Statement of financial position

In US dollar	Note	As of 31 December 2019	As of 31 December 2018
Assets			
Non-current assets			
Property and equipment	4	115,494	121,995
Investment property under construction	5	16,166,139	11,814,595
Intangible assets		3,487	2,019
Restricted cash	6	368,291	200,000
		16,653,411	12,138,609
Current assets			
Inventories		-	2,535
Advances paid	7	1,372,967	356,520
Borrowings issued		176,761	265,000
Tax assets other than income tax	8	395,261	124,127
Restricted cash	6	1,723,484	-
Cash and bank balances	9	3,091,501	149,878
		6,759,974	898,060
Total assets		23,413,385	13,036,669
Equity and liabilities			
Capital and reserves			
Charter capital	10.1	19,560,099	14,320,253
Accumulated loss		(7,140,119)	(6,104,566)
		12,419,980	8,215,687
Non-current liabilities			
Loans and borrowings	11	10,780,042	4,401,381
		10,780,042	4,401,381
Current liabilities			
Trade and other payables	13	129,755	2,339
Loans and borrowings	11	83,608	417,262
		213,363	419,601
Total equity and liabilities		23,413,385	13,036,669

The financial statements were approved on 30 September 2020 by:

Agalarli Sohrab
Director

Yusibov Orxan
Chief Financial Officer

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 32.

Statement of profit or loss and other comprehensive income

In US dollar	Note	Year ended 31 December 2019	Year ended 31 December 2018
Other income		-	552
Administrative expenses	14	(1,079,260)	(985,076)
Results from operating activities		(1,079,260)	(984,524)
Finance income	15	50,414	28,902
Loss from exchange differences	16	(6,707)	(71,173)
Loss before income tax		(1,035,553)	(1,026,795)
Income tax expense		-	-
Loss for the year		(1,035,553)	(1,026,795)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,035,553)	(1,026,795)

The financial statements were approved on 30 September 2020 by:

Agalarli Sohrab

Director

Yusibov Orxan

Chief Financial Officer

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 32.

Statement of changes in equity

In US dollar	Charter capital	Accumulated loss	Total
As of 1 January 2018	10,840,421	(5,077,771)	5,762,650
Loss for the year	-	(1,026,795)	(1,026,795)
Total comprehensive income for the year	-	(1,026,795)	(1,026,795)
Replenishment of charter capital	3,479,832	-	3,479,832
Transactions with owners	3,479,832	-	3,479,832
as of 31 December 2018	14,320,253	(6,104,566)	8,215,687
Loss for the year	-	(1,035,553)	(1,035,553)
Total comprehensive income for the year	-	(1,035,553)	(1,035,553)
Replenishment of charter capital	5,239,846	-	5,239,846
Transactions with owners	5,239,846	-	5,239,846
as of 31 December 2019	19,560,099	(7,140,119)	12,419,980

The financial statements were approved on 30 September 2020 by:

Agalarli Sohrab

Director

Yusibov Orxan

Chief Financial Officer

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 32.

Statement of cash flows

In US dollar	Note	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities			
Rental income		497	206
Interest received		33,243	30,028
Salaries paid		(262,264)	(369,326)
Representative costs		(11,302)	(37,269)
Office rent and utilities		(38,093)	(53,218)
Taxes paid		(3,632)	(135,825)
Other payments		(428,810)	(279,806)
Net cash used in operating activities		(710,361)	(845,210)
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(7,827)	-
Construction contractors		(4,645,736)	(1,140,688)
Transfer to restricted cash		(1,891,775)	840,000
Construction supervision		(96,776)	(69,081)
Proceeds from loans issued		39,410	285,000
Loans issued		(199,000)	(1,340,687)
Net cash used in investing activities		(6,801,704)	(1,425,456)
Cash flows from financing activities			
Replenishment of share capital	10.1	5,239,846	3,479,832
Bank guarantee		(53,375)	(55,034)
Proceeds from loans and borrowings	25	5,885,421	-
Repayment of loans and borrowings	25	-	(631,579)
Interest paid		(603,785)	(403,986)
Net cash from financing activities		10,468,107	2,389,233
Net increase in cash and bank balances		2,956,042	118,567
Foreign exchange effect on cash		(14,419)	(68,888)
Cash and bank balances at the beginning of the year		149,878	100,199
Cash and bank balances at the end of the year		3,091,501	149,878

The financial statements were approved on 30 September 2020 by:

Agalarli Sohrab

Director

Yusibov Orxan

Chief Financial Officer

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 32.

