Silk Real Estate LLC

Separate Financial Statements for 2022

Contents

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Independent Auditors' Report

To the Owners of Silk Real Estate LLC

Opinion

We have audited the separate financial statements of Silk Real Estate LLC (the "Company", formerly SRG Real Estate LLC), which comprise the separate statements of financial position as at 31 December 2022, 31 December 2021 and 1 January 2021, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 31 Decemeber 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2022, 31 December 2021 and 1 January 2021 and its unconsolidated financial performance and its unconsolidated cash flows for the years ended 31 December 2022 and 31 December 2021 in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the separate 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 have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Statement on Management Report

Management is responsible for the Management Report. Our opinion on the separate financial statements does not cover the Management Report.

In connection with our audit of the separate financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We do not express any form of assurance conclusion on the Management Report. We have read the Management Report and based on the work we have performed, we conclude that the Management Report:

- is consistent with the separate financial statements and does not contain material misstatement;
- contains the information that is required by and is compliant with the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate 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' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 separate 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 separate 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 auditors' report to the related disclosures in the separate 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate financial statements represent 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Natia Tevzadze

KPMG Georgia LLC
Tbilisi, Georgia
1 October 2023

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Natia Tevzadze

ნათია

KPMG Georgia LLC
Tbilisi, Georgia
1 October 2023

შეზღუდული პასუხისმგებლობის საზოგადოება
LIMITED LIABILITY COMPANY
KPMG
KPMG GEORGIA
404437695

'000 GEL	Note	31 December 2022	31 December 2021	1 January 2021
Assets				
Investments in subsidiaries	5	768,067	711,401	703,329
Loans receivable	7	102,293	51,839	143,552
Non-current assets		**870,360**	**763,240**	**846,881**
Loans receivable	7	1,340	96,740	-
Trade and other receivables	12(c)	503	535	5,671
Cash and cash equivalents	6	23,903	8,666	1,751
Current assets		**25,746**	**105,941**	**7,422**
Total assets		**896,106**	**869,181**	**854,303**
Equity				
Charter capital		671,140	671,140	671,140
Retained earnings		78,120	39,301	36,000
Total equity	8	**749,260**	**710,441**	**707,140**
Liabilities				
Loans and borrowings	9	130,354	69,172	141,921
Non-current liabilities		**130,354**	**69,172**	**141,921**
Loans and borrowings	9	7,911	85,932	-
Trade and other payables		8,581	3,636	5,242
Current liabilities		**16,492**	**89,568**	**5,242**
Total liabilities		**146,846**	**158,740**	**147,163**
Total equity and liabilities		**896,106**	**869,181**	**854,303**

The separate statement of financial position is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 35.

’000 GEL	**Note**	**2022**	**2021**
Dividend income		19,360	1,701
Other income	9	17,702	-
Operating costs		(386)	(349)
Results from operating activities		**36,676**	**1,352**
Interest income		9,822	11,170
Net foreign exchange loss		(2,940)	(957)
Interest expense		(14,446)	(8,264)
Net finance (costs)/ income		**(7,564)**	**1,949**
Profit before income tax		**29,112**	**3,301**
Income tax		-	-
Profit and total comprehensive income for the year		**29,112**	**3,301**

These separate financial statements were approved by management on 1 October 2023 and are signed on its behalf by:

Director
Mamuka Shurgaia

The separate statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 35.

’000 GEL	**Note**	**2022**	**2021**
Dividend income		19,360	1,701
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000 GEL	**Note**	**Charter capital**	**Retained earnings**	**Total equity**
Balance as at 1 Janaury 2021		671,140	36,000	707,140
Total comprehensive income				
Profit and total comprehensive income for the year		-	3,301	3,301
Balance 31 December 2021		**671,140**	**39,301**	**710,441**
Balance as at 1 Janaury 2022		671,140	39,301	710,441
Total comprehensive income				
Profit and total comprehensive income for the year		-	29,112	29,112
Total transactions with owner, recorded directly in equity				
Fair value adjustment on related party loans	9	-	9,707	9,707
Balance 31 December 2022		**671,140**	**78,120**	**749,260**

The separate statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 35.

'000 GEL	Note	2022	2021
Cash flows from operating activities			
Profit before income tax		29,112	3,301
Adjustments for:			
Dividend income		(19,360)	(1,701)
Other income		(17,702)	-
Net finance costs		7,564	(1,949)
Changes in:			
Trade and other receivables		31	(20)
Trade and other payables		-	-
Cash flows from operations before income taxes and interest paid		**(355)**	**(369)**
Interest paid	9	(3,391)	(5,863)
Net cash from operating activities		**(3,746)**	**(6,232)**
Cash flows from investing activities			
Dividends received	5	-	6,856
Investments in subdsidiaries	5	(29,469)	(9,676)
Issuance of related party loans		(2,450)	(12,360)
Repayments of issued related party loans		14,843	7,269
Interest received		2,843	2,080
Net cash used in investing activities		**(14,233)**	**(5,831)**
Cash flows from financing activities			
Proceeds from borrowings	9	45,138	20,800
Repayment of borrowings	9	(11,100)	(2,865)
Net cash from financing activities		**34,038**	**17,935**
Net increase in cash and cash equivalents		**16,059**	**5,872**
Cash and cash equivalents at 1 January		8,666	1,751
Effect of movements in exchange rates on cash and cash equivalents		(822)	1,043
Cash and cash equivalents at 31 December	6	**23,903**	**8,666**

The separate statement of cash flows is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 35.

1. Reporting entity

(a) Georgian business environment

The Company's operations are primarily located in Georgia. Consequently, the Company is mainly exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry. Georgia's economy was also affected by the mentioned events and is subject to future uncertainties in economy as described; on the other hand, single digit growth of Georgian economy is forecasted in 2023, driven by higher export and tourism revenues and strong private consumption.

