SAKAERONAVIGATSIA LLC

Financial Statements for the year ended December 31, 2019

with

Independent Auditors' Report

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Statement of management's responsibilities

Management of Sakaeronavigatsia LLC is responsible for accompanying financial statements of the Sakaeronavigatsia LLC.

This responsibility includes:

- preparation of financial statements in accordance with International Financial Reporting Standards;
- selection of suitable accounting policies and their consistent application;
- making judgments and estimates which are reasonable and prudent;
- preparation of the financial statements on the going concern basis, unless circumstances make this inappropriate.

Management is also responsible for:

- creation, implementation and maintaining effective internal control system;
- keeping proper accounting records in compliance with local regulations;
- taking such steps that are reasonably open to them to safeguard the assets of the Company, and
- prevention and detection of fraud and other irregularities.

The financial statements for the year ended December 31, 2019 were approved by the management and signed on its behalf:

Gocha Mezvrishvili
General Director

Irakli Zakareishvili
Finance Manager

SAKAERONAVIGATSIA LLC

Date: May 15, 2020

Karina Kazarian
Chief Accountant

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Moore Abc, LLC
6 Marjanishvili Street
0102, Tbilisi, Georgia
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INDEPENDENT AUDITORS' REPORT
To the Management of Sakaeronavigatsia LLC

Opinion

We have audited the financial statements of Sakaeronavigatsia LLC (the "Company") which comprise the statement of financial position as of December 31, 2019 and the statement of comprehensive income, statement of cash flows, statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as of December 31, 2019, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for our Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants` Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the standalone financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we gave obtained is sufficient and appropriate to provide a basis for our opinion.

Other conditions

Company's Financial Statements audit for the year ended December 31, 2018 was conducted by another auditor, who expressed an unqualified opinion on May 16, 2019. Presented comparative information for above mentioned date is adjusted only for compliance (see Note 2.22), therefore, we do not express an opinion on these data.

Other Information

Other information consists of the information included in the Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report 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, 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.

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 International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 Company 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.

Auditors' Responsibility for the Audit of the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Company'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 Company'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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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.

Mikheil Abaiadze / Certified Auditor / Partner

Audit firm registration number: *SARAS-F-320544*
Auditor registration number: *SARAS-A-865011*

Tbilisi, Georgia

May 15, 2020

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Tbilisi, Georgia

May 15, 2020

SAKAERONAVIGATSIA LLC
Statement of financial position
As at December 31, 2019
All amounts are indicated in thousand Lari (GEL)

	Note	31-Dec-19	31-Dec-18
Assets			
Non-current assets			
Property and equipment	6	144,462	130,565
Intangible assets	7	3,348	2,236
Prepayment for non-current assets	8	520	1,865
Restricted cash	9	2,000	2,000
Total non-current assets		**150,330**	**136,666**
Current assets			
Inventories	10	4,572	3,575
Trade and other receivables	11	13,812	13,313
Cash and cash equivalents	12	6,604	18,401
Total current assets		**24,988**	**35,289**
Total assets		**175,318**	**171,955**
Equity			
Charter capital	13	61,308	61,355
Retained earnings		100,666	97,885
Total equity		**161,974**	**159,240**
Liabilities			
Non-current liabilities			
Borrowings	14	5,183	5,398
Total non-current liabilities		**5,183**	**5,398**
Current liabilities			
Trade and other payables	15	6,749	6,012
Current portion of long-term borrowings	14	456	382
Advances received		956	923
Total current liabilities		**8,161**	**7,317**
Total liabilities		**13,344**	**12,715**
Total liabilities and equity		**175,318**	**171,955**

Gocha Mezvrishvili
General Director

Irakli Zakareishvili
Finance Manager

SAKAERONAVIGATSIA LLC

Date: May 15, 2020

Karina Kazarian
Chief Accountant

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SAKAERONAVIGATSIA LLC
Statement of comprehensive income
As at December 31, 2019
All amounts are indicated in thousand Lari (GEL)

