



Silk Real Estate

ANNUAL REPORT 2024





CONTENTS

Overview

Who Are We?	4
Mission & Vision	5
Our Core Values	5
Team Message	6
Chairman's Letter	7
Leadership Messages	8
2024 Highlights	10
Silk Real Estate - Real Estate and Hospitality	11
Company Development	12
Ratings and Awards	13

Strategic Direction

Strategic Context & Global Trends	14
Strategic Pillars	16
Innovation & R&D	17
Market Positioning & Differentiation	20
Overview of the Hospitality Sector	22
Land-Based Gambling Sector in Georgia	27
Construction Sector	33

Operations

Current Projects	40
Pipeline/Upcoming Projects	44

ESG & Corporate Responsibility

ESG Highlights 2024 - Silk Real Estate	48
Social & Environmental Performance	50
Silk Academy: Empowering Through Education	51
Human Resources Overview	53
Community Engagement & Impact	55
Leadership & Governance	58
Ownership & Shareholding Structure	60
Shareholder Overview	61
Board Oversight and Governance	62
Supervisory Board	63
Board Committees	64

Investment Highlights	65
Financial Results Management Overview	66
Audit Report	76

OVERVIEW

Silk Real Estate is an integral part of the Silk Road Group, a significant player in the hospitality and real estate sectors within Georgia. The company is responsible for the development and management of several prominent real estate projects across the country, contributing substantially to the region's economic and infrastructural growth.

Who Are We?

The Silk Road Group, established in the early 1990s, is a leading private investment group with diversified interests across various sectors, including real estate, hospitality, telecommunications, banking, and energy. The group has been pivotal in attracting foreign investments to Georgia, with a cumulative investment of approximately 1.3 billion USD, thereby playing a crucial role in the country's economic transformation.



Mission & Vision

At Silk Real Estate, we are committed to continuous growth and excellence in the real estate sector. Our success is built on a foundation of professionalism, quality, and years of industry expertise.

Our mission is to develop and deliver top-tier, sustainable real estate projects that set new benchmarks in the industry and create a lasting legacy. We design functional, innovative, and environmentally integrated spaces, transforming them into exceptional destinations that foster strong communities and enhance social connections.

By adopting cutting-edge international practices in real estate and hospitality, we ensure unparalleled customer experiences while actively contributing to the development of Georgia's tourism industry.

At Silk Real Estate, we cultivate a healthy, diverse, and collaborative work environment, where teamwork, mutual support, and professional excellence drive our continued success.

Our Core Values

Innovation

We lead the industry by integrating modern trends and technologies to develop high-impact, forward-thinking projects.

Partnership

We prioritize long-term, trust-based relationships with our partners, fostering shared success and sustainable growth.

Sustainability

We are committed to environmental and social responsibility, ensuring that our projects create a lasting positive impact on both communities and the ecosystem.

Professionalism

Our success is driven by a highly skilled and dedicated team, delivering innovative and strategic solutions that set new industry standards.

Team's Message

2024 was a transformative year for Silk Real Estate, defined by strategic execution, financial resilience, and a deepening commitment to sustainable growth. Our diversified revenue base reached GEL 317.4 million, with casinos contributing 50%, hospitality 37%, and other operations 13%, highlighting the strength of our integrated business model.

Our revenue for 2024 was distributed across key sectors:

37%

**Hotels and
Restaurants**

50%

**Casino
Contribution**

13%

**Other business*
activities**

**480^m
GEL**

**Investment in Real Estate
and Hospitality**

A major financial milestone was the successful issuance of **EUR 7 million in one-year public bonds**—making us the **first private company in Georgia** to place **one-year euro-denominated debt** on the local market. This follows our **USD 40 million bond issuance in 2023**, underscoring strong investor confidence, both locally and internationally.

Our total real estate portfolio grew to **GEL 500 million** by year-end, driven by continued investment in high-impact developments. We completed the renovation of the **Telegraph Hotel** in Tbilisi—set to open in mid-2025 as Georgia's first **Leading Hotel of the World**—and broke ground on the **Silk Towers** in Batumi, a flagship project in partnership with **Kengo Kuma & Associates, Meinhardt UAE, and MASU Planning**.

