SRG Real Estate LLC

Consolidated Financial Statements for 2021

Contents

Independent Auditors’ Report	3
Consolidated Statement of Financial Position	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10

KPMG Georgia LLC
5th Floor GMT Plaza
Mtatsminda District, Liberty Square N4 (plot 66/4)
0105 Tbilisi, Georgia
IN 404437695
Telephone +995 322 93 5713
Internet www.kpmg.ge

Independent Auditors' Report

To the Owners of SRG Real Estate LLC

Opinion

We have audited the consolidated financial statements of SRG Real Estate LLC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Statement of Management Report

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the consolidated 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 concluded that the Management Report:

- is consistent with the consolidated 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.

KPMG Georgia LLC, a company incorporated under the Laws of Georgia and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 auditors' report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 engagement partner on the audit resulting in this independent auditors' report is:

Natia Tevzadze

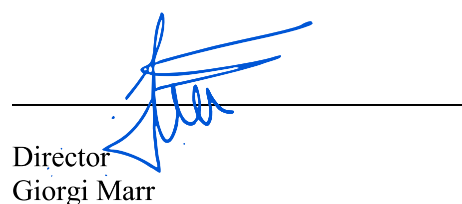
KPMG Georgia LLC
Tbilisi, Georgia
13 October 2022

'000 GEL	Note	31 December 2021	31 December 2020
Assets			
Property and equipment	8	267,193	274,840
Investment property	10	309,771	303,748
Intangible assets	9	5,619	2,584
Prepayments for non-current assets		308	560
Loans receivable	14	237,275	267,650
Non-current assets		**820,166**	**849,382**
Inventories		4,873	3,739
Loans receivable	14	40,710	3,295
Trade and other receivables	11	8,966	16,445
Cash and cash equivalents	13	34,413	16,221
Prepayments and other assets	12	7,747	6,413
Current assets		**96,709**	**46,113**
Total assets		**916,875**	**895,495**
Equity			
Charter capital		671,140	671,140
Accumulated losses		(137,860)	(136,691)
Equity attributable to owners of the Company		**533,280**	**534,449**
Non-controlling interests		7,529	4,545
Total equity	15	**540,809**	**538,994**
Liabilities			
Loans and borrowings	17	263,497	267,776
Trade and other payables	18	504	1,011
Put option liability	16	42,436	40,804
Non-current liabilities		**306,437**	**309,591**
Loans and borrowings	17	49,296	35,847
Trade and other payables	18	20,333	11,063
Current liabilities		**69,629**	**46,910**
Total liabilities		**376,066**	**356,501**
Total equity and liabilities		**916,875**	**895,495**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 59.

'000 GEL	**Note**	**2021**	**2020**	**2019**
Revenue	5	144,738	56,672	187,378
Other income	5	7,795	40,615	13,670
Operating costs	6	(59,607)	(30,234)	(82,470)
Wages and other employee benefits		(51,606)	(35,662)	(71,538)
Depreciation and amortization		(29,408)	(26,492)	(27,835)
Impairment loss of trade and other receivables and loans receivable	19 (b(ii))	(374)	(350)	(1,299)
Other expenses		(2,250)	(4,307)	(3,029)
Results from operating activities		**9,288**	**242**	**14,877**
Interest income		19,655	18,932	17,515
Net foreign exchange gain/ (loss)		3,032	2,414	(745)
Interest expense		(29,515)	(22,441)	(23,343)
Net finance costs	7	**(6,828)**	**(1,095)**	**(6,573)**
Profit/ (loss) before income tax		**2,460**	**(853)**	**8,304**
Income tax		-	-	899
Profit/ (loss) and total comprehensive income/ (loss) for the year		**2,460**	**(853)**	**9,203**
Profit/ (loss) and total comprehensive income/ (loss) attributable to:				
Owners of the Company		463	1,830	7,503
Non-controlling interests		1,997	(2,683)	1,700

These consolidated financial statements were approved by management on 13 October 2022 and are signed on its behalf by:



Director
Giorgi Marr

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 59.

’000 GEL	Note	Charter capital	Accumulated losses	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020		670,989	(134,163)	536,826	16,574	553,400
Total comprehensive income/(loss)						
Profit/ (loss) and total comprehensive income/ (loss) for the year		-	1,830	**1,830**	(2,683)	**(853)**
Total transactions with owner, recorded directly in equity						
Change in the carrying amount of the put option liability	16	-	(8,984)	**(8,984)**	-	**(8,984)**
Increase in charter capital and acquisition of non-controlling interest	16	151	4,626	**4,777**	(6,226)	**(1,449)**
Dividends declared by the Group entities	15 (b), 16	-	-	**-**	(3,120)	**(3,120)**
Balance 31 December 2020		**671,140**	**(136,691)**	**534,449**	**4,545**	**538,994**
Balance as at 1 Janaury 2021		671,140	(136,691)	534,449	4,545	538,994
Total comprehensive income/(loss)						
Profit/ (loss) and total comprehensive income/ (loss) for the year		-	463	**463**	1,997	**2,460**
Total transactions with owner, recorded directly in equity						
Change in the carrying amount of the put option liability	16	-	(1,632)	**(1,632)**	-	**(1,632)**
Acquisition of subsidiary with non-controlling interests	16	-	-	**-**	987	**987**
Balance 31 December 2021		**671,140**	**(137,860)**	**533,280**	**7,529**	**540,809**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 59.

’000 GEL	Note	2021	2020
Cash flows from operating activities			
Profit/ (loss) before income tax		2,460	(853)
Adjustments for:			
Depreciation and amortisation		29,408	26,492
Impairment loss of trade and other receivables and loans receivable		374	350
Gain on disposal of property and equipment, investment property and intangible assets		(777)	(33,231)
Net finance costs		6,828	1,095
Write-off of property and equipment and investment property		-	1,295
Changes in:			
Inventories		(1,134)	1,671
Trade and other receivables		7,279	203
Prepayments and other assets		(1,334)	3,131
Trade and other payables		8,108	(1,330)
Cash flows from/ (used in) operations before income taxes and interest paid		**51,212**	**(1,177)**
Interest paid	17	(43,132)	(10,297)
Net cash from/ (used in) operating activities		**8,080**	**(11,474)**
Cash flows from investing activities			
Proceeds from sale of property and equipment, investment property and intangible assets	10	2,987	30,912
Issuance of related party loans	23	(10,186)	(4,176)
Repayments of issued related party loans		7,116	-
Interest received		841	-
Acquisition of property and equipment, intangible assets and investment property		(22,720)	(24,750)
Net cash (used in)/ from investing activities		**(21,962)**	**1,986**
Cash flows from financing activities			
Proceeds from borrowings	17	34,587	18,978
Repayment of borrowings	17	(1,821)	(23,975)
Acquisition of non-controlling interest	22	-	(1,670)
Net cash from/ (used in) financing activities		**32,766**	**(6,667)**
Net increase/ (decrease) in cash and cash equivalents		**18,884**	**(16,155)**
Cash and cash equivalents at 1 January		16,221	30,600
Effect of movements in exchange rates on cash and cash equivalents		(692)	1,776
Cash and cash equivalents at 31 December	13	**34,413**	**16,221**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 59.

1. Reporting entity

(a) Georgian business environment

The Group's operations are primarily located in Georgia. Consequently, the Group 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. The COVID-19 coronavirus pandemic and war in Ukraine in 2022 has further increased uncertainty in the business environment. The consolidated financial statements reflect management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. As the Group's cash generating assets are mostly serving inbound tourists, the Group is also exposed to the economic and financial markets of the countries, which are the largest feeder markets of Georgian tourism.

(b) Organisation and operations

The consolidated financial statements include the financial statements of SRG Real Estate LLC (the "Company") and its subsidiaries as detailed in note 22 (together referred to as the Group and individually as the "Group entities").

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.

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

- Ownership and operation of the Radisson Blu Hotels located in Tbilisi and Batumi, Georgia and Radisson Collection Hotel located in Tsinandali, Georgia (together referred as "Hotels", see note 6 for further details);
- Ownership and operation of the Park Hotel in Tsinandali, Georgia (see note 22);
- Operation of the land based casinos in Tbilisi and Batumi (together referred as "Casinos"). Casinos in Tbilisi and Batumi are located in the Radisson Blu Hotels;
- Ownership and operation of Complex Republic;
- Development and management of real estate properties located in different regions of Georgia (see note 10).

On 29 April 2020, the Group entities and DSDG Holding ApS formed agreement on the construction of a 220-key hotel, operating under the LEED Gold Standards, in the centre of Tbilisi. The construction will partly be financed by DSDG Holding ApS. In 2020 and as of the date these consolidated financial statements were authorized for issue, the project is on an early stage of development.

The owners of the Company are as follows:

Name	**31 December 2021**	**31 December 2020**
Silk Road Group Holding LLC	95%	95%
Amphidon Holding (Malta) Limited	5%	5%
Total	**100%**	**100%**

In 2020 the Company's intermediate parent reorganized, as a result of which the Group has a new beneficial owner, Yerkin Tatishev, with indirect minority holding (38.2%) in the Group.

The Group's ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual George Ramishvili. Related party transactions are detailed in note 23.

2. Basis of accounting

(a) Statement of compliance

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

(b) Going concern

Notwithstanding the current COVID-19 situation and the fact that currently the Group's operations are slowed down (see note 24), the consolidated financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these consolidated financial statements, which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds, to meet its liabilities as they fall due for that period. The forecasts consider the following key assumptions and facts:

- As at 31 December 2021 and as at the date these consolidated financial statements were authorized for issue, the Group has positive working capital and it also maintains a relatively significant cash balance for post-COVID 19 period (see note 13), which is expected to grow gradually, in line with the business recovery as disclosed below;
- The Group has solid non-current asset base, with fair values significantly higher than carrying values (see note 10);
- Casinos in Batumi and Tbilisi resumed their operations from April 2021 and July 2021, respectively. During 2021 the Group has recovered its casino revenue at 70% of pre pandemic result and it is expected that the revenue will be fully recovered to pre pandemic revenue going forward. Cost margins are expected to be similar to the historical cost margin (taking into account certain cost cuttings that have already been renegotiated and materialized);
- Operations of the Hotels have been resumed in 2021 and showed positive signs of recovery from the second half of the year and are expected to grow gradually;
- There will not be significant recovery issues on the related party loans and guarantees issued by the Group (see notes 19 (b) (ii) and 21 (b));
- In 2021, the Group successfully renegotiated with TBC Bank JSC the new terms of the principal and interest repayments under the current loan facilities – principal repayments were deferred till January 2023 and the loan maturities were extended to 2027 and 2033 years (see note 17);
- In 2022, the Group has concluded credit line agreement for USD 100 million with Bank of Georgia JSC (see note 30);
- In the unlikely worst-case scenario, the Company's ultimate parent company, Silk Road Group Holding (Malta) Limited, is willing and able to provide financial support to the Company and its related parties, if needed. Silk Road Group Holding (Malta) Limited has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the consolidated financial statements and therefore have prepared the consolidated financial statements on a going concern basis. Management therefore believe that there is no significant uncertainty with respect to Group's ability to continue as a going concern.

3. Functional and presentation currency

The national currency of Georgia is the Georgian Lari ("GEL"), which is the Company's and Group entities' functional currency and the currency in which these consolidated 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 consolidated financial statements in conformity with IFRSs 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 consolidated financial statements is included in the following notes:

- Note 2(b) – going concern assessment;
- Note 8 – assessment of impairment indicators for property and equipment;
- Note 26(h)(iii) – useful lives of property and equipment;
- Note 26(h)(ii) – recognition and measurement of property and equipment;
- Note 26 (a)(iv) – accounting for common control transactions;
- Note 16 – recognition and measurement of put option liability.