	Note	2019	2018
Revenue	16	74,195	81,726
Other operating income	17	1,760	888
Staff costs	18	(39,897)	(33,945)
Depreciation and amortization	6; 7	(13,041)	(13,043)
Other operating expenses	19	(20,021)	(18,448)
Operating income		**2,996**	**17,178**
Finance income	20	637	892
Finance costs	21	(947)	(955)
Foreign exchange gain / (loss)		95	180
Profit / (loss) for the year		**2,781**	**17,295**
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		**2,781**	**17,295**

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SAKAERONAVIGATSIA LLC
Statement of changes in equity
As at December 31, 2019
All amounts are indicated in thousand Lari (GEL)

	Charter capital	Retained earnings	Total equity
Balance at December 31, 2017	**61,213**	**80,590**	**141,803**
Gain for 2018	-	17,295	**17,295**
Net increase / (decrease) in capital	142	-	**142**
Balance at December 31, 2018	**61,355**	**97,885**	**159,240**
Gain for 2019	-	2,781	**2,781**
Net increase / (decrease) in capital	(47)	-	**(47)**
Balance at December 31, 2019	**61,308**	**100,666**	**161,974**

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SAKAERONAVIGATSIA LLC
Statement of cash flows
As at December 31, 2019
All amounts are indicated in thousand Lari (GEL)

	Note	2019	2018
Cash flows from operating activities			
Cash receipts from customers		77,239	83,068
Other operating income		1,625	-
Cash paid to suppliers and employees		(54,270)	(48,228)
Taxes paid		(8,172)	(2,212)
Interest paid		(113)	(119)
Interest received		637	917
Net cash provided by operating activities		***16,946***	***33,426***
Cash flows from investing activities			
Proceeds from disposal of property and equipment		27	-
Acquisition of property and equipment and intangible assets		(27,869)	(27,012)
Net cash used for investing activities		**(27,842)**	**(27,012)**
Cash flows from financing activities			
Repayment of loans and borrowings		(1,236)	(1,161)
Net cash provided by financing activities		***(1,236)***	***(1,161)***
Net increase (decrease) in cash and cash equivalents		***(12,132)***	***5,253***
Cash and cash equivalents at the beginning of the year		20,401	14,880
Exchange gains (losses) on cash and cash equivalents		335	268
Cash and cash equivalents at the end of the year	**9; 12**	**8,604**	**20,401**

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1 The company and its activities

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2019 for Sakaeronavigatsia LLC (ID 208144051), (the "Company").

The Company was established as a state-owned company on December 19, 1995 and registered as a limited liability company on December 6, 1999 (court registration number N714-1327). The state owns 100% of the company. General Director of the company is Gocha Mezvrishvili.

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 40th 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 and factual address is Tbilisi Airport 0158, Georgia.

The average number of employee during 2019 was 832 (2018: 800).

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention.

The financial statements have been prepared on the assumption that the Company will continue as going concern in the foreseeable future.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in relevant notes as summarised in note 3. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

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.

2.2 Presentation currency

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

2.3 Financial instruments - key measurement terms

Financial instruments are carried at amortised cost.

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.

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.

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

2 Summary of significant accounting policies *(Continued)*

2.3 Financial instruments - key measurement terms *(Continued)*

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 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.

2.4 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 are recognized at the value determined by the independent appraiser and normally 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 maintanance, 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.

At the end of each reporting period, useful lives, residual value and depreciation methods are reviewed and adjusted, if necessary.

In 2019, the useful life of fixed assets was revised and a decision was made to extend the life of existing assets.

The estimated useful lives of property, plant and equipment for the years ended December 31, 2019 and 2018 are distributed as follows:

	Estimated useful life (years)	
	31-Dec-19	**31-Dec-18**
Buildings	20	20
Machinery and equipment	10	7
Fixtures and fittings	8-10	8
Office equipment	5-10	3-8
Vahicles	10	7
Other	N/A	3-8

Fully depreciated fixed assets are written off by the order of the National Agency for State Property, LEPL.

2.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recognized in the statement of financial position if, and only if (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; (b) the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Amortization is charged to profit or loss on a straight line basis over the estimated useful lives of the intangible assets - 5 years.

Fully amortized fixed assets are written off by the order of the National Agency for State Property, LEPL.

2 Summary of significant accounting policies *(Continued)*

2.6 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, asset is written down to its the recoverable amount in the profit or loss. Recoverable amount is the higher of net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2.7 Inventories

Inventories are accounted at cost and measured at the lower of cost and net realizable 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.

