

# **MUNICIPAL DEVELOPMENT FUND OF GEORGIA**

LOAN NO.8494-GE  
(THIRD REGIONAL DEVELOPMENT PROJECT)

Special Purpose Project Financial Statements and  
Independent Auditor's Report  
For the Year Ended 31 December 2018

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

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## MUNICIPAL DEVELOPMENT FUND OF GEORGIA

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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Management of the Third Regional Development Project (the "Project") implemented by the Municipal Development Fund of Georgia (MDF) is responsible for the preparation of the special purpose project financial statements that present fairly the financial position of the Project as at 31 December 2018, and the summary of sources and uses of funds, summary of expenditure by activity, statement of expenditure (SOE), designated account statements in accordance with World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "World Bank Guidelines").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures that enable users to understand the impact of particular transactions, other events and conditions on the Project, financial position and its sources and uses of funds and movements in designated accounts;

Management is also responsible for:

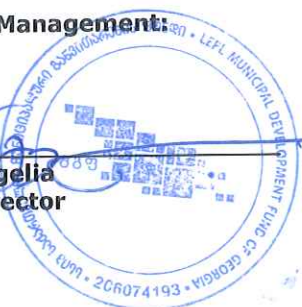
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and disclose with reasonable accuracy at any time the financial position of the Project, and which enable them to ensure that the special purpose project financial statements to comply with the Guidelines on Annual Financial Reporting and Auditing for World Bank – Financed Activities issued by the World Bank's Financial Management Sector Board;
- Maintaining statutory accounting records in compliance with Georgian legislation;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project; and
- Preventing and detecting fraud and other irregularities.


The special purpose project financial statements for the year ended 31 December 2018 were authorised for issue on 28 June 2019 by the Management.

**On behalf of Management:**

  
George Shengelia  
Executive Director

28 June 2019



  
Levan Sharvadze  
Deputy Director – Chief Financial Officer

28 June 2019

## INDEPENDENT AUDITOR'S REPORT

To the management of the Municipal Development Fund of Georgia:

### Opinion

We have audited the accompanying special purpose project financial statements of the Third Regional Development Project (the "Project") financed under the Loan Agreement No. 8494-GE dated 7 August 2015, implemented by the Municipal Development Fund of Georgia, which comprise the Project's summary of sources and uses of funds for the year ended 31 December 2018, statement of financial position as at 31 December 2018, summary of expenditure by activity, statement of expenditure ("SOE") and designated account statements for the year ended 31 December 2018 and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "World Bank Guidelines").

### Basis for Opinion

We conducted our audit in accordance with International Standards of Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund 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 Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

#### *Basis of Accounting and Restriction on Distribution and Use*

We draw attention to Note 2 to the special purpose project financial statements, which describes the basis of accounting. The special purpose project financial statements are prepared to assist the Project's management to comply with the financial reporting provisions of the Agreement, which requires the special purpose project financial statements to comply with the World Bank Guidelines. As a result, the special purpose project financial statements may not be suitable for another purpose.

This report is intended solely for use by the Project's management in reporting the information to the Government of Georgia and International Bank for Reconstruction and Development. This report is not intended for the benefit of any other third parties and we accept no responsibility or liability to any party other than the Project's management in respect of the report. Should any third party take decisions based on the contents of the report, the responsibility for such decisions shall remain with those third parties. Our opinion is not modified in respect of this matter.

## *Project Completion Date*

We draw your attention to note 1 of these special purpose project financial statements, which disclose that the closing date of the loan is 31 December 2019. Our opinion is not modified in respect of this matter.