On the sustainability front, 2024 marked real progress: the **Telegraph Hotel achieved LEED Gold certification**, and the **Sakanela project** entering the negotiations with **EDGE precertification**. Internally, we advanced our ESG integration with company-wide training, employee engagement programs, and the adoption of **OKR-driven performance management**.

These achievements reflect the discipline and passion of our team, the trust of our partners, and our shared commitment to long-term value creation. As we look ahead to 2025, we remain focused on **design excellence, sustainable impact, and sustained growth**.

**Service-providing companies, operational businesses (excluding hotels and casinos), non-operational, asset-holding companies*

Chairman's Letter

The year 2024 was a successful year for Silk Road Group. We never stopped working on our projects in various industries across Georgia.

In 2024, Silknet entered a strategic partnership with the European telecoms giant Orange, as well as became a partner of Google Cloud, marking a new era in the development of Silknet's digital ecosystem and enabling it to offer cutting-edge products and services for both its individual and corporate clients.

Silk Bank launched the digital bank service, taking it to a new level in offering innovative services to its customers.

Our real estate and hospitality projects achieved significant results. In May 2024, Tsinandali Estate hosted a Europakonzert by the Berliner Philharmoniker, dedicated to promoting peaceful coexistence in Europe, as well as a highly successful 5th season of the Tsinandali Festival in September.

Silk Real Estate continued working on its projects, including the renovation of the Telegraph Hotel, a milestone in the development of our real estate and hospitality portfolio, as well as a new word in the Georgian luxury hospitality culture. The Telegraph Hotel has joined a prestigious family of the Leading Hotels of the World, the first one not only in Georgia, but in the entire Caucasus region.

We are doing a big residential and commercial project at Sakanela Street, as well as continuing the development of the Republic Square in cooperation with the leading world architects.

Silk Real Estate placed the public bonds in the Euro currency at the local market, which repeated the success of the 2023 issuance of the USD bonds, affirming a high trust in our company, not only by the local, but also international investors.

In 2024, our hotels again received numerous prestigious awards. Radisson Iveria, one of the first business hotels in Tbilisi, marked its 15 years anniversary and was awarded its fourth Georgia's Leading Business Hotel 2024 by World Travel Awards.

Tsinandali Estate, A Radisson Collection Hotel, earned titles in the three categories of Best Historical Hotel, Best Cultural Hotel, and Best Wine Estate Hotel at the Luxe Global Awards 2024.

We are also starting the Silk Towers project in Batumi, for which we invited the famous Japanese architect Kengo Kuma and his studio KKAA.

Our businesses continue to grow with the focus on Georgia's geographic location at the crossroads of Europe and Asia, directed towards its integration into the world civilization for the benefit of our company and the whole



**GEORGE
RAMISHVILI**

Founder of Silk Road Group

Silk Real Estate CEO's Message

In 2024, Silk Real Estate experienced a year marked by growth, innovation, and outstanding performance. Our strategic investments and adaptive market approach positioned us as a leading force in the real estate industry.

Building on the competitive position at the Georgian market, we issued another tranche of one-year public bonds, in the number of Euro 7M, affirming our strong reputation with the local and international investors. We finished renovation of the Telegraph Hotel in Tbilisi, and it will open its doors to the first guests in June 2025.

I'm especially enthusiastic about our forthcoming projects, the Telegraph Hotel in Tbilisi starting operations in early June 2025 and the Silk Towers mixed-use development in Batumi, where we started construction of the public park. These two are strategic steps aimed at strengthening our market presence and diversifying our revenue base. The Telegraph Hotel will set a new benchmark for luxury and hospitality, while the Silk Towers will become a vibrant, multifunctional destination with strong commercial and residential appeal.

Several other projects include room renovation of the Radisson Blu Hotel in Batumi, construction of a new Medea restaurant on its ground floor, and a new spacious restaurant in Abastumani. Our Sakanela project is in a design stage, and we continue working on the rehabilitation and redesign of the Republic Square, a large-scale project reshaping an important part of the city center. These ventures are thoughtfully designed to seize emerging market opportunities and further expand our investment footprint.

Our success is a direct result of the hard work of our team, the trust of our partners and customers, and our ongoing commitment to delivering exceptional value. As we move into 2025, we remain focused on innovation, service, and sustainable growth.



