

# Audited Project Financial Statements

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Project Number: 45389-002

Loan Number: 2921

Period covered: 1 January 2014 to 31 December 2014

## AZE: Second Road Network Development Investment Program, Project 1

Prepared by Ministry of Transport

For the Asian Development Bank

Date Received by ADB: 23 February 2016

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**SECOND ROAD NETWORK DEVELOPMENT PROGRAM**

**PROJECT 1 LOAN 2921 AZE**

**REPORT OF INDEPENDENT AUDITORS  
AND  
SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2014**

ROAD NETWORK DEVELOPMENT PROGRAM  
PROJECT 1 LOAN 2921 AZE  
Financial statements

Table of contents

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	Page
Statement of Management Responsibilities	1
Report of Independent Auditors	2-3
Statement of Financial Position	4
Statement of Receipts and Payments (Cash flows)	5
Statement of Project Expenditure by Categories	6
Statement of Project Account	7
Notes to the Special Purpose Project Financial Statements	8-14

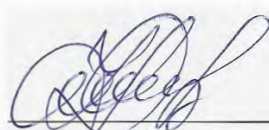
## Statement of management's responsibilities for the preparation and approval of the financial statements

For the year ended 31 December 2014

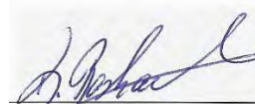
Management has prepared and is responsible for the special purpose project financial statements and related notes of the Second Road Network Development Program Project 1, Loan 2921 AZE (hereinafter the "Project") financed by the Asian Development Bank (the "ADB") and the Government of Azerbaijan (the "GOA"). These have been prepared in accordance with the basis of accounting described in Note 2 and Note 3 to the accompanying special purpose project financial statements.

The Project maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Project's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statements preparation.

Signed on behalf of project management:



**Mr. Jeyhun Yusifov**  
(Project Director)  
Date: 19 February 2016



**Mr. Rashad Kerimov**  
(Project Finance Specialist)  
Date: 19 February 2016



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## REPORT OF INDEPENDENT AUDITORS

### To the Management of the Second Road Network Development Program Project 1 Loan 2921 AZE

We have audited the accompanying special purpose project financial statements of the Second Road Network Development Program Project 1, Loan 2921 AZE (hereinafter the "Project") implemented by Azer Road Service Open Joint Stock Company (OJSC) which comprise the statement of financial position as of 31 December 2014, statement of sources and uses of funds, statement of project expenditure by categories and statement of project account for the year then ended and a summary of significant accounting policies and other explanatory information. We have also audited the Project's compliance with the conditions of the relevant Loan Agreements, the Asian Development Bank guidelines and Laws of the Azerbaijan Republic.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2 and Note 3 of the accompanying special purpose financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISA") applicable to the audit of financial statements and to compliance auditing, with special reference to ISA 800 "The Independent Auditor's Report on Special Purpose Audit Engagements" and to the relevant Loan Agreements, the Asian Development Bank guidelines and Laws of the Azerbaijan Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and about whether the Project has complied with the conditions of the relevant agreements, guidelines, laws and regulations.

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

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

*Opinion*

In our opinion:

- a) the aforementioned financial statements and appended notes that were also the subject of the audit, fairly present in all material respects the financial position of the Project as at 31 December 2014 and the results of its operations for the year applied on a basis described in the Note 2 and Note 3 to the accompanying special purpose project financial statements;
- b) Azer Road Service OJSC has in all material respects utilized the proceeds of the loan withdrawn from the Asian Development Bank only for purposes of the Project as agreed between the Asian Development Bank and the Government of the Azerbaijan Republic in accordance with the loan agreement; and no proceeds of the loan have been utilized for other purposes; and
- c) Azer Road Service OJSC was in compliance at the balance sheet date in all material respects with the financial covenants of the loan agreement.

*Basis of Accounting and Restriction on Distribution as Use*

Without modifying our opinion we draw attention to Note 2 and Note 3 which describe the basis for accounting and the purpose of these financial statements. These financial statements may not be suitable for any other purpose. These special purpose project financial statements and auditor's report thereon are intended solely for the information and use of the management of the Project, the Government of the Azerbaijan Republic and the Asian Development Bank and are not intended to be and should not be used by anyone other than these specified parties.