Notes to the financial statements

1 Nature of operations and general information

SAYALI LLC (the Company) is a registered limited liability company incorporated in Georgia. The Company's legal address is Tbilisi, D. Uznadze str. #58 / Ushangi Chkheidze str. #17. Azercon Holding LTD, a limited liability company established in United Arab Emirates, holds 90% share in the Company and Azercon OJSC, joint stock Company established in Azerbaijan, holds the remaining 10% share.

The Company owns a land plot in the centre of Tbilisi, acquired from the government of Georgia with certain contractual obligations and is in the process of development of a multi profile medical centre, in accordance with those requirements. The building, which the Company is currently constructing, is intended to be leased out to another entity for further use as a multi profile medical centre.

The average number of employees of the Company during 2019 was 16 employees (2018: 18 employees).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Company operates on a going concern basis.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that are stated at present discounted value of future cash flows.

2.3 Functional and presentation currency

The national currency of Georgia is the Georgian lari ("Georgian lari"). However, these financial statements are presented in US dollar, since the management believes this currency best reflects the economic substance of the underlying events and transactions of the Company, because:

- The Company has foreign shareholders; equity is set and replenished in US dollar.
- The Company has foreign creditors, and borrowings are obtained in US dollar.
- Significant transactions are conducted and some significant balances are denominated in US dollar: contracts with substantially all construction contractors are set in US dollar, salaries are determined in US dollar, investment obligation is set in US dollar.
- In general, Georgian real estate market is significantly linked to the US dollar.

Because of such linkage of the Company's operations to the US dollar and because of significant devaluation of Georgian lari against the US dollar (from Georgian lari 1.7363/1 US dollar on January 1, 2014 to Georgian lari 2.8677/1 US dollar on December 31, 2019, which is a 65% depreciation), the financial information of the Company, if presented in Georgian lari, would be difficult to understand and interpret for its main users and interested parties who provide financing to the Company in the US dollars.

Therefore, these financial statements are presented in US dollars (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in US dollars has been rounded to the nearest dollar.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are

There has not been material impact on the Company's financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatment*

IFRIC 23 provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under IAS 12, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, and (iv) effect of changes in facts and circumstances.

The Company elected to adopt IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as of the date of initial application, 1 January 2019. The adoption of IFRIC 23 resulted no material impact on the Company's financial statements.

Annual Improvements 2015-2017

The Annual Improvements 2015-2017 made several minor amendments to a number of IFRSs. The amendments relevant to the Company are summarized below:

IAS 12 *Income Taxes: Income tax consequences of payments on instruments classified as equity*

The amendments to IAS 12 clarify that the income tax consequences of dividends are recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 *Borrowigng Costs: Borrowing costs eligible for capitalization*

IAS 23.14 specifies how to determine the amount of borrowing costs eligible for capitalization when an entity borrows funds generally and uses them to obtain a qualifying asset.

IAS 23 requires an entity, when determining the funds that it borrows generally, to exclude "borrowings made specifically for the purpose of obtaining a qualifying asset". The IASB observed that an entity might misinterpret those words to mean that funds borrowed generally would exclude funds outstanding that were originally borrowed specifically to obtain a qualifying asset that is now ready for its intended use or sale.

The amendments therefore clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

The amendments are applied prospectively (i.e. only to borrowing costs incurred on or after the beginning of the annual reporting period in which the amendments are first applied) as the costs of gathering the information required to capitalize borrowing costs retrospectively may exceed the potential benefits.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Material - effective for annual periods beginning on or after 1 January 2020.

Amendments to Conceptual Framework for Financial Reporting and references to it in IFRS Standards - effective for annual periods beginning on or after 1 January 2020.

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the National Bank of Georgia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the National Bank of Georgia prevailing on the reporting date, which is 2.8677 Georgian lari for 1 US dollar and 3.2095 Georgian lari for 1 euro as of 31 December 2019 (31 December 2018: 2.6766 Georgian lari for 1 US dollar and 3.0701 Georgian lari for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date).

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

3.2 Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Office equipment	-	5 years
Vehicles	-	5 years

3.3 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the intangible assets, which is estimated at 7 years for software.

3.4 Impairment of property and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any. As no finite useful life for land can be determined, related carrying amounts are not depreciated. Building is currently being under construction in progress and is not depreciated. Property under development to be used as investment property is also classified as investment property. Investment property of the Company includes land and construction in progress. Construction in progress is a building of a hospital under construction, which is intended to be leased out when completed.