## **Responsibility of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of these special purpose project financial statements in accordance with the basis of accounting described in Note 2 and in conformity with the World Bank's Financial Management Manual for World Bank Financed Investment Operations and for such internal control as management determines is necessary to enable the preparation of special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and access the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Stuart Leighton  
On behalf of Deloitte and Touche LLC



28 June 2019  
Tbilisi, Georgia

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**SUMMARY OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

*(in US Dollars)*

	Actual		Planned**		Variance		Project appraisal document Life of the project
	Year ended 31.12.2018	Cumulative as at 31.12.2018	Year ended 31.12.2018 Unaudited	Cumulative as at 31.12.2018 Unaudited	Year ended 31.12.2018 Unaudited	Cumulative as at 31.12.2018 Unaudited	
<b>OPENING WORKING CAPITAL</b>							
Cash	2,166,063	-					
Prepayments	992,519	-					
Receivables from other sources	9,970	-					
Payables	(132,470)	-					
	<b>3,036,082</b>						
<b>SOURCES OF FUNDS</b>							
IBRD loan	7,005,709	15,077,158					60,000,000
Government of Georgia	1,649,956	3,478,896					15,000,000
Other income*	64,687	64,784					
<b>TOTAL</b>	<b>8,720,352</b>	<b>18,620,838</b>					<b>75,000,000</b>
<b>EXPENDITURES</b>							
Works and goods, consulting service, training	7,330,024	13,794,720	8,500,000	14,964,696	1,169,976	1,169,976	73,850,000
Operating costs	176,171	469,985	250,000	543,814	73,829	73,829	1,000,000
Front-end fee	-	150,000	-	150,000	-	-	150,000
<b>TOTAL</b>	<b>7,506,195</b>	<b>14,414,705</b>	<b>8,750,000</b>	<b>15,658,510</b>	<b>1,243,805</b>	<b>1,243,805</b>	<b>75,000,000</b>
Foreign exchange gain, net	16,336	60,442					
<b>CLOSING WORKING CAPITAL</b>							
Cash	2,810,639	2,810,639					
Prepayments	1,725,296	1,725,296					
Payables	(269,360)	(269,360)					
<b>TOTAL</b>	<b>4,266,575</b>	<b>4,266,575</b>					

\*Other income for the year ended 31 December 2018 represent penalty amount to the counterparty.

\*\* The initial budgeted figures are updated several times during the year. Planned figures for the year ended 31 December 2018 included in the financial statements represent the final budgeted figures reflected in the State Budget for FY2018 adjusted to the accrual model.

**On behalf of Management:**

*George Shengelia*  
**George Shengelia**  
**Executive Director**

28 June 2019



*Levan Sharvadze*  
**Levan Sharvadze**  
**Deputy Director – Chief Financial Officer**

28 June 2019


The notes on pages 9 to 12 form an integral part of these special purpose project financial statements.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2018  
(in US Dollars)**

	Note	31 December 2018	31 December 2017
<b>ASSETS</b>			
IBRD designated account	3,9	2,810,639	2,166,063
Prepayments	7	1,725,296	992,519
Receivables from GOG		-	9,970
<b>TOTAL ASSETS</b>		<b>4,535,935</b>	<b>3,168,552</b>
<b>LIABILITIES</b>			
Payables		269,360	132,470
<b>TOTAL LIABILITIES</b>		<b>269,360</b>	<b>132,470</b>
<b>NET ASSETS</b>		<b>4,266,575</b>	<b>3,036,082</b>
<b>Funds received:</b>			
IBRD loan		15,077,158	8,071,449
Government of Georgia		3,478,896	1,828,940
Other income		64,784	97
<b>Total funds received</b>		<b>18,620,838</b>	<b>9,900,486</b>
<b>Expenditure:</b>			
Project expenditure	8	14,414,705	6,908,510
<b>Total expenditures</b>		<b>14,414,705</b>	<b>6,908,510</b>
Foreign exchange gain, net		60,442	44,106
<b>TOTAL NET ASSETS</b>		<b>4,266,575</b>	<b>3,036,082</b>

On behalf of Management:

