

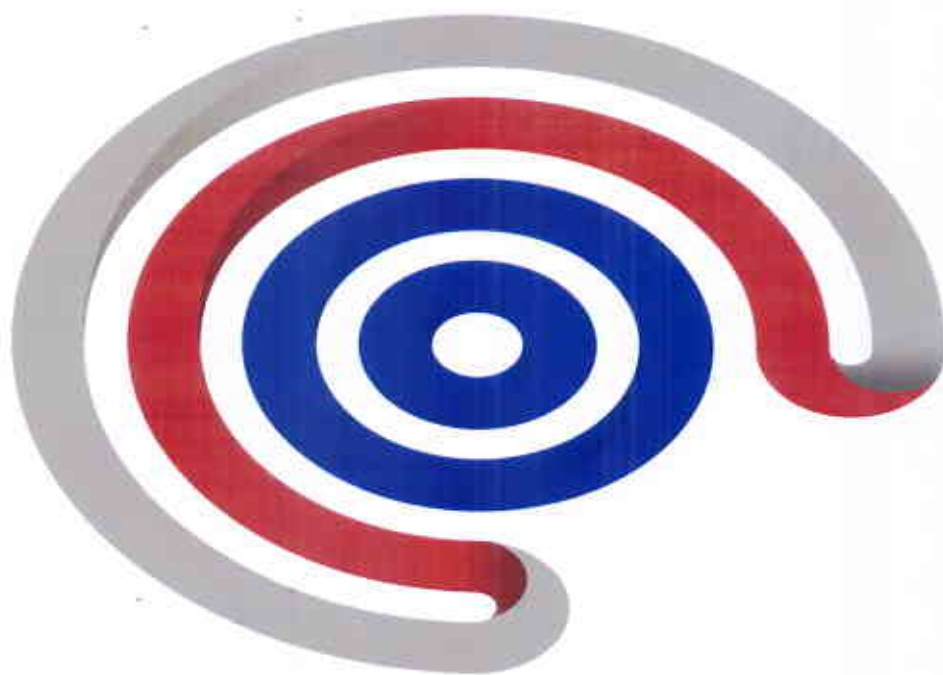
Consolidated Project Financial Statements and Independent Auditor's Report

**Transport Project Implementation Organization
SNCO**

**Lifeline Road Network Improvement Project
IBRD Loan Number 8229-AM**

IBRD Loan Number 8523-AM

As of and for the year ended 31 December 2018



Contents

Independent auditor's report	3
Consolidated statement of financial position	6
Consolidated statement of the Project sources and uses of funds	7
Consolidated statement of uses of funds by Project activities	8
SOE withdrawal schedule	9
Designated account statement	10
Designated account statement	11
Notes to the consolidated project financial statements	12

Independent auditor's report

Գրանթ Թորնթոն ՓԲԸ
ՀՀ, ք.Երևան 0012
Վաղարշյան 8/1
Հ. + 374 10 260 964
Ֆ. + 374 10 260 961

Grant Thornton CJSC
8/1 Vagharshyan Str.
0012 Yerevan, Armenia

T + 374 10 260 964
F + 374 10 260 961

To the Government of the Republic of Armenia,

Opinion

We have audited the accompanying consolidated project financial statements of the Lifeline Road Network Improvement Project (the "Project"), financed by the International Bank for Reconstruction and Development (the "IBRD") Loan Agreement 8229-AM and Loan Agreement 8523-AM, which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated statement of the Project sources and uses of funds, the consolidated statement of uses of funds by Project activities, the designated account statements as of and for the year ended 31 December 2018, as well as the statements of expenditures ("SOE") submitted to the World Bank for the year ended 31 December 2018 in support of the Loan Agreement 8229-AM and Loan Agreement 8523-AM withdrawals, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated project financial statements give a true and fair view of the financial position of the Lifeline Road Network Improvement Project as of 31 December 2018, and of the funds received and expenses incurred for the year then ended, in accordance with the accounting policies described in note 2 to the consolidated project financial statements, the World Bank guidelines, and the relevant points of the Loan Agreement 8229-AM and Loan Agreement 8523-AM.