3.6 Leased assets

As described in note 2.5, the Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Accounting policy applicable before 1 January 2019

The Company as a lessee

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

For the depreciation methods and useful lives for assets held under finance leases refer to note 3.2.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.7 Inventories

Inventories are assets held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Items such as spare parts, stand-by equipment and servicing equipment are also recognized as inventories unless they meet the definition of property and equipment.

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.8 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the Company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses. A summary of the Company's financial assets by category is given in note 19.2.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and borrowings issued fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model". This replaces IAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Company's financial liabilities include loans and borrowings and trade and other payables. A summary of the Company's financial liabilities by category is given in note 19.2.

Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of issuance costs associated with the borrowing. The difference between fair value and nominal value is recognized in profit or loss, except when the borrowing was received from the owners. In this instance the difference between fair value and nominal value is recognized in equity as additional capital. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value recognized in profit or loss over the period of the borrowings on an effective interest basis. Interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance expenses, except for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalized as part of that asset.

Trade and other payables

Trade and other payables are stated at fair value and subsequently stated at amortized cost.

3.9 Cash and cash equivalents

Cash and bank balances comprise cash on hand and bank accounts.

For the purpose of the statement of cash flows, cash equivalents are on-demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

3.10 Equity

Charter capital represents contributions by the owners to the Company's charter.

Accumulated loss include all current and prior period retained losses.

3.11 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Income tax

Effective 1 January 2017, there are significant amendments to the Tax Code of Georgia, related to introduction of a new model for corporate income taxation.

The new model (the "Estonian model of corporate taxation") implies zero corporate tax rate on retained earnings and a 15% corporate tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the company's profit before tax, regardless of profit retention or distribution. As a result of changes, starting 1 January 2017 companies will pay corporate income tax on earnings distribution (profit distributed to shareholders as dividends) and on individual transactions that may be considered as indirect distribution of earnings (benefits, gifts, payments, non-arm's length cross-border transactions with related parties, expenses not related to economic activities, etc).

The corporate income tax arising from distribution of dividends is recognized as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are distributed. The tax rate is 15/85 of the amount of net distribution.

3.13 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

(a) wages, salaries and bonuses;

(b) paid annual leaves and paid disability leaves;

(c) non-monetary benefits.

When employees render services to the Company during the accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Company shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(b) as an expense, unless the amount is included in the cost of an asset.

Bonuses

The expected cost of bonus payments is recognized when and only when the Company has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

3.14 Revenue

Till the end of reporting period the Company is still in the development stage and has no revenues. However, for information purposes we provide general accounting policy for revenues, which is expected to be adopted when the Company starts trading.

To determine whether to recognize revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

To determine the point in time at which a customer obtains control of a promised asset and the Company satisfies a performance obligation, the Company considers the requirements for control. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

The Company is still in the development stage and has not started trading as of the reporting date, so there are no revenues recorded yet.

4 Property and equipment

In US dollar	Office equipment	Vehicles	Total
Cost			
as of 1 January 2018	76,510	183,165	259,675
Additions	580	-	580
as of 31 December 2018	77,090	183,165	260,255
Additions	11,480		11,480
as of 31 December 2019	88,570	183,165	271,735
Accumulated depreciation			
as of 1 January 2018	26,579	91,426	118,005
Charge for the year	11,968	8,287	20,255
as of 31 December 2018	38,547	99,713	138,260
Charge for the year	9,749	8,232	17,981
as of 31 December 2019	48,296	107,945	156,241
Carrying amount			
as of 31 December 2018	38,543	83,452	121,995
as of 31 December 2019	40,274	75,220	115,494

Property and equipment of the Company at the carrying amount of US dollar 115,494 have been pledged as a security for loans and borrowings as of 31 December 2019 (31 December 2018: US dollar 121,995) (refer to note 11).

Depreciation expense has been charged to administrative expenses (refer to note 14).

5 Investment property under construction

In US dollar	Land	Building under construction	Total
Cost			
as of 1 January 2018	2,521,451	7,187,018	9,708,469
Additions	-	2,106,126	2,106,126
as of 31 December 2018	2,521,451	9,293,144	11,814,595
Additions	-	4,351,544	4,351,544
as of 31 December 2019	2,521,451	13,644,688	16,166,139
Carrying amount			
as of 31 December 2018	2,521,451	9,293,144	11,814,595
as of 31 December 2019	2,521,451	13,644,688	16,166,139

Investment property of the Company at the carrying amount of US dollar 16,166,139 have been pledged as a security for loans and borrowings as of 31 December 2019 (31 December 2018: US dollar 11,814,595) (refer to note 11).

