**State Agency of Azerbaijan Automobile Roads**

**COMMENS ON ACCOUNTING POLICIES AND FINANCIAL REPORTS**

**(Consolidation report)**

***On the year ended on December 31 2020***

**BACKGROUND INFORMATION**

"Azeravtoyol" Open Joint – stock Company is an entity operating under: (i) Instructive Order 1992 dated February 22 2007 of the President of the Republic of Azerbaijan “On improvement of management in transport – road complex of the Republic of Azerbaijan”; (ii) Instructive Order 1659 dated December 28 2015 of the President of the Republic of Azerbaijan “On amendments to the Instructive Order 1992 dated February 22 2007 of the President of the Republic of Azerbaijan “On measures to improve management in transport – road complex of the Republic of Azerbaijan; and (iii) Decree 826 dated March 09 2016 of the President of the Republic of Azerbaijan “On Azeravtoyol” Open Joint – stock Company.

“Azeravtoyol” Open Joint –stock Company was renamed to the State Agency of Azerbaijan Automobile Roads ( hereinafter – Agency) under Decree 1638 dated 18.10.2017 of the President of the Republic of Azerbaijan.

Charter of the State Agency of Azerbaijan Automobile Roads was approved by Decision 1747 dated, 19.12.2017 of the Republic of Azerbaijan.

Agency’s authorized capital makes up 713105315,00AZN and it is fully state-owned.

State Agency of Azerbaijan Automobile Roads is a taxpayer with a unified TPIN No. 9900013141.

- Main type of activity: Maintenance, operation, construcion and repair of automobile roads

- Type of ownership: State owned

- Organizational – legal form: Public legal entity

- Reporting to: President

- Legal address: AZ1117, Baku city, Binagady district, Bilajary settlement, R.Ismayılov str, settlement 2025.

State Agency of Azerbaijan Automobile Roads is a public legal entity in charge of maintaining automobile roads of the Republic of Azerbaijan in its balance, designing, constructing, operating, restoring, repairing, reconstructing bridges, tunnels, and other road facilities, maintaining and controlling the state of automobile roads and road facilities, including ensuring complex manner of works relating to development of the road infrastructure.

Agency’s key goals are: (i) provision of services in automobile road area of the Republic of Azerbaijan; (ii) designing, operating, restoring, repairing, reconstructing, constructing the automobile roads, bridges, tunnels, and other road facilities in its balance; (iii) maintaining and controlling the state of automobile roads and road facilities; and (iv) ensuring complex manner of works associated with development of road infrastructure.

The State Agency of Azerbaijan Automobile Roads submits consolidated financial repots over the reporting period against the annual financial reports drawn up by 105 structural units under its control.

The State Agency of Azerbaijan Automobile Roads comprises the followings by stating the authorized capitals of 105 structural units in its control:

|  |  |  |
| --- | --- | --- |
| **#** | **Structural units** | **Authorized capital** |
| 1 | Highway RU 1 LLC-Sumgait | 20,00 |
| 2 | Highway RU2 LLC-Gobustan | 20,00 |
| 3 | Highway RU 3 LLC-Goygol | 200 020,00 |
| 4 | Highway RU 4 LLC-from 18 km | 43 400 000,00 |
| 5 | Highway RU 5 LLC-Mingachevir | 20,00 |
| 6 | Highway RU 6 LLC-Imishly | 20,00 |
| 7 | Highway RU 7 LLC-Lankaran | 20,00 |
| 8 | Baku RU 1 LLC | 49 299 983,00 |
| 9 | Baku RU 4 LLC | 21 691 000,00 |
| 10 | Baku RU 5 LLC | 180 000,00 |
| 11 | Baku RUı 6 LLC | 6 000 020,00 |
| 12 | Baku RU 7 LLC | 400 020,00 |
| 13 | Baku RU 8 LLC | 10,00 |
| 14 | Bak RU 9 LLC | 400 010,00 |
| 15 | Baku RU 10 LLC | 305 566,00 |
| 16 | SP RU1 LLC-Baku | 70 000,00 |
| 17 | SP RU 2 LLC-Baku | 225 582,00 |
| 18 | SP RU 3 LLC-Baku | 13 500 000,00 |
| 19 | SP RU4 LLC-Baku | 250 000,00 |
| 20 | SP RU 5 LLC-Baku | 40 000,00 |
| 21 | SP RU 6 LLC-Baku | 2 000 000,00 |
| 22 | SP RU 7 LLC-Baku | 272 225 702,00 |
| 23 | SP RU 8 LLC-Baku | 10 635 833,00 |
| 24 | SP RU 9 LLC-Guba | 1 000 000,00 |
| 25 | SP RU 10 LLC-Siyazan | 1 505 600,00 |
| 26 | SP RU 11 LLC-Guba | 10,00 |
| 27 | SP RU 12 LLC-Ganja | 20,00 |
| 28 | SP RU 13 LLC-Jabrail | 20,00 |
| 29 | SP RU 14 LLC-Baku | 56 862 702,00 |
| 30 | SP RU 15 LLC-Baku | 20 022 000,00 |
| 31 | SP RU 16 LLC-Imishly | 1 326 920,00 |
| 32 | SP RU 17 LLC-Baku | 1 200 020,00 |
| 33 | SP RU 18 LLC-Baku | 20,00 |
| 34 | SP RU 19 LLC-Shamakhy | 20,00 |
| 35 | SP RU 20 LLC-Baku | 20,00 |
| 36 | RU 1 LLC-Khizy | 50 000,00 |
| 37 | RU 2 LLC-Siyazan | 2 000 000,00 |
| 38 | RU 3 LLC-Shabran | 20,00 |
| 39 | RU 4 LLC-Khachmaz | 4 500 000,00 |
| 40 | RU 5 LLC-Guba | 8 000 000,00 |
| 41 | RU 6 LLC-Gusar | 3 000 000,00 |
| 42 | RU 7 LLC-Gobustan-Shamakhy | 5 000 000,00 |
| 43 | RU 9 LLC-Ismailly | 2 500 000,00 |
| 44 | RU 10 LLC-Gabala | 10 004 970,00 |
| 45 | RU 11 LLC-Oghuz | 1 470 000,00 |
| 46 | RU 12 LLC-Shaki | 16 600 000,00 |
| 47 | RU 13 LLC-Gakh | 4 198 992,00 |
| 48 | RU 14 LLC-Zakatala | 5 000 000,00 |
| 49 | RU 15 LLC-Balakan | 112 000,00 |
| 50 | RU 16 LLC-Aghsu | 4 000 000,00 |
| 51 | RU 17 LLC-Goychay | 45 000 000,00 |
| 52 | RU 18 LLC-Aghdash | 6 823 023,00 |
| 53 | RU 19 LLC-Yevlakh | 3 500 000,00 |
| 54 | RU 20 LLC-Hajigabul | 130 000,00 |
| 55 | RU 21 LLC-Kurdamir | 1 725 593,00 |
| 56 | RU 22 LLC-Ujar | 3 488 460,00 |
| 57 | RU 23 LLC-Goranboy | 6 000 000,00 |
| 58 | RU 24 LLC-Goygol | 200 000,00 |
| 59 | RU 25 LLC-Shamkir | 12 000 000,00 |
| 60 | RU 26 LLC-Tovuz | 3 500 000,00 |
| 61 | RU 27 LLC-Aghstafa | 498 219,00 |
| 62 | RU 28 LLC-Qazakh | 3 416 825,00 |
| 63 | RU 29 LLC-Naftalan | 20,00 |
| 64 | RU 30 LLC-Samukh | 19 793,00 |
| 65 | RU 31 LLC-Dashkasan | 17 693 000,00 |
| 66 | RU 32 LLC-Gadabay | 4 000 000,00 |
| 67 | RU 33 LLC-Shirvan | 629 866,00 |
| 68 | RU 34 LLC-Sabirabad | 1 188 436,00 |
| 69 | RU 35 LLC-Saatlı | 70 000,00 |
| 70 | RU 37 LLC-Beylagan | 2 000 000,00 |
| 71 | RU 38 LLC-Fuzuli | 1 213 236,00 |
| 72 | RU 39 LLC-Zardab | 462 746,00 |
| 73 | RU 40 LLC-Aghjabady | 2 091 190,00 |
| 74 | RU 41 LLC-Aghdam | 1 469 018,00 |
| 75 | RU 42 LLC-Tartar | 4 000 000,00 |
| 76 | RU 43 LLC-Barda | 1 063 194,00 |
| 77 | RU 44 LLC-Salyan | 1 163 156,00 |
| 78 | RU 45 LLC-Bilasuvar | 200 000,00 |
| 79 | RU 46 LLC-Jalilabad | 70 000,00 |
| 80 | RU 47 LLC-Masallı | 1 640 752,00 |
| 81 | RU 48 LLC-Lankaran | 1 607 750,00 |
| 82 | RU 49 LLC-Astara | 90 000,00 |
| 83 | RU 50 LLC-Neftchala | 338 900,00 |
| 84 | RU 51 LLC-Yardımlı | 3 200 000,00 |
| 85 | RU 52 LLC-Lerik | 2 548 047,00 |
| 86 | RU 53 LLC-Gubadlı | 292 000,00 |
| 87 | RU 54 LLC-Khojaly | 9 090 000,00 |
| 88 | RU 55 LLC-Kalbajar | 493 611,00 |
| 89 | RU 56 LLC-Lachin | 20,00 |
| 90 | Automobile Road Security Service-Baku | 70 080,00 |
| 91 | Azeryolelmitadgigatlayihe Ins.-Baku | 240 000,00 |
| 92 | Automobile Road Communication and Lighting-Baku | 10 000,00 |
| 93 | Bridges Operation and Repair Entity -Baku | 20,00 |
| 94 | Regional Aut. YY and Ekol 1.LLC Baku | 20,00 |
| 95 | Regional Aut. YY and Ecol. 2.LLC Ganja | 21 110,00 |
| 96 | Aut. YY 1 LLC-Baku | 150 000,00 |
| 97 | Aut YY 2 LLC-Baku | 90 000,00 |
| 98 | Aut YY.3 LLC-Baku | 130 000,00 |
| 99 | Aut. YY 4 LLC-Salyan | 130 000,00 |
| 100 | Aut. YY 5 LLC-Sabirabad | 20,00 |
| 101 | Aut. YY 6 LLC-Ujar | 50,00 |
| 102 | Aut. YY 7 LLC-İsmayıllı | 20,00 |
| 103 | Aut. YY 8 LLC-Shaki | 100 000,00 |
| 104 | Aut. YY 9 LLC-Tartar | 20,00 |
| 105 | Aut. YY 10 LLC-Aghstafa | 69 980,00 |
|  | Total | **713 105 355,00** |