Global factors resulted in 11.9% inflation rate for 2022 in Georgia. However, despite the high inflation Georgian economy grew by 10% in 2022 based on preliminary information. The real GDP growth is mainly driven by the increased export, tourism revenues and acceleration of remittances related to the inflow of migrants/tourists from Russia, Ukraine and Belarus since the start of the conflict in Ukraine. Georgian Lari got jitters as the war in Ukraine broke, but it appreciated against the USD on balance by 12.53 % in 2022. Sources: www.geostat.ge; www.nbg.gov.ge.

The separate financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and financial position of the Company. The future business environment may differ from management's assessment.

(b) Organisation and operations

The separate financial statements include the financial statements of Silk Real Estate LLC (the "Company", formerly SRG Real Estate LLC). The Company is a limited liability company as defined under the Law of Georgia on Entrepreneurs and was registered as a legal entity on 7 April 2017. The subsidiaries of the Company represent a limited liability and joint stock companies as defined in the Law of Georgia on Entrepreneurs.

The Company's registered office is Republic square, Mtatsminda district, Tbilisi, Georgia and the Company's identification number is 404535240.

In 2023, the Company has issued a USD 40 million bond in two tranches. The first tranche of USD 20 million offers a coupon of 9.00% p.a. (gross) with a maturity of 3 years. The second tranche of USD 20 million offers a coupon of 9.25% p.a. (gross) with a maturity of 3 years. As a result, in 2023 Silk Real Estate LLC became a publicly listed company on the Georgian Stock Exchange (see note 16).

The owners of the Company are as follows:

Name	**31 December 2022**	**31 December 2021**	**1 January 2021**
Silk Road Group Holding LLC	95%	95%	95%
Amphidon Holding (Malta) Limited	5%	5%	5%
Total	**100%**	**100%**	**100%**

In 2020 the Company's intermediate parent reorganized, as a result of which the Company has a new beneficial owner, Yerkin Tatishev, with indirect minority holding (36.51%) in the Company.

The Company's ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual George Ramishvili ("UCP"). Related party transactions are detailed in note 12.

2. Basis of accounting

(a) Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Standards").

These are the Company's first complete set of separate financial statements prepared in accordance with IFRS Standards and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The Company has not previously prepared the separate financial statements in accordance with another financial reporting framework. Consequently, the Company has not presented the reconciliations as required by IFRS 1 First-time Adoption of International Financial Reporting Standards.

The consolidated financial statements of the Company and its subsidiaries were issued on 15 May 2023 and publicly available through the website of Service for Accounting, Reporting and Auditing Supervision.

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's functional currency and the currency in which these separate financial statements are presented. All financial information presented in GEL has been rounded to the nearest thousand.

4. Use of estimates and judgements

The preparation of separate financial statements in conformity with IFRS Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements is included in the following notes:

Notes 5 and 14 (h) -assessment of impairment indicators for investments in subsidiraries: determination of cash generating units;
Notes 7 and 9 - recognition of below market interest rate related party loans: determination of market interest rate.

In the opinion of the management, there are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in Note 10 (a) – fair values of financial assets and liabilities.

5. Investments in subsidiaries

The Company owns, directly or indirectly, the following investments:

Entity	Principal Activity	Date of Incorporation	Ownership percentage as at 31 December 2022	Ownership percentage as at 31 December 2021	Ownership percentage as at 1 January 2021	Ownership type
Georgian Hotel Management LLC	Operation of Tbilisi Radisson Blu Iveria Hotel	9 August 2010	96%	96%	96%	Direct
Argo Management LLC	Operation of Batumi Radisson Blu Hotel	30 November 2010	96%	96%	96%	Indirect, through Georgian Hotel Management LLC
Riviera Beach LLC	Club operation	18 May 2012	100%	100%	100%	Direct
Silk Road Service LLC	Pooling of purchases for the group companies	31 December 2015	100%	100%	100%	Direct
Development Solution LLC	Real Estate development service	10 July 2006	100%	100%	100%	Direct
Development solutions Medea LLC	Dormant entity	7 September 2009	100%	100%	100%	Indirect, through Development Solution LLC
Tsinandali Savane LLC	Holding entity	17 February 2016	100%	100%	100%	Direct
Tsinandali Estates LLC	Operation of Tsinandali Radisson Collection Hotel	27 June 2008	67%	67%	67%	Indirect, through Tsinandali Savane LLC
Tsinandali LLC	Museum operation	3 October 2005	100%	100%	100%	Direct
Georgian Wine Institute LLC	Wine tasting and training service	26 December 2011	100%	100%	100%	Indirect, through Tsinandali LLC
SRG Investments LLC	Corporate service provider to the Group	27 May 2011	100%	100%	100%	Direct
Limoni 2009 LLC	Operation of casinos	11 August 2009	88%	88%	88%	Direct
Medea Operating company LLC	Ownership of Batumi Radisson Blu Hotel and related casino	5 November 2010	100%	100%	100%	Direct
F Telecom LLC	Real estate development	2 October 2006	100%	100%	100%	Direct
Riviera LLC	Holding Entity	12 July 2012	100%	100%	100%	Direct
Batumi Riviera LLC	Real estate development	30 May 2018	100%	100%	100%	Indirect, through Riviera LLC
Center Plaza LLC	Real estate development	14 July 2005	100%	100%	100%	Direct
Club Savane LLC	Night club operation	11 April 2018	51%	51%	51%	Indirect, through Centre Plaza LLC
Tsinandali Villas LLC	Real estate development	19 February 2016	100%	100%	100%	Direct
New Hotel JSC	Ownership of Tbilisi Radisson Blu Hotel	30 September 2005	100%	100%	100%	Direct
Silk Road Business Centre LLC	Real estate development	27 August 1997	100%	100%	100%	Direct
Misaktsieli LLC	Real estate development	7 August 2008	100%	100%	100%	Direct from 2022
New Office LLC	Real estate development	7 August 2008	100%	100%	100%	Direct from 2022
Iveria Center LLC	Real estate development	6 August 2013	50%	50%	50%	Indirect, through New Office LLC