**MAMUKA
SHURGAIA**

Silk Real Estate, CEO

Silk Hospitality CEO's Message

In 2024, Silk Hospitality delivered a strong performance amid the ongoing recovery of the global travel and tourism industry. The company remained committed to its strategic pillars: enhancing operational efficiency, accelerating digital transformation, and expanding its portfolio.

Several key initiatives were launched to support this strategy. We adopted a data-driven approach across all operations, establishing a dedicated department to focus on data collection, analysis, and the practical application of insights.

In the area of human capital management, we implemented a number of important initiatives:

- **Silk Academy was established to provide retraining for our 2,400 employees, focusing on foundational knowledge in finance and hospitality management, an area we see as critical for sustainable growth**
- **We introduced a performance-based bonus system, which has significantly boosted productivity across various roles**
- **We launched a company-wide innovation incentive program to encourage operational and technological improvements. All departments are invited to submit proposals, which are evaluated by our newly formed Innovations and Technology Department. Projects approved for implementation result in individual rewards for the authors**

Additionally, we are undertaking a major transformation by integrating hotel and casino operations under a single unified structure. This strategic move aims to eliminate operational silos and foster seamless collaboration across the business.



**DAVID
RAPAVA**

Silk Hospitality, CEO

2024 Highlights

2024 was a transformative year for **Silk Real Estate**, marked by strategic growth, innovation, and resilience across our operations. Key milestones include:



Hospitality Expansion:

Completion of the **Telegraph Hotel** renovation, set to open in **June 2025** as the first hotel in Georgia and the Caucasus to join **The Leading Hotels of the World**.



Landmark Developments:

Launch of **Silk Towers in Batumi**, in collaboration with **Kengo Kuma & Associates, Meinhardt UAE, and MASU Planning**—setting new standards in luxury mixed-use development.



Capital Markets Leadership:

Issuance of **EUR 7 million one-year bonds**—Georgia's first euro-denominated one-year private company bond—following the successful **USD 40 million** issuance in **2023**.



Recognition & Awards:

Multiple accolades including **Georgia's Leading Business Hotel 2024 for Radisson Blu Iveria** and **Best Historical Hotel 2024 for Tsinandali Estate** by **Luxe Global Awards**.



Sustainability Leadership:

- **LEED Gold** certification for the Telegraph Hotel
- **EDGE certification** process launched for Sakanela
- **Company-wide energy-efficient systems** and recycling initiatives implemented
- **ESG training** completed by 100% senior management



Human Capital & Culture:

- Over 2,100 employees and the further growth of Silk Academy training programs
- 80% employee engagement rate and comprehensive HR policies in place
- Implementation of OKR-based performance management and introduction of Leapsome platform planned for 2025



Strategic Partnerships: Collaboration with world-class design and engineering firms:

- **Silk Towers (Batumi):** Kengo Kuma & Associates (architecture), Meinhardt UAE (engineering), MASU Planning (landscape), AKT II (structural)
- **Sakanela (Tbilisi):** GRAFT (masterplan and architecture)
- **Tsikhisdziri Retreat:** VTN Architects (eco-friendly bamboo design)
- **Tsinandali Expansion:** Kengo Kuma & Associates (masterplan), Vladimir Djurovic (landscape)



Cultural Leadership:

- Continued sponsorship of the Tsinandali Festival and Wine Symposium, reinforcing Georgia's global profile in culture and hospitality
- Hosted the Europakonzert 2024 by the Berliner Philharmoniker at Tsinandali Estate, reinforcing Georgia's presence on the global cultural stage

These achievements underscore our commitment to building a resilient, innovative, and inclusive future. As we look ahead to 2025, we remain focused on long-term value creation for all stakeholders.