There are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year. Other significant estimates are included in the following notes:

- Note 10 – valuation of investment property;
- Note 19 (ii) - impairment of loans issued: determining inputs of the ECL measurement model, including key assumptions used in estimating recoverable cash flows.

Measurement of fair values

A number of the Group'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 Group 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 the following notes:

– Note 10 – fair values of investment properties;
– Note 19 (a) – fair values of financial assets and liabilities.

5. Revenue and other income

(a) Revenue

'000 GEL	**2021**	**2020**	**2019**
Revenue from casino operations	**81,460**	**30,622**	**121,391**
Revenue from casino live games	*57,955*	*21,870*	*82,246*
Revenue from slot machines	*23,505*	*8,618*	*38,645*
Other revenue	-	*134*	*500*
Revenue from hotel and Complex Republic operations	**56,964**	**18,553**	**59,376**
Food and beverage revenue	*24,850*	*9,968*	*20,942*
Room revenue	*27,744*	*6,856*	*33,731*
Other hotel revenue	*4,370*	*1,729*	*4,703*
Other revenue	**6,314**	**7,497**	**6,611**
	144,738	**56,672**	**187,378**

The Group generates revenue primarily from hotel and casino operations. Hotel revenue stream is mainly attributable to sale of hotel rooms and food and beverages in the hotel restaurant facilities. Due to the nature of the hotel business, which is mainly cash-based, the Group does not have any material contract assets and/or contract liabilities. Other revenue comprises income from many different activities, such as operation of clubs, restaurants, event halls, museums and lease out of investment properties. See note 26 (b) for further details. Approximately 44% of total revenue in 2021 (2020: 48%; 2019: 37%%) is attributable to contracts with customers. Casino revenue stream is mainly attributable to casino games, such as Poker, Baccarat, Blackjack, American Roulette, Slot Machines. The payout for stakes placed on these gaming activities is typically known at the time when the stake is placed. This stake is termed "fixed-odds stake". Such contracts fulfil the definition of a financial instrument under IFRS 9 *Financial instruments* and are therefore exempt from IFRS 15.

(b) Other income

'000 GEL	**2021**	**2020**	**2019**
Income from casino tips	4,886	1,676	6,562
Gain on sale of property*	-	33,231	869
Income from property tax reversal**	-	2,139	-
Other	2,909	3,569	6,239
	7,795	**40,615**	**13,670**

*Gain on sale of property of GEL 28,563 thousand relates to income from land sale to the related party company (see note 10).

**In 2020, following the support measures introduced by the Government of Georgia to the hotel industry (see note 24), the Group was exempted from property tax attributable to 2020 and 2019 years. Considering that the changes in law regarding the exemption of property tax of 2019 were enacted in July 2020, the Group recognised property tax expense and respective liability in the consolidated financial statements for the year ended 31 December 2019. Consequently in 2020, the Group made a reversal of the recognised property tax on property and equipment for 2019 through recognising respective income in amount of GEL 2,139 thousand. Property tax attributable to 2020 year in amount of GEL 2,234 thousand is presented net with the respective government grant income (see note 26 (p)).

6. Operating costs

’000 GEL	2021	2020	2019
Customer related cost*	9,911	4,912	17,339
Consumption of inventories	7,784	2,926	6,441
Utility expenses	5,488	2,671	3,419
Quarterly permission fee expenses**	4,555	2,909	11,845
Hotel supplies	3,594	1,911	3,542
Lease expenses	3,216	2,089	6,630
Marketing expenses	2,870	2,054	5,168
Bank and other commissions	2,830	824	3,203
Taxes other than on income tax	2,802	938	4,520
Consulting and professional fees***	2,259	1,158	3,431
Repair and maintenance	2,141	1,556	3,485
Contractor service fees	1,648	715	-
Royalty fees	1,530	-	-
Security expenses	855	791	1,413
Hotel management fees****	-	516	5,405
Other operating costs	8,124	4,264	6,629
	59,607	**30,234**	**82,470**

* Customer related cost represents the free of charge services and goods delivered to casino customers, such as: snacks, drinks, cigarettes, food, hotel rooms at Radisson Blue Tbilisi and Batumi, flight tickets, etc.

** Quarterly permission fee expenses represent the specific fixed quarterly tax accruals to the local authorities on the gambling business and in particular for running slot machines in Georgia.

*** Professional fee above includes fees paid to the audit firms of GEL 585 thousand (2020: GEL 499 thousand, 2019: GEL 475 thousand) for the provision of audit services.

**** For management of certain Hotels’ operations, the Group entities annually pay management fees to Rezidor Hotels. Management fees are variable and determined based on operating results of the Hotels. Until 2020, the Hotels were managed by Radisson Hotels under different International Management Agreements (“IMA”). On 20 March 2020, Tsinandali Estates LLC has formed International License Agreement (“ILA”) with Radisson Hotel Aps Danmark and received a license to operate a hotel with a brand name of “Radisson Collection Hotel”. The license agreement matures on 31 December 2035. In 2021, IMAs on management of Tbilisi and Batumi Hotels were also terminated and ILA’s were formed with Radisson Hotel Aps Danmark. After concluding the ILA, the International Management Agreement on the operation of the hotels was terminated and Tsinandali, Tbilisi and Batumi Hotels are operated by the Group’s management under “Radisson Collection” brand.

7. Net finance costs

’000 GEL	**2021**	**2020**	**2019**
Recognised in profit or loss			
Interest income on loans receivable	19,655	18,932	17,515
Net foreign exchange gain	3,032	2,414	-
Finance income	**22,687**	**21,346**	**17,515**
Net foreign exchange loss	-	-	(745)
Interest expense	(29,515)	(22,441)	(23,343)
Finance costs	**(29,515)**	**(22,441)**	**(24,088)**
Net finance costs recognised in profit or loss	**(6,828)**	**(1,095)**	**(6,573)**

8. Property and equipment

'000 GEL	Lands	Buildings	Gaming tables and slot machines	Furniture and fixture	Construction in progress	Other	Total
Cost							
Balance at 1 January 2020	10,314	286,453	8,127	37,062	852	19,116	361,924
Additions**	-	20,489	154	592	1,192	391	22,818
Disposals	-	(1,358)	-	(242)	-	(370)	(1,970)
Balance at 31 December 2020	**10,314**	**305,584**	**8,281**	**37,412**	**2,044**	**19,137**	**382,772**
Balance at 1 January 2021	10,314	305,584	8,281	37,412	2,044	19,137	382,772
Additions*	196	7,440	4,014	3,021	1,548	2,390	18,609
Disposals and write offs	-	-	(109)	(2,788)	-	(81)	(2,978)
Transfers	-	1,274	-	738	(2,012)	-	-
Transfer to Investment Property	-	(751)	-	-	(787)	-	(1,538)
Balance at 31 December 2021	**10,510**	**313,547**	**12,186**	**38,383**	**793**	**21,446**	**396,865**
Depreciation							
Balance at 1 January 2020	-	(57,144)	(4,741)	(13,605)	-	(13,055)	(88,545)
Depreciation for the year	-	(11,080)	(835)	(7,063)	-	(516)	(19,494)
Disposals	-	58	-	-	-	49	107
Balance at 31 December 2020	**-**	**(68,166)**	**(5,576)**	**(20,668)**	**-**	**(13,522)**	**(107,932)**
Balance at 1 January 2021	-	(68,166)	(5,576)	(20,668)	-	(13,522)	(107,932)
Depreciation for the year	-	(16,628)	(1,241)	(6,121)	-	(666)	(24,656)
Disposals and write offs	-	-	90	2,745	-	81	2,916
Balance at 31 December 2021	**-**	**(84,794)**	**(6,727)**	**(24,044)**	**-**	**(14,107)**	**(129,672)**
Carrying amounts							
At 1 January 2020	**10,314**	**229,309**	**3,386**	**23,457**	**852**	**6,061**	**273,379**
At 31 December 2020	**10,314**	**237,418**	**2,705**	**16,744**	**2,044**	**5,615**	**274,840**
At 31 December 2021	**10,510**	**228,753**	**5,459**	**14,339**	**793**	**7,339**	**267,193**

Major part of buildings are properties used in the Hotels', Casinos and Complex Republic operations (see note 1 (b)). Historical cost was determined at the cost of constructing and purchase of the property and equipment and all the related expenditures directly attributable to bringing the assets to a working condition for its intended use. Lands mainly represent lands attached to the above buildings.

* Included in additions of buildings GEL 7,480 thousand is related to the the acquisition of Tsinandali Resorts LLC (see note 22).

** During 2020, the Group has performed refurbishment and renovation works in Tbilisi Hotel and constructed additional sport complex spaces in Tsinandali Hotel. Total investment made on the above refurbishment and renovation works amounted to GEL 14,060 thousand and GEL 4,415 thousand, respectively.

(a) Security

At 31 December 2021 and 31 December 2020 major part of the Group's property and equipment (approximately, 90% and 85%, respectively) is pledged as a security to the bank loans (see note 17).

(b) Impairment of property and equipment

At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The management determined that the Group's property and equipment is related to the four larger cash-generating units:

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

As at 31 December 2020, the management has identified certain internal and external factors that were considered as impairment indicators and, therefore, performed an impairment test of its cash-generating units. The recoverable amounts were determined using the assumptions that market participants would use when pricing the assets, including assumptions about highest and best use of the properties and were calculated using the discounted cash flow techniques based on the expected cash inflows and outflows arising from the cash-generating units. The discount and capitalization rates used were 10.67% and 8.3%, respectively. Management has concluded that no impairment should be recognized on the Group's property and equipment as the recoverable amounts of the Group's assets were higher than respective carrying values.

As at 31 December 2021 no impairment indicators were identified by the management.

9. Intangible assets

'000 GEL	Casino permit	Software for slot machines, licenses and other	Total
Cost			
Balance at 1 January 2020	**5,392**	**3,081**	**8,473**
Additions	-	4	4
Disposals	(5,171)	-	(5,171)
Balance at 31 December 2020	**221**	**3,085**	**3,306**
Balance at 1 January 2021	**221**	**3,085**	**3,306**
Additions	3,250	1,513	4,763
Balance at 31 December 2021	**3,471**	**4,598**	**8,069**
Amortisation			
Balance at 1 January 2020	(1,490)	(449)	(1,939)
Amortisation for the year	(3,757)	(197)	(3,954)
Disposals	5,171	-	5,171
Balance at 31 December 2020	**(76)**	**(646)**	**(722)**
Balance at 1 January 2021	(76)	(646)	(722)
Amortisation for the year	(1,498)	(230)	(1,728)
Balance at 31 December 2021	**(1,574)**	**(876)**	**(2,450)**
Carrying amounts			
At 1 January 2020	**3,902**	**2,632**	**6,534**
At 31 December 2020	**145**	**2,439**	**2,584**
At 31 December 2021	**1,897**	**3,722**	**5,619**

Significant amount in intangible assets represents casino permit for the operation of the Casino in Tbilisi. Casino permit is obtained annually by payment of GEL 5 million to run casino for 12 months since the payment date. Each year the Company obtains new permit after the old permit expires, hence the continuity table above shows large amounts of additions and disposals in each year. Permit for operating Casino in Batumi costs GEL 250 thousand. Difference in the costs of permit is determined by Georgian legislation and linked to location of casinos' operations. In 2021, the license fee for Tbilisi casino was reduced from GEL 5 million to GEL 2.5 million due to Covid-19 related government reliefs.