2.8 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 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 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.

2.9 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.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other shod-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.

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

2 Summary of significant accounting policies *(Continued)*

2.11 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.

2.12 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 debitor including VAT.

2.13 Borrowings

Borrowings are earned at amortised cost using the effective interest method.

2.14 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) a significant period of time is required, capitalisation becomes part of the value of these assets if the start date of the capitalisation is January 1, 2009, or the date after it.

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 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.

2.15 Provisions for liabilities and charges

Provisions for liabilities and charges are nonfinancial liabilities of unchain liming 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.

2.16 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.

2.17 Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. COompanies functional and 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 ('NBG') 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.

The main exchange rates used to recalculate the balances in foreign currency for the years ended December 31, 2019 and 2018 are:

	31-Dec-19	31-Dec-18
1 USD =	2.8677	2.6766
1 Eur =	3.2095	3.0701

2.18 Revenue recognition

The Company recognizes revenues from service rendered when: it is possible to assess it reliably; it is possible that future economic benefits will flow to the entity; it is possible to define the completion stage of the transaction at the reporting date; and it is possible to define the costs associated with the settlement of a transaction. The amount of revenue is recognized as the fair value of remuneration received or has to be received from the selling of goods or rendering of services.

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

2 Summary of significant accounting policies *(Continued)*

2.18 Revenue recognition *(Continued)*

For each contract the Company takes the following steps: Identifies the contract existence, identifies the performance obligations, determines the transaction price, which implies the assessment of variable remuneration amount and time value of money; the amount indicated in a contract is allocated among performance obligations on a basis of comparative prices; and recognizes the revenue only when all performance obligation is fulfilled in a manner of transferring all promised good or service.

2.19 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.

2.20 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.

2.21 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.

2.22 Comparative information

Comparative information is also reclassified in compliance with the current year's financial statements. The management believes that current presentation provides information that is accurate, more relevant and useful for the users of the financial statements.

Summary of the adjustments made as a result of recalculations in the statement of financial position and the statement of comprehensive income for the year ended December 31, 2019, are presented in the table below:

STATEMENT OF FINANCIAL POSITION

31-Dec-18	**Previous period**	**Reclassification**	**Restated**
Restricted cash	3,401	(1,401)	2,000
Cash and their equivalents	17,000	1,401	18,401
Effect on total assets	**20,401**	**-**	**20,401**

STATEMENT OF COMPREHENSIVE INCOME

2018	**Previous period**	**Reclassification**	**Restated**
Revenue	82,614	(888)	81,726
Other operating income	-	888	888
Other operating expenses	(18,563)	115	(18,448)
Finance income	3,178	(2,286)	892
Finance costs	(2,946)	1,991	(955)
Foreign exchange gain / (loss)	-	180	180
Effect on total comprehensive income	**64,283**	**-**	**64,283**

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 financial year are disclosed below.

3.1 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.

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

3 Critical accounting estimates and judgments in applying accounting policies *(Continued)*

3.2 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 IASB issued the new standard for accounting for leases − IFRS 16 Leases in January 2016, which is effective for annual periods beginning on or after January 1, 2019. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessee to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

There was no effect of IFRS 16 for current year's financial statement, the Company only had rent expense, which has concluded at the end of January, 2020.

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

Prior to the date of approval of the Company's financial statements, certain new standards, interpretations and changes were published in the existing standards, which have not yet entered into force for the current reporting period and which the company has not received in advance. Among them are the following changes:

a) Definition of Material - Amendments to IAS 1 and IAS 8;
b) Business definition - Amendments to IFRS 3;
c) Amendments to the Conceptual Framework for Financial Reporting;
d) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28;
e) IFRIC 23 — Uncertainty over Income Tax Treatments

The company does not anticipate the standards' adoption will have any material effect.

