

**REPORT OF BAKER TILLY GEORGIA LTD TO  
SAKAERONAVIGATSIA LIMITED**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT THEREON  
As at and for the year ended 31 December 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the shareholder and management of Sakaeronavigatsia LLC:

### Opinion

We have audited the accompanying financial statements of Sakaeronavigatsia LLC (the Company), which comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements (pages 5 through 23) present fairly, in all material respects the financial position of the Company as at 31 December 2018, and of its financial performance and of its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other information

Management of the Company is responsible for the other information. Other information comprises business review and corporate governance statement but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, together with the regulatory requirements described in the next paragraph, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance

### Other regulatory requirements

The law of Georgia obliges the Company to present to us business review and corporate governance statement. It is our responsibility to express opinion on their compliance with the applicable laws and regulations and on their coherence with the financial statements. Because business review and corporate governance statement are not available to us we do not express opinion on their compliance with regulations or their coherence with the financial statements.



### **Responsibilities of Management and Those Charged with Governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the Audit of financial statements**

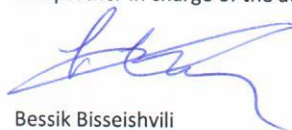
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The partner in charge of the audit resulting in this independent audit report is Mr. Bessik Bisseishvili.



Bessik Bisseishvili  
Partner  
Baker Tilly Georgia LLC  
16 May 2019  
Tbilisi, Georgia

SAKAERONAVIGATSIA LLC  
As at December 31, 2018  
(All amounts are in thousands of Georgian Lari unless stated otherwise)

STATEMENT OF FINANCIAL POSITION

	Notes	31-Dec-18	31-Dec-17
<b>Assets</b>			
<i>Non-current assets</i>			
Property and equipment	7	130,565	117,798
Intangible Assets	8	2,236	1,454
Prepayments for non-current assets	9	1,865	3,641
Restricted cash	24	3,401	3,493
<b>Total non-current assets</b>		<b>138,067</b>	<b>126,386</b>
<i>Current assets</i>			
Inventories	10	3,575	2,755
Trade and other receivables	11	13,313	14,406
Cash and cash equivalents	12	17,000	11,388
<b>Total current assets</b>		<b>33,888</b>	<b>28,549</b>
<b>Total assets</b>		<b>171,955</b>	<b>154,935</b>
<b>Equity</b>			
Share capital		61,355	61,213
Retained earnings		97,885	80,590
<b>Total equity</b>		<b>159,240</b>	<b>141,803</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Borrowings	13	5,398	5,848
Government grants	14	-	-
<b>Total non-current liabilities</b>		<b>5,398</b>	<b>5,848</b>
<i>Current liabilities</i>			
Trade and other payables	15	6,012	6,000
Current portion of long-term borrowings	13	382	343
Advances received		923	941
<b>Total current liabilities</b>		<b>7,317</b>	<b>7,284</b>
<b>Total Liabilities</b>		<b>12,715</b>	<b>13,132</b>
<b>Total equity and liabilities</b>		<b>171,955</b>	<b>154,935</b>

The Financial Statements were approved on 16 May 2019 and signed by:

Mr. G. Mezvrishvili, General Director

Mr. I. Zakareishvili, Finance Manager

Mrs. Karina Kazarian, Chief Accountant



**SAKAERONAVIGATSIA LLC**

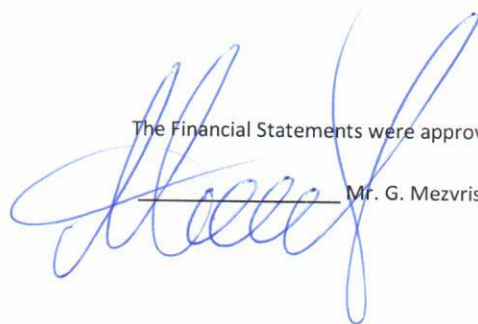
For the year ended December 31, 2018

(All amounts are in thousands of Georgian Lari unless stated otherwise)

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 31-Dec-18	Year ended 31-Dec-17
Revenue	16	82,614	75,733
Other operating income	17	-	1,036
Staff costs		(33,947)	(30,772)
Depreciation and amortization	7, 8	(13,041)	(13,486)
Other operating expenses	18	(18,563)	(16,901)
<b>Result before finance and other benefits (charges)</b>		<b>17,063</b>	<b>15,610</b>
Finance income	19	3,178	4,606
Finance costs	20	(2,946)	(4,713)
<b>Profit for the year</b>		<b>17,295</b>	<b>15,503</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>17,295</b>	<b>15,503</b>