The following persons are responsible for Agency’s financial – business operations:

* Chairman of the State Service of Azerbaijan Automobile Roads: Saleh Arshad oglu Mammadov
* Head of the Finance Division: Museyib Mursal oglu Hamzayev

**RATIONALE FOR REPORTING**

Agency maintains accounting following the accounting rules of the Republic of Azerbaijan.

Settlements are used that may influence the stated amounts of assets and liabilities by reporting date and recorded amounts of incomes and expenses in the reporting period when financial reports are drawn up.

**TRANSACTION CURRENCY**

Transaction currency in the submitted financial reports is Azerbaijani Manat (“AZN”)

**ACCOUNTING POLICIES**

The following accounting policies have been used for the financial reports of the enterprise following the substantial laws.

**ACCOUNTING METHOD**

Accounting at the State Service of Azerbaijan Automobile Roads is kept pursuant to “Rules on annual accounting reports and methods of their application at Enterprises” as approved order I-80 dated September 15 1995 of the Finance Ministry and “Instruction on reports plan of accounting and its application at Enterprises” and Law of the Republic of Azerbaijan on amendments to the Law 1140-VQD dated May 04 2018 “On Accounting” of the Republic of Azerbaijan and International Financial Reporting Standards.

**Agency keeps, draws up, submits, and publishes accounting papers in the manner established for public legal persons under Law 716-IIQ dated June 29 2004 of the Republic of Azerbaijan “On accounting”.**

Financial reports have been prepared following the preliminary accounting papers.

**FUNDS, BANK AND CASH TRANSACTIONS**

Funds are cash amounts kept in bank accounts given at request.

Agency performs bank transactions in settlement and currency accounts in the banks listed below.