  
George Shengelia  
Executive Director

28 June 2019

  
Levan Sharvadze  
Deputy Director – Chief Financial  
Officer

28 June 2019

The notes on pages 9 to 12 form an integral part of these special purpose project financial statements.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**SUMMARY OF EXPENDITURE BY ACTIVITY  
FOR THE YEAR ENDED 31 DECEMBER 2018  
(in US Dollars)**

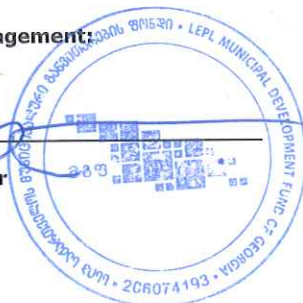
Project activities	Actual		Planned*		Variance	
	Year ended 31.12.2018	Cumulative as at 31.12.2018	Year ended 31.12.2018 <i>Unaudited</i>	Cumulative as at 31.12.2018 <i>Unaudited</i>	Year ended 31.12.2018 <i>Unaudited</i>	Cumulative as at 31.12.2018 <i>Unaudited</i>
<b>Component 1:</b>						
Infrastructure investment	5,892,538	10,060,376	6,500,000	10,667,838	607,462	607,462
<b>Component 2:</b>						
Institutional development	1,613,657	4,204,329	2,250,000	4,840,672	636,343	636,343
Front end fee	-	150,000	-	150,000	-	-
<b>TOTAL EXPENDITURES</b>	<b><u>7,506,195</u></b>	<b><u>14,414,705</u></b>	<b><u>8,750,000</u></b>	<b><u>15,658,510</u></b>	<b><u>1,243,805</u></b>	<b><u>1,243,805</u></b>

\* The initial budgeted figures are updated several times during the year. Planned figures for the year ended 31 December 2018 included in the financial statements represent the final budgeted figures reflected in the State Budget for FY2018 adjusted to the accrual model.

On behalf of Management:

  
George Shengelia  
Executive Director

28 June 2019



  
Levan Sharvadze  
Deputy Director – Chief Financial Officer

28 June 2019



**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**STATEMENT OF EXPENDITURE ("SOE")  
FOR THE YEAR ENDED 31 DECEMBER 2018  
(in US Dollars)**


<b>Withdrawal No.</b>	<b>Withdrawal application date</b>	<b>Total SOE</b>	<b>Works, Goods, Consulting services and training</b>	<b>Operating costs</b>
6	21.08.2018	<b>2,271,893</b>	2,184,406	87,487
7	19.10.2018	<b>3,456,551</b>	3,359,098	97,453
		<b>5,728,444</b>	<b>5,543,504</b>	<b>184,940</b>

Total expenditure in amount of USD 2,271,893 under withdrawal application No. 6 is attributable to 2017 and recorded as expenditure in the 2017 financial statements respectively. The withdrawal application for these expenses were submitted to International Bank for Reconstruction and Development in 2018.

**On behalf of Management:**

  
**George Shengelia**  
Executive Director

28 June 2019

  
**Levan Sharvadze**  
Deputy Director – Chief Financial Officer

28 June 2019

The notes on pages 9 to 12 form an integral part of these special purpose project financial statements.


**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**STATEMENT OF DESIGNATED ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2018  
(in US Dollars)**


<b>Account No.</b>	202255093
<b>Depository Bank</b>	State Treasury
<b>Address</b>	16 V. Gorgasali street Tbilisi, 0114 Georgia

<b>Opening Balance</b>		<u><b>2,166,063</b></u>
Funds received from IBRD		6,788,262
<b>Present outstanding amount advanced to Designated Account (DA)</b>		<u><b>8,954,325</b></u>
Designated account (DA) closing balance as at 31 December 2018		2,810,639
Add: Amount of eligible expenditures paid	9	<u>6,143,686</u>
<b>Total advance accounted for</b>		<u><b>8,954,325</b></u>

**On behalf of Management:**

  
**George Shengelia**  
Executive Director

28 June 2019

  
**Levan Sharvadze**  
Deputy Director – Chief Financial  
Officer

28 June 2019

The notes on pages 9 to 12 form an integral part of these special purpose project financial statements.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018  
(in US Dollars)**

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**1. BACKGROUND**

Municipal Development Fund (MDF) was established by the Government of Georgia by Presidential Decree # 294 of June 7, 1997 to manage allocated credits/loans received from the International Development Association ("IDA"), the International Bank for Reconstruction and Development ("IBRD"), the Asian Development Bank (ADB) and the European Investment Bank (EIB) and monitor the implementation of infrastructure sector projects.