Entity	Principal Activity	Date of Incorporation	Ownership percentage as at 31 December 2022	Ownership percentage as at 31 December 2021	Ownership percentage as at 1 January 2021	Ownership type
Restaurant Tsinandali LLC	Hospitality sector	2 April 2018	50%	50%	50%	Indirect, through Iveria Centre LLC
Hotel Medea + JSC	Real estate development	17 April 2007	100%	100%	100%	Direct
Adjara Investment LLC	Holding entity	30 August 2017	100%	100%	100%	Direct
Adjara Resort JSC	Real estate development	3 January 2006	100%	100%	100%	Indirect, through Adjara Investments LLC
Adjara Real Estate LLC	Real estate development	23 August 2006	100%	100%	100%	Indirect, through Adjara Investments LLC
Bobokvati LLC	Real estate development	23 March 2007	100%	100%	100%	Indirect, through Adjara Real Estate LLC and Adjara Resorts JSC
Kobuleti Resort LLC	Real estate development	17 April 2007	100%	100%	100%	Indirect, through Adjara Resorts JSC
Silk Road Group Travel LLC	Hospitality	4 September 2009	51%	51%	51%	Direct
Telegraph Hotel JSC	Hospitality	5 February 2020	100%	100%	100%	Indirect, through Silk Road Business Centre LLC
Limoni Real Estate LLC	Real estate development	21 April 2017	100%	100%	100%	Direct
Green-cape Botanico LLC	Real estate development	18 August 2020	51%	51%	51%	Joint venture
Silk Hospitality LLC*	Hotel management service provider to the Group	26 March 2021	100%	100%	-	Direct
Tsinandali Resorts LLC**	Operation of Park Hotel Tsinandali	1 March 2018	51%	51%	-	Direct

*On 16 July 2021 the Company acquired 51% share and voting interests in Tsinandali Resorts LLC, for the consideration of USD 784 thousand, included in trade and other payables as at 31 December 2021, which was fully settled in cash during 2022.

**On 26 March 2021, the Company incorporated a new subsidiary Silk Hospitality LLC.

Below is presented the movement in investments in subsidiaries:

’000 GEL	2022	2021
Carrying amount as at 1 January	711,401	703,329
Non-cash investments*	22,258	-
Investments to be made in cash	34,408	8,072
Carrying amount as at 31 December	**768,067**	**711,401**

Cost of investment includes effect of discount of low-interest subsidiary loans of GEL 8,645 thousand before 1 January 2021. Out of the investments to be made in cash above, in 2022 the Company paid GEL 29,469 thousand to its subsidiaries (2021: GEL 9,676 thousand). The remaining amount of investment payable is included in trade and other payables.

Dividend income of GEL 19,360 thousand in 2022 was fully settled with loans and borrowings from the same counterparty (see note 9). In 2021 dividends received of GEL 6,856 thousand represents payments for dividend income recorded before 2021 and most of the dividend income in 2021.

*Non-cash investments of GEL 22,258 thousand include the difference between the carrying amount and the fair value of loans issued on non-market terms to subsidiaries, in the amount of GEL 20,716 thousand (see note 7).

As at 31 December 2022, 2021 and 1 January 2021, investments in subsidiaries are stated at cost and no impairment indicators were identified (also see note 14 (h)).

The Company’s main direct investments are in the following legal entities:

’000 GEL	31 December 2022	31 December 2021	1 January 2021
Limoni 2009 LLC	176,528	176,528	176,528
Georgian Hotel Management LLC	109,439	100,556	100,556
Centre Plaza LLC	107,441	107,441	107,379
Silk Road Business Centre LLC	106,101	96,734	96,734
Riviera LLC	102,603	88,254	88,254
New Hotel JSC	70,348	70,348	70,348
Mede Operating Company LLC	25,551	25,551	25,551
Tsinandali Savane LLC	10,154	7,154	6,155
Hotel Medea LLC	10,031	10,031	10,031
Adjara Investments LLC	8,649	7,449	6,749
Other	41,222	21,355	15,044
	768,067	**711,401**	**703,329**

6. Cash and cash equivalents

’000 GEL	31 December 2022	31 December 2021	1 January 2021
Bank balances	23,903	8,666	1,751
	23,903	**8,666**	**1,751**

Bank balances include current accounts and call deposits with original maturities of three months or less. The Company’s exposure credit, currency and interest rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 10.

7. Loans receivable

Loans are issued to related parties. None of the loans are secured. The Company's exposure to credit, currency and interest rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 10.

	31 December 2022	31 December 2021	1 January 2021
Non-current assets			
Related party loans	102,293	51,839	143,552
Current assets			
Related party loans	1,340	96,740	-
Total	**103,633**	**148,579**	**143,552**

Terms and payment schedule:

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2022 Face value	31 December 2022 Carrying amount	31 December 2021 Face value	31 December 2021 Carrying amount	1 January 2021 Face value	1 January 2021 Carrying amount
Related party loan**	USD	13.5%	2022/2030	37,185	37,185	39,053	39,053	37,528	37,528
Related party loan*	USD	3.5%	2030	36,966	22,526	-	-	-	-
Related party loan	USD	4.0%	2025	16,448	14,977	18,175	16,082	17,165	14,764
Related party loan*	USD	3.5%	2030	16,581	10,171	-	-	-	-
Related party loan	GEL	13.0%	2025	5,682	5,682	4,693	4,693	232	232
Related party loan	GEL	13.0%	2025	3,551	3,551	2,793	2,793	938	938
Related party loan	EUR	0.85% + 12 M Libor	2025	2,545	2,545	3,066	3,066	-	-
Related party loan	USD	11.5%	2030	1,850	1,850	10,115	10,115	10,758	10,758
Related party loan	USD	5.5%	2030	1,505	1,505	1,646	1,646	1,614	1,614
Related party loan	USD	9%+6M Libor	2025	1,002	1,002	1,049	1,049	1,020	1,020
Related party loan	GEL	13.0%	2023	896	896	690	690	617	617
Related party loan	GEL	13.8%	2025	522	522	-	-	-	-
Related party loan	USD	3.5%	2022	400	400	445	445	457	457
Related party loan	GEL	12.0%	2025	379	379	349	349	315	315
Related party loan	GEL	11.0%	2025	212	212	860	860	-	-
Related party loan	GEL	3.0%	2025	186	186	181	181	175	175
Related party loan	USD	8.6%	2022	44	44	47	47	47	47
Related party loan	USD	4.0%	2025	-	-	10,315	10,315	17,040	17,040
Related party loan	USD	9.5% + 6 LIBOR	2022	-	-	-	-	1,664	1,664
Related party loan*	USD	3.5%	2022	-	-	41,163	39,447	42,256	38,925
Related party loan*	USD	3.5%	2022	-	-	18,444	17,748	18,912	17,458
Total interest-bearing assets				**125,954**	**103,633**	**153,084**	**148,579**	**150,738**	**143,552**

* On 25 December 2022, the loan amendments were signed between the Company and its subsidiaries for the prolongation of loans term from 31 December 2022 till 31 December 2030 on non-market terms (3.5% nominal interest rate). The Company has performed quantitative and qualitative evaluation of the modification and concluded that the modified cash flows were substantially different. As a result, the Company derecognised the original loans and 17ecognized new financial assets. At initial recognition, the loans were discounted using market rate of interest of 9.1% in USD. The difference between the carrying amount and the fair value of loan, in the amount of GEL 20,716 thousand, was recognized as addition investment in those subsidiaries (see note 5).

** On 25 December 2022, the related party loan was prolonged with no susbatntial modification effect on the separate financial statements, as the loans terms are similar to those prevailing on market.

8. Capital and reserves

(a) Charter capital

Charter capital represents the nominal amount of capital in the founding documentation of the Company.

’000 GEL	**2022**	**2021**
Balance at the beginning of the period	671,140	671,140
Increase in charter capital	-	-
	671,140	**671,140**

During 2019, the UCP of the Company brought together in the Company businesses previously operating in the separate legal entities which were under common control of UCP. As a result, the charter capital of the Company was increased by the respective parent companies with the amount of GEL 667,614 thousand through the following transactions:

- Contribution of Adjara Investments LLC (100 % shareholding) and its subsidiaries’(see note 5) into the Company’s capital with the amount of GEL 5,349 thousand by SRG Real Estate B.V. on 24 January 2019;
- Increase of the charter capital of the Company with the amount of GEL 381,801 thousand by SRG Real Estate B.V. on 20 February 2019 through transfer of participatory interests into the following entities: Medea Operating Company LLC (100%), Centre Plaza LLC (100%) and its subsidiary (see note 5), F Telecom LLC (100%); Tsinandali Villas LLC (100%); Riviera LLC (100%) and its subsidiary (see note 5); Silk Road Business Center LLC (100%) and its subsidiaries (see note 5); New Hotel JSC (95.25%), Hotel Medea + JSC (100%);
- Contribution of SRG Investments LLC (100%), Silk Road Service LLC (100%), Riviera Beach LLC (100%), Georgian Hotel Management LLC (96%) and its subsidiary (see note 5), Limoni 2009 LLC (88%), Development Solutions LLC (100%) and its subsidiary (see note 5), Tsinandlis Savane LLC (100%) and its subsidiary (see note 5), Tsinandali LLC (100%) and its subsidiary (see note 5) in the amount of GEL 280,464 thousand by Comodon Holding (Malta) Limited on 22 April 2019.

The raimining capital of GEL 3,526 thousand was fully settled in cash before 1 January 2021.

(b) Dividends

Under the Georgian legislation, limited liability companies shall maintain distributable reserves to the extent that their total assets cover total liabilities and issued capital, as recorded in the financial statements prepared in accordance with IFRSs.

In 2022 and 2021, the Company has not declared dividends.

(c) Capital management

The Company has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Company’s operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company’s revenues and profit, and long-term investment plans mainly financed by the Company’s operating cash flows. With these measures the Company aims for steady profits growth.

(d) Security

As at 31 December 2022 and 31 December 2021, investment in Tsinandali Estates LLC (see note 5) is pledged in respect of Partners’ Agreement.

As at 31 December 2022 and 31 December 2021, investments in Georgian Hotel Management LLC, Medea Operating company LLC, Limoni 2009 LLC, Limoni Real Estate LLC and New Hotel JSC are pledged in respect of secured bank loans received by related parties.

As at 31 December 2022 and 31 December 2021 investments Batumi Riviera LLC is pledged in respect of secured third party loans received by related parties.

As at 31 December 2022 investment in Tsinandali Resorts LLC (see note 5) is pledged in respect of secured bank loans received by related parties.

9. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 10 (b).