*Grant Thornton*

Grant Thornton Azerbaijan

19 February 2016

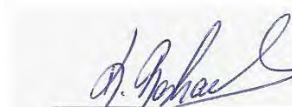


**SECOND ROAD NETWORK DEVELOPMENT PROGRAM  
PROJECT 1, LOAN 2921 AZE  
STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2014  
(Expressed in US dollars)**

	Note	2014	2013	Cumulative
<b>ASSETS AND PROJECT EXPENDITURE</b>				
Cash at bank		459.00	-	459.00
Project expenditure		37,878,916.52	-	37,878,916.52
		<u>37,879,375.52</u>	-	<u>37,879,375.52</u>
<b>SOURCES OF FUNDS</b>				
Project financing		37,879,803.77	-	37,879,803.77
Foreign exchange difference		(428.25)	-	(428.25)
		<u>37,879,375.52</u>	-	<u>37,879,375.52</u>



**Mr. Jeyhun Yusifov**  
(Project Director)  
Date: 19 February 2016



**Mr. Rashad Kerimov**  
(Project Finance Specialist)  
Date: 19 February 2016

The notes set out on pages 8-14 form an integral part of these financial statements

**SECOND ROAD NETWORK DEVELOPMENT PROGRAM**  
**PROJECT 1, LOAN 2921 AZE**  
**STATEMENT OF RECEIPTS AND PAYMENTS (CASH FLOWS)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**(Expressed in US dollars)**

<b>OPENING BALANCES</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>Cumulative</b>
GOA Project account		-	-	-
Cash on hand		-	-	-
		-	-	-
<b>SOURCES OF FUNDS</b>				
ADB direct payments	6	31,117,143.62	-	31,117,143.62
GOA funds	6	6,762,660.15	-	6,762,660.15
		<b>37,879,803.77</b>	<b>-</b>	<b>37,879,803.77</b>
<b>LESS</b>				
<b>PROJECT EXPENDITURE</b>				
<b>ADB share of expenditure</b>				
Works	7	29,486,250.02	-	29,486,250.02
Consultants	7	1,630,893.60	-	1,630,893.60
		31,117,143.62	-	31,117,143.62
<b>GOA share of expenditure</b>				
Land acquisition		263,012.14	-	263,012.14
Value Added Tax for works	7	5,990,158.49	-	5,990,158.49
Value Added Tax for consulting		325,956.26	-	325,956.26
Withholding Tax for consulting		181,192.72	-	181,192.72
Bank charges		1,453.29	-	1,453.29
		6,761,772.90	-	6,761,772.90
<b>TOTAL EXPENDITURE</b>		<b>37,878,916.52</b>	<b>-</b>	<b>37,878,916.52</b>
<b>ADD/LESS: EXCHANGE DIFFERENCES</b>				
Gains/(loss) ADB		-	-	-
Gains/(loss) GOA		(428.25)	-	(428.25)
		<b>(428.25)</b>	<b>-</b>	<b>(428.25)</b>
<b>CLOSING BALANCES</b>				
GOA Project account		459.00	-	459.00
Cash on hand		-	-	-
		<b>459.00</b>	<b>-</b>	<b>459.00</b>

  
**Mr. Jeyhun Yusifov**  
 (Project Director)  
 Date: 19 February 2016

  
**Mr. Rashad Kerimov**  
 (Project Finance Specialist)  
 Date: 19 February 2016

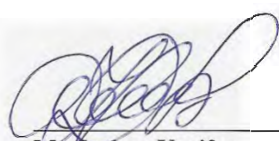
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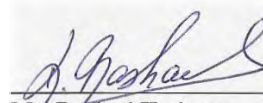
**SECOND ROAD NETWORK DEVELOPMENT PROGRAM**  
**PROJECT 1, LOAN 2921 AZE**  
**STATEMENT OF PROJECT EXPENDITURE BY CATEGORIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**(Expressed in US dollars)**

	Note	2014	2013	Cumulative
<b>Component 1</b>				
Works				
Construction of Masall-Jalilabad road	7	35,476,408.51	-	35,476,408.51
		35,476,408.51	-	35,476,408.51
<b>Component 2</b>				
Project implementation support for:				
Construction supervision	7	2,138,042.58	-	2,138,042.58
Program management		-	-	-
		2,138,042.58	-	2,138,042.58
Bank charges		1,453.29	-	1,453.29
	7	2,139,495.87	-	2,139,495.87
Land acquisition*	7	263,012.14	-	263,012.14
		2,402,508.01	-	2,402,508.01
		<b>37,878,916.52</b>	-	<b>37,878,916.52</b>

\*The Borrower acting through relevant government authorities to ensure that all land and rights-of-way required for the Project are made available free and clear from any and all rights and claims of third parties and any other encumbrances whatsoever in a timely manner.