In addition, in our opinion, the SOEs submitted together with the internal controls and procedures involved in their preparation can be relied upon to support the applications for the Loan Agreement 8229-AM and Loan Agreement 8523-AM withdrawals.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Project Financial Statements* section of our report. We are independent of the "Transport Project Implementation Organization" SNCO in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

- We draw attention to note 2 to the consolidated project financial statements, which describes the basis of accounting. The consolidated project financial statements are prepared to assist the management of the "Transport Project Implementation Organization" SNCO to meet the requirements of the financial reporting of the World Bank. As a result, the consolidated project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.
- In addition, we draw attention to note 3 to the consolidated project financial statements, which describes that the closing date of the Project is 30 December 2019. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Project Financial Statements

Management of the "Transport Project Implementation Organization" SNCO is responsible for the preparation and fair presentation of these consolidated project financial statements in accordance with the accounting policies described in note 2 to the consolidated project financial statements, the World Bank guidelines, and the relevant points of the Loan Agreement 8229-AM and Loan Agreement 8523-AM, and for such internal control as management determines is necessary to enable the preparation of these consolidated project financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 "Transport Project Implementation Organization" SNCO's 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 consolidated project financial statements, including the disclosures, and whether the consolidated project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management, 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.

Gagik Gyulbudaghyan

Managing Partner

28 June 2019

Emil Vassilyan, FCCA

Engagement Partner



Consolidated statement of financial position

US dollar	Note	As of 31 December 2018	As of 31 December 2017
Assets			
Non-current assets			
Accumulated Project expenses (Loan Agreement 8229-AM and Loan Agreement 8523-AM)		89,629,001	73,924,858
		<u>89,629,001</u>	<u>73,924,858</u>
Current assets			
Advances	4	41,118	2,607,104
Bank balances	5	329,775	705,445
		<u>370,893</u>	<u>3,312,549</u>
Total assets		<u><u>89,999,894</u></u>	<u><u>77,237,407</u></u>
Funds and liabilities			
Accumulated Project financing (Loan Agreement 8229-AM)	7	43,270,669	43,270,669
Accumulated Project financing (Loan Agreement 8523-AM)	7	27,774,661	18,434,054
Government co-financing (Loan Agreement 8229-AM)	8	10,779,813	10,739,038
Government co-financing (Loan Agreement 8523-AM)	8	7,012,549	4,415,677
Other		64,061	63,645
Exchange rate difference		85,072	87,301
		<u>88,986,825</u>	<u>77,010,384</u>
Current liabilities			
Accounts payable	6	1,013,069	227,023
		<u>1,013,069</u>	<u>227,023</u>
Total funds and liabilities		<u><u>89,999,894</u></u>	<u><u>77,237,407</u></u>

The consolidated project financial statements were approved on 28 June 2019 by:

Kristine Ghalechyan

Lusine Mikayelyan

Acting General Director

Financial Management and Accounting
Specialist



This statement is to be read in conjunction with the notes to and forming part of the consolidated project financial statements set out on pages 12 to 20.