The land included in the investment property was purchased from the Government of Georgia in 2011, and the use of this land has certain limitations related to investment obligations. On 26 December 2011 the Company signed a contract with the Ministry of Economy and Sustainable Development of Georgia (the "Ministry") for the purchase of 8,776 square meter land plot in the center of Tbilisi, together with buildings on the plot. The contract price for the property was US dollar 2,500,000, which approximates the fair value of the property at acquisition date. Prior to the purchase, a traumatological hospital was operating in this property, and the contract with the Government requires the Company to establish a multi profile medical center based in this property within three years from the acquisition date and also to develop a commercial and residential complex. The contract also required the Company to make a minimum investment of US dollars 10,000,000 for the above-mentioned developments before 1 January 2015. Required investment was divided into the following tranches: US dollars 2,000,000 to be invested in 2012, additional US dollars 3,000,000 to be invested in 2013, and the remaining US dollars 5,000,000 to be invested in 2014.

According to the contract, if the Company does not meet investment obligations, it may become liable to certain penalties. In addition, if investment obligations are breached repeatedly, the seller (the Government) has the right to reclaim the property without any reimbursement to the Company.

On 5 March 2013 the Company and the Government signed an addendum to the contract, amending the investment schedule. According to this addendum, the deadline, for the completion of the multi profile medical center and commercial and residential development was moved to 1 October 2015. The minimum investment amount was revised to US dollar 10,620,500, divided into tranches as follows: US dollar 1,324,200 by 1 February 2014, US dollar 1,837,300 by 1 August 2014, US dollar 2,809,000 by 1 February 2015 and remaining US dollars 4,650,000 by 1 October 2015.

On 10 March 2015 a new amendment was made to the agreed terms, whereby it is now required that the Company invest a minimum of US dollar 12,000,000 by 1 January 2017. The multi profile healthcare center should also start operations by that date.

As at 1 January 2017, the total amount of investment in the project was US dollar 10.5 million, instead of the required US dollar 12 million. The obligation to launch operations of the multi profile hospital by the same date was also not fulfilled, as the reconstruction of hospital premises were yet incomplete.

On 26 September 2017 National Agency of State Property issued letter to the Company informing that due to non-compliance with contract terms the fines of US dollars 1,079,678 and Georgian lari 87,000 and a penalty of Georgian lari 220,000 were charged to the Company.

However, after negotiations with the government the fines and penalties were cancelled (conditionally) in exchange for increased investment obligation – in accordance with the Governmental Ordinance #2229 dated 20 October 2017 the Company is now obliged to invest in the project at least US dollar 17,000,000.

On 24 October 2019 a new amendment was made to the agreed terms, whereby it is now required that the Company invest a minimum of US dollar 17,000,000 by 31 December 2020.

Deadline for the completion of the multi profile medical center and commercial and/or residential development was also amended and set at 4 December 2020. According to the last changes to the agreement, if the Company would fail to meet these updated contractual obligations all conditionally cancelled fines and penalties would become payable and new fines would also be charged. The amount of such fines and penalties is hard to estimate but it may be more than Georgian lari 3 million (approx. US dollars 1.1 million). Plus, in such case the Company would be required to return the whole property to the government without any compensation. This effectively means that in such case the Company would be unable to continue operations.

Nevertheless, considering past experience and attitude of Georgian government towards significant foreign investments in the country, such as this project of SAYALI LLC supported by the U.S. International Development Finance Corporation (formerly known as OPIC), the management believes the Company will again reach consensus with the government and the timing for the project completion will be increased so that the project will not be terminated and the Company will continue operations.

6 Restricted cash

Restricted cash non-current represents amounts placed on a designated bank account of the Company, the use of which is restricted by the loan contract with OPIC (refer to note 11).

Restricted cash current represents amounts placed on a designated bank account of the Company, the use of which is restricted by the terms of agreement with the Government of Georgia for the purchase of land on which the multifunctional medical center is being constructed (refer to note 5).