The International Bank for Reconstruction and Development Loan Agreement No. 8494-GE (the "Agreement") in the amount of 60 million United States Dollars ("USD") was signed between the Government of Georgia ("GoG") and International Bank for Reconstruction and Development ("IBRD") on 7 August 2015 ("inception").

The main objectives of the loan are: providing finance for Investment Subprojects for the urban regeneration of old towns and villages in the Samtskhe-Javakheti and Mtkheta-Mtianeti regions; support Local Self Governments in financing investment subprojects for the creation of public infrastructure to attract private sector investments; enhance the institutional capacity and performance of the Georgia National Tourism Administration, the Agency for Culture Heritage Preservation of Georgia, the National Museum, MDF and other local and regional entities. The closing date of the loan is 31 December 2019. Following the mid-term review in September 2017, MDF and World Bank agreed to update the Project Implementation Plan and prolong the closing date to 31 December 2020, based on which the Project restructuring process has been initiated. At the date of approval of these special purpose project financial statements, the restructuring process has not been finalised.

**2. ACCOUNTING POLICIES**

**Basis of accounting** – These special purpose project financial statements have been prepared in accordance with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" and the accounting policies set out below.

The special purpose project financial statements have been prepared on the accrual basis of accounting.

These special purpose project financial statements, in accordance with the provisions of the Agreement, are prepared to report the information to the Government of Georgia and International Bank for Reconstruction and Development. As a result these special purpose project financial statements may not be suitable for another purpose.

**Funds received** – Project financing is recognised as sources of funds in the period when the cash inflow can be reasonably estimated and they become available and measurable.

**Expenditure** - Expenditure is recognised on an accruals basis as a use of project funds when liabilities are incurred.

**Functional currency** – The functional currency of the project and its presentational currency is United States Dollars ("US Dollar" or "USD").

**Transactions in other currencies** – Transactions in currencies other than the reporting currency are converted to US Dollars at the exchange rate prevailing at the date of the transaction. Monetary items are translated into US Dollars at the National Bank of Georgia (NBG) official exchange rate at the reporting date.

**Cash** – Cash comprises balances with State Treasury.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)  
(in US Dollars)**

**3. DESIGNATED ACCOUNT**

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

**4. BASIS OF FUNDING**

According to the terms of the Agreement, the expenditure is co-financed by proceeds received from IBRD and the Government of Georgia (GoG) at a proportional rate of 80% and 20%, respectively.

	<u>IBRD</u>	<u>GoG</u>	<u>Total</u>
Works and goods, non-consulting service, consulting service, training	59,050,000	14,800,000	<b>73,850,000</b>
Operating costs	800,000	200,000	<b>1,000,000</b>
Front-end fee	150,000	-	<b>150,000</b>
<b>Total:</b>	<u>60,000,000</u>	<u>15,000,000</u>	<u><b>75,000,000</b></u>

**5. METHODS OF WITHDRAWAL**

The methods of withdrawal used from the inception of the loan to 31 December 2018 were as follows:

**(a) Designated Account**

Municipal Development Fund withdraws the eligible amounts from the designated account and prepares and sends replenishment requests to the World Bank with authorised signatures. The replenishment requests and respective documentation are reviewed by the World Bank and an approved amount is transferred to the designated account.

