expropriation cases were resolved in favor of the Road Department, with 3 cases still ongoing. Annual approved budget for 2024 amounted 517,850 thousand AMD and the total spent amount was 517,850 thousand AMD.



## **2. Significant accounting policies**

### **2.1 Preparation and presentation of financial statements**

The Project financial statements are prepared in accordance with the International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” issued by the International Public Sector Accounting Standards Board (IPSASB) and presented in accordance with “Loan Disbursement Handbook” (updated) issued by Asian Development Bank.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

### **2.2 Cash basis of accounting**

The financial statements are prepared and presented using the cash basis of accounting.

Cash basis means a basis of accounting under which transactions and other events are recognized only when cash or its equivalent is received or paid.

Financial statements prepared under the cash basis provide information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date.

### **2.3 Reporting currency**

The Project functional statements are presented in United States Dollars (USD).

### **2.4 Foreign currency transactions**

Foreign currency is a currency other than the reporting currency of the Project.

Project accounts are maintained, and transactions are made in USD and Armenian Drams (AMD). Transactions denominated in AMD are translated into USD as follows:

- a) Contributions of the Republic of Armenia and expenditures covered through them expressed in AMD are translated into USD at the CBA average exchange rate announced at the previous date of transaction.
- b) Payments to contractors and suppliers expressed in AMD that are covered through the financing received from ADB are translated into USD:
  - Before 1 March 2021, at the exchange rates announced at the previous date of payment.
  - Since 1 March 2021, at the foreign exchange selling rates set by the Central Bank of RoA at the date of payment.
- c) Payments to contractors expressed in AMD and paid through direct payments by ADB are translated into USD at the actual conversion rate.

The average exchange rate issued by the CBA as at 31 December 2024 is USD 1 = 396.56 AMD and as at 30 April 2025 is USD 1 = 389.45 (at 31.12.2023: USD 1 = 404.79 AMD).

### **2.5 Cash**

Cash comprise bank accounts balances.

### **2.6 Taxes**

All applicable taxes are paid in accordance with tax regulations of the Republic of Armenia.

### **2.7 Budget**

The expenditure budget is created based on actual accumulated expenditures for the last period plus the updated annual budget for the reporting period.