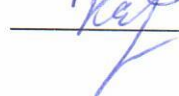
The Financial Statements were approved on 16 May 2019 and signed by:



Mr. G. Mezvrishvili, General Director



Mr. I. Zakareishvili, Finance Manager



Mrs. Karina Kazarian, Chief Accountant

**STATEMENT OF CASH FLOWS**

	Year ended 31-Dec-18	Year ended 31-Dec-17
<b>Cash flows from operating activities</b>		
Cash receipts from customers	83,068	75,867
Cash paid to suppliers and employees	(48,228)	(40,421)
<b>Cash generated from operating activities</b>	<b>34,840</b>	<b>35,446</b>
Income taxes paid	(2,212)	(6,433)
Interest paid	(119)	(126)
Interest received	917	1,044
<b>Net cash provided by operating activities</b>	<b>33,426</b>	<b>29,932</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property and equipment	-	4
Acquisition of property and equipment and intangible assets	(27,012)	(27,527)
<b>Net cash used by investing activities</b>	<b>(27,012)</b>	<b>(27,523)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	-	-
Repayment of loans and borrowings	(1,161)	(1,110)
<b>Net cash provided by financing activities</b>	<b>(1,161)</b>	<b>(1,110)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,253</b>	<b>1,298</b>
Cash, cash equivalents at beginning of year	14,880	13,338
Exchange gains (losses) on cash and cash equivalents	268	245
<b>Cash and cash equivalents at end of year</b>	<b>20,401</b>	<b>14,881</b>

The Financial Statements were approved on 16 May 2019 and signed by:



Mr. G. Mezvrishvili, General Director



Mr. I. Zakareishvili, Finance Manager

Mrs. Karina Kazarian, Chief Accountant

**SAKAERONAVIGATSIA LLC**

As at and for the year ended December 31, 2018

(All amounts are in thousands of Georgian Lari unless stated otherwise)

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Retained earnings	Total
<b>Balance at 1 January 2017</b>	61,768	65,087	126,855
Total comprehensive income for 2017	-	15,503	15,503
Net decrease in share capital	(555)	-	(555)
<b>Balance at 31 December 2017</b>	<b>61,213</b>	<b>80,590</b>	<b>141,803</b>
Total comprehensive income for 2018	-	17,295	17,295
Net decrease in share capital	142	-	142
<b>Balance at 31 December 2018</b>	<b>61,355</b>	<b>97,885</b>	<b>159,240</b>

The Financial Statements were approved on 16 May 2019 and signed by:

  
\_\_\_\_\_  
Mr. G. Mezvrishvili, General Director  
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Mr. I. Zakareishvili, Finance Manager  
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Mrs. Karina Kazarian, Chief Accountant



## NOTES TO FINANCIAL STATEMENTS

### 1. General information

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2018 for Sakaeronavigatsia LLC (the "Company").

The Company was established as a state-owned company on 19 December 1995 and registered as a limited liability company on 6 December 1999 (court registration number N714-1327). The Company's principal activity is to provide air-traffic control and navigation services within the airspace of Georgia, as well as air-traffic control for landing and take-offs and related airport services in Tbilisi, Batumi, Kutaisi and Mestia.

Since January 1, 2014 Georgia became 40<sup>th</sup> member of EUROCONTROL, the European Organization for the Safety of Air Navigation. EUROCONTROL is a civil-military organization committed to building, together with its partners, a Single European Sky that will deliver the air traffic management (ATM) performance required for the twenty-first century and beyond.

The Company's registered address is Tbilisi Airport 0158, Georgia.

The average number of employee during 2018 was 800 (2017: 794).

### 2. Summary of significant accounting policies

**Basis of preparation.** These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**Presentation currency.** All amounts in these financial statements are in Georgian lari (GEL), unless otherwise stated.

**Financial instruments - key measurement terms.** Financial instruments are carried at amortised cost as described below.

All financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Company commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Company may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life



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of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

The Company derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

**Property and equipment.** 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.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying asset, borrowing costs capitalized in accordance with Company's accounting policy.

Property and equipment transferred from the Ministry of Economy and Sustainable Development of Georgia for the purpose of replenishment of the Company's charter capital are recognized at the value determined by the independent appraiser for individual assets transferred. Subsequent to recognition, these assets are measured at cost less accumulated depreciation and impairment losses.

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.