**Mr. Jeyhun Yusifov**  
(Project Director)  
Date: 19 February 2016

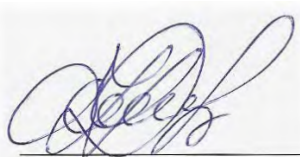


**Mr. Rashad Kerimov**  
(Project Finance Specialist)  
Date: 19 February 2016

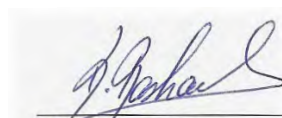
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**SECOND ROAD NETWORK DEVELOPMENT PROGRAM  
PROJECT 1, LOAN 2921 AZE  
STATEMENT OF PROJECT ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2014  
(Expressed in US dollars)**

	GOA AZN Account 2014	GOA USD Account 2014
<b>Opening balance</b>	-	-
<b>Add</b>		
Funds from GOA for the Project	6,499,648.01	-
	6,499,648.01	-
<b>Less: GOA expenditure</b>		
Value Added Tax for works	5,990,158.49	-
Value Added Tax for Consulting	325,956.26	-
Withholding Tax for Consulting	181,192.72	-
Bank charges	1,453.29	-
	<b>6,498,760.76</b>	-
<b>Add /( Less): Exchange difference Gains/(Losses)</b>		
ADB	-	-
GOA	(428.25)	-
	(428.25)	-
<b>Closing balance</b>	459.00	-



**Mr. Jeyhun Yusifov**  
(Project Director)  
Date: 19 February 2016



**Mr. Rashad Kerimov**  
(Project Finance Specialist)  
Date: 19 February 2016

The notes set out on pages 8-14 form an integral part of these financial statements

**SECOND ROAD NETWORK DEVELOPMENT PROGRAM**  
**PROJECT 1, LOAN 2921 AZE**  
**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**(Expressed in US dollars)**

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**1. BACKGROUND**

Loan Agreement 2921-AZE (Ordinary Operations) dated 22 April 2013 between the Republic of Azerbaijan (the "Borrower" or "GOA") and Asian Development Bank (the ADB) has been signed for the implementation of the Second Road Network Development Program, Project 1 (the "Project").

ADB agreed to lend to the Borrower from ADB's ordinary capital resources an amount of USD 250,000,000 (two hundred and fifty million US Dollars), as such amount may be converted from time to time through a currency conversion in accordance with the provisions of the loan agreement. The objective of the Project is to build an adequate, efficient, safe, and sustainable road network linking the Republic of Azerbaijan domestically and internationally.

The Project consists of the following components:

- i) Construction of approximately 30.0 km of a new four lane road section between the cities Masalli and Jalilabad on the new Masalli-Shorsulu road;
- ii) Project implementation support for construction supervision and program management covering planning, procurement, project implementation, financial management and compliance with safeguard requirements.

The Loan effective date is 30 July 2013. The Project is expected to be completed by 30 June 2016. The Loan closing date is 31 December 2016. Counterpart financing, as stipulated by the agreement, is to be provided by the Government of the Azerbaijan Republic.

**2. BASIS OF PREPARATION**

*Basis of Accounting* - these special purpose project financial statements (SPPFSs) are prepared in accordance with the International Public Sector Accounting Standard ("IPSAS") *Financial Reporting under the Cash Basis of Accounting* issued by the International Public Sector Accounting Standards Board ("IPSASB"), an independent standard-setting body within the International Federation of Accountants ("IFAC") and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with the relevant ADB Guidelines.

*Period of accounts* - these special purpose project financial statements cover the financial year ended 31 December 2014. Comparative information is presented in respect of the previous year ended 31 December 2013.

These special purpose project financial statements cover the Project implemented by the Project Implementation Unit (PIU) established under the Azer Road Service Open Joint Stock Company (ARS or the "Company").

**SECOND ROAD NETWORK DEVELOPMENT PROGRAM  
PROJECT 1, LOAN 2921 AZE  
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
(Expressed in US dollars)**

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**3. ACCOUNTING POLICIES**

**3.1 Overall consideration**

These Special Purpose Project Financial Statements have been prepared under the historical cost convention. The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

**3.2 Transactions and balances in foreign currencies**

**Functional and presentation currency**

The Project is domiciled in the Republic of Azerbaijan where the local currency is the Azerbaijani Manat ("AZN"). The ADB portion of Project's transactions are funded and expended in United States dollars and GOA portion of transactions are funded and expended in AZN. In accordance with the requirements of the ADB, these special purpose project financial statements are presented in United States dollars ("US dollar", "USD" or "US\$"), which is the presentation currency of the Project.