Agency’s bank and treasury accounts are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **№** | **Bank name** | **Account No** | **Currency** |
| 1 | DAMİRBANK OJSC CENTRAL BRANCH | AZ73AZER000024581036EUR40130 | EUR |
| 2 | "UNIBANK KOMMERSIYA BANKI" OPEN JOINT – STOCK COMPANY | AZ76UBAZ01007947240160USD001 | USD |
| 3 | "BANK TECHİQUE" OPEN JOINT – STOCK COMPANY | 33160356440001 | USD |
| 4 | "BANK TECHİQUE" OPEN JOINT – STOCK COMPANY | 33060356440001 | AZN |
| 5 | "INTERNATIONAL BANK OF AZERBAIJAN” OPEN JOINT – STOCK COMPANY | AZ20IBAZ38190018409330331120 | USD |
| 6 | BEYNALKHALG SKB TRANSPORT BRANCH | AZ62IBAZ380050109449345490205 | AZN |
| 7 | BEYNALKHALG SKB TRANSPORT BRANCH | AZ52IBAZ38150108409345490205 | USD |
| 8 | "KAPİTAL BANK" OJSC COMMUNICATIONS BRANCH | 38060029441802833118 | AZN |
| 9 | KAPITAL BANK SB BAKU CITY BRANCH | 32010029441020203102 | AZN |
| 10 | DAMIRBANK OJSC CENTRAL BRANCH | AZ81AZER000017110091AZN40030 | AZN |
| 11 | KAPITAL BANK SB BAKU CITY BRANCH | 32110028401020203102 | USD |
| 12 | DAMIRBANK OJSC MƏRKƏZ FİLİALI | 17110372-USD-3816-6 | USD |
| 13 | KAPITAL BANK SB BAKU CITY BRANCH | 32110018401020203102 | USD |
| 14 | KAPITAL BANK SB BAKU CITY BRANCH | 32010019441020203102 | AZN |
| 15 | BEYNALKHALG SKB TRANSPORT BRANCH | AZ06IBAZ38150078409345490205 | USD |
| 16 | Beynalkhalg SKB Transport branch | AZ11İBAZ38150018409345490205 | USD |
| 17 | Beynalkhalg SKB Transport branch | AZ28İBAZ38150018109345490205 | RUR |
| 18 | Beynalkhalg SKB Transport branch | AZ21İBAZ38050019449345490205 | AZN |
| 19 | Beynalkhalg SKB Transport branch | AZ16İBAZ38050079449345490205 | AZN |
| 20 | Beynalkhalg SKB Transport branch | AZ88İBAZ38150019789345490205 | EUR |
| 21 | Damirbank OJSC Central Branch | AZ76AZER000039136578AZN40030 | AZN |
| 22 | Kapital Bank OJSC Communications Branch | AZ11AİİB33070019441801833118 | AZN |
| 23 | Kapital Bank OJSC Communications Branch | AZ98AİİB33170018401801833118 | USD |
| 24 | Kapital Bank OJSC Communications Branch | AZ91AİİB33070029441801833118 | AZN |
| 25 | Beynalkhalg SKB Transport branch | 11306019449345490205 | AZN |
| 26 | Pasha Bank OJSC | AZ72PAHA00000000000010007491 | USD |
| 27 | Kapital Bank OJSC Communications Branch | 18160018401801833118 | USD |
| 28 | Kapital Bank OJSC Communications Branch | 32110018401801833118 | USD |
| 29 | Kapital Bank OJSC Communications Branch | 32010019441801833118 | AZN |
| 30 | Kapital Bank OJSC Communications Branch | 18060019441801833118 | AZN |
| 31 | Kapital Bank OJSC Communications Branch | AZ81AİİB33170028401801833118 | USD |
| 32 | Kapital Bank OJSC Communications Branch | Az64AİİB33170038401801833118 | USD |
| 33 | Kapital Bank OJSC Nasimi Branch | AZ69AİİB38050019441801833111 | AZN |
| 34 | Kapital Bank OJSC Nasimi Branch | AZ59AİİB38150018401801833111 | USD |
| 35 | Kapital Bank OJSC Nasimi Branch | AZ39AİİB38150019781801833111 | EUR |
| 36 | Kapital Bank OJSC Nasimi Branch | AZ51AİİB38150016431801833111 | RUR |
| 37 | Bank of Azerbaijan OJSC | AZ11AZEJ00100186610004R38150 | RUR |
| 38 | Beynalkhalg SKB Transport branch | AZ91İBAZ38150028409345490205 | USD |
| 39 | Beynalkhalg SKB Transport branch | AZ84İBAZ38050039449345490205 | AZN |
| 40 | Kapital Bank OJSC Communications Branch | AZ03İBAZ38150069789345490205 | EUR |
| 41 | Beynalkhalg SKB Transport branch | AZ83İBAZ38150079789345490205 | EUR |
| 42 | Beynalkhalg SKB Transport branch | Az23İBAZ38150068409345490205 | USD |
| 43 | Beynalkhalg SKB Transport branch | AZ33İBAZ38050069449345490205 | AZN |
| 44 | Beynalkhalg SKB Transport branch | AZ04İBAZ38050029449345490205 | AZN |
| 45 | BEYNALKHALG SKB  TRANSPORT BRANCH | AZ86IBAZ38150088409345490205 | USD |
| 46 | BEYNALKHALG SKB TRANSPORT BRANCH | AZ96IBAZ38050089449345490205 | AZN |
| 47 | "INTERNATIONAL BANK OF AZERBAIJAn’ OJSC | AZ30IBAZ38090019449330331120 | AZN |
| 48 | "KAPITAL BANK" OJSC COMMUNICATIONS BRANCH | 38160018401801833118 | USD |
| 49 | " KAPITAL BANK" OJSC COMMUNICATIONS BRANCH | 38160019781801833118 | EUR |
| 50 | " KAPITAL BANK" OJSC COMMUNICATIONS BRANCH | 32110018401801774118 | USD |
| 51 | " KAPITAL BANK" OJSC COMMUNICATIONS BRANCH | 32110019781801774118 | EUR |
| 52 | BEYNALKHALG SKB TRANSPORT BRANCH | AZ40IBAZ38150058409345490205 | USD |
| 53 | BEYNALKHALG SKB  TRANSPORT BRANCH | 11316018409345490205 | USD |
| 54 | "KAPITAL BANK"OJSC  COMMUNICATIONS BRANCH | 38060019441801833118 | AZN |
| 55 | BEYNALKHALG SKB TRANSPORT BRANCH | AZ79IBAZ38050099449345490205 | AZN |
| 56 | BEYNALKHALG SKB  TRANSPORT BRANCH | AZ50IBAZ38050059449345490205 | AZN |
| 57 | "AZER-TURK BANK" OJSC | AZ86AZRT00034225ATB001C00001 | AZN |
| 58 | "AZER-TURK BANK" OJSC | AZ44AZRT00034225ATB002C00002 | USD |
| 59 | "KAPITAL BANK"OJSC  COMMUNICATIONS BRANCH | AZ74AIIB33070039441801833118 | AZN |
| 60 | "BANK OF AZERBAIJAN"OJSC | AZ26AZEJ00100186610002U38150 | USD |
| 61 | "BANK OF AZERBAIJAN"OJSC | AZ35AZEJ0010018660007A38050 | AZN |
| 62 | "PASHA BANK"OJSC | AZ72PAHA00000000000010007491 | AZN |
| 63 | "KAPITAL BANK"OJSC  COMMUNICATIONS BRANCH | 32010019441801774118 | AZN |
| 64 | DAMİRBANK OJSC CENTRAL BRANCH. | AZ52AZER000046821858AZN40030 | AZN |
| 65 | "BANK OF AZERBAIJAN"OJSC | AZ91AZEJ001001186610003E38150 | EUR |
| 66 | BEYNALKHALG SKB  TRANSPORT BRANCH | AZ69IBAZ38150098409345490205 | USD |
| 67 | "KAPITAL BANK"OJSC  COMMUNICATIONS BRANCH | 38160018101801833118 | RUR |
| 68 | "UNIBANK KOMMERSİYA  BANKI"OJSC | AZ39UBAZ01007947240060AZN001 | AZN |
| 69 | Treasury Unit 7 | 8187701 | AZN |
| 70 | Treasury Unit 7 | 5357702 | AZN |
| 71 | Treasury Unit 7 | 2207702 | AZN |

Note: 71 current accounts at total 9 banks.

including: 26 accounts in USD, 8 accounts in EUR, 4 accounts in RUR, and 33 accounts in AZN.