6 Property and equipment

Movements in the carrying amount of property and equipment were as follows in 2019:

	Land and buildings	Machinery and equipment	Fixtures and fittings	Construction in progress	Office equipment	Vehicles	Total
Cost at 31.12.2018	**68,378**	**149,172**	**6,749**	**27,789**	**10,331**	**14,844**	**277,263**
Accumulated depreciation and impairment	**(24,116)**	**(106,609)**	**(5,039)**	**(2,158)**	**(6,507)**	**(2,269)**	**(146,698)**
Depreciation	(13,492)	(94,672)	(4,845)	-	(6,352)	(2,219)	**(121,580)**
Impairment	(10,624)	(11,937)	(194)	(2,158)	(155)	(50)	**(25,118)**
Carrying amount at 31.12.2018	**44,262**	**42,563**	**1,710**	**25,631**	**3,824**	**12,575**	**130,565**
Additions	238	1,935	447	20,736	2,436	650	**26,442**
Transfers of cost	168	36,718	544	(37,450)	20	-	**-**
Disposals	(10)	(112)	-	-	(57)	(301)	**(480)**
Elimination of depreciation on disposals	7	99	-	-	53	80	**239**
Depreciation charge	(2,259)	(7,935)	(379)	-	(1,108)	(623)	**(12,304)**
Carrying amount at 31.12.19	**42,406**	**73,268**	**2,322**	**8,917**	**5,168**	**12,381**	**144,462**
Cost at 31.12.19	**68,774**	**187,713**	**7,740**	**11,075**	**12,730**	**15,193**	**303,225**
Accumulated depreciation and impairment	**(26,368)**	**(114,445)**	**(5,418)**	**(2,158)**	**(7,562)**	**(2,812)**	**(158,763)**
Depreciation	(15,744)	(102,508)	(5,224)	-	(7,407)	(2,762)	**(133,645)**
Impairment	(10,624)	(11,937)	(194)	(2,158)	(155)	(50)	**(25,118)**
Carrying amount at 31.12.19	**42,406**	**73,268**	**2,322**	**8,917**	**5,168**	**12,381**	**144,462**

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

6 Property and equipment *(Continued)*

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

	Land and buildings	Machinery and equipment	Fixtures and fittings	Construction in progress	Office equipment	Vehicles	Total
Cost at 31.12.2017	**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)**
Depreciation	(11,458)	(87,062)	(4,295)	-	(6,016)	(1,831)	**(110,662)**
Impairment	(10,627)	(11,967)	(194)	(2,158)	(157)	(50)	**(25,153)**
Carrying amount at 31.12.2017	**43,543**	**31,245**	**2,250**	**32,918**	**2,098**	**5,744**	**117,798**
Additions	274	596	-	15,595	2,026	7,219	**25,710**
Transfers of cost	2,737	19,213	11	(22,594)	633	-	**-**
Elimination of depreciation on disposals	104	873	-	-	594	-	**1,571**
Disposals	(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)	**(12,489)**
Carrying amount at 31.12.18	**44,262**	**42,563**	**1,710**	**25,631**	**3,824**	**12,575**	**130,565**
Cost at 31.12.18	**68,378**	**149,172**	**6,749**	**27,789**	**10,331**	**14,844**	**277,263**
Accumulated depreciation and impairment	**(24,116)**	**(106,609)**	**(5,039)**	**(2,158)**	**(6,507)**	**(2,269)**	**(146,698)**
Depreciation	(13,492)	(94,672)	(4,845)	-	(6,352)	(2,219)	**(121,580)**
Impairment	(10,624)	(11,937)	(194)	(2,158)	(155)	(50)	**(25,118)**
Carrying amount at 31.12.18	**44,262**	**42,563**	**1,710**	**25,631**	**3,824**	**12,575**	**130,565**

The main additions in 2019 includes construction in progress with GEL 20,736 thousand (2018: GEL 15,595 thousand). Construction in progress mainly consists of navigation equipment and premises. Upon completion, the asset is transferred to the respective classes of property and equipment.

As at December 31, 2019, the historical value of the fully depreciated fixed assets is GEL 87,061 (2018: GEL 77,703).