**Foreign currency transactions and balances**

Transactions in currencies other than the presentation currency are treated as transactions in foreign currencies. Cash receipts and payments arising from transactions in a foreign currency are recorded in the Project's presentation currency by applying to the foreign currency amount the exchange rate between the presentation currency and the foreign currency at the date of receipt and payment. Cash balances held in a foreign currency are reported using the closing rate, which is the spot exchange rate at the reporting date. Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash receipts and payments. However, the effect of exchange rate changes on cash held in a foreign currency is reported in the statement of sources and uses of funds and other statements in order to reconcile cash at the beginning and the end of the period. These amounts are presented separately from cash receipts and payments and include the differences, if any, had those cash receipts and payments and balances been reported at end-of-period exchange rates. At 31 December 2014 and 2013, the official AZN/USD exchange rate set by the Central Bank of Azerbaijan ("CBAR") was 0.7844 and 0.7845 respectively.

**3.3 Cash**

Cash balances are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash balances include balances with the Capital Bank of the Republic Azerbaijan.

**3.4 Funding**

Project financing is recognised as a source of project funds when the cash is received. The main funds for the Project are provided by the Asian Development Bank and the Government of the Azerbaijan Republic under relevant loan agreement.

**SECOND ROAD NETWORK DEVELOPMENT PROGRAM**  
**PROJECT 1, LOAN 2921 AZE**  
**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**(Expressed in US dollars)**

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**3. ACCOUNTING POLICIES (CONTINUED)**

**3.5 Project expenditure**

Project expenditure is recognised as a use of project funds when payment is made. The Project expenditure is classified under certain categories in accordance with the signed loan agreements. In addition, the project expenditure is also disclosed by source considering the requirements of the funding parties.

**Works**

Works are construction or civil works financed out of the proceeds of the loan, and including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

**Consulting**

Consulting services rendered by consultants are for a finite period of time and have a well-defined scope of work described by clear terms of reference (TOR), and are generally of an intellectual nature. They cover a wide range of diverse activities, which may entail but are by no means limited to feasibility studies, advisory services, construction supervision, policy studies, strategy formulation, and preparation of key documents such as tender documents, training, quality control, financial and accounting services, environmental or social impact studies, economic and financial analyses, professional editing and public information provision.

**3.6 Project Management**

Project Implementation Unit (PIU) is established within ARS to undertake day-to-day Project management and implementation functions. No PIU expenditure is funded by the Project 1, Loan 2921 AZE.

**3.7 Taxation**

Tax expense represents the payment of the Value Added Tax (VAT). VAT is paid based on invoices submitted for the completed works and provided services at the rate stipulated by the Tax Code of the Republic of Azerbaijan during the reporting period (2014 and 2013 at 18%).

The tax legislation of the Republic of Azerbaijan in particular may give rise to varying interpretations and amendments and management interpretations may differ from that of tax authorities. Management believes that the PIU has made all tax payments that are due.

**4. METHOD OF WITHDRAWAL**

*Direct payments from the Loan account*

Under this method, the PIU prepares applications based on supporting documents which are submitted to the ADB. Payments are made from the loan account directly to the contractors and consultants.

*Project account (GOA)*

The Project maintains a separate account where the GOA funds are accumulated. The funds are further disbursed to pay Value Added Tax for the payment to contractors and consultants. Any unused balance on the Project account at 31 December 2014 is carried forward to next financial year.

**SECOND ROAD NETWORK DEVELOPMENT PROGRAM**  
**PROJECT 1, LOAN 2921 AZE**  
**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**(Expressed in US dollars)**

**5. OPERATING ENVIRONMENT**

The Project's principal activities are within the Republic of Azerbaijan. Laws and regulations affecting entities operating in the Republic of Azerbaijan are subject to rapid changes and the Project's operations could be at risk as a result of negative changes in the political and economic environment.

**6. FUNDS PROVIDED FOR THE PROJECT**

	2014	2013	Cumulative
<b>ADB share</b>			
Direct Payments for works (For 2014 See Note 8)	29,486,250.02	-	29,486,250.02
Direct payments to consultants (For 2014 See note 8)	1,630,893.60	-	1,630,893.60
	31,117,143.62	-	31,117,143.62
<b>GOA share</b>			
GOA funds for VAT	6,318,214.58	-	6,318,214.58
GOA funds for WHT	181,433.43	-	181,433.43
GOA funds for Land acquisition (direct payments)	141,220.60	-	141,220.60
GOA funds for Compensation (direct payments)	121,791.54	-	121,791.54
	6,762,660.15	-	6,762,660.15
	<b>37,879,803.77</b>	<b>-</b>	<b>37,879,803.77</b>