Agency’s functional currency is AZN. Assessment, weighting, payment or otherwise measurement of Agency’s incomes, expenses, purchased equipment, material reserves, and liabilities is done in AZN.

Transactions in foreign currency are initially recorded in AZN using the rates in forces on the transaction date.

Movement and end year AZN equivalent of Agency’s cash movements were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cash amounts** | **Surplus by 01.01.2020** | **Receipt** | **Expense** | **Surplus by 31.12.2020** |
| Cash in the register | **33880,13** | 66394,24 | 97916,27 | **2358,10** |
| AZN in bank accounts | **45766612,82** | 1171681972,57 | 1211893593,46 | **5554991,93** |
| Currency in Bank accounts | **1427145,73** | 18017986,71 | 17718291,21 | **1726841,23** |
| Other cash amounts | **2074795,85** | 155245639,82 | 155807800,19 | **1512635,48** |
| **Total** | **49302434,53** | **1345011993** | **1385517601** | **8796826,74** |

**LAND, STRUCTURE, EQUIPMENT AND DEPRECIATION**

Land, structure, and equipment facility recognizable as assets are recognized based on their initial values. “Initial value” equals cash paid or their monetary equivalent or equitable value of any other paid set-off. Fixed assets are recognized by their initial values by way of deducting the damage of accrued deterioration or any depreciation (“initial value model”). Deterioration of fixed assets other than land is calculated using the annual deterioration rates of assets based on “reducing surplus method” :

Buildings and structures 7 %

Machinery and equipment 25 %

Transport means 25 %

Other assets 20 %

The balance value basing on annual value is compared with the recoverable value in order to establish the damage of assets depreciations at the end of each financial year. When balance value is substantially higher than the recoverable value, the balance value is deleted up to the recoverable value by stating the different between these two values as an expense in the report.

Movement of Agency’s fixed assets in balance value is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Balance value by01.01.2020** | **Receipt** | **Expense** | **Balance value by 31.12.2020** |
|
| 01-Buildings | **23335851,86** | 10767925,63 | 11840323,00 | **22263454,49** |
| 02-Facilities | **1549629027,83** | 5833717088,10 | 80198381,61 | **7303147734,32** |
| 03-Transmission facilities | **370106148,79** | 651261014,60 | 157150170,19 | **864216993,20** |
| 04-Machinery and equipment | **122185161,29** | 6693091,19 | 86939539,36 | **41938713,12** |
| 05-Transport means | **167289694,82** | 9575089,77 | 116085211,82 | **60779572,77** |
| 06-Work tools production and housekeeping inventory | **945643,52** | 12350005,74 | 543455,19 | **12752194,07** |
| 07-Multiyear plantations | **2769717,51** | 1912770,08 | 290913,52 | **4391574,07** |
| 08-Other types of fixed assets | **2436546,76** | 1030496,15 | 1075839,68 | **2391203,23** |
| **TOTAL:** | **2238697792,38** | **6527307481,26** | **454123834,37** | **8311881439,27** |

Movement of Agency’s fixed assets in their surplus values is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Balance value by 31.12.20** | **Overall Depreciation** | **Surplus value 31.12.2020** |
| 01-Buildings | **22263454,49** | 1280309,84 | **20983144,65** |
| 02-Facilities | **7303147734,32** | 0,00 | **7303147734,32** |
| 03-Transmission facilities | **864216993,20** | 0,00 | **864216993,20** |
| 04-Machinery and equipment | **41938713,12** | 2078309,51 | **39860403,61** |
| 05-Transport means | **60779572,77** | 2825898,71 | **57953674,06** |
| 06-Work tools, production and housekeeping inventories | **12752194,07** | 110344,59 | **12641849,48** |
| 07-Multiyear plantations | **4391574,07** | 437610,32 | **3953963,75** |
| 08-Other types of fixed assets | **2391203,23** | 452199,81 | **1939003,42** |
| **TOTAL:** | **8311881439,27** | **7184672,78** | **8304696766,49** |

Movement of Agency’s fixed assets deterioration is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Depreciation calculated to expense in 2020** | **Surplus by beginning of the year** | **Received** | **Paid** | **Surplus by year end** |
|
| 6145120,05 | 301743125,97 | 7338384,12 | 301896837,31 | 7184672,78 |

The fixed assets in Agency’s balance had been inventoried by 01.12.2020.

**RESERVES ( GOODS AND MATERIALS VALUABLES)**

Reserves are estimated by their initial values and the value less than their estimated sales values. Net value of reserves is estimated against the initial purchase price (FIFO method). Net value of finished product and unfinished product includes raw – material and material costs, remuneration costs of industrial workers, other direct expenses including proper portions of administrative costs.