In 2021 the Group started operation of Batumi casino in April, whereas Tbilisi casino operations were relaunched in July. The license for each casino was obtained according to the respective launch date. In 2020 Tbilisi and Batumi casinos operated only first three months due to the Covid-19 related government restrictions and respectively no license fees had been paid in 2020.

10. Investment property

'000 GEL	**Lands**	**Buildings**	**Construction in Progress***	**Total**
Cost/deemed cost				
Balance at 1 January 2020	**178,691**	**128,858**	**3,973**	**311,522**
Additions	-	1,842	5,098	6,940
Disposals and write offs	(1,878)	(308)	(13)	(2,199)
Balance at 31 December 2020	**176,813**	**130,392**	**9,058**	**316,263**
Additions	-	70	9,649	9,719
Transfer from property and equipment	-	751	787	1,538
Disposals and write offs	-	(2,326)	-	(2,326)
Balance at 31 December 2021	**176,813**	**128,887**	**19,494**	**325,194**
Depreciation				
Balance at 1 January 2020	**-**	**(9,471)**	**-**	**(9,471)**
Charge for the year	-	(3,044)	-	(3,044)
Balance at 31 December 2020	**-**	**(12,515)**	**-**	**(12,515)**
Charge for the year	-	(3,024)	-	(3,024)
Depreciation on disposal	-	116		116
Balance at 31 December 2021	**-**	**(15,423)**	**-**	**(15,423)**
Carrying amount				
1 January 2020	**178,691**	**119,387**	**3,973**	**302,051**
31 December 2020	**176,813**	**117,877**	**9,058**	**303,748**
31 December 2021	**176,813**	**113,464**	**19,494**	**309,771**

* Construction in progress mainly includes the capital expenditures incurred during 2021 and 2020 for the development of Batumi Riviera residential complex in Adjara region, the first phase of which is expected to be finalized in 2024 and construction of villas in Tsinandali Region which are mostly intended for future rentals.

In 2019, the Group sold significant portion of land plot (total area of 20,314 m^2) located on Sanapiro street, Tbilisi, Georgia, with a carrying value of GEL 30,309 thousand, to the related party company for the cash consideration of GEL 29,461 thousand. Under the sale agreement, the Group had access to additional contingent consideration of USD 9,960 thousand, in case the Development Regulation Plan (implying 60,000 sq.m. gross buildable area on the land plot) would be successfully approved by the municipal authorities. As at 31 December 2019, approval of the Development Regulation Plan was neither within the control of the Group nor certain and as such no respective income was

recognized during 2019. In 2020, the respective approval was obtained from the municipal authorities. As a result, the Group received an additional payment of GEL 30,912 thousand (USD 9,790 thousand) from the counterparty and recognized related income in profit or loss in 2020 (see note 5(b)).

(a) Description of investment property

The Group's investment property comprises of the following immoveable properties:

- Property 1 – Land plots and improvements of Tsinandali Villas, located in Tsinandali, Georgia;
- Property 2 – Building, former central post office, located in Tbilisi, Georgia;
- Property 3 – Underground facilities near Rose Revolution square, located in Tbilisi, Georgia, owned by New Office LLC (see note 22);
- Property 4 – Land plots on Rustaveli Avenue and Sakanela Street, located in Tbilisi, Georgia, owned by New Office LLC (see note 22);
- Property 5 – Land parcel in village Misaktsieli, located in Misaktsieli, Georgia;
- Property 6 – Land plot on the Sanapiro Street, located in Tbilisi, Georgia, owned by Centre Plaza LLC (see note 22);
- Property 7 – Building on 37 Rustaveli Avenue, Tbilisi, Georgia, owned by Centre Plaza LLC;
- Property 8 – Underground facilities near Rose Revolution square, located in Tbilisi, Georgia, owned by Centre Plaza LLC (see note 22);
- Property 9 – Land plots of Batumi Riviera, located in Batumi, Georgia;
- Property 10 – Land plots located in Kobuleti, Georgia;
- Property 11 – Land plots located in Batumi, Georgia;
- Property 12 – Land plots located in Khelvachauri, Georgia;
- Property 13 – Land plots located in Tbilisi, Georgia;
- Property 14 – Land plots located in Poti, Georgia;
- Property 15 – Land plots located in Abastumani, Georgia.

Management has classified the properties as investment properties as the properties are either held to earn rental income, or for the capital appreciation, or for undetermined future use (properties held for undetermined future use will be reclassified to property and equipment if and when the Group starts developing the property for the own use). The ancillary services to be provided to tenants will be a relatively insignificant component of the arrangement as a whole for the properties held for earning the rent income. Insignificant parts of certain properties are held by the Group for own use, but is classified as investment property as represents insignificant components of the total investment properties.

As at 31 December 2021 and 31 December 2020, major part of the investment property is held for capital appreciation or for undetermined future use and as a result, the Group did not have material rental income either in 2021 or 2020.

(b) Fair value of investment property

As at 31 December 2020, management of the Group, with an assistance of external, independent valuers, has estimated the fair values of the investment properties.

The management team regularly monitors fair value changes for its investment properties, including doing regular reviews of significant inputs in the valuation models. As a result of review performed by the management as at 31 December 2021, no indicators were observed on the real estate market, that would materially change the fair values of investment properties as at 31 December 2021.

The fair value estimates are categorised into Level 3 of the fair value hierarchy, because of significant unobservable adjustments used in the valuation methods.

’000 GEL	Approach	Fair values		Carrying values	
		2021	2020	2021	2020
Properties 1,4,5,6, 9-15	Recent market transactions and other**	296,361	291,535	196,173	186,748
Property 2,7*	Market/Income approach	105,601	100,425	86,220	87,203
Properties 3,8	Income approach	39,619	42,327	27,378	29,797
Total		**441,581**	**434,287**	**309,771**	**303,748**

*As at 31 December 2021 and 2020, the fair value of Property 2 is determined in combination of market and income approaches, which management and the independent valuator consider as more appropriate approach.

** Properties with the carrying amount of GEL 7,221 thousand is valued using the cost approach, where the cost approximates the carrying amount.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income approach: Major part of the fair/carrying value is attributable to Property 8 and was estimated using discounted cash flow techniques based on the expected cash inflows and outflows arising from the operations and rentals.	As at 31 December 2021 and 2020, discount and capitalization rates used in the valuation ranged between 10%-12% and 8%-10%, respectively.	The estimated fair value would increase (decrease) if: – the reversion rate was (higher) lower
Income/market approach: Approximately 66% of the fair value is attributable to Property 2 and has been estimated using the combination of 1) the discounted cash flow techniques based on the expected cash inflows and outflows arising from the hotel in the center of Tbilisi; and 2) market approach based on announced asking prices for similar properties in the similar location and physical condition (hotel represents the anticipated, as well as highest and best use of the property).	– Occupancy rate will increase gradually from 55% to 70% (which is stabilised occupancy rate); – Average Daily Rate (ADR) was considered to be increased gradually from USD 130 to USD 170; – Capitalization rate and discount rate is approximately 8% to 10%, respectively; – The significant unobservable inputs related to the differences in the characteristics of the property, such as size, location, condition of the property and the discount achieved through negotiation, for which the appraiser applied 5% to 20% adjustments to observed asking prices.	– The estimated fair value would increase (decrease) if: – the reversion rate was (higher) lower – the initial investment was (higher) lower – projected ADR and occupancy rates were higher (lower) – The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Recent market transactions: The valuation model is based on announced asking prices for similar properties in the similar location and physical condition.	- The significant unobservable inputs related to the differences in the characteristics of the lands, such as size, location, access to the property and discount achieved through negotiation, for which the appraiser applied 10% to 35% adjustments to observed asking prices.	The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).

(c) Security

As at 31 December 2021 and 31 December 2020 part of the Group's investment property (78% and 79%, respectively) is pledged under the Group's secured bank loans (see note 17).

11. Trade and other receivables

'000 GEL	31 December 2021	31 December 2020
Trade receivables	5,985	18,880
Other receivables	9,034	3,415
Trade and other receivables included in loans and receivables category	**15,019**	**22,295**
Less: credit loss allowance	(6,053)	(5,850)
	8,966	**16,445**

The Group's exposure to credit, currency and interest rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 19.

12. Prepayments and other assets

'000 GEL	31 December 2021	31 December 2020
Tax assets	5,481	3,463
Prepayments	1,484	2,134
Other	782	816
	7,747	**6,413**

13. Cash and cash equivalents

'000 GEL	31 December 2021	31 December 2020
Cash on hand	11,563	618
Bank balances	22,850	15,603
	34,413	**16,221**

Bank balances include current accounts and call deposits with original maturities of three months or less. The Group's exposure credit, currency and interest rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 19.

14. Loans receivable

Loans are issued to related parties. None of the loans are secured. The Group's exposure to credit, currency and interest rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in note 19.

	31 December 2021	31 December 2020
Non-current assets		
Related party loans	239,893	270,083
Current assets		
Related party loans	40,799	3,398
Total	**280,692**	**273,481**
Less: allowance for impairment loss	(2,707)	(2,536)
	277,985	**270,945**

Terms and payment schedule:				31 December 2021		31 December 2020	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Related party loan	USD	11%	2025	112,906	112,093	111,928	111,116
Related party loan	USD	12%	2024	64,504	63,951	63,668	63,114
Related party loan	USD	11%	2022	33,191	33,191	32,153	32,153
Related party loan	USD	10%	2025	20,134	20,134	19,905	19,905
Related party loan	USD	10%	2025	20,826	19,576	19,190	19,190
Related party loan	USD	4%	2025	10,315	10,315	17,040	17,040
Related party loan	USD	7%	2025	6,200	6,200	-	-
Related party loan	GEL	10%	2021/2022	5,551	5,516	3,315	3,188
Related party loan	USD	9%	2025	1,230	1,230	1,195	1,195
Related party loan	GEL	14%	2022	963	963	1,063	1,063
Related party loan	USD	14%	2022	1,094	1,040	1,040	1,040
Related party loan	GEL	13%	2022/2023	3,483	3,483	1,555	1,555
Related party loan	USD	14%	2025	295	293	288	286
Related party loan	GEL	20%	2021	-	-	100	100
Total interest-bearing assets				**280,692**	**277,985**	**272,440**	**270,945**

15. Capital and reserves

(a) Charter capital

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

'000 GEL	**2021**	**2020**
Balance at the beginning of the period	671,140	670,989
Increase in charter capital (see note 16)	-	151
	671,140	**671,140**

(b) Dividends

In accordance with Georgian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRSs.

In 2020, the Group entities declared dividends to the minority shareholder in amount of GEL 3,120 thousand, that was netted off with the loans receivable from the same counterparty.

No dividends were declared by the Group entities during 2021.

(c) Capital management

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

(d) Security

As at 31 December 2021 and 31 December 2020, capital of Tsinandali Savane LLC (see note 22) is pledged in respect of Partners' Agreement (see note 16).

As at 31 December 2021 and 31 December 2020, capitals of Medea Operating company LLC, Limoni 2009 LLC, Tsinandali Estates LLC and New Hotel JSC are pledged in respect of secured bank loans (see note 17).

As at 31 December 2021 and 31 December 2020 capital of Batumi Riviera LLC is pledged in respect of secured loans (see note 17).