7 Advances paid

In US dollar	As of 31 December 2019	As of 31 December 2018
Advances to employees for expenses (accountable persons)	10,408	159
Advances to suppliers	1,362,559	356,361
	1,372,967	356,520

As of 31 December 2019 advances to suppliers mainly consists of US dollar 1,237,902 advance paid to the main supplier of construction materials.

8 Tax assets other than income tax

In US dollar	As of 31 December 2019	As of 31 December 2018
VAT asset	448,141	813,908
Personnel income tax payable	-	(574,547)
Property tax payable	(52,880)	(115,234)
	395,261	124,127

9 Cash and bank balances

In US dollar	As of 31 December 2019	As of 31 December 2018
Cash in hand	566	2,106
Bank accounts	3,090,935	147,772
	3,091,501	149,878

All of the Company's bank balances have been pledged as a security for loans and borrowings (refer to note 11).

Refer to note 20 for the currencies in which the cash and bank balances are denominated.

10 Capital and reserves

10.1 Charter capital

In US dollar	As of 31 December 2019	As of 31 December 2018
Charter capital at the beginning of year	14,320,253	10,840,421
Contributions to charter capital	5,239,846	3,479,832
Charter capital at the end of year	19,560,099	14,320,253

11 Loans and borrowings

In US dollar	Current		Non-current	
	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Secured loans from other companies	83,608	417,262	10,780,042	4,401,381

Secured loans from other companies

Secured loans from other companies represents borrowings received from by the U.S. International Development Finance Corporation (formerly known as OPIC). The loan agreement with OPIC was signed in May 2015 and the maturity date of the loan is 20 November 2028.

The purpose of the loan is financing of the development, construction, fitting out, and operation of a hospital to be located in Tbilisi, Georgia.

The loan from OPIC is denominated in US dollars and cost of funds are sum of the OPIC Spread - three and three-quarters percent (3.75%) and OPIC Cost of Funds - fixed rate of interest determined prior to a Disbursement in accordance with the monthly average "U.S. Treasury Constant Maturity Yields" for the previous calendar month as published in statistical release H.15 (519) of the Board of Governors of the Federal Reserve System, or, if not published as of one (1) Business Day prior to the Closing Date, as calculated by OPIC using historical data available for such month, taking into account for purposes of such determination (a) the Loan Maturity Date and (b) the following constant maturities: (i) the 5-year rate in the case of a final maturity date that is at least 1 year but less than 5 years after the date of such Disbursement; (ii) the 7-year rate in the case of a final maturity date that is at least 5 years but less than 7 years after the date of such Disbursement; (iii) the 10-year rate in the case of a final maturity date that is at least 7 years but less than 10 years after the date of such Disbursement; and (iv) the 20-year rate in the case of a final maturity date that is at least 10 years but not longer than 20 years after the date of such Disbursement.

The loan from OPIC bear a weighted average interest rate of 6.37% annually (2018: 6.3% annually) (6.3% – dis.1 and 6.42% - dis.2). Weighted average effective interest rate is 7.82% annually (2018: 6.65% annually).

The loan agreement imposes certain financial covenants, including financial ratio limits. These requirements are:

(a) The Company shall maintain at all times (i) a ratio of Indebtedness to Tangible Net Worth of not more than 1.6 to 1, and (ii) a ratio of Current Assets to Current Liabilities of not less than 1.1 to 1, each as measured quarterly beginning with the quarter end immediately after 20 August 2017.

(b) The Company shall maintain at all times beginning with the quarter end immediately following the termination of the Grace Period a ratio of Cash Flow for the most recently completed four (4) consecutive full fiscal quarters, taken as a single accounting period, to Debt Service for the most recently completed four (4) consecutive full fiscal quarters, taken as a single accounting period, of not less than 1.4 to 1.

(c) At all times after the establishment of the DSR Account (a dollar-denominated account established in a financial institution acceptable to OPIC and pledged to OPIC) pursuant to the DSR Agreement, the Company shall maintain funds or assets on deposit in the DSR Account with a market value at least equal to the aggregate amount of Debt Service with respect to the Loan for the immediately succeeding six-month period.

The loan agreement imposes restrictions related to payments to shareholders. According to the loan agreement the Borrower shall not make, or incur any obligation to make, any of the following payments:

(a) any dividend or distribution on any share of capital stock of the Borrower, including any reduction of capital;

(b) (any payment of principal or interest on any Indebtedness of the Borrower to or for the benefit of any Shareholder or any Affiliate of the Borrower, other than accounts payable for goods or services provided on an arm's-length basis;

(c) any purchase, redemption, acquisition, or retirement of any shares of capital stock of the Borrower or any Indebtedness of the Borrower held by any Shareholder or any Affiliate of the Borrower; and

(d) any payment by the Borrower to, or on behalf of, any Shareholder or any Affiliate of any Shareholder other than those in (a), (b) and (c) above, including any payment in respect of compensation, fees, salaries, bonuses, or commissions or any payment made on behalf of any Shareholder or any Affiliate of any Shareholder that is for the benefit of such party.