Movement of Agency’s material reserves is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Value by 01.01.2020** | **Income** | **Expense** | **Value by 31.12.2020** |
| Material reserves | 90186100,13 | 507742343,83 | 510640735,66 | 87287708,30 |
| **Total:** | **90186100,13** | **507742343,83** | **510640735,66** | **87287708,30** |

Movement of Agency’s low price items in their balance value is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Value by 01.01.2020** | **Income** | **Expense** | **Balance value by 31.12.2020** |
| Low price items | 1531833,12 | 2232315,64 | 1481165,18 | 2282983,58 |
| **Total:** | **1531833,12** | **2232315,64** | **1481165,18** | **2282983,58** |

Movement of Agency’s low price items in their surplus value is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Balance value by 31.12.2020** | **Written off** | **Total written off** | **Surplus value by 31.12.2020** |
| Low price items | 2282983,58 | 394969,70 | 394969,70 | 1888013,88 |
| **Total:** | **2282983,58** | **394969,70** | **394969,70** | **1888013,88** |

**FINISHED PRODUCT**

At Agency, surplus of Finished product by 01.01.2020 was 81524,83 AZN and the surplus of Finished product by end of the reporting year was 29222,27 AZN.

**GOODS**

At Agency, surplus of Goods was 1749,00 AZN by 01.01.2020 and surplus of Goods by end of the reporting year was 1289,00 AZN.

**EQUIPMENT TO BE INSTALLED**

At Agency, the surplus on equipment to be Installed was 108838,00 by 31.12.2020.

**INCOMPLETE CAPITAL INVESTMENTS**

At Agency, surplus on Incomplete capital investments was 10833296461,92 AZN by 01.01.2020. Surplus on Incomplete capital investments by end of the reporting year was 12280010885,32 AZN.

**COMPLETE PRODUCTION**

At Agency, surplus on Complete production was 194145,10 AZN by 01.01.2020 and surplus on Complete production by the end of reporting year was 2432,60 AZN.

**DEFERRED EXPENSES**

At Agency, surplus on Deferred expenses was 137894495,20 AZN by 01.01.2020 and the surplus on Deferred expenses by end of the reporting year was 99298735,50 AZN.

**VAT ON PURCHASED VALUABLES**

At Agency, VAT surplus of Purchases valuables was 717686,28 AZN by end 01.01.2020 and VAT surplus of Purchased valuables by end of the reporting year was 1524453,90 AZN.

**UNLOADED GOODS**

At Agency, surplus on Unloaded goods was 5007674,00 AZN by 01.01.2020 and surplus by end of the Reporting year was 5007674,00 AZN.

**WORK FORCE RELATED EXPENSES AND DISBURSEMENTS.**

Agency withholds mandatory social insurance fees from employee salaries and transfers them to the State Social Protection Fund according to the legislative requirements of the Republic of Azerbaijan. Additionally, such a pension system envisions allocations of mandatory social insurance fees to the State Social Protection Fund as a percentage of the payroll. All obligations relating to pensions are carried out by the rules of State Social Protection Fund when an employee retires. The Enterprise doesn’t enforce any individual pension rules requiring making current contributions as a percentage of the total salary. Besides, there are no pension or other reimbursable benefits available required to be calculated at the Agency.

Average employee number in 2020 was 14871 and calculated employee salary 82321346,41 AZN. Contributions 21234606,68 AZN were calculated from the employee wages payable to the State Social Protection Fund, of which 3420,90 AZN was expended for the enterprise and 21229866,24 AZN transferred to the Fund. Calculated fine was 14486,00 AZN, of which 14466,00 AZN transferred to the Fund account. Surplus debt by end of the reporting year was 1290425,51 AZN. Agency had outstanding salary debt 5350230,12 AZN before employees by 31.12.2020. Employee remuneration was calculated against staffing list and paid via card.

**ANALYSIS OF INCOMES AND EXPENSES**

Agency’s main fields of activity in 2020 was maintenance, construction, and repair of automobile roads. The main activity at the Agency is carried out based on the contracts concluded with the Agency itself. Agency performed a work scope amounting at total of 1255740343,74 AZN in the year by keeping record of Agreements. Agency’s revenues from the main type of activity in 2019 was 1105651302,11 AZN VAT exclusive. Value Added Tax made up 150089041,63 AZN and it had no other revenues.

Agency’s costs for maintaining, constructing, and repairing automobile roads are financed from the allocations contemplated in the estimates of construction and construction – assembly works. Agency expended 1105651302,11 AZN within regulatory framework in 2020.