7 Intangible assets

Movements in the carrying amount of Intangible assets were as follows in 2019:

	Licenses	Software	Total
Cost at 31.12.2018	**1,752**	**3,295**	**5,047**
Accumulated amortization and impairment	**(868)**	**(1,943)**	**(2,811)**
Amortization	(866)	(1,650)	**(2,516)**
Impairment	(2)	(293)	**(295)**
Carrying amount at 31.12.2018	**884**	**1,352**	**2,236**
Additions	1,649	200	**1,849**
Amortization charge	(394)	(343)	**(737)**
Carrying amount at 31.12.19	**2,139**	**1,209**	**3,348**
Cost at 31.12.19	**3,401**	**3,495**	**6,896**
Accumulated amortization and impairment	**(1,262)**	**(2,286)**	**(3,548)**
Amortization	(1,260)	(1,993)	**(3,253)**
Impairment	(2)	(293)	**(295)**
Carrying amount at 31.12.19	**2,139**	**1,209**	**3,348**

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

7 Intangible assets *(Continued)*

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

	Licenses	Software	Total
Cost 31.12.2017	**1,752**	**1,959**	**3,711**
Accumulated amortization and impairment	**(529)**	**(1,728)**	**(2,257)**
Amortization	(527)	(1,435)	**(1,962)**
Impairment	(2)	(293)	**(295)**
Carrying amount at 31.12.2017	**1,223**	**231**	**1,454**
Additions	-	1,336	**1,336**
Amortization charge	(339)	(215)	**(554)**
Carrying amount at 31.12.18	**884**	**1,352**	**2,236**
Cost at 31.12.18	**1,752**	**3,295**	**5,047**
Accumulated amortization and impairment	**(868)**	**(1,943)**	**(2,811)**
Amortization	(866)	(1,650)	**(2,516)**
Impairment	(2)	(293)	**(295)**
Carrying amount at 31.12.18	**884**	**1,352**	**2,236**

As at December 31, 2019, the historical value of the fully amortized intangible assets is GEL 1,795 thousand (2018: GEL 1,783 thousand).

8 Prepayment for non-current assets

Prepayment for non-current assets	31-Dec-19	31-Dec-18
Prepayment for non-current assets	520	1,865
Total prepayments for non-crrent assets	**520**	**1,865**

Provision for irrecoverable prepayments is related to advances paid more than 12 months ago, as a result of which nothing has been accepted or it is not expected that the company will receive anything.

As at December 31, 2019 and 2018, Provision for irrecoverable prepayments is GEL 0.

9 Restricted cash

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 GEL 2 million. The Company deposited GEL 3 million on a special account in bank as the fund's equity. The guarantee asset in the amount of GEL 2 million is reported as a long-term asset – restricted cash in the statement of financial position. Cash in excess of minimal requirement of investment (GEL 2 million) can be used by the company, if such desicision will be made, and is represented as cash and cash equivalents.

The contributions to the scheme commenced in 2017. During 2019, the Company's contributions amounted to GEL 2,497 (2018: GEL 2,102). The Company's accrued contribution payable at 31 December 2019 is GEL 223 (2018: GEL 185).

Pension savings are distributed to the employees involved in the scheme in the following cases: (1) the employee has reached retirement age and a pension is distributed based on the employee's request; (2) the participant leaves Sakaeronavigatsia LLC before reaching the retirement age, receives the pension savings accumulated in their pension account without deduction; (3) in the event of the death of a participant, the pension shall be paid to their heirs on the same terms and conditions as the participant. During 2019, pension savings distributed to participants amounted GEL 158 (2018: GEL 63).

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

9 Restricted cash *(Continued)*

The overview of the Company's Retirement Benefit Scheme at 31 December 2019 is provided below:

	31-Dec-18	Interest revenue	Social con-tributions	Investment profit	Transaction cost	Transfer	Payment of pension	31-Dec-19
Pension fund assets								
Special account (bank)	**3,401**	**265**	**-**	**-**	**-**	**(400)**	**-**	**3,266**
Net assets available for benefits	**5,571**	**-**	**3,520**	**737**	**(66)**	**-**	**(158)**	**9,604**
Securities	113	-	432	23	-	144	-	712
Cash & short term deposits	539	-	2	361	(84)	423	(158)	1,083
Long term deposits	4,680	-	3,033	353	-	(567)	-	7,499
Accounts receivable	256	-	53	-	-	-	-	309
Accounts payable	(17)	-	-	-	18	-	-	1
Total assets	**8,972**	**265**	**3,520**	**737**	**(66)**	**(400)**	**(158)**	**12,870**
Net worth								
Pension fund equity	3,014	-	-	-	-	(13)	-	3,001
Retained earnings	387	265	-	-	-	(387)	-	265
Total net worth	**3,401**	**265**	**-**	**-**	**-**	**(400)**	**-**	**3,266**
Liabilities								
Insurance technical reserves	5,571	-	3,520	737	(66)	-	(158)	9,604
Total liabilities	**5,571**	**-**	**3,520**	**737**	**(66)**	**-**	**(158)**	**9,604**
Total liabilities and equity	**8,972**	**265**	**3,520**	**737**	**(66)**	**(400)**	**(158)**	**12,870**