Consolidated statement of the Project sources and uses of funds

As of and for the year ended 31 December 2018

In US dollars

	Actual		Planned		Variance		Life of Project
	Year ended 31 December 2018	As of 31 December 2018	Year ended 31 December 2018	As of 31 December 2018	Year ended 31 December 2018	As of 31 December 2018	
Sources of funds							
World Bank financing (note 7)							
IBRD Loan Agreement 8229-AM	-	43,270,669					
IBRD Loan Agreement 8523-AM	9,340,607	27,774,661					
Government co-financing (note 8)							
IBRD Loan Agreement 8229-AM	40,775	10,779,813					
IBRD Loan Agreement 8523-AM	2,596,872	7,012,549					
Other	416	64,061					
Total	11,978,670	88,901,753					
Exchange rate difference	(2,229)	85,072					
Less: Uses of funds							
IBRD Loan Agreement 8229-AM							
Goods, works, non-consulting services, consultants' services, and Operating Costs under the Project (note 9)	211,354	53,963,956	202,630	57,793,102	8,724	(3,829,146)	56,109,375
Front-end Fee	-	112,500	-	112,500	-	-	112,500
Total IBRD Loan Agreement 8229-AM	211,354	54,076,456	202,630	57,905,602	8,724	(3,829,146)	56,221,875
IBRD Loan Agreement 8523-AM							
Goods, works, non-consulting services, consultants' services, Operating Costs and Training under the Project (except for Parts 1(e) and 2(b) (i) of the Project) (note 9)	15,492,789	35,452,545	14,023,178	37,746,469	1,469,611	(2,293,924)	49,900,000
Front-end Fee	-	100,000	-	100,000	-	-	100,000
Total IBRD Loan Agreement 8523-AM	15,492,789	35,552,545	14,023,178	37,846,469	1,469,611	(2,293,924)	50,000,000
Total	15,704,143	89,629,001	14,225,808	95,752,071	1,478,335	(6,123,070)	
Net increase/(decrease) in working capital (note 10)	(3,727,702)	(642,176)					

This statement of the Project sources and uses of funds is to be read in conjunction with the notes to and forming part of the consolidated project financial statements set out on pages 12 to 20.

Consolidated statement of uses of funds by Project activities

As of and for the year ended 31 December 2018

	Actual		Planned		Variance		Life of Project
	Year ended 31 December 2018	As of 31 December 2018	Year ended 31 December 2018	As of 31 December 2018	Year ended 31 December 2018	As of 31 December 2018	
IBRD Loan Agreement 8229-AM							
Part 1: Lifeline Road Improvement	-	51,785,215	-	54,703,863	-	(2,918,648)	52,390,000
<i>Road Rehabilitation Works</i>	-	42,106,838	-	44,766,474	-	(2,659,636)	41,510,000
<i>Pilot on Rehabilitation and Maintenance Contract</i>	-	5,600,786	-	5,562,400	-	38,386	6,760,000
<i>Pilot for Routine Maintenance through Microenterprises</i>	-	-	-	-	-	-	170,000
<i>Supervision and Technical Designs</i>	-	3,861,349	-	4,154,989	-	(293,640)	3,700,000
<i>Road Safety Engineering and Black Spot Improvement</i>	-	216,242	-	220,000	-	(3,758)	250,000
Part 2: Project Management and Institutional Strengthening	211,354	2,178,741	202,630	3,089,239	8,724	(910,498)	3,719,375
<i>Project Management and Implementation, including audits</i>	3,471	905,947	3,478	1,086,922	(7)	(180,975)	1,109,375
<i>Road Asset Management System and Survey Equipment</i>	207,845	427,197	199,152	1,134,668	8,693	(707,471)	500,000
<i>Road Safety Technical Assistance</i>	-	-	-	-	-	-	250,000
<i>Technical Assistance</i>	38	845,597	-	867,649	38	(22,052)	1,860,000
Total IBRD Loan Agreement 8229-AM	211,354	53,963,956	202,630	57,793,102	8,724	(3,829,146)	56,109,375
IBRD Loan Agreement 8523-AM							
Part 1: Lifeline Road Improvement	14,558,997	34,302,501	12,980,698	35,834,944	1,578,299	(1,532,443)	46,710,000
<i>Road Rehabilitation Works</i>	13,158,951	31,026,831	11,568,782	31,478,768	1,590,169	(451,937)	37,420,000
<i>Pilot on Rehabilitation and Maintenance Contract</i>	-	-	-	-	-	-	5,090,000
<i>Supervision and Technical Designs</i>	1,400,046	3,275,670	1,411,916	4,356,176	(11,870)	(1,080,506)	4,200,000
Part 2: Project Management and Institutional Strengthening	933,792	1,150,044	1,042,480	1,911,525	(108,688)	(761,481)	3,190,000
<i>Project Management and Implementation, including audits</i>	297,124	507,778	265,734	516,310	31,390	(8,532)	1,040,000
<i>Road Asset Management System and Survey Equipment</i>	619,875	619,875	659,825	1,109,916	(39,950)	(490,041)	440,000
<i>Road Safety Technical Assistance</i>	-	-	-	-	-	-	230,000
<i>Technical Assistance</i>	16,793	22,391	116,921	285,299	(100,128)	(262,908)	1,480,000
Total IBRD Loan Agreement 8523-AM	15,492,789	35,452,545	14,023,178	37,746,469	1,469,611	(2,293,924)	
Total	15,704,143	89,416,501	14,225,808	95,539,571	1,478,335	(6,123,070)	49,900,000

This statement of uses of funds by Project activities is to be read in conjunction with the notes to and forming part of the consolidated project financial statements set out on pages 12 to 20.