Depreciation is charged to profit or loss 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:

	Estimated useful life (years)
Buildings	20
Machinery and equipment	7
Fixtures and fittings	8
Office equipment	3 - 8
Vehicles	7
Other	3 - 8

**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 on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 5 years.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

**Trade and other receivables.** Trade and other receivables are carried at amortised cost using the effective interest method.

**Impairment of financial assets carried at amortised cost.** Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be



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(All amounts are in thousands of Georgian Lari unless stated otherwise)

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reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems; the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

**Prepayments.** Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

**Charter capital.** The amount of Company's authorised charter capital is defined by the Company's Charter. The changes in the Company's Charter (including changes in Charter capital, ownership, etc.) shall be made only based on the decision of the Company's shareholders. The authorised capital is recognised as charter capital in the equity of the Company upon shareholder's resolution.

**Value added tax.** Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded at the gross amount of the debtor including VAT.

**Borrowings.** Borrowings are carried at amortised cost using the effective interest method.

**Capitalisation of borrowing costs.** Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest costs applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for



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**(All amounts are in thousands of Georgian Lari unless stated otherwise)**

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the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

**Government grants.** Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profits or loss on a straight line basis over the expected lives of the related assets.

**Provisions for liabilities and charges.** Provisions for liabilities and charges are nonfinancial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**Trade and other payables.** Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

**Foreign currency translation.** The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company, and the Company's presentation currency, is the national currency of Georgia ("GEL").

Monetary assets and liabilities are translated into the entity's functional currency at the official exchange rate of the Central Bank of Georgia ("NBC") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the entity's functional currency at year-end official exchange rates of the NBG are recognised in profit or loss as finance income or costs. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2018 the principal rate of exchange used for translating foreign currency balances was USD 1 = GEL 2.6766 and EUR 1 = GEL 3.0701 (2017: USD 1 = GEL 2.5922 and EUR 1 = GEL 3.1044).

**Revenue recognition.** Sales of services are recognised in the accounting period in which the services are rendered, by using immediate recognition method. Sales are shown net of VAT (where applicable).

**Employee benefits.** Wages, salaries, annual leave and sick leave, bonuses and other benefits (meals, accommodation, transportation, etc.) are accrued in the period in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments.

**Offsetting.** Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Amendment of the financial statements after issue.** Any changes to these financial statements after issue require approval of the Company's management who authorised these financial statements for issue.

### **3. Critical accounting estimates, and judgments in applying accounting policies**

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next

**Useful lives of property and equipment.** The estimation of the useful lives of items of property and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

**Going concern.** Management prepared these financial statements on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.



**4. Amendments to IFRS that are mandatorily effective for the current period**

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. The existing doubtful debt allowance (on trade receivables) calculation methodology results in larger provisions than the expected credit losses under IFRS 9. However, as the difference is not regarded as material, the Company has not reduced recognized credit losses to lower amounts.

**5. New and revised IFRS in issue but not yet effective and not early adopted by the Company**

Below is a list of standards/interpretations that have been issued and are effective for periods on or after 1 January 2019 and have not been early applied in preparing this financial statement. None of these is expected to have a significant effect on the financial statements of the Group:

***IFRS 16 Leases – (effective for accounting periods beginning on or after 1 January 2019)***

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

The Company does not anticipate the standard's adoption will have any material effect.

**6. Related Parties**

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As of 31 December 2018 and 2017 the Company's immediate and ultimate parent and controlling party was the Government of Georgia represented by the Ministry of Economy and Sustainable Development of Georgia (the "MoESD"). In the normal course of business the Company provides air navigation services to certain parties for which the MoESD assumes the payment liability to the Company.

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances:

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<i>Transactions</i>	<b>2018</b>	<b>2017</b>
Government of Georgia - shareholder		
- Interest expense	955	950
Key management		
- short-term benefits	698	626
- contributions to retirement fund	100	83
<hr/>		
<i>Outstanding balances</i>	<b>31-Dec-18</b>	<b>31-Dec-17</b>
Government of Georgia - shareholder		
- Borrowings	5,780	6,191

**7. Property and equipment**

Movements in the carrying amount of property and equipment were as follows in 2018:

	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Fixtures and fittings</b>	<b>Construction in Progress</b>	<b>Office Equipment</b>	<b>Vehicles</b>	<b>Total</b>
Cost at 01.01.18	65,628	130,274	6,739	35,076	8,271	7,625	253,613
Accumulated depreciation and impairment	(22,085)	(99,029)	(4,489)	(2,158)	(6,173)	(1,881)	(135,815)
<i>Depreciation</i>	(11,458)	(87,062)	(4,295)	-	(6,016)	(1,831)	(110,662)
<i>Impairment</i>	(10,627)	(11,967)	(194)	(2,158)	(157)	(50)	(25,153)
<b>Carrying amount at 01.01.18</b>	<b>43,543</b>	<b>31,245</b>	<b>2,249</b>	<b>32,918</b>	<b>2,098</b>	<b>5,744</b>	<b>117,798</b>
Additions	274	596	-	15,595	2,026	7,219	25,710
Transfers of cost	2,737	19,213	11	(22,594)	633	-	-
Transfers of impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Elimination of depreciation on disposals	104	873	-	-	592	-	1,570
Write-off	(261)	(911)	(1)	(288)	(599)	-	(2,060)
Elimination of impairment on write-off	3	30	-	-	2	-	35
Depreciation charge	(2,138)	(8,483)	(550)	-	(930)	(388)	(12,488)
<b>Carrying amount at 31.12.18</b>	<b>44,263</b>	<b>42,563</b>	<b>1,710</b>	<b>25,631</b>	<b>3,823</b>	<b>12,575</b>	<b>130,565</b>
Cost or valuation at 31.12.18	65,628	130,274	6,739	35,076	8,271	7,625	253,613
Accumulated depreciation and impairment	(22,085)	(99,029)	(4,489)	(2,158)	(6,173)	(1,881)	(135,815)
<i>Depreciation</i>	(11,458)	(87,062)	(4,295)	-	(6,016)	(1,831)	(110,662)
<i>Impairment</i>	(10,627)	(11,967)	(194)	(2,158)	(157)	(50)	(25,153)
<b>Carrying amount at 31.12.18</b>	<b>44,263</b>	<b>42,563</b>	<b>1,710</b>	<b>25,631</b>	<b>3,823</b>	<b>12,575</b>	<b>130,565</b>

The main additions of 2018 include construction in progress of GEL 15,595 thousand (2017: GEL 19,264). Construction in progress mainly consists of navigation equipment and premises. Upon completion, assets are transferred to the respective classes of property and equipment.

Assets with the historical cost of GEL 89,203 are fully depreciated as at 31 December 2018



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Movements in the carrying amount of property and equipment were as follows in 2017:

	Land and buildings	Machinery and equipment	Fixtures and fittings	Construction in Progress	Office Equipment	Vehicles	Total
Cost at 01.01.17	60,536	124,439	6,264	26,527	6,972	7,470	232,208
Accumulated depreciation and impairment	(20,076)	(89,457)	(3,979)	(2,198)	(5,665)	(1,505)	(122,880)
<i>Depreciation</i>	(9,480)	(77,490)	(3,785)	-	(5,508)	(1,454)	(97,717)
<i>Impairment</i>	(10,596)	(11,967)	(194)	(2,198)	(157)	(51)	(25,163)
<b>Carrying amount at 01.01.17</b>	<b>40,460</b>	<b>34,982</b>	<b>2,285</b>	<b>24,329</b>	<b>1,307</b>	<b>5,965</b>	<b>109,328</b>
Additions	235	1,143	90	19,264	1,273	190	22,195
Transfers of cost	5,558	4,693	384	(10,662)	27	-	-
Disposals	(40)	-	-	40	-	-	-
Elimination of depreciation on disposals	-	-	-	-	-	(34)	(34)
Write-off	-	-	-	-	-	34	34
Elimination of depreciation on write-off	(701)	-	-	(53)	-	-	(754)
Elimination of impairment on write-off	9	-	-	-	-	-	9
Depreciation charge	(1,979)	(9,572)	(510)	-	(508)	(411)	(12,980)
<b>Carrying amount at 31.12.17</b>	<b>43,542</b>	<b>31,246</b>	<b>2,249</b>	<b>32,918</b>	<b>2,099</b>	<b>5,744</b>	<b>117,798</b>
Cost at 31.12.17	65,628	130,274	6,739	35,076	8,271	7,625	253,613
Accumulated depreciation and impairment	(22,085)	(99,029)	(4,489)	(2,158)	(6,173)	(1,881)	(135,815)
<i>Depreciation</i>	(11,458)	(87,062)	(4,295)	-	(6,016)	(1,831)	(110,662)
<i>Impairment</i>	(10,627)	(11,967)	(194)	(2,158)	(157)	(50)	(25,153)
<b>Carrying amount at 31.12.17</b>	<b>43,543</b>	<b>31,245</b>	<b>2,249</b>	<b>32,918</b>	<b>2,098</b>	<b>5,744</b>	<b>117,798</b>