'000 GEL	**31 December 2022**	**31 December 2021**	**1 January 2021**
Non-current liabilities			
Loans from related parties	130,354	69,172	141,921
	130,354	**69,172**	**141,921**
Current liabilities			
Current portion of related party loans	7,911	85,932	-
	7,911	**85,932**	**-**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2022		31 December 2021		1 January 2021	
’000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Loan from related parties	GEL	15.6%	2030	33,771	33,771	7,091	7,091	-	-
Loan from related parties	USD	7.25% + 6 LIBOR	2029	30,156	28,656	32,264	30,764	32,091	30,591
Loan from related parties*	USD	3.5%	2030/2022	34,934	24,552	43,133	41,698	47,503	44,134
Loan from related parties	USD	3.5%	2025	20,055	17,962	22,351	18,629	23,407	19,686
Loan from related parties**	GEL	5.0%	2030	33,776	12,370	-	-	-	-
Loan from related parties	USD	9% + 6M Libor	2022	5,264	5,264	5,561	5,561	5,458	5,458
Loan from related parties	EUR	0.75% + 12 M Libor	2025	5,251	5,251	6,332	6,332	-	-
Loan from related parties	GEL	12.7%	2025	4,844	4,844	4,303	4,303	-	-
Loan from related parties	USD	11.0%	2022	1,103	1,103	7,214	7,946	9,643	9,643
Loan from related parties	USD	6.6%	2030	1,708	1,708	-	-	-	-
Loan from related parties	USD	9% + 6 LIBOR	2022	1,363	1,363	1,443	1,443	1,417	1,417
Loan from related parties	USD	8.75%+6M Limor	2025	987	987	1,036	1,036	1,008	1,008
Loan from related parties	GEL	5.0%	2025	253	253	1,017	1,017	-	-
Loan from related parties	USD	5.0%	2022	181	181	1,782	1,782	1,803	1,803
Loan from related parties**	GEL	5.0%	2022	-	-	33,355	27,502	32,184	28,181
Total interest-bearing liabilities				**173,646**	**138,265**	**166,882**	**155,104**	**154,514**	**141,921**

* On 7 August 2022, the loan amendment was signed between the Company and its intermediate parent entity for the prolongation of loan term from 31 December 2022 till 31 December 2030 on non-market terms (4% nominal interest rate). As a result, at modification date, the loan was discounted using market rate of interest of 7.6% and the difference between the carrying amount and the fair value of loan, in the amount of GEL 9,707 thousand was recognized directly in equity.

**On 25 December 2022, the loan amendment was signed between the Company and its subsidiary for the prolongation of loan term from 31 December 2022 till 31 December 2030 on non-market terms (5% nominal interest rate). The Company has performed quantitative and qualitative evaluation of the modification and concluded that the modified cash flows were substantially different. As a result, the Company derecognised the original loan and recognised new financial liability. At initial recognition, the loan was discounted using market rate of interest of 14.1%. The difference between the carrying amount and the fair value of loan, in the amount of GEL 17,702 thousand, was recognized in the statement of profit or loss and other comprehensive income as “other income”.

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

'000 GEL	**Loans and borrowings**
Balance at 1 January 2022	155,104
Proceeds from borrowing	45,138
Repayment of borrowings	(11,100)
Total changes from financing cash flows	**34,038**
The effect of changes in foreign exchange rates	**(15,163)**
Other changes	
Additional paid-in capital	(9,707)
Gain from low interest rate loans received from subsidiary	(17,702)
Net-off with dividend receivable (note 5)	(19,360)
Interest expense	14,446
Interest paid	(3,391)
Total other changes	**(35,714)**
Balance at 31 December 2022	**138,265**

'000 GEL	**Loans and borrowings**
Balance at 1 January 2021	141,921
Proceeds from borrowing	20,800
Repayment of borrowings	(2,865)
Total changes from financing cash flows	**17,935**
The effect of changes in foreign exchange rates	**(7,153)**
Other changes	
Interest expense	8,264
Interest paid	(5,863)
Total other changes	**2,401**
Balance at 31 December 2021	**155,104**

10. Fair values and risk management

(a) Fair values of financial assets and liabilities

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

The Company has determined fair values of financial assets and liabilities using valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The valuation technique used is the discounted cash flow model. Fair value of all financial assets and liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management believes that the fair values of the Company's financial assets and liabilities approximate their carrying amounts considering that there were no material changes in the market interest rates since the dates of initial recognition of the loans till the reporting dates.

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

(i) Risk management framework

Management has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies and reporting regularly to the owner on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The owner oversees how management monitors compliance with the Company's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Company.

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables, loans receivable and bank balances. The carrying amount of financial assets represents the maximum credit risk exposure. Impairment losses on financial assets recognised in profit or loss are presented below.

Loans receivable

The Company's loans receivable are mostly due from subsidiaries (note 12 (c)). Most of the subsidiaries are managing profitable business lines within the Silk Road Group, and some are managing the businesses in the phase of development, where future cash flows demonstrate business profitability. No impairment was indenitified in any of the subsidiaries' individual financial statements, as well as no impairment indicators were identified for any of the Company's investments in the subsidiaries. For all significant subsidiaries, there is a headroom between the investment made by the Company and the approximate fair value of the net assets of the subsidiary (whereas net assets reflect full repayment of the loan to the parent company).

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

Inputs, assumptions and techniques used for estimating impairment

As at 31 December 2022, 31 December 2021 and 1 January 2021, management estimates that the expected credit loss on issued loans is not significant.

Determining whether credit risk has increased significantly

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. One of the criteria the Company uses for determining whether there has been a significant increase in credit risk is a backstop indicator of more than 30 days past due. As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 60 days past due. For cash and cash equivalents the Company considers downgrade of credit rating assigned to the commercial banks as an indicator for the significant increase in credit risk.

As at 31 December 2022, 31 December 2021 and 1 January 2021, loans receivable are allocated to Stage 1 as there was no increase in credit risk of the financial instruments since initial recognition. On 25 December 2022, several related party loans were restructured (see note 7) as part of Silk Road Group reorganization of its cash pooling arrangement; hence the restructurization was not considered as increase in credit risk.

Bank balances

The Company holds the majority of its funds with one Georgian bank with short-term default rating of B, rated by Fitch Ratings. The Company does not expect this counterparty to fail to meet its obligations (bank balances are Stage 1 as at 31 December 2022, 31 December 2021 and 1 January 2021).