All the assets of the Company are pledged as a security for the loan from OPIC (refer to note 4, 5, 9).

The loan contract requires also cash guarantee which is issued by Bank of Georgia JSC. See details in note 6.

Refer to note 20 for more information about the Company's exposure to interest rate and foreign currency risks.

Capitalized borrowing costs

In 2019 and 2018, borrowing costs incurred in the amount of US dollar 763,371 and US dollar 567,294 respectively, were capitalized to the carrying value of construction in progress classified as investment property.

12 Leases

Lease payments not recognized as a liability

The Company has elected not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

In US dollar	2019
Short-term leases	16,803

As of 31 December 2019 the Company was committed to short-term leases and the total commitment at that date was US dollar 10,375. Total cash outflow for leases for the year ended 31 December 2019 was US dollar 13,441 (2018: US dollar 12,200).

13 Trade and other payables

In US dollar	As of 31 December 2019	As of 31 December 2018
Trade payables	129,252	2,339
Other	503	-
	129,755	2,339

No interest is charged on the trade payables. Refer to note 20 for more information about the Company's exposure to foreign currency risk.

14 Administrative expenses

In US dollar	Year ended 31 December 2019	Year ended 31 December 2018
Consulting services	317,867	230,007
Employee benefit expenses	306,242	462,383
Property and other taxes	155,146	75,744
Expenses on bank guarantees	53,375	54,848
Professional and property insurance	27,604	4,412
Penalty	27,064	1,816
Representation expenses	25,791	17,707
Depreciation and amortisation	18,445	21,497
Rental expenses	16,803	16,646
Business trips and accommodation	12,648	65,051
Utilities	11,055	10,345
Fuel	10,510	7,029
Repair and maintenance	9,048	2,113
Bank service fees	5,766	3,470
Communication	5,571	6,420
Other	76,325	5,588
	1,079,260	985,076

15 Finance income and costs

In US dollar

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income on short-term bank deposits	32,935	28,902
Interest income on loans to related parties	17,479	-
Total finance income	50,414	28,902

During the year 2019 and 2018, Finance costs incurred in the amount of US dollar 763,371 and US dollar 567,294 respectively, were capitalized to the carrying value of construction in progress classified as investment property (refer to note 11).

16 Loss from exchange differences

In US dollar

	Year ended 31 December 2019	Year ended 31 December 2018
Financial assets at amortized cost	(12,015)	(59,737)
Financial liabilities measured at amortized cost	5,308	(11,436)
	(6,707)	(71,173)

17 Subsequent events

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity.

At this stage, the impact on company's business and results is limited. The Company will continue to follow the various national institutes policies and advice.

Refer to note 18.2 which describes that there is no material impact of COVID-19 on the Company.

18 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

18.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Market interest rate

Management has estimated market interest rates which are used to evaluate fair value of Company's financial instruments. Changes in market interest rates may affect reported amounts of financial liabilities and finance costs.

18.2 Key assumptions concerning the future

The ability of the Company to continue operations on a going concern basis depends significantly on its ability to comply with the investments obligations set in the contract with the Government of Georgia for the purchase of land, on which the Company is constructing a multi profile healthcare center (refer to note 5).

As mentioned in note 5 the Company has failed to meet contractual commitments 3 times and the contract was amended after each fail, so that investment obligation increased from initial US dollars 10 million to US dollars 17 million.

At the last revision of contract terms, the deadline for the investment and for the completion of the multi profile medical center and commercial and/or residential development was set at 31 December 2020.

According to those last changes to the agreement, if the Company would fail to meet these updated contractual obligations all conditionally cancelled fines and penalties would become payable and new fines would also be charged. The amount of such fines and penalties is hard to estimate but it may be more than Georgian lari 3 million (approximately US dollars 1.1 million). Plus, in such case the Company would be required to return the whole property to the government without any compensation. This effectively means that in such case the Company would be unable to continue operations.

