

**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 2017**

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BAKER TILLY GEORGIA LTD

44, K. Abkhazi str., Meidan Palace
Tbilisi 0105, Georgia
Tel/Fax: (+995 32) 243 8999
E-mail: office@bakertillygeorgia.ge

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 2017, 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 28) present fairly, in all material respects the financial position of the Company as at 31 December 2017, 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.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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
25 May 2018
Tbilisi, Georgia



SAKAERONAVIGATSIA LLC

As at December 31, 2017

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

STATEMENT OF FINANCIAL POSITION

	Notes	31-Dec-17	31-Dec-16
Assets			
<i>Non-current assets</i>			
Property and equipment	7	117,798	109,328
Intangible Assets	8	1,454	1,728
Prepayments for non-current assets	9	3,641	2,140
Restricted cash	26	3,493	3,185
Total non-current assets		126,386	116,381
<i>Current assets</i>			
Inventories	10	2,755	1,445
Trade and other receivables	11	14,406	15,530
Prepaid income tax		-	1,251
Cash and cash equivalents	12	11,388	10,153
Total current assets		28,549	28,379
Total assets		154,935	144,760
Equity			
Share capital		61,213	61,768
Retained earnings		80,590	65,087
Total equity		141,803	126,855
Liabilities			
<i>Non-current liabilities</i>			
Borrowings	13	5,848	5,572
Government grants	14	-	1,028
Total non-current liabilities		5,848	6,600
<i>Current liabilities</i>			
Trade and other payables		6,000	10,177
Current portion of long-term borrowings		343	278
Advances received		941	850
Total current liabilities		7,284	11,305
Total Liabilities		13,132	17,905
Total equity and liabilities		154,935	144,760

The Financial Statements were approved on 25 May 2018 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, 2017

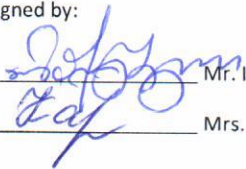
(All amounts are in thousands of Georgian Lari unless stated otherwise)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31-Dec-17	Year ended 31-Dec-16
Revenue	16	75,733	66,908
Other operating income	17	1,036	885
Staff costs		(30,772)	(25,888)
Depreciation and amortization	7, 8	(13,486)	(13,185)
Other operating expenses	18	(16,901)	(15,900)
Result before finance and other benefits (charges)		15,610	12,820
Finance income	19	4,606	5,839
Finance costs	20	(4,713)	(5,435)
Profit before income tax		15,503	13,224
Income tax expense	21	-	(2,566)
Profit for the year		15,503	10,658
Other comprehensive income		-	-
Total comprehensive income for the year		15,503	10,658

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Mrs. Karina Kazarian, Chief Accountant

SAKAERONAVIGATSIA LLC

For the year ended December 31, 2017

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

STATEMENT OF CASH FLOWS

	Year ended 31-Dec-17	Year ended 31-Dec-16
Cash flows from operating activities		
Cash receipts from customers	75,867	65,197
Cash paid to suppliers and employees	(40,421)	(42,710)
Cash generated from operating activities	35,446	22,487
Income taxes paid	(6,433)	(3,738)
Interest paid	(126)	(129)
Net cash provided by operating activities	28,887	18,620
Cash flows from investing activities		
Proceeds from disposal of property and equipment	4	55
Acquisition of property and equipment and intangible assets	(27,527)	(40,049)
Repayment of loans and interest	1,044	916
Net cash used by investing activities	(26,479)	(39,078)
Cash flows from financing activities		
Proceeds from loans and borrowings	-	-
Repayment of loans and borrowings	(1,110)	(1,040)
Net cash provided by financing activities	(1,110)	(1,040)
Net increase (decrease) in cash and cash equivalents	1,298	(21,498)
Cash, cash equivalents at beginning of year	13,338	34,620
Exchange gains (losses) on cash and cash equivalents	245	216
Cash and cash equivalents at end of year	14,881	13,338

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 Mr. I. Zakareishvili, Finance Manager