### 3. Statement of loan withdrawals

ADB Loan 2729-ARM

For the period 01 January 2024 to 30 April 2025

In USD

Application number	Value date	Expenditure category		
		Works	Consulting services	Total
		1	2	
WA000113	23-May-23		27,766.04	27,766.04
WA000114	23-Jun-23		141,662.70	141,662.70
WA000115	28-Jul-23		7,025.38	7,025.38
WA000116	28-Jul-23		36,796.53	36,796.53
WA000117	27-Jul-23		131,204.67	131,204.67
WA000118	02-Oct-23		51,030.07	51,030.07
WA000119	29-Sep-23		215,839.18	215,839.18
WA000120	29-Sep-23		173,143.00	173,143.00
WA000121	03-Oct-23	2,004,427.99		2,004,427.99
WA000122	08-Nov-23	7,598,510.82		7,598,510.82
WA000123	22-Nov-23		121,563.00	121,563.00
WA000124	18-Dec-23	1,385,459.76		1,385,459.76
WA000125	20-Dec-23		128,607.45	128,607.45
WA000126	20-Dec-23	2,734,457.90		2,734,457.90
<b>Total for 2023</b>		<b>13,722,856.47</b>	<b>1,034,638.02</b>	<b>14,757,494.49</b>
WA000127	01-Feb-24	-	35,215.61	35,215.61
WA000128	30-Jan-24	-	25,596.98	25,596.98
WA000129	19-Mar-24	-	35,303.54	35,303.54
WA000130	20-Mar-24	1,191,917.48	-	1,191,917.48
WA000131	27-Mar-24	-	186,336.40	186,336.40
WA000132	27-Mar-24	3,167,952.10	-	3,167,952.10
WA000133	08-Apr-24	262,500.00	-	262,500.00
WA000134	24-May-24	-	247,629.75	247,629.75
WA000135	29-May-24	1,730,902.97	-	1,730,902.97
WA000136	06-Jun-24	4,632,688.10	-	4,632,688.10
WA000137	26-Jun-24	2,055,402.50	-	2,055,402.50
WA000138	10-Jul-24	-	6,984.48	6,984.48
WA000139	22-Aug-24	528,477.25	-	528,477.25
WA000140	11-Sep-24	-	267,035.48	267,035.48
WA000141	04-Oct-24	563,997.64	-	563,997.64
WA000142	04-Oct-24	1,080,970.17	-	1,080,970.17
WA000143	31-Oct-24	910,978.69	-	910,978.69
WA000144	12-Nov-24	-	36,724.85	36,724.85
WA000145	06-Dec-24	886,712.29	-	886,712.29
WA000146	13-Dec-24	-	550,653.07	550,653.07
WA000147	18-Dec-24	2,533,508.44	-	2,533,508.44
WA000148	18-Dec-24	4,527,092.83	-	4,527,092.83
WA000149	31-Jan-25	1,081,390.08	-	1,081,390.08
WA000150	31-Jan-25	1,509,257.20	-	1,509,257.20
WA000151	24-Jan-25	-	131,420.52	131,420.52
WA000152	17-Mar-25	-	110,362.39	110,362.39
WA000153	28-Mar-25	862,045.86	-	862,045.86
WA000154	20-May-25	-	7,020.81	7,020.81
<b>Total for 2024</b>		<b>27,525,793.60</b>	<b>1,640,283.88</b>	<b>29,166,077.48</b>

#### 4. Statement of project resources

The Statement of Project Resources discloses assets, liabilities and net assets of the Project as at reporting date. It is prepared on an accrual basis that is transactions are recognized when they occur (and not when cash is received or paid).

	Note	As at 31.12.2024 USD	As at 30.04.2025 USD	As at 31.12.2023 USD
<b>ASSETS</b>				
Cash	11	-	-	6,964
Prepayments	12	35,616,576	35,091,380	37,556,740
<b>Total assets</b>		<b>35,616,576.37</b>	<b>35,091,380.43</b>	<b>37,563,704</b>
<b>LIABILITIES</b>				
Payables	13	14,840,035	10,691,944	9,781,021
<b>Total liabilities</b>		<b>14,840,034.71</b>	<b>10,691,943.94</b>	<b>9,781,021</b>
<b>NET ASSETS</b>				
<b>Funds received</b>				
ADB Loan 2729-ARM	10	156,409,049	160,110,545	130,944,468
Government of RoA co-financing		25,685,960	28,533,436	20,364,520
		<b>182,095,009</b>	<b>188,643,982</b>	<b>151,308,989</b>
<b>Cumulative expenses</b>				
Project expenses		(156,900,670)	(159,826,748)	(119,115,473)
Provision for prepayment		-	-	-
Interest		(4,000,000)	(4,000,000)	(4,000,000)
		<b>(160,900,670)</b>	<b>(163,826,748)</b>	<b>(123,115,473)</b>
Foreign currency loss		<b>(417,797)</b>	<b>(417,797)</b>	<b>(410,833)</b>
<b>Total net assets</b>		<b>20,776,542</b>	<b>24,399,436</b>	<b>27,782,683</b>