As at 31 December 2021 capital of Tsinandali Resorts LLC (see note 22) is pledged in respect of secured bank loans (see note 17).

16. Non-controlling interests and put option liability

Put option liability

Under the Partnership Agreement ("PA"), formed on 2 September 2016 between Tsinandali Savane LLC (see note 22) and Partnership Fund JSC, the owner of the non-controlling interest in Tsinandali Estates LLC, the Group has call option to acquire the non-controlling interest in Tsinandali Estates LLC during the first 6 years and 9 months after the PA date, and, on the other hand, Partnership Fund JSC has put option to sell its interest in Tsinandali Estate's capital for 5 years after the end of the call option period. The exercise price for both, call and put option, is determined as the Partnership Fund's investment in the capital of Tsinandali Estates LLC plus accumulated interest, agreed by the parties in the PA. On 5 October 2021, amendment to the PA was formed, according to which the put option of Partnership Fund JSC was deferred by two years and starts from 31 July 2025.

The Group believes that from an economic perspective, the option will be exercised in substantially all cases and the sensitivity of the exercise price to the variations in the fair value of the ownership interest is sufficiently low that substantially all of that variation accrues to the parent. Consequently management believes that the non-controlling shareholder does not have present access to the returns associated with the underlying ownership interest in Tsinandali Estates LLC and as such applies anticipated-acquisition method to the investment. Furthermore, the Group has recognised put option liability of GEL 42,436 thousand and GEL 40,804 thousand as at 31 December 2021 and 31 December 2020, respectively, with reference to the present value of the exercise price of the option, discounted by the discount rate of approximately 12% for each year.

During 2021 and 2020 the Group has recognised changes in the carrying amounts of put option liabilities of GEL 1,632 and GEL 8,984, respectively, directly in equity. The changes are mainly attributable to unwinding of discount and foreign currency fluctuations, as the exercise price of the option is denominated in USD.

Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

'000 GEL	Georgian Hotel Management	Iveria Centre	Limoni 2009	Tsinandali Resorts*
NCI percentage	**4%**	**50%**	**12%**	**49%**
Total assets	56,184	24,513	83,831	9,376
Total liabilities	(31,743)	(25,596)	(41,837)	(7,496)
Net assets/ (liabilities)	**24,441**	**(1,083)**	**41,994**	**1,880**
Carrying amount of NCI	**998**	**(542)**	**5,042**	**921**
Profit/ (loss) and total comprehensive income/ (loss)	(1,995)	(1,490)	24,066	(134)
Profit/ (loss) and total comprehensive income/ (loss) attributable to NCI	**(80)**	**(745)**	**2,888**	**(66)**
Acquisition of NCI*	**-**	**-**	**-**	**987**
Other equity movements attributable to NCI	**-**	**84**	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**(1,502)**	**253**	**10,613**	**97**

31 December 2020

'000 GEL	Georgian Hotel Management	New Hotel**	Iveria Centre	Limoni 2009
NCI percentage	**4%**	**0%**	**50%**	**12%**
Total assets	59,084	190,423	24,427	67,498
Total liabilities	(32,144)	(87,911)	(24,189)	(49,550)
Net assets	**26,940**	**102,512**	**238**	**17,948**
Carrying amount of NCI	**1,078**	**-**	**119**	**2,154**
Profit/ (loss) and total comprehensive income/ (loss)	9,825	2,260	(6,151)	(945)
Profit/ (loss) and total comprehensive income/ (loss) attributable to NCI	**393**	**113**	**(3,076)**	**(113)**
Acquisition of NCI*	**-**	**(5,126)**	**-**	**-**
Dividends declared attributable to NCI	**-**	**-**	**-**	**(3,120)**
Other equity movements attributable to NCI	**140**	**-**	**8**	**-**
Net increase (decrease) in cash and cash equivalents	**(5,032)**	**-**	**109**	**(4,274)**

* In 2021, the Group acquired 51% of Tsinandali Resorts LLC. Please see note 22.

** In 2020, the Company acquired remaining 4.75% of New Hotel JSC from Warkham Holdings limited through the capital contribution of GEL 151 thousand from its parent company. As a result, in 2020 non-contolling interest of GEL 5,126 thousand was derecognized and non-controlling interest, as well as retained earnings attributable to the Company, were adjusted by the same amount.

17. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 19 (b).

'000 GEL	**31 December 2021**	**31 December 2020**
Non-current liabilities		
Bank loans	216,544	180,115
Loans from related parties	27,435	69,129
Loans from third parties	19,518	18,532
	263,497	**267,776**
Current liabilities		
Current portion of bank loans	4,702	35,032
Current portion of third party loans	1,507	783
Current portion of related party loans	43,087	32
	49,296	**35,847**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2021		31 December 2020	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan	EUR	7,5% + Euribor 6 months	2029/2033	42,762	42,762	51,949	51,949
Parent loan	USD	4%	2022	43,133	43,133	47,503	47,503
Secured bank loan	USD	9%+ Libor 6 months	2028/2033	30,158	30,158	34,589	34,589
Secured bank loan	GEL	5.25% + NBG ref. Rate	2029/2033	21,553	21,553	23,468	23,468
Secured bank loan	USD	7.85%+ 6M Libor 6.75% + 6M Libor *	2029/2033	20,178	20,178	22,616	22,616
Secured bank loan	GEL	5.25% + NBG ref. Rate	2024/2027	18,386	18,386	20,468	20,468
Secured bank loan	USD	7.85% + 6M Libor 6.75% + 6M Libor*	2029/2033	16,059	16,059	18,062	18,062
Secured third party loan	USD	9%	2023	12,521	12,521	12,109	12,109
Secured bank loan	GEL	5.25% + NBG ref. Rate	2029/2033	10,579	10,579	11,237	11,237
Secured bank loan	GEL	6% + NBG ref. Rate	2024/2027	10,215	10,215	11,439	11,439
Unsecured related party loan	USD	0.75% + 12M Libor	2025	8,134	8,134	8,191	8,191
Secured bank loan	USD	6.5% + 6m Libor	2028	7,135	7,135	-	-
Unsecured third party loan	GEL	14%	2025	6,856	6,856	5,567	5,567
Parent Loan	EUR	0.75% + 12M Libor	2025	6,332	6,332	-	-
Secured bank loan	USD	8.5% + 6M Libor	2024/2027	5,154	5,154	5,891	5,891
Secured bank loan	GEL	5.75% + Refinancing Rate	2027	4,449	4,449	-	-
Secured bank loan	USD	8.5% + 6M Libor	2029/2027	4,110	4,110	4,698	4,698
Unsecured related party loan	USD	0%	2025	3,792	3,792	4,011	4,011
Secured bank loan	GEL	5.75% + NBG refinance	2033	3,773	3,773	-	-
Unsecured related party loan	USD	4%	2025	3,476	3,476	3,611	3,611
Secured bank loan	EUR	7.5%+ Euribor 6 months	2033	3,438	3,438	-	-
Secured bank loan	USD	8.2%+ Libor 6 months	2033	3,399	3,399	-	-
Secured bank loan	EUR	7.25% + 6M Euribor	2030/2033	3,134	3,134	3,380	3,380
Secured bank loan	USD	9.45%+ Libor 6 months	2033	2,960	2,960	-	-
Secured bank loan	GEL	6% + NBG ref. Rate	2021/2027	2,820	2,820	3,160	3,160
Secured bank loan	USD	7.7%+ Libor 6 months	2033	2,748	2,748	-	-
Unsecured related party loan	USD	9%	2035	2,214	2,214	2,274	2,274
Secured bank loan	EUR	7.5% + 6M Euribor	2022	2,193	2,193	-	-
Secured bank loan	USD	6.75% + 6M Libor 7.85% + Libor 6 months	2030/2033	2,013	2,013	2,213	2,213
Secured related party loan	GEL	12%	2028/2035	1,994	1,994	1,994	1,994
Secured bank loan	USD	8.2%+ Libor 6 months	2033	1,340	1,340	-	-
Secured bank loan	USD	8.83% + 6M USD Libor	2027	1,045	1,045	-	-
Secured related party loan	USD	12%	2035	1,040	1,040	1,101	1,101
Secured bank loan	USD	8.5% + 6M Libor	2024/2027	929	929	1,007	1,007
Unsecured third party loan	GEL	14%	On demand	853	853	783	783
Secured bank loan	GEL	5.25% + NBG ref. Rate	2030/2033	716	716	795	795
Unsecured third party loan	USD	15%	2020/2022	511	511	507	507
Unsecured related party loan	USD	0.75% + 12M Libor	2030	407	407	427	427
Unsecured third party loan	GEL	16%	2025	143	143	109	109
Unsecured third party loan	EUR	11%	2023	141	141	163	163
Unsecured third party loan	GEL	14%	2025	-	-	77	77
Unsecured related party loan	USD	10%	2025	-	-	49	49
Secured bank loan	USD	9%	On demand	-	-	175	175
Total interest-bearing liabilities				**312,793**	**312,793**	**303,623**	**303,623**

* Fixed component of the loan interest rate was increased from 6.75% to 7.85%.

During March - July, 2020, the Group has used the grace period generally introduced by the Georgian banks due to COVID-19 situation for the repayment of loans (see note 24). On 29 July 2020 the Group negotiated new terms for the repayment of the loans and borrowings with TBC Bank JSC. The terms of the agreement consider grace period for the repayment of principal till the end of December, 2020 and repayment of interest only in case the Group has free cash flows for that time or till January, 2021. During 2021 the Group renegotiated the repayment terms with TBC Bank JSC, maturities of the loans were prolonged to 2027-2033 years and the grace period for the repayment of principal was deferred to January, 2023. The change in terms did not result in substantial modification of borrowings and respectively did not have a material impact on the consolidated financial statements.

The Group's property and equipment, investments in subsidiaries, intangible assets and investment property is pledged in respect of secured bank loans and secured loans (see notes 8, 9, 10 and 15).

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

'000 GEL	**Loans and borrowings**
Balance at 1 January 2021	303,623
Proceeds from borrowing	34,587
Repayment of borrowings	(1,821)
Total changes from financing cash flows	**32,766**
The effect of changes in foreign exchange rates	**(17,648)**
Other changes	
Other movements*	8,250
Interest expense	28,934
Interest paid	(43,132)
Total other changes	**(5,948)**
Balance at 31 December 2021	**312,793**

*Included in other movements GEL 7,135 is related to the changes arising from the acquisition of Tsinandali Resorts LLC (see note 22).

'000 GEL	**Loans and borrowings**
Balance at 1 January 2020	262,906
Proceeds from borrowing	18,978
Repayment of borrowings	(23,975)
Total changes from financing cash flows	**(4,997)**
The effect of changes in foreign exchange rates	**32,576**
Other changes	
Other movements	994
Interest expense	22,441
Interest paid	(10,297)
Total other changes	**13,138**
Balance at 31 December 2020	**303,623**

18. Trade and other payables

'000 GEL	31 December 2021	31 December 2020
Current liabilities		
Trade payables	6,214	5,250
Payables for acquisition of property and equipment	2,754	3,411
Taxes payable	2,640	623
Consideration payable for business acquisition (Note 22)	2,429	-
Payables to employees	1,683	68
Other payables	4,613	1,711
	20,333	**11,063**
Non-current liabilities		
Payables for acquisition of property and equipment	504	1,011
	504	**1,011**

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 19.