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

	31-Dec-17	Interest revenue	Social con-tributions	Investment profit	Transaction cost	Transfer	Payment of pension	31-Dec-18
Pension fund assets								
Special account (bank)	**3,492**	**359**	**-**	**-**	**-**	**(450)**	**-**	**3,401**
Net assets available for benefits	**2,328**	**-**	**2,948**	**384**	**(26)**	**-**	**(63)**	**5,571**
Securities	113	-	-	12	-	(12)	-	113
Cash & short term deposits	498	-	220	232	(10)	(338)	(63)	539
Long term deposits	1,490	-	2,700	140	-	350	-	4,680
Accounts receivable	228	-	28	-	-	-	-	256
Accounts payable	(1)	-	-	-	(16)	-	-	(17)
Total assets	**5,820**	**359**	**2,948**	**384**	**(26)**	**(450)**	**(63)**	**8,972**
Net worth								
Pension fund equity	3,014	-	-	-	-	-	-	3,014
Retained earnings	478	359	-	-	-	(450)	-	387
Total net worth	**3,492**	**359**	**-**	**-**	**-**	**(450)**	**-**	**3,401**
Liabilities								
Insurance technical reserves	2,328	-	2,948	384	(26)	-	(63)	5,571
Total liabilities	**2,328**	**-**	**2,948**	**384**	**(26)**	**-**	**(63)**	**5,571**
Total liabilities and equity	**5,820**	**359**	**2,948**	**384**	**(26)**	**(450)**	**(63)**	**8,972**

10 Inventories

Inventories	**31-Dec-19**	**31-Dec-18**
Spare parts	4,441	3,416
Others	131	159
Total inventories	**4,572**	**3,575**

Inventories valued at other operating expenses for 2019 is GEL 1,135 thousand (2018: GEL 1,835 thousand).

11 Trade and other receivables

Trade and other receivables	**31-Dec-19**	**31-Dec-18**
Trade receivables	19,831	19,070
Provision for impairment	(6,542)	(6,081)
Net trade receivables	**13,289**	**12,989**
Prepayments for goods and services	503	705
Provision for irrecoverable prepayments	-	(391)
Total trade and other receivables	**503**	**314**
Other financial receivables	20	783
Provision for impairment	-	(773)
Net financial assets at amortized cost	**20**	**10**
Total financial assets in trade and other receivables	**13,812**	**13,313**

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

11 Trade and other receivables *(Continued)*

Net trade receivables amounting to GEL 8,942 thousand (2018: GEL 9,706) are denominated in foreign currency, totally 100% in Euros (2018: 100%).

Allowance for Impairment (increase) / decrease	**2019**	**2018**
Allowance for Impairment as at january 1	**7,245**	**7,129**
Provision for doubtful receivables for the year	440	118
Write-offs for the year	(1,143)	(2)
Allowance for Impairment as at December 31	**6,542**	**7,245**

12 Cash and cash equivalents

Cash and cash equivalents	**31-Dec-19**	**31-Dec-18**
Bank balances payable on demand in home currency	4,309	3,996
Bank balances payable on demand in foreign currency (EUR)	1,490	8,181
Bank balances payable on demand in foreign currency (USD)	805	6,224
Total cash and cash equivalents	**6,604**	**18,401**

Cash and cash equivalents as of December 31, 2019 include cash on the Company's non-state retirement benefit scheme account in the amount of GEL 1,001 (2018: GEL 1,014).