## 5. Statement of uses of funds by project activity

For the period 01 January 2025 to 30 April 2025  
In USD

Project Activity	Expenditures		Financing source		Financing source	
	Total		ADB Loan 2729-ARM	RoA financing	ADB Loan 2729-ARM	RoA financing
	Period	Cumulative as at	Period		Cumulative as at	
	From 01.01.2025 to 30.04.2025	30.04.2025	From 01.01.2025 to 30.04.2025		30.04.2025	
Reconstruction of 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road	3,452,693	156,891,082	3,452,693	-	143,378,356	13,512,726
Other works	-	146,899	-	-	-	146,899
Consulting services and Project management	3,096,280	27,188,204	248,804	2,847,476	12,732,189	14,456,015
Interest	-	4,000,000	-	-	4,000,000	-
<b>Total</b>	<b>6,548,973</b>	<b>188,226,185</b>	<b>3,701,497</b>	<b>2,847,476</b>	<b>160,110,545</b>	<b>28,115,640</b>

For the year ended 31 December 2024  
In USD

Project Activity	Expenditures		Financing source		Financing source	
	Total		ADB Loan 2729-ARM	RoA financing	ADB Loan 2729-ARM	RoA financing
	Year ended	Cumulative as at	Year ended		Cumulative as at	
	31.12.2024	31.12.2024	31.12.2024		31.12.2024	
Reconstruction of 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road	24,073,100	153,438,389	24,073,100	-	139,925,663	13,512,726
Other works	-	146,899	-	-	-	146,899
Consulting services and Project management	6,712,920	24,091,924	1,391,480	5,321,440	12,483,385	11,608,539
Interest	-	4,000,000	-	-	4,000,000	-
<b>Total</b>	<b>30,786,021</b>	<b>181,677,212</b>	<b>25,464,581</b>	<b>5,321,440</b>	<b>156,409,048</b>	<b>25,268,164</b>



For the year ended 31 December 2023  
In USD

Project Activity	Expenditures		Financing source		Financing source	
	Total		ADB Loan 2729-ARM	RoA financing	ADB Loan 2729-ARM	RoA financing
	Year ended	Cumulative as at				
	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Reconstruction of 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road	13,722,856	129,365,288	13,722,856	-	115,852,562	13,512,726
Other works	-	146,899	-	-	-	146,899
Consulting services and Project management	2,410,580	17,379,004	1,034,638	1,375,942	11,091,905	6,287,099
Interest	-	4,000,000	-	-	4,000,000	-
<b>Total</b>	<b>16,133,436</b>	<b>150,891,191</b>	<b>14,757,494</b>	<b>1,375,942</b>	<b>130,944,467</b>	<b>19,946,724</b>

## 6. Compliance with the covenants in the Loan agreement

Financial covenants under Article IV of the Loan Agreement ADB 2729-ARM is follows:

Covenant description	Note
Maintain separate accounts for the Project.	ADB Loan financing is wholly done through Direct Payments -so no separate account is held by the Organization; the Government of RoA co-financing is done through separate account.
Related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by the independent auditors whose qualifications, experience and terms of reference are acceptable by ADB.	Financial statements are audited annually in accordance with ISAs; the auditor is selected from the short-listed audit firms whose qualification and experience are preliminary confirmed by the ADB; terms of reference are preliminary confirmed by the ADB.
Furnish to ADB audited financial statements till six months after the end of each related financial year.	The financial statements for the period 01 January 2024 to 30 April 2024 will be submitted to ADB by 30 June 2025.
Furnish to ADB other information concerning to accounts and financial statements and the audit thereof as ADB shall from time-to-time reasonable request.	Any requested information by the ADB was furnished at due time.
Enable ADB upon its request to discuss the financial statements of the Project and its financial affairs related to the Project with the auditor appointed and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB.	The Organization will follow the covenant when such a request by the ADB is made.
The Organization shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	The Organization enables any such request by the ADB.