Nevertheless, considering past experience and attitude of Georgia government towards significant foreign investments in the country, such as this project of SAYALI LLC supported by OPIC, the management believes the Company will again reach consensus with the government and the timing for the project completion will be increased again so that the project will not be terminated and the Company will continue functioning. Therefore, the management believes that the use of going concern basis in preparation of financial statements as of and for the year ended 31 December 2019 is appropriate and no liabilities or provisions for penalties should be recognised.

However, if the Company management's expectations turn to be wrong and the Company fails to meet contractual obligations all conditionally cancelled fines and penalties will become payable and new fines will also be charged. The amount of such fines and penalties is hard to estimate but it may be more than US dollar 1.1 million. Plus, in such case the Company may be required to return the whole property to the government without any compensation. This effectively means that in such case the Company will be unable to continue operations on a going concern basis.

As described in note 17, outbreak of COVID-19 pandemic in the beginning of 2020 impacted global economy.

Based on the facts and circumstances known at this moment and the possible scenarios about how the COVID-19 virus and resulting government measures could evolve, management has determined that COVID-19 has no material impact on the Company and that the use of the going concern assumption is warranted.

Based on the circumstances described above, the financial statements are prepared on the assumption that the entity is a going concern.

19 Financial instruments

19.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.8.

19.2 Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

Financial assets

In US dollar	As of 31 December 2019	As of 31 December 2018
Amortized cost		
Borrowings issued	176,761	265,000
Restricted cash	2,091,775	200,000
Cash and bank balances	3,091,501	149,878
Total financial assets	5,360,037	614,878

Financial liabilities

In US dollar	As of 31 December 2019	As of 31 December 2018
Amortized cost		
Non-current loans and borrowings	10,780,042	4,401,381
Current loans and borrowings	83,608	417,262
Trade and other payables	129,755	2,339
Total financial liabilities	10,993,405	4,820,982

20 Financial risk management

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

Financial risk factors

a) *Market risk*

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into US dollar at the closing rate:

Item		
As of 31 December 2019	Georgian lari	Euro
Financial assets		
Cash and bank balances	9,582	317
	9,582	317
Financial liabilities		
Trade and other payables	2,085	-
	2,085	-
Net position	7,497	317

Item		
As of 31 December 2018	Georgian lari	Euro
Financial assets		
Cash and bank balances	51,639	-
	51,639	-
Financial liabilities		
Trade and other payables	5,654	-
	5,654	-
Net position	45,985	-

The following table details the Company's sensitivity to a 15% (2018: 15%) increase and decrease in US dollar against Georgian lari and EUR. 15% (2018: 15%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 15% (2018: 15%) change in foreign currency rates.

If US dollar had strengthened against Georgian lari and Euro by 15% (2018: 15%) then this would have had the following impact:

In US dollar	Georgian lari impact		Euro impact	
	2019	2018	2019	2018
Profit or loss	(1,125)	(6,898)	(48)	-

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

Interest rate risk

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates.

The following table reconciles the average contract and effective interest rates:

2019	Average interest rate	
	Contract	Effective
Liabilities		
Secured loans from other companies		
US dollar	6.37%	7.82%

2018	Average interest rate	
	Contract	Effective
Liabilities		
Secured loans from other companies		
US dollar	6.3%	6.65%

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from financial assets, including cash and cash equivalents held at banks, borrowings issued.

The credit risk is managed on a group basis based on the Company's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

Borrowings issued

All the Company's borrowings issued measured at amortized cost are considered to have low credit risk and the loss allowance recognized is based on the 12 months expected loss.

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations.

The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2019	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		7.82%	
Less than 6 months	129,755	387,058	516,813
6 months to 1 year	-	367,058	367,058
1-5 years	-	9,633,302	9,633,302
More than 5 years	-	4,723,807	4,723,807
	129,755	15,111,225	15,240,980

2018	Non-interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)		6.65%	
Less than 6 months	2,339	422,068	424,407
6 months to 1 year	-	442,068	442,068
1-5 years	-	4,320,682	4,320,682
More than 5 years	-	2,592,409	2,592,409
	2,339	7,777,227	7,779,566

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources.

21 Fair value measurement

The Company provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21.1 Fair value measurement of financial instruments

Financial instruments measured at amortized cost for which the fair value is disclosed

The carrying amount of the Company's borrowings are considered to be a reasonable approximation of the fair value.