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

31 December 2022

'000 GEL	**Carrying amount**	**Contractual cash flows**	**On demand**	**Less than 1 yr**	**1-2 yrs**	**2-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities							
Loans and borrowings	138,265	259,100	7,911	-	-	38,681	212,508
Trade and other payables	8,581	8,581	8,581	-	-	-	-
	146,846	**267,681**	**16,492**	**-**	**-**	**38,681**	**212,508**

31 December 2021

'000 GEL	**Carrying amount**	**Contractual cash flows**	**On demand**	**Less than 1 yr**	**1-2 yrs**	**2-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities							
Loans and borrowings	155,104	208,264	-	96,140	-	44,592	67,532
Trade and other payables	3,636	3,636	3,636	-	-	-	-
	158,740	**211,900**	**3,636**	**96,140**	**-**	**44,592**	**67,532**

1 January 2021

’000 GEL	Carrying amount	Contractual cash flows	On demand	Less than 1 yr	1-2 yrs	2-5 yrs	Over 5 yrs
Non-derivative financial liabilities							
Loans and borrowings	141,921	184,900	-	-	-	136,214	48,686
Trade and other payables	5,242	5,242	5,242	-	-	-	-
	147,163	**190,142**	**5,242**	**-**	**-**	**136,214**	**48,686**

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(v) Currency risk

The Company is mainly exposed to currency risk on purchases, borrowings and loans receivable that are denominated in USD.

Exposure to currency risk

The Company’s exposure to USD was as follows:

’000 GEL	USD-denominated 31 December 2022	USD-denominated 31 December 2021	USD-denominated 1 January 2021
Loans receivable	89,660	135,947	141,275
Cash and cash equivalents	18,333	5,505	1,688
Loans and borrowings	(81,776)	(108,859)	(113,740)
Trade and other payables	-	(784)	-
Net exposure	**26,217**	**31,809**	**29,223**

The following significant exchange rates have been applied during the year:

in GEL	Average rate		Reporting date spot rate		
	2022	2021	2022	2021	1 January 2021
USD 1	2.9156	3.2209	2.702	3.0976	3.2766

Sensitivity analysis

A reasonably possible strengthening (weakening) of GEL, as indicated below, against USD at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

’000 GEL	Profit or (loss)	
	Strengthening	Weakening
31 December 2022		
USD (15% movement)	(3,933)	3,933
31 December 2021		
USD (15% movement)	(4,771)	4,771
1 January 2021		
USD (15% movement)	(4,383)	4,383

(vi) Interest rate risk

Changes in interest rates impact primarily loans and borrowings and loans receivable by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of raising or issuing new loans, management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

'000 GEL	**31 December 2022**	**31 December 2021**	**1 January 2021**
Fixed rate instruments			
Financial assets	100,086	144,464	140,868
Financial liabilities	(96,744)	(109,968)	(103,447)
	3,342	**34,496**	**37,421**
Variable rate instruments			
Financial assets	3,547	4,115	2,684
Financial liabilities	(41,521)	(45,136)	(38,474)
	(37,974)	**(41,021)**	**(35,790)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed-rate financial instruments at fair value through profit or loss or at fair value through other comprehensive income. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have affected profit or loss by GEL 380 thousand (2021: GEL 410 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

11. Contingencies

(a) Taxation contingencies

The taxation system in Georgia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes subject to varying interpretation. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Georgia that are more significant than in other countries with more developed taxation systems. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

12. Related parties

(a) Parent and ultimate controlling party

As at 1 January 2021, 31 December 2021, 31 December 2022 and as at the date these separate financial statements were authorised for issue, the Company's immediate parent company is Silk Road Group Holding LLC. The annual consolidated financial statements of Silk Road Group Holding LLC are publicly available through the website of Service for Accounting, Reporting and Auditing Supervision.

The Company's ultimate parent company is Silk Road Group Holding (Malta) Limited. In 2020 the Company's intermediate parent reorganized, as a result of which the Company has a new beneficial shareholder, Yerkin Tatishev, with indirect minority holding (36.51%) in the Company. The Company's ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual George Ramishvili. No publicly available financial statements are produced by the Company's ultimate parent company or any other intermediate parent company.

(b) Key management remuneration

Director of the Company also acts as a director in another entity under common control. No remuneration was paid to the Director by the entity in 2022 and 2021.

(c) Related party transactions

The Company's related party transactions are disclosed below.

	Transaction value for the year ended 31 December		Outstanding balance as at		
	2022	**2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
Dividend income					
Subsidiaries	19,360	1,700	500	500	5,656
Investments in subsidiaries /Accounts payable					
Subsidiaries	29,469	9,676	8,575	3,636	5,240
Loans issued:					
Subsidiaries	2,172	11,467	103,633	138,264	126,512
Parent entity	278	893	-	10,315	17,040
Loans received:					
Entities under common control	-	(7,719)	29,803	48,030	44,134
Subsidiaries	(43,292)	(13,081)	106,754	107,074	97,787
Parent entity	(1,846)	-	1,708	-	-

Transaction values for loans and sales transactions represent original cash proceeds and do not consider settlement of the transactions. All outstanding balances with related parties, except for the loans receivable and loans and borrowings, are to be settled in cash within one year of the reporting date. None of the related party balances are secured. Other transactions with subsidiaries are disclosed in notes 5 and 7.

In 2022 interest income of GEL 9,822 thousand (2021: GEL 11,170 thousand) was accrued on loans to related parties. The interest rates and maturities of loans to related parties are disclosed in note 7. In 2022 interest expense of GEL 14,446 thousand (2021: GEL 8,264 thousand) was accrued on loans and borrowings from related parties. The interest rates and maturities of loans from related parties are disclosed in note 9.

13. Basis of measurement

The separate financial statements have been prepared on the historical cost basis.

14. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

(a) Finance income and finance costs

The Company's finance income and finance costs include:

– interest income on bank balances and loans receivable;
– interest expense on financial liabilities;
– the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

(c) Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(d) Income tax

On 13 May 2017 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law has entered into force in 2017 and is effective for tax periods starting after 1 January 2018 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law should have become effective from 1 January 2023. In 2022 the Government of Georgia has approved the changes to the current corporate tax model in Georgia for financial institutions, applicable from 2023. According to the amendments to the legislation, the part of financial institutions will no longer switch to the Estonian tax model.

The new system of corporate income taxation does not imply exemption from Corporate Income Tax (CIT), rather CIT taxation is shifted from the moment of earning the profits to the moment of their distribution; i.e. the main tax object is distributed earnings. The Tax Code of Georgia defines Distributed Earnings (DE) to mean profit distributed to shareholders as a dividend. However, some other transactions are also considered as DE, for example non-arm's length cross-border transactions with related parties and/or with persons exempted from tax are also considered as DE for CIT purposes. In addition, the tax object includes expenses or other payments not related to the entity's economic activities, free of charge supply and over-limit representative expenses.

The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. The amount of tax payable on a dividend distribution is calculated as 15/85 of the amount of the net distribution.

Set off the tax payable on dividends declared and paid is available for the corporate income tax paid on the undistributed earnings in the years 2008-2016, if those earnings are distributed in 2017 or further years.

The Tax Code of Georgia provides for charging corporate income tax on certain transactions not related to the entity's economic activities, free of charge supplies and representative expenses over the allowed limit. The Company considers the taxation of such transaction as outside of the scope of IAS 12 *Income Taxes* and accounts for the tax on such items as taxes other than on income.

(e) Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

Other financial liabilities comprise loans and borrowings, dividend payable and trade and other payables.

(i) Recognition and initial measurement

Receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets – Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

– change the currency of the financial asset;
– change in collateral or other credit enhancement;

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the National Bank’s key rate, if the loan contract entitles banks to do so and the Company have an option to either accept the revised rate or redeem the loan at par without penalty. The Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(f) Equity

Charter capital

Charter capital is classified as equity.

(g) Impairment

(i) Non-derivative financial assets

Financial instruments

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost:

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset and its related cash-generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Investment in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiaries is measured at cost less impairment losses, if any.

When the assets of a subsidiary form part of a larger CGU from the Group's perspective the Company concludes that the investment in the subsidiary generates cash inflows largely independently only in combination with other assets within the group.

The Company determined that its investments in the following subsidiaries: New Hotel JSC, Georgian Hotel Management LLC, Medea Operating Company LLC, Limoni 2009 LLC, Silk Road Business Centre LLC, Tsinandali Savane LLC, Tsinandali LLC and Tsinandali Villas LLC are related to the five larger cash-generating units identified on a Group level listed below:

- Hotel and Casino in Tbilisi, Georgia;
- Hotel and Casino in Batumi, Georgia;
- Hotels in Tsinandali, Georgia;
- Telegraph Hotel in Tbilisi, Georgia;
- Complex Republic.

Investments in the consulting and other service provider companies within the Silk Road Group are assessed for impairment indicators by analogy to corporate assets (see note 14(g).

Investments in subsidiaries which mainly hold real estate are assessed for impairment indicators by comparing investment value to the subsidiaries net assets value stated in the respective individual financial statements (where the real estate is stated at cost in the individual financial statements, the net asset value is adjusted for the fair value of the real estate hold by the respective subsidiaries).

(i) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management considers that the Company comprises of one operating segment as the Board of the Company monitors the operating results of the Company as a single business unit.

15. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022. with earlier application permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following new and amended standards are not expected to have a significant effect on the Company’s financial statements:

– *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
– *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*
– *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
– *Definition of Accounting Estimates (Amendments to IAS 8).*
– *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).*
– *Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).*

16. Subsequent events

In 2023, Silk Real Estate LLC issued bonds on the Georgian Stock Exchange (see note 1).

SRG Real Estate LLC

Management report – overviews of business

Year 2022

1. The Company's business, performance and position

The Company's operations are primarily located in Georgia. Consequently, the Company is mainly exposed to the economic factors and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, however are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia.

The Company is a limited liability company as defined under the Law of Georgia on Entrepreneurs and was registered as a legal entity on 7 April 2017. The subsidiaries of the Company represent a limited liability and joint stock companies as defined in the Law of Georgia on Entrepreneurs.

The Company's registered office is located on Republic square, Mtatsminda district, Tbilisi, Georgia, and the Company's identification number is 404535240.

The principal activity of SRG Real Estate LLC is to act as a holding company to the Company entities. The principal activities of the Company entities are:

- Ownership and management of the Hotels operating under "Radisson Blu" brand located in Tbilisi and Batumi, Georgia and Hotel operating under "Radisson Collection" brand located in Tsinandali, Georgia.
- Ownership and management of the Park Hotel in Tsinandali, Georgia.
- Management of the land-based casinos in Tbilisi and Batumi. Casinos in Tbilisi and Batumi are in the Radisson Blu Hotels.
- Ownership and management of Complex Republic.
- Development and management of real estate properties located in various regions of Georgia.

During 2022 and 2021 the Company had no revenue due to its specific operations.

2. Future plans of the Company

Main objective of the Company in 2023 year will be to support its subsidiaries in future developments, which is entrance in residential and holiday house sector. Two projects are under considerations: "Silktowers" in Batumi and "Green Cape Botanico". Start of the "Silktowers" construction works is planned in 2024. As for "Green Cape Botanico", it started in autumn 2020 and is going to be finished in summer 2023.

As part of new investments, in 2023 the one of the subsidiary started renovation works for hotel "Telegraph", located at Rustaveli avenue.

3. Research and development works of the Company

The Company has not performed research and development works in 2022.

4. Information about Company branches

The Company does not have branches.

5. Main financial and non-financial indicators

Analysis of kay financial indicators:

(i) Relationship with suppliers and clients. The Company has solid professional relationship with clients, and it is characterized as caring, loyal, and high-quality service.