## 7. Report on Project's implementation progress

Category	Cumulative as at 30.04.2025	Budget	Implementation*
	USD	USD	%
Works	143,378,356	151,900,954	94%
Consulting Services	12,732,189	13,799,046	92%
Interest and Commitment Charges	4,000,000	4,000,000	100%
Other (including local taxes)	28,115,640	32,000,000	88%
Unallocated	-	8,300,000	n/a
<b>Total</b>	<b>188,226,185</b>	<b>210,000,000</b>	<b>90%</b>

(\*) The Loan Agreement was signed on 30 May 2011, the deadline for loan disbursements was initially set at 31 Dec 2014, then extended till 30 June 2017, then extended till 14 Sept 2019. On 27 May 2019 the Ministry of Finance of Republic of Armenia requested from ADB to extend Closing Loan Agreement till 31 December 2024. The Closing date of Tranche 2 was set at 31 December 2023.

Based on the Amendment to the Loan Agreement dated 22 November 2023 the Closing date of Tranche 2 was set at 31 December 2024.

As at 30 April 2025 the payments were made at 90% of projected expenditures.

## 8. Report on project's disbursement progress

*For the period 30 April 2025*

*In USD*

Category	Actual		Budget		Variance	
	Period	Cumulative as at	Period	Cumulative as at	Period	Cumulative as at
	01.01.2024-30.04.2025	30.04.2025	01.01.2024-30.04.2025	30.04.2025	01.01.2024-30.04.2025	30.04.2025
Works	27,525,794	143,378,356	25,610,434	141,462,996	1,915,360	1,915,359
Consulting Services	1,640,284	12,732,189	2,913,111	14,005,016	(1,272,827)	(1,272,827)
Interest	-	4,000,000	-	4,000,000	-	-
Other (taxes)	8,168,916	27,734,360	13,609,775	33,175,219	(5,440,858)	(5,440,858)
Other works	-	146,899	-	146,899	-	-
Other consulting services	-	234,381	-	234,381	-	-
<b>Total</b>	<b>37,334,994</b>	<b>188,226,185</b>	<b>42,133,319</b>	<b>193,024,510</b>	<b>(4,798,325)</b>	<b>(4,798,326)</b>

*For the year ended 31 December 2023*

*In USD*

Category	Actual		Budget		Variance	
	Year ended	Cumulative as at	Year ended	Cumulative as at	Year ended	Cumulative as at
	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Works	13,722,856	115,852,562	13,713,001	115,842,707	9,856	9,856
Consulting Services	1,034,638	11,091,905	1,103,431	11,160,698	(68,793)	(68,793)
Interest	-	4,000,000	-	4,000,000	-	-
Other (taxes)	1,375,942	19,565,444	1,390,572	19,580,074	(14,630)	(14,630)
Other works	-	146,899	-	146,899	-	-
Other consulting services	-	234,381	-	234,381	-	-
<b>Total</b>	<b>16,133,436</b>	<b>150,891,191</b>	<b>16,207,003</b>	<b>150,964,758</b>	<b>(73,567)</b>	<b>(73,567)</b>



## 9. Report on actual withdrawn amounts

*In USD*

Category	Period from 01.01.2025 to 30.04.2025			Cumulative as at 30.04.2025		
	ADB Loan 2729-ARM	Government of RoA co- financing	Total	ADB Loan 2729-ARM	Government of RoA co- financing	Total
Works	3,452,693	-	3,452,693	143,378,356	13,512,726	156,891,082
Consulting Services	248,804	-	248,804	12,732,189	4,581,626	17,313,815
Interest	-	-	-	4,000,000	-	4,000,000
Other works	-	2,847,476	2,847,476	-	9,786,907	9,786,907
Other consulting services	-	-	-	-	234,381	234,381
<b>Total</b>	<b>3,701,497</b>	<b>2,847,476</b>	<b>6,548,973</b>	<b>160,110,545</b>	<b>28,115,640</b>	<b>188,226,185</b>