**8. Intangible assets**

Movements in the carrying amount of Intangible assets were as follows in 2018:

	Software	Total
Cost at 01.01.18	3,710	3,710
Accumulated amortization and impairment	(2,256)	(2,256)
<i>Amortization</i>	(1,961)	(1,961)
<i>Impairment</i>	(295)	(295)
<b>Carrying amount at 01.01.18</b>	<b>1,454</b>	<b>1,454</b>
Additions	1,336	1,336
Amortization charge	(553)	(553)
<b>Carrying amount at 31.12.18</b>	<b>2,236</b>	<b>2,236</b>
Cost at 31.12.18	5,045	5,045
Accumulated amortization and impairment	(2,809)	(2,809)
<i>Amortization</i>	(2,514)	(2,514)
<i>Impairment</i>	(295)	(295)
<b>Carrying amount at 31.12.18</b>	<b>2,236</b>	<b>2,236</b>

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Movements in the carrying amount of Intangible assets were as follows in 2017:

	Software	Total
Cost 01.01.17	3,478	3,478
Accumulated amortization and impairment	(1,750)	(1,750)
<i>Amortization</i>	(1,455)	(1,455)
<i>Impairment</i>	(295)	(295)
<b>Carrying amount at 01.01.17</b>	<b>1,728</b>	<b>1,728</b>
Additions	232	232
Amortization charge	(506)	(506)
<b>Carrying amount at 31.12.17</b>	<b>1,454</b>	<b>1,454</b>
Cost or valuation at 31.12.17	3,710	3,710
Accumulated amortization and impairment	(2,256)	(2,256)
<i>Amortization</i>	(1,961)	(1,961)
<i>Impairment</i>	(295)	(295)
<b>Carrying amount at 31.12.17</b>	<b>1,454</b>	<b>1,454</b>

**9. Prepayments for non-current assets**

	31-Dec-18	31-Dec-17
<i>Prepayments for non-current assets</i>		
Prepayments for non-current assets	1,865	3,747
Less provision for irrecoverable prepayments – NCA	-	(106)
<b>Total prepayments for non-current assets</b>	<b>1,865</b>	<b>3,641</b>

**10. Inventories**

	31-Dec-18	31-Dec-17
Spare parts	3,550	2,730
Other	25	25
<b>Total inventories</b>	<b>3,575</b>	<b>2,755</b>

**11. Trade and other receivables**

	31-Dec-18	31-Dec-17
Trade receivables	19,185	17,384
Provision for impairment	(6,196)	(5,871)
<b>Net trade receivables</b>	<b>12,989</b>	<b>11,513</b>
Other financial receivables	783	790
Provision for impairment	(773)	(769)
<b>Net financial assets at amortized cost</b>	<b>12,999</b>	<b>11,534</b>
Net tax asset	-	2,757
Prepayments for goods and services	705	604
Provision for irrecoverable prepayments	(391)	(489)
<b>Total trade and other receivables</b>	<b>13,313</b>	<b>14,406</b>

Net trade receivables are denominated in foreign currencies, totally (100%) in Euros (2017: 99%) and 0% in US dollars (2017:1%).



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**12. Cash and cash equivalents**

	31-Dec-18	31-Dec-17
Current assets - bank balances payable on demand	17,000	11,388
<b>Total cash and cash equivalents</b>	<b>17,000</b>	<b>11,388</b>

**13. Borrowings**

	31-Dec-18	31-Dec-17
Term loans - Non-current	5,398	5,848
Term loans - Current	382	343
<b>Total borrowings</b>	<b>5,780</b>	<b>6,191</b>

The Company's borrowings are denominated in Euros.

The Company does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

31 December 2018:

	Grant Date	Maturity Date	Effective interest rate per annum	Outstanding amount in original currency (EUR)	Outstanding amount in GEL
Tranche 1 of MoF loan	19-Feb-09	31-Mar-27	24.00%	259	795
Tranche 2 of MoF loan	23-May-09	30-Jun-27	16.76%	1,306	4,010
Tranche 3 of MoF loan	29-Sep-09	30-Sep-27	9.54%	318	975
<b>Total borrowings</b>				<b>1,883</b>	<b>5,780</b>