SOE withdrawal schedule

*IBRD Loan Agreement 8229-AM
For the year ended 31 December 2018
In US dollars*

Application No.	Category
	Goods, works, non-consulting services, consultants' services, and Operating Costs under the Project
29-DA	441,316
Total	441,316

*IBRD Loan Agreement 8523-AM
For the year ended 31 December 2018
In US dollars*

Application No.	Category
	Goods, works, non-consulting services, consultants' services, Operating Costs and Training under the Project (except for Parts 1(e) and 2(b)(i) of the Project)
12-DA	1,155,607
14-DA	2,925,091
15-DA	1,463,838
16-DA	1,176,041
19-DA	1,954,474
Total	8,675,051

The SOE withdrawal schedule is to be read in conjunction with the notes to and forming part of the consolidated project financial statements set out on pages 12 to 20.

Designated account statement

*IBRD Loan Agreement 8229-AM
As of and for the year ended 31 December 2018
In US dollars*

Opening balance as of 1 January 2018		204,859
Add:		
Cumulative unexplained discrepancy		-
Loan replenishment during the year	<u>-</u>	<u>-</u>
Less: Refund to the World Bank from the designated account during the year		-
Present outstanding amount advanced to the designated account (1)		<u>204,859</u>
Closing balance as of 31 December 2018		41,871
Add:		
Amount of eligible expenditures paid during the year	162,988	
Service charges (if applicable)	<u>-</u>	<u>-</u>
	<u>162,988</u>	<u>162,988</u>
Less: Interest earned (if credited into the designated account)		
Total advance accounted for (2)		<u>204,859</u>
Discrepancy (1) – (2) to be explained		-

The designated account statement is to be read in conjunction with the notes to and forming part of the consolidated project financial statements set out on pages 12 to 20.

Designated account statement

*IBRD Loan Agreement 8523-AM
As of and for the year ended 31 December 2018
In US dollars*

Opening balance as of 1 January 2018		499,775
Add:		
Cumulative unexplained discrepancy		-
Loan replenishment during the year	9,340,607	
	<u>9,340,607</u>	<u>9,340,607</u>
Less: Refund to the World Bank from the designated account during the year		-
Present outstanding amount advanced to the designated account (1)		<u>9,840,382</u>
Closing balance as of 31 December 2018		139,495
Add:		
Amount of eligible expenditures paid during the year	9,700,887	
Service charges (if applicable)	-	
	<u>9,700,887</u>	<u>9,700,887</u>
Less: Interest earned (if credited into the designated account)		
Total advance accounted for (2)		<u>9,840,382</u>
Discrepancy (1) – (2) to be explained		-

The designated account statement is to be read in conjunction with the notes to and forming part of the consolidated project financial statements set out on pages 12 to 20.

Notes to the consolidated project financial statements

1 Activity

The "Transport Project Implementation Organization" SNCO, which is the successor of State Agency "Transport Project Implementation Unit" of the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia, was established as a State Non-Commercial Organization by the Government Decree No 1304-A of the Government of the Republic of Armenia dated 15 December 2016.

The "Transport Project Implementation Organization" SNCO implements the Lifeline Road Network Improvement Project (the "Project"), which is financed under the Loan Agreement 8229-AM signed between the International Bank for Reconstruction and Development (the "IBRD") and the Government of the Republic of Armenia on 11 February 2013.

The objective of the Project is to improve access of rural communities to markets and services through the upgrading of selected Lifeline Roads, and to strengthen the capacity of the "Transport Project Implementation Organization" SNCO to manage the Lifeline Road Network.