*In USD*

Category	Year ended 31.12.2024			Cumulative as at 31.12.2024		
	ADB Loan 2729-ARM	Government of RoA co- financing	Total	ADB Loan 2729-ARM	Government of RoA co- financing	Total
Works	24,073,100	-	24,073,100	139,925,663	13,512,726	153,438,389
Consulting Services	1,391,480	-	1,391,480	12,483,385	4,581,626	17,065,011
Interest	-	-	-	4,000,000	-	4,000,000
Other works	-	5,321,440	5,321,440	-	6,939,431	6,939,431
Other consulting services	-	-	-	-	234,381	234,381
<b>Total</b>	<b>25,464,581</b>	<b>5,321,440</b>	<b>30,786,021</b>	<b>156,409,048</b>	<b>25,268,164</b>	<b>181,677,212</b>

*In USD*

Category	Year ended 31.12.2023			Cumulative as at 31.12.2023		
	ADB Loan 2729-ARM	Government of RoA co- financing	Total	ADB Loan 2729-ARM	Government of RoA co- financing	Total
Works	13,722,856	-	13,722,856	115,852,562	13,512,726	129,365,288
Consulting Services	1,034,638	-	1,034,638	11,091,905	4,581,626	15,673,531
Interest	-	-	-	4,000,000	-	4,000,000
Other works	-	1,375,942	1,375,942	-	1,617,991	1,617,991
Other consulting services	-	-	-	-	234,381	234,381
<b>Total</b>	<b>14,757,494</b>	<b>1,375,942</b>	<b>16,133,436</b>	<b>130,944,467</b>	<b>19,946,724</b>	<b>150,891,191</b>

## 10. ADB Loan 2729-ARM financing

	Year ended	Period	Cumulative as at
	31.12.2024	From 01.01.2025 to 30.04.2025	30.04.2025
	USD	USD	USD
Direct Payment	25,464,581	3,701,496.86	156,110,545
Interest	-	-	4,000,000
<b>Total</b>	<b>25,464,581</b>	<b>3,701,497</b>	<b>160,110,545</b>

## 11. Cash

	As at 30.04.2025 USD	As at 31.12.2024 USD	As at 31.12.2023 USD
Current account, RoA co-financing	-	-	6,964
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,964</b>

## 12. Prepayments

Prepayments	As at 30.04.2025 USD	As at 31.12.2024 USD	As at 31.12.2023 USD
Corsan Corviam Construcccion S.A.	27,612,508	27,612,508	27,612,508
JV A.A.B. Project LLC-M/s Dineshchandra R Agrawal Infracon Pvt. Ltd.	405,558	405,558	2,189,630
Armenian Branch of Levantina, Ingenieria y Construcccion	7,073,315	7,598,511	7,598,511
EGIS International Armenian Branch	-	-	156,091
<b>Total</b>	<b>35,091,380</b>	<b>35,616,576</b>	<b>37,556,740</b>

## 13. Payables

Payables	As at 30.04.2025 USD	As at 31.12.2024 USD	As at 31.12.2023 USD
Armenian Branch of Levantina, Ingenieria y Construcccion	-	3,094,604.79	364,594.38
Uptime LLC	1,664.82	1,664.82	-
EGIS International Armenian Branch	-	213,855.36	25,596.98
Corsan Corviam Construcccion S.A.	8,977,715.00	8,977,715.00	8,977,715.00
JV A.A.B. Project LLC-M/s Dineshchandra R Agrawal Infracon Pvt. Ltd.	1,712,564.12	2,552,194.74	367,519.00
Media Model LLC	-	-	25,596.98
Other consulting services	-	-	19,999.11
<b>Total</b>	<b>10,691,943.94</b>	<b>14,840,034.71</b>	<b>9,781,021.45</b>



#### 14. Litigations

- a) As at reporting date and as at approval date of these financial statements, there are 44 pending litigations, which mainly related to the LARP (note 1.5). The LARP is wholly financed by the Republic of Armenia Government, and its financial information is presented in these financial statements only for informative purpose and are not included in the statement of cash receipts and payments of the Project. On the Project's management opinion, those litigations don't have significant implication on these financial statements.