Execution of the costs deducted from income in 2020 at the Agency was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item No** | **Cost item** | **Amount** | **Special weight %** |
| 1 | Salary of employees in the staffing list | 82321346,41 | 7,45 |
| 2 | Contributions to the State Social Protection Fund | 18540140,80 | 1,68 |
| 3 | YAP | 1756,00 | 0,00 |
| 4 | Electricity costs | 3118711,87 | 0,28 |
| 5 | Office maintenance, operational costs, stationary | 363451,55 | 0,03 |
| 6 | Fuel | 33781885,92 | 3,06 |
| 7 | Lubricants | 1911684,22 | 0,17 |
| 8 | Utility | 1488,64 | 0,00 |
| 9 | Natural gas | 2591583,91 | 0,23 |
| 10 | Mail, Internet, communication costs | 357018,18 | 0,03 |
| 11 | Security | 3573637,37 | 0,32 |
| 12 | Water supply | 583706,80 | 0,05 |
| 13 | Insurance | 684953,68 | 0,06 |
| 14 | Budget | 4435789,17 | 0,40 |
| 15 | Credit debt payment | 9935998,81 | 0,90 |
| 16 | Armed Forces Aid Fund | 42413,96 | 0,00 |
| 17 | Trade Unions 2% | 81356,24 | 0,01 |
| 18 | Depreciation | 6145120,05 | 0,56 |
| 19 | Secondment costs | 1074399,76 | 0,10 |
| 20 | Writing off low price short – lived items | 795091,05 | 0,07 |
| 21 | Transport costs | 9693230,28 | 0,88 |
| 22 | Bank fees | 9970762,68 | 0,90 |
| 23 | Raw material, goods - material | 507115735,16 | 45,87 |
| 24 | Spare parts | 21104631,94 | 1,91 |
| 25 | Works performed by third parties | 696311,20 | 0,06 |
| 26 | Contractors | 306452599,33 | 27,72 |
| 27 | Bitumen | 50975411,33 | 4,61 |
| 28 | Service | 4954869,34 | 0,45 |
| 29 | Service provided by external parties | 6470397,20 | 0,59 |
| 30 | Mass media, blank, newspaper, journal, book | 100254,92 | 0,01 |
| 31 | Road maintenance, manual labor | 5617263,93 | 0,51 |
| 32 | Repair | 2061556,94 | 0,19 |
| 33 | Computer repair | 86546,42 | 0,01 |
| 34 | Customs charges | 3406,00 | 0,00 |
| 35 | Lease fee | 9401662,83 | 0,85 |
| 36 | Arrest, sanction, penalty | 10670,73 | 0,00 |
| 37 | Other expenses | 594457,49 | 0,05 |
|  | **TOTAL** | **1105651302,11** | **100,00** |

There was no balance profit and loss as long as the revenue derived in 2020 was fully expended.

**TAXES**

Agency is a payer of the profit tax, property tax and additional value tax, income tax on hired and non - hired incomes, social insurance contributions associated with such incomes, and other taxes and state duties in line with the requirements of tax law.

Agency’s budgetary tax settlements are as follows:

|  |  |  |
| --- | --- | --- |
| **Indicators** | **Calculated** | **Paid** |
| Property tax | 80572,09 | 71044,91 |
| Profit tax | 0,00 | 0,00 |
| Land tax | 23497,66 | 17892,26 |
| Charges for utilization of natural resources and environmental pollution | 844,00 | 844,00 |
| Value added tax | 103907628,73 | 108015286,87 |
| Income tax | 5726469,87 | 5534326,69 |
| Transport tax | 25,00 | 25,00 |
| Other taxes | 264236,73 | 279433,78 |
| Economic sanctions | 8234,58 | 5253,00 |
| **Total** | **110011508,66** | **113924106,51** |

There remained a surplus of 4552913,27 AZN excess payment on taxes payable to the budget in the end as there was 5820328,05 AZN excess payment surplus and debt liability 1267414,78 AZN across various taxes by year end.

**SETTLEMENT AND LOAN TRANSACTIONS**

Agency got long- and short-term bank loans in 2020.

Agency’s settlements across long – and short-term bank loans are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Surplus by beginning of the year** | **Accrued debt liability** | **Paid debt liability** | **Surplus by year end** |
|  |
| **Long –term bank loans** | **202910696,16** | 3342000,00 | 23159661,75 | **183093034,41** |
|  |  |  |  |  |
| **Short-term bank loans** | **400159,00** | 0,00 | 400159,00 | **0,00** |

Agency carried out settlements with various enterprises via bank settlements in 2020.

Agency’s settlements with borrowers and lenders were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Surplus by beginning of the year** | **Accrued liability** | **Paid liability** | **Surplus by year end** |
| **Borrower liabilities** | **37808212,41** | 1803666281,56 | 1773576950,49 | **67897543,48** |
| Including overdue |  |  |  |  |
| **Lender liabilities** | **39657036,27** | 593690365,83 | 589393926,10 | **43953476,00** |
| Including overdue | **3198919,61** | 0,00 | 3103806,21 | **95113,40** |

**DEFERRED INCOMES**

Agency had 2731511,36 AZN surplus on Deferred incomes in 01.01.2020 and surplus on Deferred incomes by end of the reporting year was 2592969,03 AZN.

**RESERVES FOR DEFERRED COSTS AND PAYMENTS**

Agency had 777840,7 AZN surplus on Deferred expenses and charges. There was an annual receipt amounting at 897826,6 AZN and expense 69554,80 AZN in the year. Surplus on Deferred costs and charges on 31.12.2020 was 1606112,50 AZN.