 Mrs. Karina Kazarian, Chief Accountant

SAKAERONAVIGATSIA LLC

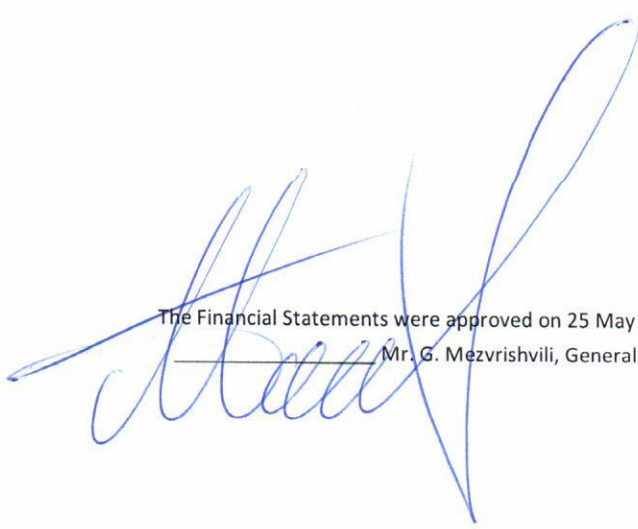
As at and for the year ended December 31, 2017

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
Balance at 1 January 2016	61,833	54,429	116,262
Total comprehensive income for 2016	-	10,658	10,658
Net decrease in share capital (note 27)	(65)	-	(65)
Balance at 31 December 2016	61,768	65,087	126,855
Total comprehensive income for 2017	-	15,503	15,503
Net decrease in share capital (note 27)	(555)	-	(555)
Balance at 31 December 2017	61,213	80,590	141,803

The Financial Statements were approved on 25 May 2018 and signed by:


Mr. G. Mezvrishvili, General Director
Mr. I. Zakareishvili, Finance Manager
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 2017 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 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 address is Tbilisi Airport 0158, Georgia.

The average number of employee during 2017 was 794 (2016: 772).

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. Depending on their classification instruments are carried at fair value or amortised cost as described below.

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.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

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 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

SAKAERONAVIGATSIA LLC**As at and for the year ended December 31, 2017****(All amounts are in thousands of Georgian Lari unless stated otherwise)**

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.

Classification of financial assets and financial liabilities. All of the Company's financial assets fall into loans and receivables measurement category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

All of the Company's financial liabilities are classified as other financial liabilities and are carried at amortised cost.

Initial recognition of financial instruments. 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.

Derecognition of financial assets. 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.

Taxes. In May 2016 Georgian Parliament approved a new Tax Code in effect from 1 January 2017 effectively abolishing income (profit) tax. Therefore all deferred assets and liabilities existing at that date have been written-off as there is no future possibility of their recovery (settlement).

Output value added tax related to certain revenues (international travel related services are exempt from VAT) 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.

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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 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

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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 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 NBC 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 2017 the principal rate of exchange used for translating foreign currency balances was USD 1 = GEL 2.5922 and EUR 1 = GEL 3.1044 (2016: USD 1 = GEL 2.6468 and EUR 1 = GEL 2.794).

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.

SAKAERONAVIGATSIA LLC

As at and for the year ended December 31, 2017

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

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 Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Additional monetary disclosures have been added to notes describing financial liabilities to comply with the initiative.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. As of 1 January 2017 the Company's business is not subject to profit tax and thus the amendment has no impact on the financial statements.

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 2018 and have not been early applied in preparing these financial statements.

IFRS 9 Financial Instruments – (effective for accounting periods beginning on or after 1 January 2018)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 as subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have performed a preliminary assessment of the impact of IFRS 9 to the Company's statements as follows:

Classification and measurement

Given their nature and composition, the Group's financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost will be subject to the impairment provisions of IFRS 9.

The Company expects to apply (and if required) the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and amounts due from customer under construction contracts as required or permitted by IFRS 15.

The directors are currently assessing the extent of this impact. In general, due to the nature of its operations the impact of the standard should be negligible.

Hedge accounting

The Company has no existing hedges and thus there will be no impact.

IFRS 15 Revenue from Contracts with Customers – (effective for accounting periods beginning on or after 1 January 2018)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors are still in the process of assessing the full impact of the application of IFRS 15 on the Company's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. The directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

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 is currently assessing the impact of the standard on its financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be

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classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - a. the original liability is derecognised;
 - b. the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
 - c. any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. These amendments will have no impact on the Company's financial statements in the foreseeable future.