31 December 2017:

	Grant Date	Maturity Date	Effective interest rate per annum	Outstanding amount in original currency (EUR)	Outstanding amount in GEL
Tranche 1 of MoF loan	19-Feb-09	31-Mar-27	24.00%	270	838
Tranche 2 of MoF loan	23-May-09	30-Jun-27	16.76%	1,383	4,292
Tranche 3 of MoF loan	29-Sep-09	30-Sep-27	9.54%	342	1,061
<b>Total borrowings</b>				<b>1,994</b>	<b>6,191</b>

In 2009 a term loan with contractual amount of EUR 4,690 thousand was granted in three tranches by the Government of Georgia, through the Ministry of Finance of Georgia (the "MoF"), based on a re-lending agreement dated 30 January 2009. The loan was disbursed for implementation of a radar system for Tbilisi Airport. Construction and testing of the radar system was completed and the asset was put into use in November 2009. The maturity of the loan is 18 years, bearing a fixed contractual interest rate of 1.1% per annum. The grace period for repayment of the principal amount of the loan is 78 months and the effective interest rate at the date of recognition was estimated as 15.87%. The estimation was based on an internal rate of return on Eurobonds issued by Georgian Government, which are denominated in US Dollars and traded on European stock exchanges. Benefit calculated as a difference between the proceeds and the initial fair value of the loan, net of transaction costs is accounted for as government grants

For disclosure of related party transactions and balances please refer to note 6.

Linking of represented Borrowings with Cash flows from financing activities in statement of Cash flow is given below:

	2018	2017
Borrowings 01.01.2018	6,191	5,850
Interest expense	955	950
Repayment of borrowings and interest	(1,280)	(1,235)
Exchange gains (losses)	(86)	626
<b>Borrowings 31.12.2018</b>	<b>5,780</b>	<b>6,191</b>



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**14. Government grants**

During 2009 the Company obtained a term loan from the government at a below market rate. Benefit calculated as difference between the proceeds and the initial fair value of the loan, net of transaction costs is accounted for as government grants:

	31-Dec-18	31-Dec-17
Government grants at 1 January	-	1,028
Unwinding of government grant	-	(1,028)
<b>Government grants at 31 December</b>	<b>-</b>	<b>-</b>

The grants have been amortized into the statement of comprehensive income on straight line basis over a period of 8 years.

**15. Trade and other payables**

	31-Dec-18	31-Dec-17
Trade payables	1,802	3,104
Taxes other than income tax	1,123	-
Salaries payable	3,082	2,892
Other payables	5	4
<b>Total trade and other payables</b>	<b>6,012</b>	<b>6,000</b>

Trade payables of GEL 1,139,2028 (2017: GEL 2,028) are denominated in foreign currencies, mainly 73% in Euros (2017: 84%) and 27% in US dollars (2017: 14%).

**16. Analysis of revenue by categories**

	2018	2017
Revenue from air navigation services to transit flights	51,283	49,573
Revenue from take-off and landing services	30,069	25,583
Miscellaneous	1,262	577
<b>Total revenues</b>	<b>82,614</b>	<b>75,733</b>

**17. Other operating income**

	2018	2017
Unwinding of government grant	-	1,028
Other income/(expense)	-	8
<b>Total other operating income</b>	<b>-</b>	<b>1,036</b>

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**18. Other operating expenses**

	2018	2017
Training of technical staff	1,001	2,497
Repair and maintenance expenses	2,989	2,363
Eurocontrol contribution	2,429	2,052
Business trips	2,063	1,550
Taxes other than income tax	1,648	1,529
Other expenses	1,623	1,462
Airspace and Property Insurance	1,168	1,206
Utility expenses	915	829
Test flights	833	765
Communication expenses	628	570
Georgian Civil Aviation Agency Fee	472	502
Materials and spare parts	1,150	396
Provision for doubtful receivables	233	372
Transportation and fuel	316	241
Eurocontrol administration cost	304	158
Banking service	138	142
Representative expenses	470	131
Auditor service	137	108
Advertising	25	15
Land and building rent	24	13
<b>Total other operating expenses</b>	<b>18,563</b>	<b>16,901</b>

**19. Finance income**

	2018	2017
Foreign exchange gain	2,286	3,561
Interest income	533	737
Interest income (pension fund)	359	308
<b>Total finance income</b>	<b>3,178</b>	<b>4,606</b>

**20. Finance costs**

	2018	2017
Foreign exchange loss	1,991	3,763
Interest expense	955	950
<b>Total finance costs</b>	<b>2,946</b>	<b>4,713</b>

**21. Contingencies and commitments**

**Legal proceedings.** From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

**Tax legislation.** Georgian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities. The Georgian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. And it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.