(ii) Relationship with tax authorities. The Company tax accounting system is well managed. Accounting staff are experienced in tax legislation and in order to be informed about tax issues affecting the Company, staff regularly attends tax trainings held by leading audit companies.

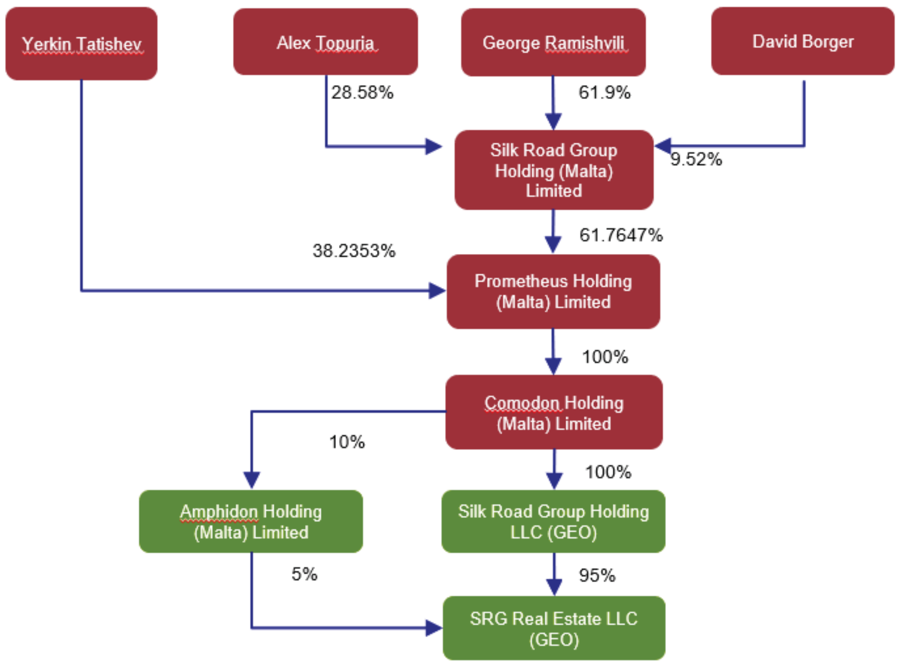
6. Detailed information about share repurchases

The Company has not repurchased own shares in 2022.

7. Corporative governance

In August 2020, after purchase of 38.2% share in Prometheus Holding Limited (parent company) Yerkin Tatishev became indirect beneficial shareholder of 36.51% of the Group. Yerkin Tatishev is chairman of supervisor board of Kusto Group and its founder. Kusto Group (www.kustogroup.com) is Singapore based industrial holding with yearly turnover more than 1,5 Billion USD. Yerkin Tatishev has been investing in various projects in Georgia together with the group for a long time. Yerkin Tatishev considers his share in Groups as long-term investment. Changes in share structure discussed above will not affect Group strategy and changes in supervisor board or in executive management is not expected.

Ultimate beneficial shareholders



Significant facts about the Group.

- Silk Road Group is one of the leading private investment Group in Georgia, operating in Caucasus and central Asia. Since 2005, Silk Road Group invested approximately 1 billion USD in Georgia.
- Together with SRG Real Estate, Silk Road Group also includes: Silknet (has issued 300 million Eurobonds); Bakhvi hydro power plant
- Hospitality sector assets is managed by more than 2,000 experienced employees
- The Group is oriented on development of human resources and success of local talents
- The Group has ability to manage third party assets, that will become source of additional revenue
- Real estate assets of the Group are in Tbilisi and best areas of the country
- Convenient location is significant factor for success of hospitality sector projects
- Development projects of residential estates are located in high demand areas
- The Group has experience of managing four hotels, two land based casinos, several restaurants, club and residential projects
- Each stage of project execution is lead by strong team
- Projects are performed by leading development companies and include guaranties of completion

Reliable Corporative governance is main driver of our strategy and business model. We have grown and developed significantly in recent years, and along with that, our approach to corporate governance has improved.

We are constantly trying to make our leadership and management systems more effective, in accordance with best practices.

Our charter and Georgian legislation address certain issues related to the composition and responsibilities of the Supervisor Board. Our management guidance intends to fulfill the requirements of charter and Georgian legislation, in order to bring the Group's corporate governance more in line with international best practices.

8. Overview of Company market, liquidity and cash flow risks and their management Mechanisms

Credit risk. The Company has no difficulties with recovery of receivables. Credit risk management in regard of loans issued is disclosed in financial statements.

Liquidity risk. Liquidity risk has arisen from managing of working capital and loans received from commercial banks. It is a risk that Company will encounter difficulties to settle financials liabilities when due. The Company's approach of managing liquidity is to ensure, as far as possible, that it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For more details, please see liquidity risk definition in financial statements.

9. Main risks and uncertainties, entity goals and financial risk management policy

Main risks and uncertainties are connected to:

Currency risk. Currency risk is risk that financial instrument may change values due to exchanges rate changes.

The Company is exposed to exchange rate risk on its financial position and cash flows. To manage currency risk, management has set limits for potential losses per currencies and total values. Positions are reviewed monthly.

Political risks. Instable political environment can have adversary effect on product demand, revenue, and profitability. Management carefully monitors political developments, in order to predict the potential development of events and respond to potential threats.

Market risk. The Company is exposed to market risks, which are raised from volatility in: (a) foreign currencies, (b) interest bearing assets and liabilities and (c) open positions in equity investments, each of those are affected by general and specific market volatility. Management has set tolerable threshold, which is monitored daily. But this approach can not fully mitigate loses beyond limits in case of severe market volatility.

Interest rate risk. Interest rate risk is raised from volatility in market rate levels, due to its effect on financial position and cash flows.

Mamuka Shurgaia

Director

1 October 2023

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1 October 2023