13 Charter capital

The charter capital is the nominal value of the capital reflected in the founding documentation. According to the company's charter, the owners of the capital are entitled to receive a dividend, which is issued from time to time, also, they have the right to vote at the meeting of the shareholders' council of the company according to the shares they own. The company’s distributable reserve is limited by the amount of retained earnings, which is reflected in the company’s financial statements prepared in accordance with IFRS.

14 Borrowings

Borrowings	**31-Dec-19**	**31-Dec-18**
Term loans - non-current (Eur)	5,183	5,398
Term loans - current (Eur)	456	382
Total borrowings	**5,639**	**5,780**

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. For disclosure of related party transactions and balances please refer to note 24.

31-Dec-2019	**Grant Date**	**Maturity Date**	**Effective interest rate per annum**	**Outsndanding amount in (EUR)**	**Outstanding amount in GEL**
Tranche 1 of MoF loan	19-Feb-09	31-Mar-27	24.00%	246	790
Tranche 2 of MoF loan	23-May-09	30-Jun-27	16.76%	1,219	3,912
Tranche 3 of MoF loan	29-Sep-09	30-Sep-27	9.54%	292	937
Total borrowings				**1,757**	**5,639**

31-Dec-2018	**Grant Date**	**Maturity Date**	**Effective interest rate per annum**	**Outsndanding amount in (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
Total borrowings				**1,883**	**5,780**

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.

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

	2019	**2018**
Balance at January 1	5,780	6,191
Interest expense	947	955
Repayment of borrowings and interest	(1,349)	(1,280)
Exchange gains (losses)	261	(86)
Balance at December 31	**5,639**	**5,780**

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

15 Trade and other payables

Trade and other payables	31-Dec-19	31-Dec-18
Salaries payable	4,022	3,340
Trade payables	2,111	1,544
Taxes other than income tax	610	1,124
Other payables	6	4
Total trade and other payables	**6,749**	**6,012**

Trade payables in the amount of GEL 572 thousand (2018: GEL 252 thousand) is denominated in Euros, in the amount of GEL 349 thousand in US dollars (2018: GEL 326 thousand) and in the amount of GEL 56 thousand in other currencies (2018: GEL 54 thousand).

16 Revenue

Revenue	2019	2018
Revenue from air navigation services to transit flights	45,366	51,283
Reveneu from take-off and landing services	28,500	30,069
Other income	329	374
Total revenue	**74,195**	**81,726**

17 Other operating income

Other operating income	2019	2018
Income from insurance loss	1,612	-
Income from fines	95	866
Other income	53	22
Total other operating income	**1,760**	**888**

18 Staff costs

Staff costs	2019	2018
Salary expense	27,282	24,299
Bonuses	3,610	2,871
Supplement for the years of service	3,331	2,591
Non-state retirement benefit scheme (Company share 18%)	3,207	2,646
Employee health insurance	1,603	1,132
State pension fund	501	-
Other benefits	363	406
Total staff costs	**39,897**	**33,945**

Due to the company's internal policy, employees in the field of aviation are paid a monthly supplement based on their years of service / experience. Employees with 3 to 5 years of service have 5% benefit, 10% benefit from 5 to 10 years of service, 15% benefit from 10 to 15 years of service, and 20% benefit over 15 years of service.

For details about non-state retirement benefit scheme see note 9.

19 Other operating expenses

Other operating expenses	2019	2018
Repair and maintenance expenses	3,605	2,989
Eurocontrol contribution	2,594	2,429
Business trips	2,465	2,063
Taxes other than income tax	1,739	1,648
Training of technical staff	1,577	1,001
Airspace and property insurance	1,504	1,309
Utility expenses	940	915
Test flights	929	833
Georgian Civil Aviation Agency fee	725	472
Materials and spare parts	689	1,617
Communication expenses	677	628
Provision for doubtful receivables (Note 11)	440	118
Transportation and fuel	329	316
Eurocontrol administration cost	289	304
Representative expenses	140	470
Land and building rent	102	24
Auditor service	79	137
Banking service	70	138
Advertising	15	25
Other expenses	1,113	1,012
Total Other operating expenses	**20,021**	**18,448**

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

20 Finance income

Finance income	**2019**	**2018**
Interest income	372	533
Interest income (pension fund)	265	359
Total finance income	**637**	**892**

21 Finance costs

Finance costs include the interest expense accrued on the long-term borrowings in the amount of GEL 947 thousand (2018: GEL 955 thousand).