**7. PROJECT EXPENDITURE**

**For the year ended 31 December 2014**

	ADB	GOA	Total
<b>Component 1</b>			
Works			
Construction of Masall-Jalilabad road	29,486,250.02	5,990,158.49	35,476,408.51
	29,486,250.02	5,990,158.49	35,476,408.51
<b>Component 2</b>			
Project implementation support for:			
Construction supervision	1,630,893.60	507,148.98	2,138,042.58
Program management	-	-	-
	1,630,893.60	507,148.98	2,138,042.58
Bank charges	-	1,453.29	1,453.29
	1,630,893.60	508,602.27	2,139,495.87
Land acquisition	-	263,012.14	263,012.14
	1,630,893.60	771,614.41	2,402,508.01
	<b>31,117,143.62</b>	<b>6,761,772.90</b>	<b>37,878,916.52</b>

**SECOND ROAD NETWORK DEVELOPMENT PROGRAM**  
**PROJECT 1, LOAN 2921 AZE**  
**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**(Expressed in US dollars)**

**7. PROJECT EXPENDITURE (CONTINUED)**

Cumulative as of 31 December 2014

	ADB	GOA	Total
<b>Component 1</b>			
Works			
Construction of Masall-Jalilabad road	29,486,250.02	5,990,158.49	35,476,408.51
	29,486,250.02	5,990,158.49	35,476,408.51
<b>Component 2</b>			
Project implementation support for:			
Construction supervision	1,630,893.60	507,148.98	2,138,042.58
Program management	-	-	-
	1,630,893.60	507,148.98	2,138,042.58
Bank charges	-	1,453.29	1,453.29
	1,630,893.60	508,602.27	2,139,495.87
Land acquisition	-	263,012.14	263,012.14
	1,630,893.60	771,614.41	2,402,508.01
	<b>31,117,143.62</b>	<b>6,761,772.90</b>	<b>37,878,916.52</b>

SECOND ROAD NETWORK DEVELOPMENT PROGRAM  
PROJECT 1, LOAN 2921 AZE  
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
(Expressed in US dollars)

8. APPLICATIONS FOR WITHDRAWAL SCHEDULE

For the year ended 31 December 2014  
Works

WA No	Name of Contractor	Application Currency	Application Amount	Application Date	Invoice No.	Amount disbursed AZN	Amount disbursed USD equivalent	Value Date
1	Kolin Inshaat Turizm Sanayi Ve	AZN	14,282,020.25	17-Jan-2014	IPC 1 Advance	14,282,020.25	18,237,798.81	17-Jan-2014
4	Kolin Inshaat Turizm Sanayi Ve	AZN	2,118,439.17	9-Jul-2014	IPC 2	2,118,439.17	2,705,541.72	26-Aug-2014
5	Kolin Inshaat Turizm Sanayi Ve	AZN	2,349,330.25	5-Sep-2014	IPC 3	2,349,330.25	3,000,421.77	5-Nov-2014
6	Kolin Inshaat Turizm Sanayi Ve	AZN	4,340,322.13	14-Nov-2014	IPC 4	4,340,322.13	5,542,487.72	12-Dec-2014
			23,090,111.80			23,090,111.80	29,486,250.02	

Consultant services

WA No	Name of Contractor	Application Currency	Application Amount	Application Date	Invoice No.	Amount disbursed AZN	Amount disbursed USD equivalent	Value Date
2	Sheladia	USD	623,772.00	24-Apr-2014	Advance Payment	N/A	623,772.00	9-Jun-2014
3	IRD	USD	1,007,121.60	29-May-2014	Advance Payment	N/A	1,007,121.60	28-Jul-2014
			1,630,893.60			N/A	1,630,893.60	

For the year ended 31 December 2013

No direct payments have been made to contractors for works from ADB share of expenditure in 2013.

No direct payments have been made to consultants from ADB share of expenditure in 2013.



**SECOND ROAD NETWORK DEVELOPMENT PROGRAM  
PROJECT 1, LOAN 2921 AZE  
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
(Expressed in US dollars)**

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**9. EVENTS AFTER THE REPORTING PERIOD**

**Non-adjusting events**

Subsequent to the period-end the exchange rate of the Azerbaijani Manat fell significantly relative to major foreign currencies. For example:

December 31, 2014: US Dollar 1 = AZN 0.7844

March 31, 2015: US Dollar 1 = AZN 1.0485

December 31, 2015: US Dollar 1 = AZN 1.5594

The main impact of this Manat devaluation on the PIU activities is expected increase of GOA portion of funding nominated in Azerbaijani Manat.

**Adjusting events**

No significant adjusting event has occurred between the reporting date and the date of authorisation of these special purpose project financial statements.