19. 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 Group 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 Group'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 Group 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 Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies and reporting regularly to the owner on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group'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 and other receivables

The Group's loans receivable as well as other receivables are mostly due from related parties. The expected credit loss (ECL) model is influenced by the individual characteristics of the borrowers, as well as the fact that all counterparties are either entities under common control or the parent company and, if required, the ultimate parent company, Silk Road Group Holding (Malta) Limited (see note 23), will provide entities under common control with such financial support to enable them to repay the loans and other receivables to the Group.

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 2021, approximately 1% and 40% of expected credit loss is charged to the gross carrying amounts of loans receivables and trade and other receivables, depending on comparable credit profile / rating or repayment expectations (31 December 2020: 1% and 26%, respectively).

PD for loans receivable was determined as 3.42% by an individual approach by an expert on a rating system based on a scoring questionnaire and represents the rated company's rating (based on Fitch rating agency) in the Silk Road Group adjusted by the individual risk characteristics of the borrowers from the same group.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, collateral market value and timing of realization of the collateral, if applicable. LGD is calculated on a discounted cash flow basis using effective interest rate as the discounting factor. Derived LGDs to the different exposures varies from 17% to 40% (31 December 2020: 25% to 33%).

EAD represents the expected exposure in the event of a default. The EAD for financial assets is its gross carrying amount at the time of default. The Group assumes 5 different likelihood scenarios with different probabilities when the financial instruments will be recovered and assumes 5% to 10% probability for the scenario when the financial instruments are not recovered at all.

For material exposures, effective interest rates ranging from 4% to 14% were used in the discounting of expected credit losses to consider time value of money.

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 Group 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 Group's historical experience and expert credit assessment and including forward-looking information. One of the criteria the Group 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 90 days past due.

As at 31 December 2021 and 31 December 2020, more than 90% of total loans receivable is allocated to Stage 1 as there was no increase in credit risk of the financial instruments since initial recognition.

As at 31 December 2021 and December 2020, approximately 35% of trade and other receivables are allocated to Stage 3 as they are overdue more than 90 days. Such trade receivables are mostly related to rental income receivable from related party entities, that have history of past due payments and non-performance.

Sensitivity analysis

10% increase in expected credit loss rate, assuming that all other variables remain constant, could affect the expected credit loss on trade and other receivables for 2021 and 2020 by approximately GEL 1.5 million and GEL 2. million, respectively.

1% increase in expected credit loss rate, assuming that all other variables remain constant, could affect the expected credit loss on loans receivable for 2021 and 2020 by approximately GEL 2.8 million and GEL 2.9 million, respectively.

Impairment losses on loans receivable

The movement in the allowance for impairment in respect of loan receivables during the year was as follows.

'000 GEL	**2021**	**2020**
Balance at 1 January	(2,536)	(1,879)
Increase during the year	(171)	(657)
Balance at 31 December	**(2,707)**	**(2,536)**

Impairment losses on trade and other receivables

The movement in the allowance for impairment in respect of receivable from rental income during the year was as follows.

'000 GEL	**2021**	**2020**
Balance at 1 January	(5,850)	(6,157)
Reversal/(increase) during the year	(203)	307
Balance at 31 December	**(6,053)**	**(5,850)**

Bank balances

The Group holds the majority of its funds with one Georgian bank with short-term default rating of B, rated by Fitch Ratings. The Group does not expect this counterparty to fail to meet its obligations.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, Silk Road Group Holding (Malta) Limited, has demonstrated its intention to provide, for the foreseeable future, financial and other support as is necessary to permit the Group to continue in operational existence (note 2 (b)).

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

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	312,793	475,832	853	74,010	53,616	153,915	193,438
Trade and other payables	20,837	20,934	-	20,333	601	-	-
Credit related commitments* (note 21(b))	-	371,712	371,712	-	-	-	-
Put option liability	42,436	63,696	-	-	-	63,696	-
	376,066	**932,174**	**372,565**	**94,343**	**54,217**	**217,611**	**193,438**

31 December 2020

'000 GEL	**Carrying amount**	**Contractual cash flows**	**On demand**	**Less than 1 yrs**	**1-2 yrs**	**2-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities							
Loans and borrowings	303,623	399,663	783	55,248	140,480	123,547	79,605
Trade and other payables	12,074	12,074	691	10,372	-	1,011	-
Credit related commitments* (note 21(b))	-	393,192	393,192	-	-	-	-
Put option liability	40,804	50,403	-	-	-	50,403	-
	356,501	**855,332**	**394,666**	**65,620**	**140,480**	**174,961**	**79,605**

*Amount includes undisbursed credit related commitments (see note 21 (b)).

(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 Group'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 Group is mainly exposed to currency risk on purchases, borrowings and loans receivable that are denominated in USD.

Exposure to currency risk

The Group's exposure to USD was as follows:

'000 GEL	**USD-denominated 31 December 2021**	**USD-denominated 31 December 2020**
Loans receivable	268,023	265,039
Trade and other receivebles	533	1,549
Cash and cash equivalents	13,330	9,134
Loans and borrowings	(172,456)	(169,034)
Trade and other payables	(3,709)	(8,068)
Put option liability	(42,436)	(40,804)
Net exposure	**63,285**	**57,816**

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

in GEL	**Average rate**		**Reporting date spot rate**	
	2021	**2020**	**2021**	**2020**
USD 1	3.2209	3.1097	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	**Strengthening**		**Weakening**	
	Equity	**Profit or (loss)**	**Equity**	**Profit or (loss)**
31 December 2021				
USD (15% movement)	6,365	(15,858)	(6,365)	15,858
31 December 2020				
USD (15% movement)	6,121	(14,793)	(6,121)	14,793

As at 31 December 2021 and 31 December 2020, the Group is also exposed to the currency risk on borrowings received in EUR (see note 17). 15% weakening of GEL against EUR would have decreased the Group's profit or loss by GEL 8.7 million (31 December 2020 – 15% :GEL 8.3 million).

(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 Group'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 Group over the expected period until maturity.

Exposure to interest rate risk

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

'000 GEL	**Carrying amount**	
	2021	**2020**
Fixed rate instruments		
Financial assets	277,985	270,945
Financial liabilities	(76,674)	(76,449)
	201,311	**194,496**
Variable rate instruments		
Financial liabilities	**(236,119)**	**(227,174)**

Fair value sensitivity analysis for fixed rate instruments

The Group 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 2,361 thousand (2020: GEL 2,272 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

20. Commitments

Other commitments

As at 31 December 2021 and 31 December 2020, the Group has investment obligations for the construction of investment property towards the Government of Georgia of USD 22 million. From these investment obligations, USD 15 million relates to Bobokvati project, that, as at the date of signing these consolidated financial statements, is due in 2029.

21. 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 consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(b) Financial guarantees

As at 31 December 2021, the Group stands as a guarantor of the indebtedness of the related party towards JSC TBC Bank for USD 120 million. Under the guarantee agreement, the Group is liable for the total withdrawn loan balances in case of the event of default by the related party. The loans were negotiated in 2019 and mature in 2023.

As at 31 December 2021, the withdrawn amount of the credit facilities was GEL 17,257 thousand, equivalent to EUR 4,925 thousand (31 December 2020: GEL 39,831 thousand, equivalent to EUR 9,900 thousand).

The amount of withdrawn credit related commitments represents the maximum accounting loss that would be recognised at the reporting date if counterparty failed completely to perform as contracted. Therefore, the total contractual commitments presented above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. As at 31 December 2021 and 2020 and, there was no event of default and the related party follows the loans' repayment schedules and therefore the financial instrument is allocated to Stage 1. As at the date these consolidated financial statements were authorised for issue the related party has fully repaid the outstanding loan. Considering this and also after assessing the credit quality information of the related party entity, such as its performance under the loan agreement and key financial indicators, management believes that ECL is immaterial as at 31 December 2021 and 31 December 2020.

22. Subsidiaries

Entity	Principal Activity	Date of Incorporation	Group's ownership percentage as at 31 December 2021	Group's ownership percentage as at 31 December 2020	Ownership type
Georgian Hotel Management LLC	Operation of Tbilisi Radisson Blu Iveria Hotel	9 August 2010	96%	96%	Direct
Argo Management LLC	Operation of Batumi Radisson Blu Hotel	30 November 2010	96%	96%	Indirect, through Georgian Hotel Management LLC
Riviera Beach LLC	Club operation	18 May 2012	100%	100%	Direct
Silk Road Service LLC	Pooling of purchases for the group companies	31 December 2015	100%	100%	Direct
Development Solution LLC	Real Estate development service	10 July 2006	100%	100%	Direct
Development solutions Medea LLC	Dormant entity	7 September 2009	100%	100%	Indirect, through Development Solution LLC
Tsinandali Savane LLC	Holding entity	17 February 2016	100%	100%	Direct
Tsinandali Estate LLC	Operation of Tsinandali Radisson Collection Hotel	27 June 2008	67%	67%	Indirect, through Tsinandali Savane LLC
Tsinandali LLC	Museum operation	3 October 2005	100%	100%	Direct
Georgian Wine Institute LLC	Wine tasting and training service	26 December 2011	100%	100%	Indirect, through Tsinandali LLC
SRG Investments LLC	Corporate service provider to the Group	27 May 2011	100%	100%	Direct
Limoni 2009 LLC	Operation of casinos	11 August 2009	88%	88%	Direct
Medea Operating company LLC	Ownership of Batumi Radisson Blu Hotel and related casino	5 November 2010	100%	100%	Direct
F Telecom LLC	Real estate development	2 October 2006	100%	100%	Direct
Riviera LLC	Holding Entity	12 July 2012	100%	100%	Direct
Batumi Riviera LLC	Real estate development	30 May 2018	100%	100%	Indirect, through Riviera LLC
Center Plaza LLC	Real estate development	14 July 2005	100%	100%	Direct
Club Savane LLC	Night club operation	11 April 2018	51%	51%	Indirect, through Centre Plaza LLC
Tsinandali Villas LLC	Real estate development	19 February 2016	100%	100%	Direct
New Hotel JSC	Ownership of Tbilisi Radisson Blu Hotel	30 September 2005	100%	100%	Direct
Silk Road Business Centre LLC	Real estate development	27 August 1997	100%	100%	Direct
Misaktsieli LLC	Real estate development	7 August 2008	100%	100%	Indirect, through Silk Road Business Centre LLC
New Office LLC	Real estate development	7 August 2008	100%	100%	Indirect, through Silk Road Business Centre LLC
Iveria Center LLC	Real estate development	6 August 2013	50%	50%	Indirect, through New Office LLC
Restaurant Tsinandali LLC	Hospitality sector	2 April 2018	100%	100%	Indirect, through Iveria Centre LLC
Hotel Medea + JSC	Real estate development	17 April 2007	100%	100%	Direct
Adjara Investment LLC	Holding entity	30 August 2017	100%	100%	Direct
Adjara Resort JSC	Real estate development	3 January 2006	100%	100%	Indirect, through Adjara Investments LLC
Adjara Real Estate LLC	Real estate development	23 August 2006	100%	100%	Indirect, through Adjara Investments LLC
Bobokvati LLC	Real estate development	23 March 2007	100%	100%	Indirect, through Adjara Real Estate LLC and Adjara Resorts JSC
Kobuleti Resort LLC	Real estate development	17 April 2007	100%	100%	Indirect, through Adjara Resorts JSC
Silk Road Group Travel LLC **	Hospitality	9 September 2009	51%	51%	Direct
Telegraph Hotel JSC	Hospitality	5 February 2020	100%	100%	Indirect, through Silk Road Business Centre LLC
Limoni Real Estate LLC	Real estate development	21 April 2017	100%	100%	Direct
Green-cape Botanico LLC***	Real estate development	18 August 2020	51%	51%	Joint venture
Silk Hospitality LLC*	Hotel management service provider to the Group	25 March 2021	100%	-	Direct
Tsinandali Resorts LLC **(a)**	Operation of Park Hotel Tsinandali	16 July 2021	51%	-	Direct

(a) Acquisition of subsidiary

On 16 July 2021 the Group obtained control of Tsinandali Resorts LLC by acquiring 51% share and voting interests in the company, for the consideration of USD 784 thousand, included in trade and other payables as at 31 December 2021 (Note 18).