The Company has borrowing issued with fixed interest rate of 6%. The carrying amount of borrowings issued, which are measured at amortized cost approximate their fair values

21.2 Fair value measurement of non-financial assets

The Company has no non-financial assets measured at fair value as of 31 December 2019 and 31 December 2018.

22 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern and provide adequate return to stakeholders.

The capital structure of the Company consists of equity comprising charter capital and accumulated loss and debt, which includes borrowings disclosed in note 11.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

The amounts managed as capital by the Company for the reporting periods are summarized as follows:

In US dollar	As of 31 December 2019	As of 31 December 2018
Total equity	12,419,980	8,215,687
Less: cash and cash equivalents	(5,183,276)	(349,878)
Capital	7,236,704	7,865,809
Total equity	12,419,980	8,215,687
Borrowings	10,863,650	4,818,643
Overall financing	23,283,630	13,034,330
Capital to overall financing ratio	0.31	0.60

23 Commitments

23.1 Contractual commitments

As described in notes 5 and 18.2, the Company has investment obligations related to the land parcel purchased from the Government of Georgia. In accordance with the latest amendment to the investment contract, it was required that the Company should launch a multi profile healthcare center on the basis of the property purchased from the Government no later than 31 December 2020 and should invest a minimum of US dollar 17,000,000 in this project.

According to the last changes to the agreement, if the Company would fail to meet these updated contractual obligations all conditionally cancelled fines and penalties would become payable and new fines would also be charged. The amount of such fines and penalties is hard to estimate but it may be more than Georgian lari 3 million (approx. US dollars 1.1 million). Plus, in such case the Company would be required to return the whole property to the government without any compensation. This effectively means that in such case the Company would be unable to continue operations.

For more details on the commitments see also notes 5 and 18.2.

VTB Bank JSC has issued financial guarantee for the amount of US dollar 1,700,000 in the name of the Company for its liabilities towards Government of Georgia.

24 Contingencies

24.1 Business environment

Georgia continues to undergo political and economic changes. As an emerging market, Georgia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Deterioration of economic situation of countries collaborating with Georgia led to the shortage of money transfers from abroad, upon which the economy of Georgia is significantly dependent. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Georgian economy and of the Company. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Company may be affected.

As explained in note 18.2 and 17 in the financial statements, outbreak of COVID-19 pandemic in the beginning of 2020 impacted global economy. In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer term impact on Company's business may be.

Management of the Company believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Company.

24.2 Insurance

The Georgian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Georgia. The Company does not have full coverage for its business interruption, or relating to the Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Company's operations and financial position.

24.3 Taxes

The taxation system in Georgia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Georgia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

24.4 Environmental matters

Management is of the opinion that the Company has met the Government's requirements concerning environmental matters and, therefore, believes that the Company does not have any current material environmental liabilities. However, environmental legislation in Georgia is in process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

25 Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

In US dollar	Loans and borrowings	Total
as of 1 January 2018	5,286,914	5,286,914
Cash-flows		
Repayments	(631,579)	(631,579)
Interest and fees paid	(403,986)	(403,986)
Non-cash		
Interest accrual	567,294	567,294
as of 31 December 2018	4,818,643	4,818,643
Cash-flows		
Proceeds	5,885,421	5,885,421
Interest and fees paid	(603,785)	(603,785)
Non-cash		
Interest accrual	763,371	763,371
as of 31 December 2019	10,863,650	10,863,650

26 Related parties

The Company's related parties include its shareholders and key management.

26.1 Control relationships

The Company is controlled by Azercon Holding LTD, a limited liability company established in United Arab Emirates, which owns 90% of the Company's shares. The ultimate controlling party of the Company is Mr. Ganbar Gurbanov, citizen of the Republic of Azerbaijan.

26.2 Transactions with related parties

During the reporting year the Company had the following transactions with the related parties:

In US dollar

Transactions	Year ended 31 December 2019	Year ended 31 December 2018
Shareholders		
Acquisition of goods and raw materials	75,000	-

26.3 Transactions with management and close family members

Directors of the Company and their close family members as of 31 December 2019 and 31 December 2018 had no significant shares in Azercon Holding LTD.

Key management received the following remuneration during the year, which is included in payroll and employee benefits.

In US dollar	Year ended 31 December 2019	Year ended 31 December 2018
Salaries and bonuses	186,662	84,010

*** End of document ***

The financial statements were approved on 30 September 2020 by:

Agalarli Sohrab	Yusibov Orxan
Director	Chief Financial Officer

"SAYALI" LTD * GEORGIA. "SAYALI" * 406057804