**(b) Direct Payment**

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

**(c) GoG Current Account**

The Project maintains a separate account where funds from the Government of Georgia are accumulated. The funds are further disbursed to sub-contractors based on the share of expenditures to be incurred.

**6. STATEMENT OF EXPENDITURE**

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

- (i) All expenditures for works valued at less than USD 4,000,000;
- (ii) Consultant services contracts (firms) valued at less than USD 200,000;
- (iii) Consultant services contracts (individuals) valued at less than USD 50,000; and
- (iv) All expenditures for goods and non-consulting services valued at less than USD 300,000;

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)  
(in US Dollars)**

**7. PREPAYMENTS**

	<u>31 December 2018</u>	<u>31 December 2017</u>
Advances to contractors	1,725,296	992,519
<b>Total:</b>	<u><b>1,725,296</b></u>	<u><b>992,519</b></u>

Payments of advances to contractors are made at the beginning of the contract in amount of 10%-20% of total contract amount. Retention of advance is done periodically upon submission of works completed certificates by contractors.

**8. PROJECT EXPENDITURE BY FUNDS**

<b>Project activities</b>	<b>Actual</b>	
	<u>Year to date</u>	<u>Cumulative to date</u>
Works and goods, non-consulting service, consulting service, training	5,860,434	10,711,185
Operating cost	115,386	350,038
Front end fee	-	150,000
<b>IBRD TOTAL</b>	<u><b>5,975,820</b></u>	<u><b>11,211,223</b></u>
Works and goods, non-consulting service, consulting service, training	1,469,590	3,083,536
Operating cost	60,785	119,946
<b>GoG TOTAL</b>	<u><b>1,530,375</b></u>	<u><b>3,203,482</b></u>
<b>TOTAL PROJECT EXPENDITURE</b>	<u><b>7,506,195</b></u>	<u><b>14,414,705</b></u>

The Project consists of the following main components:

Component 1 – Infrastructure investment

- Urban regeneration of old towns and villages, including restoration of building facades and roofs, public spaces, museums, etc.; and
- Provision of Public Infrastructure to Attract Private Investments

Component 2 - Institutional development

- Support institutional capacity and performance of the Georgia National, Tourism Administration (GNTA), National Agency for Culture Heritage Preservation of Georgia (NACHP), National Museum, Project Implementing Entity (MDF), and other local and regional entities.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA  
THIRD REGIONAL DEVELOPMENT PROJECT  
LOAN NO.8494-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)  
(in US Dollars)**

**9. RECONCILIATION OF DESIGNATED ACCOUNT**

	<u>IBRD</u>	<u>GoG</u>	<u>Total</u>
Expenditures incurred during the year	5,975,820	1,530,375	<b>7,506,195</b>
Direct payment	(217,447)	-	<b>(217,447)</b>
Change in prepayments and receivables	582,410	140,397	<b>722,807</b>
Change in payables	(64,442)	(72,448)	<b>(136,890)</b>
Foreign exchange	(34,519)	18,183	<b>(16,336)</b>
Received money from penalties and the Budget	(98,136)	(11,230)	<b>(109,366)</b>
<b>Amount of eligible expenditure paid</b>	<b><u>6,143,686</u></b>	<b><u>1,605,277</u></b>	<b><u>7,748,963</u></b>

**10. COMMITMENTS AND CONTINGENCIES**

Management is not aware of any commitments and contingencies which would have a material impact on the financial position of the Project and the Special Account Statement as at 31 December 2018 and on the funds received and disbursed during the year then ended.

**11. OPERATING ENVIRONMENT**

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

For the last three years Georgia has experienced a number of legislative changes, which have been largely related to the European Union Association Agreement. Whilst the legislative changes implemented during 2016, 2017 and 2018 paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

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

There were no significant events subsequent to the balance sheet date that would require adjustment or disclosure in these special purpose project financial statements.

**13. APPROVAL OF SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

These special purpose project financial statements were authorised for issue by the Management of MDF on 28 June 2019.