**CAPITAL CHANGE**

Agency’s change in the capital on Capital and Funds was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Funds** | **Surplus by 01.01.2020** | **Received in the reporting year** | **Expended in the reporting year** | **Surplus by 31.12.2020** |
|
| Authorized capital | **713105315,00** | 40,00 | 0,00 | **713105355,00** |
| Additional capital | **12091904263,95** | 8854957919,07 | 1076040931,48 | **19870821251,54** |
| Reserve capital | **29887101,70** | 1830470,31 | 1739846,76 | **29977725,25** |
| Total of Pool Funds | **9951879,35** | 0,00 | 3902,00 | **9947977,35** |
| Cash fund of social spheres | **22327,00** | 0,00 | 0,00 | **22327,00** |
| Targeted financing from and receipts in the budget | **0,00** | 300000000,00 | 300000000,00 | **0,00** |
| Targeted financing and receipts from various sectors and extra-budgetary intersectoral funds | **0,00** | 4684798,81 | 4684798,81 | **0,00** |
| **Total:** | **12844870887,00** | **9161473228,19** | **1382469479,05** | **20623874636,14** |

Agency’s change in the capital across other funds and reserves is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Funds** | **Surplus by 01.01.2020** | **Received in the reporting year** | **Expended in the reporting year** | **Surplus by 31.12.2020** |
|
| Consumer funds | **1440788,60** | 0,00 | 10627,20 | **1430161,40** |
| Deferred costs and expenses | **777840,70** | 897826,60 | 69554,80 | **1606112,50** |
| **Total:** | **2218629,30** | **897826,60** | **80182,00** | **3036273,90** |

1022242813,57 AZN was received from the budget and expended for capital investments and financing.

**Head**

**Chief accountant**

**STATEMENT OF THE MANAGEMENT RESPONSIBILITY FOR DEVELOPING AND APPROVING FINANCIAL REPORTS (CONSOLIDATED)**

ON THE YEAR ENDED ON DECEMBER 31 2020

Commented in the independent auditor report and to be read in line with the independent auditors’ responsibilities, this Report has been drawn up in order make distinction between the management responsibility for the financial reports of the State Agency of Azerbaijan Automobile Roads and responsibility of individual auditors.

Management is responsible for drawing up a report accurately reflecting the financial status of State Agency of Azerbaijan Automobile Roads by December 31 2020, transaction outcomes and cash movements in the year ending on the same date, and capital changes according to the current legislation.

When drawing up financial reports, Management will bear responsibility for the followings:

* Select proper accounting guidelines and enforce them in a regular manner
* Make logical and reasonable estimations and decisions
* State conformity to current law and, in case of any material discrepancies, state and explain them in financial reports
* Prepare financial reports based on regularity principle if the State Agency of Azerbaijan Automobile Roads were to continue its operations under normal work conditions in the near future.

Management is also responsible for the followings:

* Develop, build, and reinforce efficient and high quality internal control system
* Draw up financial reports accurately in line with current law and arrange an accounting system properly reflecting the financial status at any time
* Arrange local accounting system in line with the law and accounting standards of the Republic of Azerbaijan
* Assure security of the assets of the State Agency of Azerbaijan Automobile Roads using available possibilities
* Identify and prevent falsifications, mistakes, and other inconsistencies with law.

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**Chairman Head of Finance Department**

**SEAL.**

**INDEPENDENT AUDITOR REPORT**

Attn: Management of the State Agency of Azerbaijan Automobile Roads

CONCLUSION

Please be informed that audit has been conducted of the financial reports ( consolidated), including the financial report of the State Agency of Azerbaijan Automobile Roads dated December 31 2020, aggregate incomes report ( consolidated), capital changes report ( consolidated), and cash report for the year ended on the stated date ( consolidated), comments on financial reports and a brief description of substantial principles of accounting policy.

***We assume the appended ( consolidated) financial reports accurately reflect Agency’s financial status by December 31 2020, financial outcomes, and cash movement in the year ending in the stated date in accordance with the Law on Accounting of the Republic of Azerbaijan.***

Rationale for conclusion

We conducted the audit in line with the International auditing standards (IAS) and our responsibilities under such standards are additionally described in the section “ Auditor responsibility for auditing financial reports” of our report. We are not dependent on the Agency in line with the requirements of ethical self – conduct rules relating to the auditing of financial reports in the Republic of Azerbaijan and have performed our ethical duties to such requirements. We assume the audit facts found are sufficient and relevant to justify our conclusion.

**Responsibility of managers for administering financial reports and managing the Agency**

Management is responsible for drawing up and properly submitting financial reports according to the Law on Accounting of the Republic of Azerbaijan and, in manager’s opinion, arranging an internal control system enabling to draw up financial reports without any distortions as a result of fraud or mistakes.

Management shall bear responsibility for assessing its ability to operate constantly, disclose information on issues associated with constant work and manage it, if the management doesn’t intend to liquidate or close down the Agency or where no other reasonable alternatives exist, and the persons in charge of management shall bear responsibility for controlling financial reports submission process.

**Auditor responsibility for auditing financial reports**

Our goal is to gain sufficient confidence that that there are no instances of fraud or error or substantial distortions made in the financial reports and submit an auditor report also including the conclusion. Satisfactory confidence is the top of all confidences; however it doesn’t guarantee that the audit conducted according to IAS would guarantee discovery of all substantial errors. Distortions take place due to fraud or mistakes and are considered substantial when there is a potential impact on the economic decisions made up users individually or jointly.

**Auditor E. Aliyev**

Bakıu city, the Republic of Azerbaijan

25.06.2021