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 2017 and 2016 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:

<i>Transactions</i>	2017	2016
Government of Georgia - shareholder		
- Interest expense	950	364
Key management		
- short-term benefits	626	507
- contributions to retirement fund	83	-
<i>Outstanding balances</i>	31-Dec-17	31-Dec-16
Government of Georgia - shareholder		
- Borrowings received	5,848	5,572
- Accrued interest on borrowings	343	278
- Government grants	-	1,028

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7. Property and equipment

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)
Carrying amount at 01.01.17	40,460	34,982	2,285	24,329	1,307	5,965	109,328
Additions	235	1,143	90	19,264	1,273	190	22,195
Transfers of cost	5,558	4,693	384	(10,662)	27	-	-
Transfers of impairment	(40)	-	-	40	-	-	-
Disposals	-	-	-	-	-	(34)	(34)
Elimination of depreciation on disposals	-	-	-	-	-	34	34
Write-off	(701)	-	-	(53)	-	-	(754)
Elimination of impairment on write-off	9	-	-	-	-	-	9
Depreciation charge	(1,979)	(9,572)	(510)	-	(508)	(411)	(12,980)
Carrying amount at 31.12.17	43,542	31,246	2,249	32,918	2,099	5,744	117,798
Cost or valuation 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)
Carrying amount at 31.12.17	43,543	31,245	2,249	32,918	2,098	5,744	117,798

The main additions of 2017 include construction in progress of GEL 19 264 thousand (2016: GEL 25 921). 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 2017

Movements in the carrying amount of property and equipment were as follows in 2016:

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	Land and buildings	Machinery and equipment	Fixtures and fittings	Construction in Progress	Office Equipment	Vehicles	Total
Cost at 01.01.16	49,010	110,972	5,823	16,913	6,748	2,141	191,607
Accumulated depreciation and impairment	(18,349)	(80,394)	(3,538)	(2,198)	(5,296)	(1,337)	(111,112)
<i>Depreciation</i>	(7,748)	(68,379)	(3,344)	-	(5,136)	(1,285)	(85,892)
<i>Impairment</i>	(10,601)	(12,015)	(194)	(2,198)	(160)	(52)	(25,220)
Carrying amount at 01.01.16	30,661	30,578	2,285	14,715	1,452	804	80,495
Additions	10,357	517	75	25,921	385	5,418	42,673
Transfers of cost	1,448	13,744	372	(15,563)	-	-	1
Disposals	-	(479)	-	-	(5)	(89)	(573)
Elimination of depreciation on disposals	-	479	-	-	5	88	572
Write-off	(283)	(315)	(5)	(744)	(156)	-	(1,503)
Elimination of depreciation on write-off	37	266	5	-	151	-	459
Elimination of impairment on write-off	9	48	-	-	3	-	60
Depreciation charge	(1,769)	(9,856)	(447)	-	(528)	(256)	(12,856)
Carrying amount at 31.12.16	40,460	34,982	2,285	24,329	1,307	5,965	109,328
Cost at 31.12.16	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)
Carrying amount at 31.12.16	40,460	34,982	2,285	24,329	1,307	5,965	109,328

8. Intangible assets

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

	Software	Total
Cost at 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)
Carrying amount at 01.01.17	1,728	1,728
Additions	232	232
Amortization charge	(506)	(506)
Carrying amount at 31.12.17	1,454	1,454
Cost 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)
Carrying amount at 31.12.17	1,454	1,454

Movements in the carrying amount of Intangible assets were as follows in 2016:

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	Software	Total
Cost 01.01.16	1,847	1,847
Accumulated amortization and impairment	(1,422)	(1,422)
<i>Amortization</i>	(1,127)	(1,127)
<i>Impairment</i>	(295)	(295)
Carrying amount at 01.01.16	425	425
Additions	1,633	1,633
Amortization charge	(330)	(330)
Carrying amount at 31.12.16	1,728	1,728
Cost or valuation at 31.12.16	3,478	3,478
Accumulated amortization and impairment	(1,750)	(1,750)
<i>Amortization</i>	(1,455)	(1,455)
<i>Impairment</i>	(295)	(295)
Carrying amount at 31.12.16	1,728	1,728

9. Prepayments for non-current assets

	31-Dec-17	31-Dec-16
<i>Prepayments for non-current assets</i>		
Prepayments for non-current assets	3,747	2,140
Less provision for irrecoverable prepayments – NCA	(106)	-
Total prepayments for non-current assets	3,641	2,140

10. Inventories

	31-Dec-17	31-Dec-16
Spare parts	2,730	1,420
Other	25	25
Total inventories	2,755	1,445

11. Trade and other receivables

	31-Dec-17	31-Dec-16
Trade receivables	17,384	17,461
Provision for impairment	(5,871)	(5,605)
Net trade receivables	11,513	11,856
Other financial receivables	790	782
Provision for impairment	(769)	(769)
Net financial assets at amortized cost	11,534	11,869
Net tax asset	2,757	3,564
Prepayments for goods and services	604	586
Provision for irrecoverable prepayments	(489)	(489)
Total trade and other receivables	14,406	15,530

Net trade receivables are denominated in foreign currencies, mainly (99%) in Euros (2016: 99%) and 1% in US dollars (2016: 1 %).