22 Contingencies and commitments

22.1 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.

22.2 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.

22.3 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.

23 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.

23.1 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-Dec-19	**31-Dec-18**
Expected loss rate	0.4%	0.3%
Total impairment arising from old reporting periods *	(6,168)	(6,679)
Revenues subject to loss assessment	**74,195**	**81,726**
Trade and other receivables subject to loss assessment	**13,663**	**12,391**
Allowance for impairment calculated at the expected loss rate	(351)	(282)
Allowance for impairment of trade and other receivables	(6,542)	(6,854)
Impact of IFRS 9 on provision for impairment of trade and other receivables	**23**	**(107)**

* The company does not write-off bad debts due to a number of administrative and legislative factors. Instead, a 100% 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.

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

23 Financial risk management *(Continued)*

23.2 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:

	December 31, 2019			December 31, 2018		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Georgian Lari	8,676	1,140	7,536	7,289	916	6,373
US Dollars	805	349	456	6,224	326	5,898
Euros	10,432	6,211	4,221	17,887	6,032	11,855
Other	-	56	(56)	-	54	(54)
Total	**19,913**	**7,756**		**31,400**	**7,328**	

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.

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:

	December 31, 2019		December 31, 2018	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 10%	46	39	590	501
US Dollar weakening by 10%	(46)	(39)	(590)	(501)
Euro strengthening by 10%	422	359	1,186	1,008
Euro weakening by 10%	(422)	(359)	(1,186)	(1,008)
Other strengthening by 10%	(6)	(5)	(5)	(5)
Other weakening by 10%	6	5	5	5

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 December 31, 2019 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.

All amounts are indicated in thousand Lari (GEL unless indicated otherwise)

23 Financial risk management *(Continued)*

23.2 Market risk

Liquidity risk (Continued)

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 2019 is as follows:

	Less than 6 months	From 6 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities					
Borrowings	678	678	5,283	3,269	9,908
Trade payables	2,117	-	-	-	2,117
Total	**2,795**	**678**	**5,283**	**3,269**	**12,025**

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

	Less than 6 months	From 6 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities					
Borrowings	655	655	5,106	4,371	10,787
Trade payables	1,548	-	-	-	1,548
Total	**2,203**	**655**	**5,106**	**4,371**	**12,335**

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.

The company is not subject to externally imposed capital requirements.

Presentation of financial instruments by measurement category	**31-Dec-19**	**31-Dec-18**
Financial assets at amortized cost		
-Trade receivables	13,309	12,999
-Bank balances payable	8,604	20,401
-Other financial receivabels	503	314
Total Financial assets	**22,416**	**33,714**
Financial liabilities at amortized cost		
-Trade payables	6,749	6,012
-Borrowings	5,639	5,780
Total Financial liabilities	**12,388**	**11,792**

24 Retaled 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 December 31, 2019 and 2018 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 year 2019 and 2018 the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances:

Transactions	**2019**	**2018**
Government of Georgia		
- Interest expense	947	950
- reimbursement of revenues from exepmted flights	835	747
Key management		
- short-term benefits	1,317	626
- contributions to retirement fund	120	83
- Other expenses	271	40

Outstanding balances	**31-Dec-19**	**31-Dec-18**
Government of Georgia		
- Borrowings	5,639	5,780

25 Events after the reporting period

At the beginning of 2020, the world encountered the danger of spreading the viral coronavirus (“COVID 19”). On March 11, 2020, the World Health Organization announced a pandemic in relation to coronavirus. Due to the situation, the Government of Georgia has developed several measures, including declaring a state of emergency and a curfew. From March 21, 2020 regular flights have been suspended. According to the management's assessement COVID 19 and related regulations have significantly hindered Company's operations. However, since Sakaeronavigatsia LLC is the only entity providing airnavigation services in Georgia, management assesses that these circumstances will not affect Company’s ability to continue as a going concern.

There have been no other events after the reporting period end which would require adjustments to the figures presented in these financial statements or any additional disclosures.

26 Audit fees

Fees for the audit of these financial statements amount to GEL 53 thousand.

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