The Project consists of the following parts:

Part 1: Lifeline Road Improvement

- Carrying out improvement works for approximately 147 kilometres of selected roads within the Lifeline Road Network.
- Carrying out, on a pilot basis, rehabilitation and routine maintenance works of approximately 23 kilometres of selected segments of the Lifeline Road Network, under the terms of a Rehabilitation and Maintenance Contract.
- Carrying out detailed design studies, related technical supervision activities and independent technical audits for rehabilitation activities under the Project.
- Carrying out road safety improvement works, including Black Spots improvements.

Part 2: Project Management and Institutional Strengthening

- Provision of support for Project coordination and implementation through, the financing of operating costs required for Project administration and monitoring (including financial audits).
- Carrying out a road safety program, including, inter alia, (i) the detailed design for carrying out of Black Spots improvement works; (ii) the provision of training programs for ARD personnel; (iii) road safety educational practices in Safe Villages schools, and (iv) carrying out of road safety campaigns linked to the Lifeline Road Network.
- Provision of technical assistance for, inter alia, the: (i) carrying out of a feasibility study for the rehabilitation and maintenance of roads using a performance-based approach, including the identification of at least one road section; (ii) carrying out of studies on social monitoring and evaluation related to the Project, as well as road sector financial sustainability; (iii) provision of training to MOTAI staff and local contractors on the new concepts introduced by the Project, including design and implementation of multi-year performance based contracts, efficient design standards, and planning and contract monitoring for MOTAI and ARD staff; and (iv) carrying out of technical studies and detailed designs required for the preparation of potential future investments in the road sector.

In accordance with the Loan Agreement 8229-AM dated 11 February 2013, the financing of the Project is implemented through the following categories:

Category	Percentage of expenditures to be financed (inclusive of taxes)	Amount of the Loan allocated (in USD)
Goods, works, non-consulting services, consultants' services, and Operating Costs under the Project	80 %	44,887,500
Front-end Fee		112,500
Total		45,000,000

Front-end Fee

The Front-end Fee payable by the Republic of Armenia shall be equal to one quarter of one percent (0.25%) of the Loan amount.

The Project's amounts are allocated to the following components:

Summary by components	Bank financing (in USD) (inclusive of taxes)	Government financing (in USD)	Total Cost (in USD)
Lifeline Road Improvement	41,912,000	10,478,000	52,390,000
Project Management and Institutional Strengthening	2,975,500	743,875	3,719,375
Total Project Costs	44,887,500	11,221,875	56,109,375
Front-end fee	112,500	-	112,500
Total	45,000,000	11,221,875	56,221,875

On 26 August 2015 the new Loan Agreement 8523-AM (Additional Financing for the Lifeline Road Network Improvement Project) has entered into force between the International Bank for Reconstruction and Development (the "IBRD") and the Government of the Republic of Armenia, providing additional financing for the Lifeline Road Network Improvement Project at the amount of USD 40,000,000.

The Project consists of the following parts:

Part 1: Lifeline Road Improvement

- Carrying out of improvement works for approximately 360 kilometres of selected roads within the Lifeline Road Network.
- Carrying out, on a pilot basis, (i) rehabilitation and routine maintenance works of approximately 23.4 kilometres of selected segments of the Lifeline Road Network, under the terms of a Rehabilitation and Maintenance Contract; and (ii) carrying out rehabilitation and routine maintenance works of approximately 23 kilometres of selected segments of the Lifeline Road Network, under the terms of two Rehabilitation and Maintenance Contracts.
- Carrying out of detailed design studies, related technical supervision activities and independent technical audits for rehabilitation activities under the Project.
- Carrying out of road safety improvement works, including: (i) Black Spots improvements; (ii) works associated with the implementation of the Safe Villages in all roads rehabilitated under the Project; and (iii) the acquisition and installation of road signs.
- If an Eligible Emergency has occurred and the requirements set forth in this Agreement have been met, provide support to respond to an Eligible Emergency through the design and carrying out of selected roads sector investments within the Borrower's territory.