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12. Cash and cash equivalents

	31-Dec-17	31-Dec-16
Current assets - bank balances payable on demand	11,388	10,153
Total cash and cash equivalents	11,388	10,153

13. Borrowings

	31-Dec-17	31-Dec-16
Term loans - Non-current	5,848	5,572
Term loans - Current	343	278
Total borrowings	6,191	5,850

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 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
Total borrowings				1,994	6,191

31 December 2016:

	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%	279	781
Tranche 2 of MoF loan	23-May-09	30-Jun-27	16.76%	1,450	4,053
Tranche 3 of MoF loan	29-Sep-09	30-Sep-27	9.54%	364	1,017
Total borrowings				2,094	5,851

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.

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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-17	31-Dec-16
Government grants at 1 January	1,028	2,055
Unwinding of government grant	(1,028)	(1,027)
Government grants at 31 December	-	1,028

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-17	31-Dec-16
Trade payables	3,104	5,161
Taxes other than income tax	-	2,775
Salaries payable	2,892	2,237
Other payables	4	5
Total trade and other payables	6,000	10,177

Trade payables of GEL 2,028 (2016: GEL 4,383) are denominated in foreign currencies, mainly 84% in Euros (2016: 92%) and 14% in US dollars (2016: 7%).

16. Analysis of revenue by categories

	2017	2016
Revenue from air navigation services to transit flights	49,573	47,431
Revenue from take-off and landing services	25,583	19,273
Miscellaneous	577	204
Total revenues	75,733	66,908

17. Other operating income

	2017	2016
Unwinding of government grant	1,028	1,027
Other income/(expense)	8	(142)
Total other operating income	1,036	885

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18. Other operating expenses

	2017	2016
Training of technical staff	2,497	2,620
Repair and maintenance expenses	2,363	2,335
Eurocontrol contribution	2,052	1,951
Business trips	1,550	2,003
Taxes other than income tax	1,529	1,171
Other expenses	1,462	777
Airspace and Property Insurance	1,206	705
Utility expenses	829	704
Test flights	765	542
Communication expenses	570	564
Georgian Civil Aviation Agency Fee	502	423
Materials and spare parts	396	700
Provision for doubtful receivables	372	651
Transportation and fuel	241	182
Eurocontrol administration cost	158	166
Banking service	142	140
Representative expenses	131	177
Auditor service	108	55
Advertising	15	10
Land and building rent	13	24
Total other operating expenses	16,901	15,900

19. Finance income

	2017	2016
Foreign exchange gain	3,561	4,926
Interest income	737	743
Interest income (pension fund)	308	170
Total finance income	4,606	5,839

20. Finance costs

	2017	2016
Foreign exchange loss	3,763	5,071
Interest expense	950	364
Total finance costs	4,713	5,435

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21. Income taxes
(a Components of income tax expense)

Income tax expense recorded in profit or loss comprises the following:

	2017	2016
Current tax	-	1,856
Deferred tax charge (benefit)	-	710
Income tax expense for the year	-	2,566

(b Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate)

The income tax rate applicable to the Company's income in 2016 was 15%. Reconciliation between the expected and actual taxation charge is provided below:

	2017	2016
Profit before tax	15,609	13,224
Theoretical tax charge at statutory rate of 15%		1,984
Imputed taxable income	-	-
Tax effect of non-deductible expenses		582
Effect of de-recognition of deferred tax assets following changes in tax legislation	-	-
Income tax expense for the year	-	2,566

(c Deferred taxes analyzed by type of temporary difference)

Differences between IFRS and statutory taxation regulations in Georgia gave rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax base. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 15% when applicable in 2016. Due to the change in tax legislation, effective from 1 January 2017, the majority of Georgian companies, including Sakaeronavigatsia LLC are exempt from profit tax on annual trading results (distribution of dividends became taxable transaction instead). Therefore, deferred tax assets and liabilities have been written off in the year ended 31 December 2016.