At the date of acquisition of Tsinandali Resorts LLC the Group acquired property and equipment of GEL 7,480 thousand and assumed liabilities of GEL 7,135 thousand (see notes 8 and 17(b)).

* On 26 March 2021, the Company incorporated a new subsidiary Silk Hospitality LLC with a purpose to manage the operations of the Hotels (see note 1 (b)).

**In 2020, the Group purchased 51% of shares of Silk Road Group Travel LLC from the third party for the cash consideration of GEL 130 thousand.

***In 2020 Adjara Resorts JSC has entered into a joint venture agreement with Anagi LLC for development of residential property, as well as recreational complex in Batumi, Georgia ("Green - cape Botanico"), on the land plot, owned by Adjara Resorts JSC (see note 10). The Group has 51% ownership over the joint venture. Total investment will be at least USD 3 million and the project's estimated completion date is 30 June 2029. Construction works have started since September 2020.

23. Related parties

(a) Parent and ultimate controlling party

As at 31 December 2021 and as at the date these 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 (38.2%) 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

Key management received the following remuneration during the year, which is included in wages and other employee benefits. Some of the directors of the Group also act as directors in other related party entities (parent and entities under common control). No remuneration was paid to the Director of the Company.

'000 GEL	**2021**	**2020**	**2019**
Salaries and other benefits	**6,279**	**5,415**	**5,928**

(c) Related party transactions

The Group's related party transactions are disclosed below.

'000 GEL	Transaction value for the year ended 31 December			Outstanding balance as at 31 December	
	2021	2020	2019	2021	2020
Other revenue and income*:					
Entities under common control	5,619	5,146	3,724	2,943	3,022
Operating expenses:					
Entities under common control	(2,965)	(3,541)	(2,516)	(1,410)	(1,278)
Sale of investment property:					
Entities under common control	-	30,912	29,461	-	90
Joint venture	-	-	-	-	5,283
Loans issued:					
Entities under common control	(9,292)	(4,176)	(21,748)	267,670	253,905
Parent company	(894)	-	-	10,315	17,040
Loans received:					
Entities under common control	-	(3,081)	-	(21,057)	(21,658)
Parent company	(6,758)	(12,754)	-	(49,465)	(47,503)

Transaction values for loans and sales transactions represent original cash proceeds and payments 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.

In 2021 interest income of GEL 19,443 thousand (2020: GEL 18,847 thousand, 2019: GEL 17,515 thousand) was accrued on loans to related parties. The interest rates and maturities of loans to related parties are disclosed in note 14. In 2021 interest expense of GEL 3,250 thousand (2020: GEL 3,999 thousand, 2019: 2,444 thousand) was accrued on loans and borrowings from related parties. The interest rates and maturities of loans from related parties are disclosed in note 17.

* In 2021 other revenue with entities under common control mainly includes consulting services of GEL 3,136 thousand (2020: GEL 3,062 thousand, 2019: GEL 6 thousand) provided to Silknet JSC in relation to strategy development, funding, investment decisions and certain regulatory matters.

In addition to the above transactions, in 2021 the Group sold property to the entity under common control for cash consideration of GEL 2,987 thousand.

As at 31 December 2021 and 31 December 2020, the Group guaranteed the indebtedness of a related party (see note 21).

24. Impact of Covid-19

The outbreak of COVID-19 in early 2020 and its rapid spread in the world, has caused substantial impact and changes to the business environment in all countries over the world, including Georgia.

On 11 March 2020, the World Health Organisation (WHO) declared the COVID-19 coronavirus pandemic. The first case in Georgia was officially reported on 26 February 2020. On 21 March 2020 Georgia declared a state of emergency in the country. As measures against spreading of the virus, Government of Georgia imposed various restrictions over activities within the country. The restrictions imposed at various times include ban on all cross-border travel, restriction over all travel within the country during specific hours, closing of all public transport, stopping all commercial activity except those which can be done distantly from home as well as except specific business (groceries, pharmacies, commercial banks, gas stations, post offices etc.).

COVID-19 had immediate adverse effect on the Group's operations. As a result of above mentioned restrictions in March 2020 the Hotels as well as the Casinos (note 1 (b)) temporarily ceased their operations. Later, the Government of Georgia presented a 6-phase plan to reopen the Georgian economy by lifting quarantine restrictions from 27 April 2020. On 22 May 2020 the state of emergency was ended due to the improved epidemiological situation in the country. The Hotels operate since June 2020 and the Casinos in Batumi and Tbilisi operate from April 2021 and July 2021, respectively.

During the first half of 2021, the Government of Georgia started to gradually lift major restrictions imposed due to COVID-19 pandemic. Distribution of vaccines that demonstrate an ability to provide a high degree of immunity from COVID-19 provides positive overlook on future prospects of economy and business environment both in Georgia and around the world.

Government of Georgia (GoG) took several measures as a response to COVID-19 pandemic to support the businesses affected and the country's economy in general. In particular, in May 2020 the Parliament of Georgia enacted an exemption for the 2019 property tax for the businesses engaged in the hospitality sector. Furthermore, the GoG enacted the changes in Tax Code of Georgia, per Document No. 83, dated January 5, 2021, with draft published on 28 December 2020, according to which the entities operating in hospitality sector were also exempted from the property tax attributable to 2020. For the impact on the Group, see note 5 (b). Furthermore, the GoG enacted Ordinance No. 177 of March 19, 2020, which approves the State Program on a Co-financing Mechanism for Supporting the Small, Medium and Family-Type Hotel Industry. The co-financing mechanism included the co-financing by the GoG of the annual interest accrued on loans issued by commercial banks to business entities operating in the hotel industry. This did not have material effect on the Group's consolidated financial statements. In June 2022, the Parliament of Georgia enacted an exemption for 2021 property tax for businesses engaged in the hospitality sector.

In December 2021, Georgia's system of COVID-19 "green passes," required for entering public spaces, come into force, that further improved the pandemic situation in the country leading to the gradual recovery of the economy, with positive outlook.

The Group's operations have gradually recovered from 2021, with further recovery expected in 2022 and following years. Therefore, management expects that COVID-19 would not cause significant risks and uncertainties to the Group's businesses in future. Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period (see note 2 (b)).

25. Operating segments

The Group has six reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the board of directors and shareholders, review internal management reports on at least a quarterly basis.

The Group classified its segments and Group entities as "Greenbox" and "Yellowbox" operating segments.

Under "Greenbox" category fall all operating segments and Group entities, which already generate revenues from its core activities, including management or consulting services to third parties or to the Group entities. Group entities with a core activity of holding investments in other entities are also attributable to "Greenbox" category. All reportable segments are attributable to "Greenbox" category.

Under “Yelloxbox” category fall operating segments and Group entities, which a) hold assets for further development; and b) does not generate revenues from their core activities (although may generate some incidental income from non-core activities).

The following summary describes the operations in each of the Group’s reportable segments:

- Radisson Blu Iveria Hotel, Tbilisi;
- Radisson Blue Hotel, Batumi;
- Tsinandali Estate, A Radisson Collection Hotel;
- Park Hotel, Tsinandali;
- Casino Tbilisi;
- Casino Batumi.

Further detailes on the operations of the segments are described in note 1 (b).

Information regarding the results of each reportable segment is set out below. Performance is measured based on segment Net Operating Profit (NOP, calculated as segment operating profit adjusted for overhead costs and depreciation and amortization), as included in the internal management reports that are reviewed by the board of directors and shareholders. Segment NOP is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management also uses Adjusted EBITDA as an alternative performance measure for each segment.

For all operating segments liquidity and leverage, are managed on a centralized basis. As a result finance income/costs are disclosed in aggregate under unallocated amounts.

Consolidated statement of profit or loss and other comprehensive income for 2021	Radisson Blu Iveria Hotel, Tbilisi	Radisson Blu Hotel, Batumi	Tsinandali Estate, A Radisson Collection Hotel	Park Hotel Tsinandali	**Hotels**	Eliminations	**Hotels after eliminations**	Casino Tbilisi	Casino Batumi	**Casinos**	Eliminations	**Casinos after eliminations**
Revenue	24,538	14,483	16,422	2,874	**58,317**	(4,319)	53,998	49,966	46,826	**96,792**	**-**	96,792
Other operting income	-	-	-	-	**-**	-	-	455	564	**1,019**	**-**	1,019
Depreciation and amortization	(6,309)	(1,892)	(7,090)	(519)	**(15,810)**	-	(15,810)	(2,174)	(1,055)	**(3,229)**	**-**	(3,229)
Direct costs and expenses	(15,956)	(8,594)	(13,117)	(2,216)	**(39,883)**	1,943	(37,940)	(26,373)	(37,997)	**(64,370)**	7,517	(56,853)
Overhead costs*	(3,812)	(1,026)	(1,270)	13	**(6,095)**	643	(5,452)	(202)	(152)	**(354)**	232	(122)
Segment operating profit	**(1,539)**	**2,971**	**(5,055)**	**152**	**(3,471)**	**(1,733)**	**(5,204)**	**21,672**	**8,186**	**29,858**	**7,749**	**37,607**
Interest income	-	-	-	-	**-**	**-**	-	-	-	**-**	**-**	-
Interest expense	-	-	-	-	**-**	**-**	-	-	-	**-**	**-**	-
Net FOREX	-	-	-	-	**-**	**-**	-	-	-	**-**	**-**	-
Impairment of financial assets	-	-	-	-	**-**	**-**	-	-	-	**-**	**-**	-
Segment profit/loss before tax	**(1,539)**	**2,971**	**(5,055)**	**152**	**(3,471)**	**(1,733)**	**(5,204)**	**21,672**	**8,186**	**29,858**	**7,749**	**37,607**
Income tax expense	-	-	-	-	**-**	**-**	-	-	-	**-**	**-**	-
Segment profit/loss after tax	**(1,539)**	**2,971**	**(5,055)**	**152**	**(3,471)**	**(1,733)**	**(5,204)**	**21,672**	**8,186**	**29,858**	**7,749**	**37,607**
Net operating profit	**8,582**	**5,889**	**3,305**	**658**	**18,434**	**(2,376)**	**16,058**	**24,048**	**9,393**	**33,441**	**7,517**	**40,958**
Segment adjusted EBITDA	**4,770**	**4,863**	**2,035**	**671**	**12,339**	**(1,733)**	**10,606**	**23,846**	**9,241**	**33,087**	**7,749**	**40,836**
CAPEX and other additions	624	1,147	1,991	241	4,003	-	4,003	5,239	2,274	7,513	-	7,513