Part 2: Project Management and Institutional Strengthening

- Provision of support for Project coordination and implementation through: (i) the financing of Operating Costs required for Project administration and monitoring; and (ii) the carrying out of Project financial audits.
- (i) Acquisition of a road asset management system database, including installation and training to ARD personnel for the use of said database, (ii) acquisition of road survey equipment for surveying road conditions and traffic; and (iv) carrying out Lifeline Road Network data collection for the road asset management system.
- Carrying out of a road safety program, including inter alia, (i) the detailed design for carrying out of Black Spots improvement works; (ii) the provision of technical assistance and training programs for ARD personnel; (iii) the carrying out of road safety educational practices in Safe Villages schools, (iv) the carrying out of road safety campaigns linked to the Lifeline Road Network; (v) the development of a road safety action plan; and (vi) the implementation of selected activities of the action plan developed under Part 2(c)(v) of the Project.
- Provision of technical assistance for, inter alia, the: (i) carrying out of a feasibility study for the rehabilitation and maintenance of roads using a performance-based approach, including the identification of at least one road section ; (ii) carrying out of studies on social monitoring and evaluation related to the Project, as well as road sector financial sustainability; (iii) provision of training to MOTAI staff and local contractors on the new concepts introduced by the Project, including design and implementation of multi-year performance based contracts, efficient design standards, and planning and contract monitoring for MOTAI and ARD staff; (iv) carrying out of technical studies and detailed designs required for the preparation of potential future investments in the road sector; (v) preparing a strategic development plan for the Lifeline Road Network; and (vi) enhancing disaster risk preparedness for the road sector.

In accordance with the Loan Agreement 8523-AM dated 26 August 2015, the financing of the Project is implemented through the following categories:

Category	Percentage of expenditures to be financed (inclusive of taxes)	Amount of the Loan allocated (in USD)
Goods, works, non-consulting services, consultants' services, Operating Costs and Training under the Project (except for Parts 1(e) and 2(b) (i) of the Project)	80 %	39,900,000
Front-end Fee		100,000
Total		40,000,000

The legal address of the "Transport Project Implementation Organization" SNCO is 28 Nalbandyan str., Yerevan, Armenia.

The average number of the staff, dedicated to the Project during the reporting year was 13.

2 Significant accounting policies

2.1 Basis of preparation

The consolidated project financial statements were prepared in accordance with the accrual basis of accounting as well as the World Bank guidelines and the relevant points of the Loan Agreement 8229-AM and Loan Agreement 8523-AM. Significant accounting policies are disclosed below.

2.2 Functional and presentation currency

The national currency of the Republic of Armenia is Armenian dram. These consolidated project financial statements are presented in US dollars (presentation currency).

In preparing the consolidated project financial statements, transactions in currencies other than US dollar are recorded at the rates of exchange announced by the Central Bank of Armenia prevailing on the previous dates of the transactions. For direct payments denominated in AMD to the contractor/consultant from the World Bank share, the exchange rate set out for the presentation of the operation in the system client connection (<https://clientconnection.worldbank.org>) is used. At each reporting date, bank balances, advances and payables denominated in foreign currencies are retranslated at the rate announced by the Central Bank of Armenia prevailing on that date, which is 483.75 Armenian drams for 1 US dollar as of 31 December 2018 (31 December 2018: drams 484.10 for US dollar 1). Any exchange rate differences are recognized in the statement of the Project sources and uses of funds and the accumulated figure of exchange rate difference is disclosed in the Statement of financial position under "Exchange rate differences".

2.3 Project financing

The financing received in the framework of the Loan Agreement 8229-AM and Loan Agreement 8523-AM is recorded in the consolidated statement of financial position as "Accumulated Project financing" and is recognized at each replenishment. In addition, the current year funds received are disclosed in the consolidated statement of Project sources and uses of funds, showing the sources of funds.

2.4 Project expenses

The Project expenses are recognized on the accrual basis of accounting. The accumulated Project expenses are disclosed in the consolidated statement of financial position under non-current assets. In addition, current year expenses are disclosed in the consolidated statement of Project sources and uses of funds and the consolidated statement of uses of funds by Project activities. Additionally, a further breakdown of expenses by categories is disclosed in note 9.