The tax effect of the movements in the temporary differences for the year ended 31 December 2016 are:

	01-Jan-16	(Charged/credited to profit and loss	(Charged/credited to Equity	31-Dec-16
Tax effects of deductible/(taxable temporary differences				
Property and equipment	(109)	109	-	-
Prepayments for current and non-current assets	125	(125)	-	-
Inventories	270	(270)	-	-
Trade and other receivables	671	(671)	-	-
Trade and other payables	362	(362)	-	-
Borrowings and Government grants	(609)	609	-	-
Net deferred income tax asset/(liability)	710	(710)	-	-

SAKAERONAVIGATSIA LLC**As at and for the year ended December 31, 2017****(All amounts are in thousands of Georgian Lari unless stated otherwise)****22. 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.

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.

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's maximum exposure to credit risk by class of assets is as follows:

	31-Dec-17	31-Dec-16
Trade and other receivables		
Trade receivables	11,513	11,856
Other financial receivables	21	13
Cash and cash equivalents		
Bank balances payable on demand	14,881	13,338
The maximum exposure to credit risk	26,415	25,207

The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The Company's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances.

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:

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	31-Dec-17			31-Dec-16		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Georgian Lari	10,969	1,080	9,889	8,408	783	7,625
US Dollars	5,838	285	5,553	4,638	292	4,346
Euros	12,705	7,885	4,820	12,156	9,876	2,280
Other	5	49	(44)	5	65	(60)
Total	29,517	9,299		25,207	11,016	

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:

	31-Dec-17		31-Dec-16	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 10%	555	472	435	369
US Dollar weakening by 10%	(555)	(472)	(435)	(369)
Euro strengthening by 10%	482	410	228	194
Euro weakening by 10%	(482)	(410)	(228)	(194)
Other strengthening by 10%	(4)	(4)	-	-
Other weakening by 10%	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 2017 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 2017 is as follows:

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

The maturity analysis of financial liabilities at 31 December 2016 is as follows:

	Demand and less than 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities					
Borrowings	599	597	4,682	6,245	12,123
Trade and other payables	5,166	-	-	-	5,166
Total future payments, including future principal and interest payments	5,765	597	4,682	6,245	17,289

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.

24. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Georgia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortized cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of the Company's financial assets approximate their fair values.

Liabilities carried at amortized cost. The estimated fair value of received loans with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of the Company's financial liabilities approximate their fair values.

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25. Presentation of financial instruments by measurement category

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2017:

	Loans and receivables	Available for sale assets	Trading assets	Assets designated at FVTPL	Held to maturity	Total
Assets						
Cash and cash equivalents						
- Cash on hand	-	-	-	-	-	-
- Bank balances payable on demand	14,881	-	-	-	-	14,881
Trade and other receivables						
- Trade receivables	10,974	-	-	-	-	10,974
- Other financial receivables	3,661	-	-	-	-	3,661
Loans	-	-	-	-	-	-
Total Financial assets	29,516	-	-	-	-	29,516

All of the Company's financial liabilities are carried at amortized cost.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2017:

	Loans and receivables	Available for sale assets	Trading assets	Assets designated at FVTPL	Held to maturity	Total
Assets						
Cash and cash equivalents						
- Cash on hand	13,338	-	-	-	-	13,338
- Bank balances payable on demand	-	-	-	-	-	-
Trade and other receivables						
- Trade receivables	11,087	-	-	-	-	11,087
- Other financial receivables	782	-	-	-	-	782
Total Financial assets	25,207	-	-	-	-	25,207

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26. Non-state Retirement Benefit Scheme

	Balance 01/01/2017	Interest Revenue	Social Contributions	Investment Profit	Transaction Cost	Transfer	Balance 31/12/2017
Pension Fund Assets:							
Special Account (Bank)	3,185	308					3,493
Net assets available for benefits	-	-	2,254	80	(5)	-	2,329
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)
Total Assets	3,185	308	2,254	80	(5)	-	5,822
Net Worth:							
Pension Fund Equity	3,014	-					3,014
Retained Earnings	171	308					479
Total Net Worth	3,185	308					3,493
Liabilities:							
Insurance technical reserves	-		2,254	80	(5)	-	2,329
Total Liabilities	-	-	2,254	80	(5)	-	2,329

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-17	31-Dec-16
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	493	185
Total restricted cash	3,493	3,185

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

27. Share capital

Share capital is fully paid-in and is increased or reduced as decided by the Company's owner (Government of Georgia). During 2017 shareholder reduced the capital by 705 GEL and subsequently, increased it by 150 GEL.