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**Environmental matters.** The enforcement of environmental regulation in Georgia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**22. Financial risk management**

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

**Credit risk.** The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Company applied simplified approach to calculate expected credit loss on trade receivables in accordance with IFRS 9. Previously existing methodology results in recognition of larger allowances. The management believes the difference is not material and therefore the reported provisions have not been reduced to expected credit losses calculated under IFRS 9:

	31/12/2018	01/01/2018
Possible loss rate	0.3%	0.3%
Total trade and other receivables	19,963	18,174
Provisions relating to bad debts*	(6,374)	(6,374)
<b>Trade Receivables subjected to expected credit loss analysis</b>	<b>13,589</b>	<b>11,800</b>
Impairment loss based on possible loss rate	41	35
<b>Provision for Impairment recognized in finance statement</b>	<b>595</b>	<b>266</b>

\* Due to legal and administrative peculiarities, the Company does not write-off bad debts, instead a 100 percent allowance is created which is carried forward until an appropriate decision is made by the government to allow the Company to remove the receivables from its balance sheet.

**Market risk.** The Company takes on exposure to market risks. Market risks arise from open positions in (a foreign currencies, (b interest bearing assets and liabilities and (c equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated for example, changes in interest rate and changes in foreign currency rates.

**Currency risk.** In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored monthly. The table below summarizes the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	31-Dec-18			31-Dec-17		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Georgian Lari	6,514	668	5,846	10,969	1,080	9,889
US Dollars	6,224	303	5,921	5,838	285	5,553
Euros	17,575	6,565	11,010	12,705	7,885	4,820
Other	-	51	-51	5	49	(44)
<b>Total</b>	<b>30,313</b>	<b>7,587</b>		<b>29,517</b>	<b>9,299</b>	

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.



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The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Company entities, with all other variables held constant:

	31-Dec-18		31-Dec-17	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 10%	592	503	555	472
US Dollar weakening by 10%	(592)	(503)	(555)	(472)
Euro strengthening by 10%	1,101	936	482	410
Euro weakening by 10%	(1,101)	(936)	(482)	(410)
Other strengthening by 10%	(5)	(4)	(4)	(4)
Other weakening by 10%	5	4	4	4

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

**Interest rate risk.** The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company's interest-bearing assets include bank term deposits when available.

The Company's interest rate risk arises mainly from borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant to the Company's business. However at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Company over the expected period until maturity.

**Liquidity risk.** Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Management monitors monthly rolling forecasts of the Company's cash flows. The Company seeks to maintain a stable funding base primarily consisting of operating cash flows, and customer prepayments.

The table below shows liabilities at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

	Less than 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
<b>Liabilities</b>					
Borrowings	847	841	6,509	2,591	10,788
Trade and other payables	1,807	-	-	-	1,807
<b>Total unamortized contractual cash flows</b>	<b>2,654</b>	<b>841</b>	<b>6,509</b>	<b>2,591</b>	<b>12,595</b>

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

	Demand and less than 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
<b>Liabilities</b>					
Borrowings	865	859	7,097	3,425	12,246
Trade and other payables	3,108	-	-	-	3,108
<b>Total unamortized contractual cash flows</b>	<b>3,973</b>	<b>859</b>	<b>7,097</b>	<b>3,425</b>	<b>15,354</b>

**Management of capital.** The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There have been no changes in the Company's approach to management of capital during the year.

**SAKAERONAVIGATSIA LLC**

**As at and for the year ended December 31, 2018**

**(All amounts are in thousands of Georgian Lari unless stated otherwise)**

The company is not subject to externally imposed capital requirements.

**23. Presentation of financial instruments by measurement category**

	31.12.2018	31.12.2017
<b>Financial assets at amortized cost</b>		
- Bank balances payable on demand	20,401	14,881
- Trade receivables	12,999	10,974
- Other financial receivables	314	3,661
<b>Total Financial assets</b>	<b>33,714</b>	<b>29,516</b>
<b>Financial liabilities at amortized cost</b>		
- Trade payables	6,012	6,000
- Borrowings	5,780	6,191
<b>Total Financial liabilities</b>	<b>11,792</b>	<b>12,191</b>

**24. Non-state Retirement Benefit Scheme**

In 2015 the Company has registered a non-state retirement benefit scheme. The arrangement is a defined contribution plan in which contributions are shared between the Company and voluntarily participating employees at 18% and 7% of base salary cost, respectively.