Consolidated statement of profit or loss and other comprehensive income for 2021	**Other unallocated "Greenbox" entities**	Elimination	**Other unallocated "Greenbox" entities after eliminations**	**Other unallocated "Yellowbox" entities**	Elimination	**Other unallocated "Yellowbox" entities after eliminations**	**Other unallocated amounts**	**Eliminations**	**Total**
Revenue	16,464	(7,122)	**9,342**	-	-	**-**	**-**	**-**	**160,132**
Other operting income	338	-	**338**	1,641	(89)	**1,552**	**-**	**-**	**2,909**
Depreciation and amortization	(6,536)	-	**(6,536)**	(2,582)	-	**(2,582)**	**-**	**-**	**(28,157)**
Direct costs and expenses	(10,943)	(462)	**(11,405)**	-	291	**291**	**-**	**-**	**(105,907)**
Overhead costs*	(11,451)	565	**(10,886)**	(3,656)	801	**(2,855)**	**-**	**-**	**(19,315)**
Segment operating profit	**(12,128)**	**(7,019)**	**(19,147)**	**(4,597)**	**1,003**	**(3,594)**	**-**	**-**	**9,662**
Interest income	**-**	**-**	**-**	**-**	**-**	**-**	**36,009**	**(16,354)**	**19,655**
Interest expense	**-**	**-**	**-**	**-**	**-**	**-**	**(45,799)**	**16,284**	**(29,515)**
Net FOREX	**-**	**-**	**-**	**-**	**-**	**-**	**2,962**	**70**	**3,032**
Impairment of financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**(374)**	**-**	**(374)**
Segment profit/loss before tax	**(12,128)**	**(7,019)**	**(19,147)**	**(4,597)**	**1,003**	**(3,594)**	**(7,202)**	**-**	**2,460**
Income tax expense	-	-	-	-	-	-	**-**	**-**	-
Segment profit/loss after tax	**(12,128)**	**(7,019)**	**(19,147)**	**(4,597)**	**1,003**	**(3,594)**	**(7,202)**	**-**	**2,460**
Net operating profit	**5,859**	**(7,584)**	**(1,725)**	**1,641**	**202**	**1,843**	**-**	**-**	**57,134**
Segment adjusted EBITDA	**(5,592)**	**(7,019)**	**(12,611)**	**(2,015)**	**1,003**	**(1,012)**	**-**	**-**	**37,819**
CAPEX and other additions	153	-	153	9,781	-	9,781	-	-	21,450

Consolidated statement of profit or loss and other comprehensive income for 2020	Radisson Blu Iveria Hotel, Tbilisi	Radisson Blu Hotel, Batumi	Tsinandali Estate, A Radisson Collection Hotel	Park Hotel Tsinandali	**Hotels**	Eliminations	**Hotels after eliminations**	Casino Tbilisi	Casino Batumi	**Casinos**	Eliminations	**Casinos after eliminations**
Revenue	8,073	4,287	5,639	-	**17,999**	(1,948)	**16,051**	25,995	7,632	**33,627**	(21)	**33,606**
Other operting income	320	-	-	-	**320**	-	**320**	744	342	**1,086**	-	**1,086**
Depreciation and amortization	(6,139)	(1,757)	(6,610)	-	**(14,506)**	-	**(14,506)**	(1,981)	(971)	**(2,952)**	-	**(2,952)**
Direct costs and expenses	(7,776)	(3,903)	(7,254)	-	**(18,933)**	(41)	**(18,974)**	(24,495)	(9,747)	**(34,242)**	2,883	**(31,359)**
Overhead costs*	(3,701)	(642)	708	-	**(3,635)**	388	**(3,247)**	(213)	(85)	**(298)**	118	**(180)**
Segment operating profit	**(9,223)**	**(2,015)**	**(7,517)**	**-**	**(18,755)**	**(1,601)**	**(20,356)**	**50**	**(2,829)**	**(2,779)**	**2,980**	**201**
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Net FOREX	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss before tax	**(9,223)**	**(2,015)**	**(7,517)**	**-**	**(18,755)**	**(1,601)**	**(20,356)**	**50**	**(2,829)**	**(2,779)**	**2,980**	**201**
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	**(9,223)**	**(2,015)**	**(7,517)**	**-**	**(18,755)**	**(1,601)**	**(20,356)**	**50**	**(2,829)**	**(2,779)**	**2,980**	**201**
Net operating profit	**617**	**384**	**(1,615)**	**-**	**(614)**	**(1,989)**	**(2,603)**	**2,244**	**(1,773)**	**471**	**2,862**	**3,333**
Segment adjusted EBITDA	**(3,084)**	**(258)**	**(907)**	**-**	**(4,249)**	**(1,601)**	**(5,850)**	**2,031**	**(1,858)**	**173**	**2,980**	**3,153**
CAPEX and other additions	14,083	-	5,580	-	19,663	-	19,663	434	251	685	-	685

Consolidated statement of profit or loss and other comprehensive income for 2020	**Other unallocated "Greenbox" entities**	Elimination	**Other unallocated "Greenbox" entities after eliminations**	**Other unallocated "Yellowbox" entities**	Elimination	**Other unallocated "Yellowbox" entities after eliminations**	**Other unallocated amounts**	**Eliminations**	**Total**
Revenue	11,768	(1,750)	**10,018**	-		**-**	**-**	**-**	59,675
Other operting income	1,551	-	**1,551**	36,161	(179)	**35,982**	**-**	**-**	38,939
Depreciation and amortization	(2,814)	-	**(2,814)**	(2,604)	-	**(2,604)**	**-**	**-**	(22,876)
Direct costs and expenses	(7,077)	1	**(7,076)**	-	-	**-**	**-**	**-**	(57,409)
Overhead costs*	(9,902)	312	**(9,590)**	(4,956)	236	**(4,720)**	**-**	**-**	(17,737)
Segment operating profit	**(6,474)**	**(1,437)**	**(7,911)**	**28,601**	**57**	**28,658**	**-**	**-**	**592**
Interest income	-	-	-	-	-	-	**35,495**	**(16,563)**	18,932
Interest expense	-	-	-	-	-	-	**(39,004)**	**16,563**	(22,441)
Net FOREX	-	-	-	-	-	-	**2,414**	**-**	2,414
Impairment of financial assets	-	-	-	-	-	-	**(350)**	**-**	(350)
Segment profit/loss before tax	**(6,474)**	**(1,437)**	**(7,911)**	**28,601**	**57**	**28,658**	**(1,445)**	**-**	**(853)**
Income tax expense	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	**(6,474)**	**(1,437)**	**(7,911)**	**28,601**	**57**	**28,658**	**(1,445)**	**-**	**(853)**
Net operating profit	**6,242**	**(1,749)**	**4,493**	**36,161**	**(179)**	**35,982**	**-**	**-**	**41,205**
Segment adjusted EBITDA	**(3,660)**	**(1,437)**	**(5,097)**	**31,205**	**57**	**31,262**	**-**	**-**	**23,468**
CAPEX and other additions	2,233	-	2,233	7,211	-	7,211	-	-	29,792

Consolidated statement of profit or loss and other comprehensive income for 2019	Radisson Blu Iveria Hotel, Tbilisi	Radisson Blu Hotel, Batumi	Tsinandali Estate, A Radisson Collection Hotel	Park Hotel Tsinandali	**Hotels**	Eliminations	**Hotels after eliminations**	Casino Tbilisi	Casino Batumi	**Casinos**	Eliminations	**Casinos after eliminations**
Revenue	41,567	15,097	9,938	-	**66,602**	(8,398)	**58,204**	96,592	39,165	**135,757**	(31)	**135,726**
Other operting income	1,108	-	323	-	**1,431**	-	**1,431**	916	2	**918**	-	**918**
Depreciation and amortization	(4,861)	(1,666)	(6,442)	-	**(12,969)**	-	**(12,969)**	(2,080)	(1,425)	**(3,505)**	-	**(3,505)**
Direct costs and expenses	(21,087)	(8,471)	(10,284)	-	**(39,842)**	85	**(39,757)**	(70,234)	(34,462)	**(104,696)**	8,398	**(96,298)**
Overhead costs*	(7,947)	(1,484)	(1,810)	-	**(11,241)**	2,415	**(8,826)**	(2,467)	(351)	**(2,818)**	366	**(2,452)**
Segment operating profit	**8,780**	**3,476**	**(8,275)**	-	**3,981**	**(5,898)**	**(1,917)**	**22,727**	**2,929**	**25,656**	**8,733**	**34,389**
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Net FOREX	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss before tax	**8,780**	**3,476**	**(8,275)**	-	**3,981**	**(5,898)**	**(1,917)**	**22,727**	**2,929**	**25,656**	**8,733**	**34,389**
Income tax expense	-	-	-	-	-	-	-	899	-	**899**	-	**899**
Segment profit/loss after tax	**8,780**	**3,476**	**(8,275)**	-	**3,981**	**(5,898)**	**(1,917)**	**23,626**	**2,929**	**26,555**	-	**35,288**
Net operating profit	**21,588**	**6,626**	**(23)**	-	**28,191**	**(8,313)**	**19,878**	**27,274**	**4,705**	**31,979**	**8,367**	**40,346**
Segment adjusted EBITDA	**13,641**	**5,142**	**(1,833)**	-	**16,950**	**(5,898)**	**11,052**	**24,807**	**4,354**	**29,161**	**8,733**	**37,894**
CAPEX and other additions	2,440	359	3,775	-	6,574	-	6,574	6,301	862	7,163	-	7,163

Consolidated statement of profit or loss and other comprehensive income for 2019	**Other unallocated "Greenbox" entities**	Elimination	**Other unallocated "Greenbox" entities after eliminations**	**Other unallocated "Yellowbox" entities**	Elimination	**Other unallocated "Yellowbox" entities after eliminations**	**Other unallocated amounts**	**Eliminations**	**Total**
Revenue	13,353	(5,160)	8,193	-	(571)	(571)	-	-	201,552
Other operting income	398	-	398	4,361	-	4,361	-	-	7,108
Depreciation and amortization	(3,605)	-	(3,605)	(2,548)	-	(2,548)	-	-	(22,627)
Direct costs and expenses	(7,501)	64	(7,437)	-	7	7	-	-	(143,485)
Overhead costs*	(12,941)	2,076	(10,865)	(4,978)	749	(4,229)	-	-	(26,372)
Segment operating profit	**(10,296)**	**(3,020)**	**(13,316)**	**(3,165)**	**185**	**(2,980)**	-	-	**16,176**
Interest income	-	-	-	-	-	-	**30,353**	**(12,838)**	17,515
Interest expense	-	-	-	-	-	-	**(36,181)**	**12,838**	(23,343)
Net FOREX	-	-	-	-	-	-	**(745)**	-	(745)
Impairment of financial assets	-	-	-	-	-	-	**(1,299)**	-	(1,299)
Segment profit/loss before tax	**(10,296)**	**(3,020)**	**(13,316)**	**(3,165)**	**185**	**(2,980)**	**(7,872)**	-	**8,304**
Income tax expense	-	-	-	-	-	-	-	-	899
Segment profit/loss after tax	**(10,296)**	**(3,020)**	**(13,316)**	**(3,165)**	**185**	**(2,980)**	**(7,872)**	-	**9,203**
Net operating profit	**6,250**	**(5,096)**	**1,154**	**4,361**	**(564)**	**3,797**	-	-	**65,175**
Segment adjusted EBITDA	**(6,691)**	**(3,020)**	**(9,711)**	**(617)**	**185**	**(432)**	-	-	**38,803**
CAPEX and other additions	3,425	-	3,425	9,275	-	9,275	-	-	26,437

*Overhead costs represent fixed costs that can not be avoided or are not directly affected by the scale of operations, which mainly comprises of property tax, key management remuneration mainly for unallocated “Greenbox” entities, insurance costs and audit and other consulting fees.