2.5 Advances

Advances, which comprise amounts paid for services and goods not yet received are stated at nominal value.

2.6 Accounts payable

Payables comprise the amounts to be paid and are stated at nominal value.

2.7 The World Bank financing

To finance eligible expenditures for the Loan Agreement 8229-AM and Loan Agreement 8523-AM, the World Bank disburses proceeds from the Project account using one or more of the disbursement methods, which are stated below:

a Reimbursement

The Bank may reimburse the borrower to finance eligible expenditures that the borrower has prefinanced from its own resources.

b Advance

The Bank may advance loan proceeds into a designated account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date.

c Direct payments

The Bank may make payments, at the borrower's request, directly to a third party for eligible expenditures.

d Special commitment

The Bank may pay amounts to a third party for eligible expenditures under special commitments entered into, in writing, at the borrower's request and on terms and conditions agreed between the Bank and the borrower.

3 Closing date of the Project

According to the Loan Agreement 8229-AM and Loan Agreement 8523-AM, the Project closing date was defined as 30 December 2019.

4 Advances

In US dollars	As of 31 December 2018	As of 31 December 2017
Sisiani FPAT LLC (contract number CW-NCB-LRNIP-AF-2017/8)	39,070	533,772
Blesk LLC (contract number CW-NCB-LRNIP-AF-2017/7)	-	526,880
AAB Project LLC (contract number CW-NCB-LRNIP-AF-2017/3)	-	322,132
Ararat-Chanshin LLC (contract number CW- NCB-LRNIP-AF-2017/4)	-	304,307
JV Undermoscow OJSC and Mostovik LLC (contract number CW- NCB-LRNIP-AF 2017/9)	-	267,319
Kapavor LTD (contract number CW-NCB-LRNIP-AF-2017/6)	-	182,847
Kapavor LTD (contract number CW-NCB-LRNIP-AF-2017/1) (lot 2)	-	153,094
Ararat-Chanshin LLC (contract number CW- NCB-LRNIP-AF-2017/1) (lot 1)	-	147,242
JV Tavushi CSS CJSC and Ararat-Chanshin LLC (contract number CW- NCB-LRNIP-AF-2017/5)	-	144,854
Other	2,048	24,657
	<u>41,118</u>	<u>2,607,104</u>

5 Bank balances

In US dollars	As of 31 December 2018	As of 31 December 2017
Designated account (Loan Agreement 8229-AM)	41,871	204,859
Designated account (Loan Agreement 8523-AM)	139,495	499,775
Local account (Loan Agreement 8229-AM)	56	35
Local account (Loan Agreement 8523-AM)	148,353	776
	<u>329,775</u>	<u>705,445</u>

6 Accounts payable

In US dollars	As of 31 December 2018	As of 31 December 2017
Retention payables to contractors	677,654	221,874
Payables to contractors	335,411	-
Other	4	5,149
	<u>1,013,069</u>	<u>227,023</u>

7 World Bank Financing

IBRD Loan Agreement 8229-AM

In US dollars	For the year ended 31 December 2018	As of 31 December 2018
SOE procedures	441,316	19,281,323
Other procedures	167,248	23,698,090
Designated account advance/(redemption), net	(608,564)	178,756
Front-end fee	-	112,500
	<u>-</u>	<u>43,270,669</u>

IBRD Loan Agreement 8523-AM

In US dollars	For the year ended 31 December 2018	As of 31 December 2018
SOE procedures	8,675,051	16,686,178
Other procedures	1,135,544	6,258,471
Designated account advance	(469,988)	4,730,012
Front-end fee	-	100,000
	<u>9,340,607</u>	<u>27,774,661</u>

Under the method of "Other procedures" of financing, the "Transport Project Implementation Organization" SNCO requests advance to and documentation of designated account accompanied by the records evidencing eligible expenditures for payments against contracts valued at more than the amounts in accordance with the Disbursement Letter and contracts that are subject to the World Bank's prior review.