The legislation requires the founder of a non-state retirement benefit scheme to set-up and maintain at all times pension fund equity of at least 2 million GEL. The Company deposited 3,000 GEL on a special account in bank as the fund's equity. This guarantee asset is reported as a long-term asset – restricted cash in the statement of financial position. Cash in excess of 2,000 GEL is voluntarily restricted to pension fund by the Company but can be withdrawn for its needs as and if required:

	31-Dec-18	31-Dec-17
Restricted cash – legislative requirement for the lifetime of retirement benefit plan	2,000	2,000
Voluntarily restricted additional deposit	1,000	1,000
Voluntarily restricted interest accrued on bank deposit	401	493
<b>Total restricted cash</b>	<b>3,401</b>	<b>3,493</b>

The contributions to the scheme commenced in 2018, the Company's share in which amounted to 1,937 GEL ( 2017: 1,457 GEL). The Company's accrued contribution payable at 31 December 2018 is 185 GEL (2017: 165 GEL).

The overview of the Company's Retirement Benefit Scheme at 31 December 2018 is provided below:

	Balance 01/01/2018	Interest Revenue	Social Contributions	Investment Profit	Transaction Cost	Transfer	Balance 31/12/2018
<b>Pension Fund Assets:</b>							
<b>Special Account (Bank)</b>	<b>3,493</b>	<b>359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(450)</b>	<b>3,401</b>
<b>Net assets available for benefits</b>	<b>2,328</b>	<b>-</b>	<b>2,948</b>	<b>384</b>	<b>(25)</b>	<b>(63)</b>	<b>5,571</b>
Securities	113	-	-	12	-	(12)	113
Cash & short term deposits	497	-	220	232	(9)	(401)	539
Long term deposits	1,490	-	2,700	140	-	350	4,680
Accounts receivable	229	-	28	-	-	-	257
Accounts payable	(1)	-	-	-	(16)	-	(17)
<b>Total Assets</b>	<b>5,821</b>	<b>359</b>	<b>2,948</b>	<b>384</b>	<b>(25)</b>	<b>(513)</b>	<b>8,973</b>
<b>Net Worth:</b>	<b>3,014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,014</b>
Pension Fund Equity	479	359	-	-	-	(450)	388
Retained Earnings	-	-	-	-	-	-	-
<b>Total Net Worth</b>	<b>3,493</b>	<b>359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(450)</b>	<b>3,402</b>



**SAKAERONAVIGATSIA LLC**

As at and for the year ended December 31, 2018

(All amounts are in thousands of Georgian Lari unless stated otherwise)

	Balance 01/01/2018	Interest Revenue	Social Contributions	Investment Profit	Transaction Cost	Transfer	Balance 31/12/2018
<b>Liabilities:</b>							
Insurance technical reserves	2,328	-	2,948	384	(26)	(63)	5,571
<b>Total Liabilities</b>	<b>2,328</b>	<b>-</b>	<b>2,948</b>	<b>384</b>	<b>(26)</b>	<b>(63)</b>	<b>5,571</b>

The overview of the Company's Retirement Benefit Scheme at 31 December 2017 is provided below:

	Balance 01/01/2017	Interest Revenue	Social Contributions	Investment Profit	Transaction Cost	Transfer	Balance 31/12/2017
<b>Pension Fund Assets:</b>							
<b>Special Account (Bank)</b>	<b>3,185</b>	<b>308</b>					<b>3,493</b>
<b>Net assets available for benefits</b>	<b>-</b>	<b>-</b>	<b>2,254</b>	<b>80</b>	<b>(5)</b>	<b>-</b>	<b>2,329</b>
Securities	-	-	111	6	-	(4)	113
Cash & short term deposits	-	-	471	18	(4)	12	497
Long term deposits	-	-	1,442	56	-	(8)	1,490
Accounts receivable	-	-	230	-	-	-	230
Accounts payable	-	-	-	-	(1)	-	(1)
<b>Total Assets</b>	<b>3,185</b>	<b>308</b>	<b>2,254</b>	<b>80</b>	<b>(5)</b>	<b>-</b>	<b>5,822</b>
<b>Net Worth:</b>							
Pension Fund Equity	3,014	-					3,014
Retained Earnings	171	308					479
<b>Total Net Worth</b>	<b>3,185</b>	<b>308</b>					<b>3,493</b>
<b>Liabilities:</b>							
Insurance technical reserves	-	-	2,254	80	(5)	-	2,329
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,254</b>	<b>80</b>	<b>(5)</b>	<b>-</b>	<b>2,329</b>

**25. Audit fees**

Fees for the audit of these financial statements amount to 46 GEL.