Reconciliation of reportable segment revnues:

000 GEL	2021	2020	2019
Total revenue for reportable segments	160,132	59,675	201,552
Income from casino tips (Note 5(b))	(4,886)	(1,676)	(6,562)
Customer promotions and bonuses for Casinos	(10,508)	(1,327)	(7,612)
Consolidated revenue	**144,738**	**56,672**	**187,378**

Revenues of GEL 2,966 thousand (2020: GEL 2,502 thousand, 2019: GEL 1,172 thousand) included under "Revenue from hotel and Complex Republic operations" in note 5, are mainly related to the operations of Complex Republic and are allocated to revenues from Other unallocated "greenbox" entities for segment reporting purposes.

Revenue from Casino operations, as presented in note 5, is reported net-off customer promotions and bonuses. Income from Casino tips is recognized under other income (see Note 5(b)).

Customer promotions and bonuses are netted off between revenue and operating costs in the IFRS consolidated financial statements.

26. Alternative performance measures

(a) Adjusted EBITDA

The Group believes that the presentation of Adjusted EBITDA and Adjusted EBITDA margin enhances a reader's understanding of the Group's financial performance. The management uses Adjusted EBITDA and Adjusted EBITDA margin to assess and evaluate the operating performance of the Group and its major segments (see note 25). In addition, Adjusted EBITDA and Adjusted EBITDA margin are frequently used by securities analysts, investors and other interested parties in the evaluation of companies that operate in the telecommunications sector. Adjusted EBITDA and Adjusted EBITDA margin are not presentations made in accordance with IFRS and the Group's use of the terms Adjusted EBITDA and Adjusted EBITDA margin may vary from other entities to differences in accounting policies or differences in the calculation methodology.

The Group calculates Adjusted EBITDA by adjusting profit from continuing operations to exclude following items:

- finance costs and finance income
- corporate income tax and any other taxes related to the distribution of dividends
- depreciation, amortization, excluding amortization of casino permit, revaluation, impairment (losses / reversals) of non-current assets
- net foreign exchange gain/(loss), including gain/(loss) on hedging instruments, currency forward contracts and any other gain/(loss) attributable to changes in foreign currency exchange rates
- specific items as explained below:

Specific items are identified by virtue of their size, nature or incidence. Specific items represent:

- non-recurring, non-underlying or non-operating income or costs that are either material by nature or size (such as bargaining gain on business acquisition, business acquisition related costs, costs related to fundraising and the listing of the Group's securities, write off/impairment of issued loans and receivables, etc.).

Reconciliation of adjusted EBITDA to profit from continuing operations

'000 GEL	**2021**	**2020**	**2019**
Profit/(loss) for the year	2,460	(853)	9,203
Depreciation and amortization	29,408	26,492	27,835
Amortization of casino permit	(1,498)	(3,757)	(5,410)
Net foreign exchange gain/(loss)	(3,032)	(2,414)	745
Interest income	(19,655)	(18,932)	(17,515)
Interest expense	29,515	22,441	23,343
Income tax benefit	-	-	(899)
Specific items*	621	491	1,501
Adjusted EBITDA	**37,819**	**23,468**	**38,803**

*Specific items mainly comprise of impairment of issued loans.

27. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the cost of investment property, that as at 1 January 2018 (the date of transition to IFRS) was determined by reference to its fair value at that date (deemed cost).

28. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Non-controlling shareholders holding put options

The Group recognises a liability for the present value of the exercise price of the option, when the Group writes a put option to the non-controlling shareholders.

The Group applies the anticipated-acquisition method when the Group writes a put option to non-controlling shareholders resulting the non-controlling shareholders not to have present access to the returns associated with the underlying ownership interest.

Under anticipated-acquisition method the contract is accounted as if the put option had been exercised already by the non-controlling shareholders and the interests of the non-controlling shareholders that hold the written put options are derecognised when the financial liability is recognised.

Subsequent to initial recognition, the Group recognises changes in the carrying amount of the put liability directly within equity.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 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. Except for the common control transactions (see below), the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for based on book value (carry-over basis) accounting as if the acquisition had occurred at the beginning of the earliest comparative period presented. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements.

The components of equity of the acquired entities, except for charter capital, are added to the same components within Company. The difference between the consideration paid (whether in form of cash paid or through the capital contributions) and charter capital of acquiree is recorded in retained earnings in equity (see note 15).

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint venture. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method and are recognised initially at cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see 27(a)(i)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (see note 0).

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

(b) Revenue

(i) Revenue from Casino Games

The services provided by the Group comprise the following casino games: table games, slot machines ("betting and gaming activities"). The Group's betting and gaming activities are classified as derivative financial instruments under IFRS 9 as revenue from land-based casino games represents net winnings ("customer drop"), being amounts staked net of customer winnings, and is stated net of customer promotions and bonuses incurred in the period. Open positions are carried at fair market value and gains and losses arising on this valuation are recognized in revenue, as well as gains and losses realized on positions that have closed.

(ii) Revenue from Hotel services

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Room revenue - Revenue of renting hotel rooms to customers on a daily basis for the predetermined consideration. Room revenue is recognized based on completed guest nights in the hotel. Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on completed guest nights in the hotel.

Food and beverage revenue - Revenue from sales of food and beverages through restaurants and bars. Revenue is recognised at a point in time when the goods have been accepted by customers. The Group recognizes revenue when it transfers control at a point in time for the sale of goods and over time for the provision of services, however services are provided in an insignificantly short period of time. Revenues are recognized in contractual consideration, net of value added tax charged to customers.

Other revenue - Revenue from provision of complementary services, such as spa, massage and other services are included in other revenue. Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on the works completed, however services are provided in an insignificantly short period of time.

(c) Finance income and finance costs

The Group'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.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities 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.

(e) 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 Group 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.

(f) 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 will become effective from 1 January 2023.

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 Group 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.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land and Construction in Progress is not depreciated.

The estimated average useful lives of significant items of property and equipment for the current and previous periods are as follows:

- Buildings 20-50 years;
- Gaming tables and slot machines 8-10 years;
- Furniture and fixtures 3-10 years;
- Other 2-12 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(iv) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized to the respective qualifying asset using the effective interest method.

(i) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iii) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Casino permit 1 year;
- Software for slot machines, licenses and other 3-10 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

(i) Recognition and measurement

Investment property is measured at cost less accumulated depreciation and impairment losses. Land is measured at cost less impairment losses. The cost of investment property at 1 January 2018, the date of transition to IFRS, was determined by reference to its fair value at that date (deemed cost).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent expenditure

The cost of replacing part of an item of investment property is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of investment property are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful life of buildings for the current and comparative periods is 50 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(k) Financial instruments

The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 Group 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 Group analogizes to the guidance on the derecognition of financial liabilities.

The Group 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 Group 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 Group 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 Group 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 Group 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 Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group 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.

Group 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 Group 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 Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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 Group 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.

(l) Equity

Charter capital

Charter capital is classified as equity.

(m) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

(n) Impairment

(i) Non-derivative financial assets

Financial instruments

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

The Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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

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

The Group 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 Group 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 Group expects to receive).

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

Credit-impaired financial assets

At each reporting date, the Group 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 Group on terms that the Group 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group 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 Group 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 Group 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 Group’s procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group’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 Group’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.

(o) Leases

Leases in terms of which the Group is the lessor and transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, are classified as finance leases. The leased assets are derecognised and a lease receivable equal to the net investment in the lease is recognized and presented within loans and receivables. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

All leases in which the Group is the lessor are classified as operating leases and the leased assets remain recognised on the Group's statement of financial position. Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term.

The Group has adopted IFRS 16 *Leases* from 1 January 2018. IFRS 16 has introduced a single, on-balance sheet lease accounting model for lessees, which means that a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There was no change to the lessor accounting as a result of adoption of IFRS 16. The Group is not a party to any significant contracts as a lessee.

(p) Government grants

Government grants are recognised when there is reasonable assurance that: (a) the entity will comply with the conditions attaching to them; and (b) the grants will be received.

The Group applies a net approach to government assistances.

29. New standards and interpretations not yet adopted

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2021 and earlier application is 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 impact on the Company's financial statements:

– *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).*
– *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
– *Annual Improvements to IFRS Standards 2018–2020.*
– *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
– *Reference to Conceptual Framework (Amendments to IFRS 3).*
– *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).*
– *Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).*

30. Subsequent events

In June 2022, the Parliament of Georgia enacted an exemption for 2021 property tax for businesses engaged in the hospitality sector. Considering that the exemption was enacted in June 2022, the Group recognised property tax expense and respective liability in the consolidated financial statements for the year ended 31 December 2021 (see note 6).

Based on the partners' decision, dated 7 June 2022, it was decided to pledge cash and cash equivalents owned by SRG Real Estate LLC in favor of the financial guarantee issued by Silk Road Bank JSC (related party entity) to Tsinandali Festival NNLE.

In August 2022, Mamuka Shuargaia was appointed as a director of SRG Real Estate LLC, and has sole and independent authority together with existing director, Giorgi Marr.

In August 2022, maturity of the loan received from Comodon Holding (Malta) Limited (parent loan (note 17), with a carrying amount of GEL 43,133 thousand as at 31 December 2021, was extended until 31 December 2030.

During 2022, the USD 100 million General Credit Line agreement was signed between Bank of Georgia JSC ("BOG") and Argo Management LLC, Georgian Hotel Management LLC, Medea Operating Company LLC, New Hotel JSC and Silk Hospitality LLC, with maturity of 240 months. Each loan request under the General Credit Line agreement is subject to further approval from the Bank of Georgia JSC. The Group entities plan, where necessary, to pledge all existing or future movable and imovable properties, intangible assets, cash and cash equivalents and shares in other entities in favor of the credit line agreements signed with Bank of Georgia LLC and loans and borrowings received from TBC Bank JSC (see note 17).

Updated in laws and regulations

In January 2022 the Georgian Parliament approved new gambling regulations, including in relation to increase of age limits, restrictions on advertising, as well as the introduction of a central list of excluded persons. The changes came into force on 1 March 2022 and are as follows:

a. Advertising.

Organizers of gambling activities are prohibited from making any form of advertising, including the distribution through electronic communications networks, television, radio and outdoors.

Exceptions to this law are as follows:

- advertisements posted on the website of locally licensed gambling operators;
- the advertisement is distributed at the place of a sporting event with certain conditions;
- advertisement is visually placed by the organizer's so-called land object limited to a maximum of 10 sq.m. of advertising area;
- at international airports and border customs checkpoints;
- Advertisement of prize draws is allowed inside the perimeter of the land-based gambling facilities (i.e. betting shops, casinos, gaming machines saloon).

b. Age limits.

Georgian citizens under the age of 25 are prohibited from participating in gambling activities. Aforementioned restrictions do not apply to foreign individuals above the age of 18.

c. Excluded persons list

The concept of "excluded person" and the persons who should be included in the list of excluded persons have been defined, which include persons employed in budget organizations, regulatory bodies, the National Bank of Georgia, and a family member registered in the unified database of socially vulnerable families. Participation in gambling activities is also prohibited for individuals included in the list of addicted persons, which include data of persons who are addicted to gambling.

The Code of Administrative Offences of Georgia defines the relevant sanctions for violation of new legislative obligations.

Based on the Management's assessment, the newly introduced age limit will not have material effect on the Group's operating results due the fact that majority of the clients are foreign citizens and proportion of below 25-year local clients is trivial in relation to the Georgian customer base of the Company. The Management is in the process of estimating the possible effect of other regulations.