Under the method of "SOE procedures" of financing, the "Transport Project Implementation Organization" SNCO requests advance to and documentation of designated account accompanied by the statement of expenditure (SOE).

The "Transport Project Implementation Organization" SNCO reports regularly on the use of loan proceeds advanced to a designated account. This is disclosed as a redemption of the designated account advance.

8 Government co-financing

For all expenses under the IBRD Loan Agreement 8229-AM, there is a 20% Government co-financing. During the reporting year there was Government co-financing at the amount of US dollars 40,775.

For all expenses under the IBRD Loan Agreement 8523-AM, there is a 20% Government co-financing. During the reporting year there was Government co-financing at the amount of US dollars 2,596,872.

9 Uses of funds by category descriptions

The statement of the Project sources and uses of funds discloses the expenses in two categories, one of which combines a number of subcategories as reflected in the Loan Agreement 8229-AM and Loan Agreement 8523-AM. For the convenience of certain users, the breakdown of the uses of funds according to subcategories is disclosed in the table below:

IBRD Loan Agreement 8229-AM

In US dollars	For the year ended 31 December 2018	As of 31 December 2018
Works	-	47,923,866
Goods	207,883	427,235
Consultants' services	3,471	4,745,377
Operating Costs and training	-	867,478
Front-end Fee	-	112,500
	<u>211,354</u>	<u>54,076,456</u>

IBRD Loan Agreement 8523-AM

In US dollars	For the year ended 31 December 2018	As of 31 December 2018
Works	13,158,951	31,026,831
Goods	659,231	659,231
Consultants' services	1,449,733	3,330,955
Operating Costs and training	224,874	435,528
Front-end Fee	-	100,000
	<u>15,492,789</u>	<u>35,552,545</u>

10 Net decrease in working capital

In US dollars	For the year ended 31 December 2018	As of 31 December 2018
Increase/(decrease) in bank balances	(375,670)	329,775
Increase/(decrease) in advances	(2,565,986)	41,118
Decrease in accounts payable	(786,046)	(1,013,069)
	<u>(3,727,702)</u>	<u>(642,176)</u>

11 Reconciliation between the amounts received by the “Transport Project Implementation Organization” SNCO and disbursed by the World Bank

*IBRD Loan Agreement 8229-AM
For the year ended 31 December 2018
In US dollars*

Category	Appl.	“Transport Project Implementation Organization” SNCO	WB	Difference
Goods, works, non-consulting services, consultants’ services, and Operating Costs under the Project	29-DA	608,564	608,564	-
		<u>608,564</u>	<u>608,564</u>	<u>-</u>
Designated account advance redemption	29-DA	(608,564)	(608,564)	-
		<u>(608,564)</u>	<u>(608,564)</u>	<u>-</u>
Total		<u>-</u>	<u>-</u>	<u>-</u>

IBRD Loan Agreement 8523-AM
For the year ended 31 December 2018
In US dollars

Category	Appl.	"Transport Project Implementation Organization" SNCO	WB	Difference
Goods, works, non-consulting services, consultants' services, Operating Costs and Training under the Project (except for Parts 1(e) and 2(b)(i) of the Project)				
	12-DA	1,740,607	1,740,607	-
	14-DA	2,959,617	2,959,617	-
	15-DA	1,524,429	1,524,429	-
	16-DA	1,302,604	1,302,604	-
	19-DA	2,283,337	2,283,337	-
		<u>9,810,594</u>	<u>9,810,594</u>	-
Designated account advance/(redemption), net				
	13-DA	600,000	600,000	-
	14-DA	(1,959,617)	(1,959,617)	-
	15-DA	(524,429)	(524,429)	-
	16-DA	(302,604)	(302,604)	-
	17-DA	1,000,000	1,000,000	-
	18-DA	1,000,000	1,000,000	-
	19-DA	(2,283,337)	(2,283,337)	-
	20-DA	1,000,000	1,000,000	-
	21-DA	1,000,000	1,000,000	-
		<u>(469,987)</u>	<u>(469,987)</u>	-
Total		<u>9,340,607</u>	<u>9,340,607</u>	-