Additionally, there are **four civil cases** currently pending against the **Road Department Fund**. In two of these cases, the plaintiffs are seeking **compensation for damages**, with a **combined claim amount of AMD 43,437,404**. In the third case, the plaintiff requests the **annulment of a notice issued by the Road Department regarding the unilateral termination of a contract**. The fourth case involves a **claim for the expropriation of the non-alienated portion of property**.

- b) In November 2019 the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia submitted a petition to the International Trade Chamber to initiate arbitration process against the Corsan Corviam Construcccion S.A.. The arbitration process is suspended until 10 July 2023. The mentioned pending litigations are in the current stage, and for now it is not possible to predict outcome or settlement date.
- c) An administrative case has been initiated by **SV.AN.OR LLC** against the **Government of the Republic of Armenia**, the **Ministry of Transport, Communication and Information Technologies of the Republic of Armenia**, and the **Transport Project Implementation Organization SNCO** (as a third party), seeking compensation for damages allegedly caused by lawful administrative actions. The claim amount is **AMD 1,500,000**. An appeal was submitted in relation to the initial court decision, and on **16 July 2024**, the Court of Appeals rendered a decision to **resume the judicial examination of the case**.

#### 15. Project completion

The Project was completed as of 31 December, 2024 ("Closing Date").  
All transactions were completed (paid) as of 30 April 2025 ("Reporting Date").

Works on certain sections are still underway and completion of specific structural components along the side of the road are yet to be completed. Final finishing works and other related construction tasks are also pending to achieve full completion of the project. Follow-up activities related to design changes and land acquisition adjustments are still in progress and are incomplete as of the closing date of the project.

During Loan Agreement period for Project completion purposes within project terms two main construction contracts have been signed with JV A.A.B. Project LLC-M/s Dineshchandra R Agrawal Infracon Pvt. Ltd. for 8km road section and Armenian Branch of Levantina, Ingenieria y Construcccion for 34km road section. Both contracts have been accepted and financed by ADB until Loan closing date. After Loan closing date all remaining expenditures related to the construction completion will be financed by the Government of Republic of Armenia.

As at the reporting date:

- a. No expenses, except for the final audit, related to the Project were incurred after the Closing Date; no payments were made during the Grace period related to expenses incurred after the Closing Date;
- b. No withdrawals from Loan 2729-ARM were made after Reporting date;
- c. No expenditures related to the Project were submitted to the ADB after the Reporting date;
- d. There are prepayments made to contractors from ADB funding of 35,091,380 USD (Note 12);
- e. There are payables outstanding to contractors of 10,691,943.94 USD (Note 13);

- f. The cash balance outstanding as at Reporting date is Nil.
- g. Pending litigations relating to project are summarized in Note 14.



## ANNEX. EXPENDITURE DETAILS BY ITEMS

North-South Road Corridor Investment Program -Project 2

ADB Loan 2729-ARM

For the period 01.01.2024 to 31.12.2024 and from 01.01.2025 to 30.04.2025

In USD

Description	Year ended	Period	Contract
	31.12.2024	from 01.01.2025 to 30.04.2025	
	Paid amount	Paid amount	
Works			
Construction	24,073,100.46	3,452,693.14	Contract No: CW-ICB -T2-2021/1, Contract No: CW-ICB -T2-2022/2
Consulting services			
Engineering service	1,277,252	241,783	ADB/T2/CS/SSS/01-T2
Implementation of CAP/LARP addendum	107,244	-	Contract for consultants services dated 15.11.2018 ADB/NS/CS/CQS/2018-2
Audit	6,984	7,021	Contract for auditing services dated 16.10.2017 02CS0004
Total Consulting services (financing ADB)	25,464,581	3,701,497	
Taxes financing from GOA			
Construction	5,094,289.58	2,764,477.65	
Engineering service	225,758	82,999	
Audit	1,392	-	
Total expenses GOA fund	5,321,440	2,847,476	
Total expenditures	30,786,021	6,548,973	