Silk Real Estate - Real Estate and Hospitality

Silk Real Estate: Integrated Market Leader

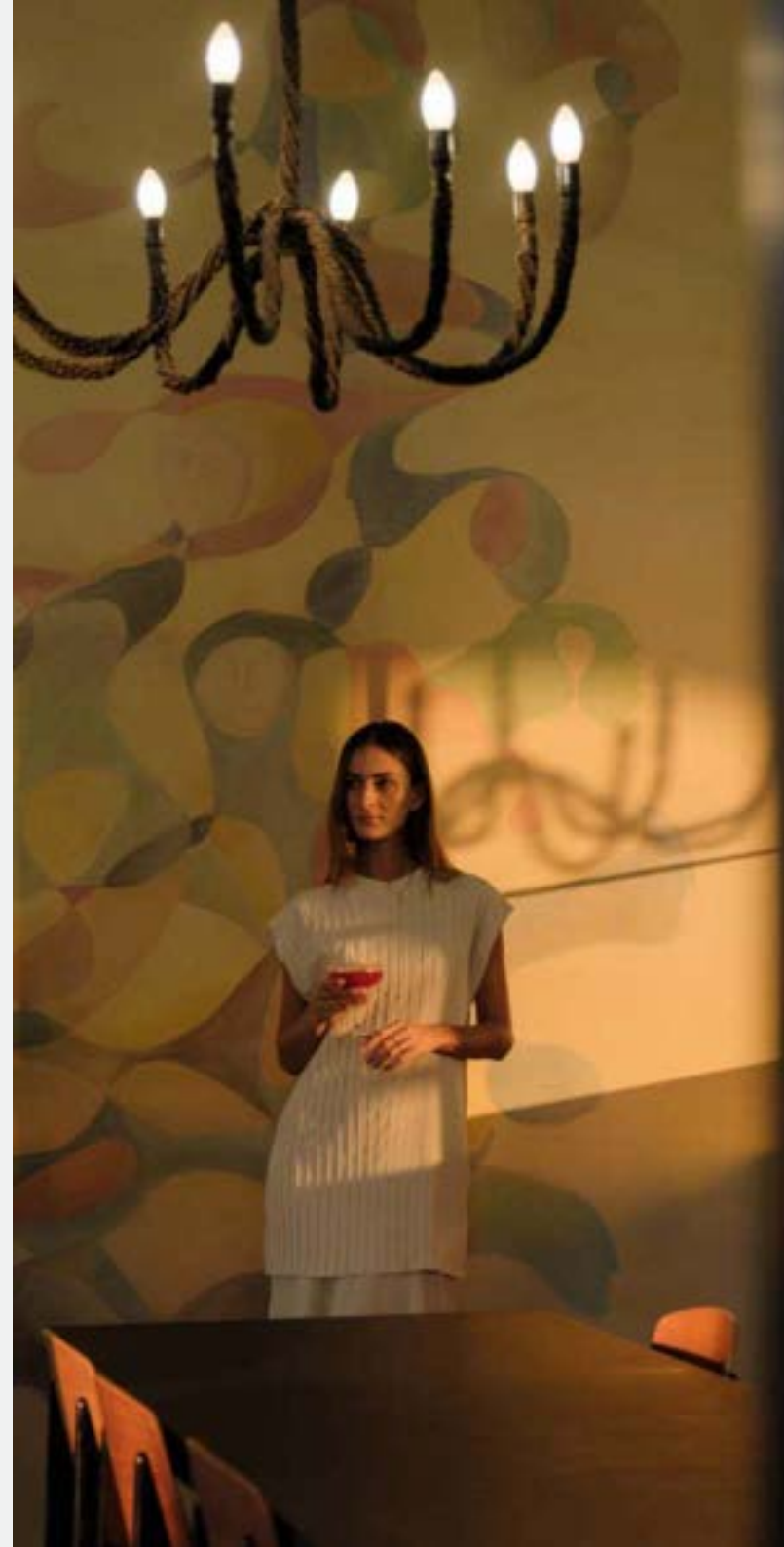
As a core subsidiary of Silk Road Group, **Silk Real Estate** is a leading player in Georgia's **real estate and hospitality sectors**, managing a diverse portfolio of high-value assets. Operating as the group's principal holding company, it oversees flagship properties management and developments through a vertically integrated model that combines ownership, development, and operations.

Silk Development

Operated through its subsidiary SRG Investments, this division is responsible for the planning, financing, and delivery of large-scale real estate developments. Its current pipeline includes transformative projects such as the Silk Towers in Batumi, the Sakanela mixed-use complex in Tbilisi, the Telegraph Hotel, and eco-conscious developments like Tsikhisdziri bamboo cottages. Silk Development oversees the full lifecycle of residential, hospitality, and commercial assets—from land acquisition to construction and delivery.

Silk Hospitality

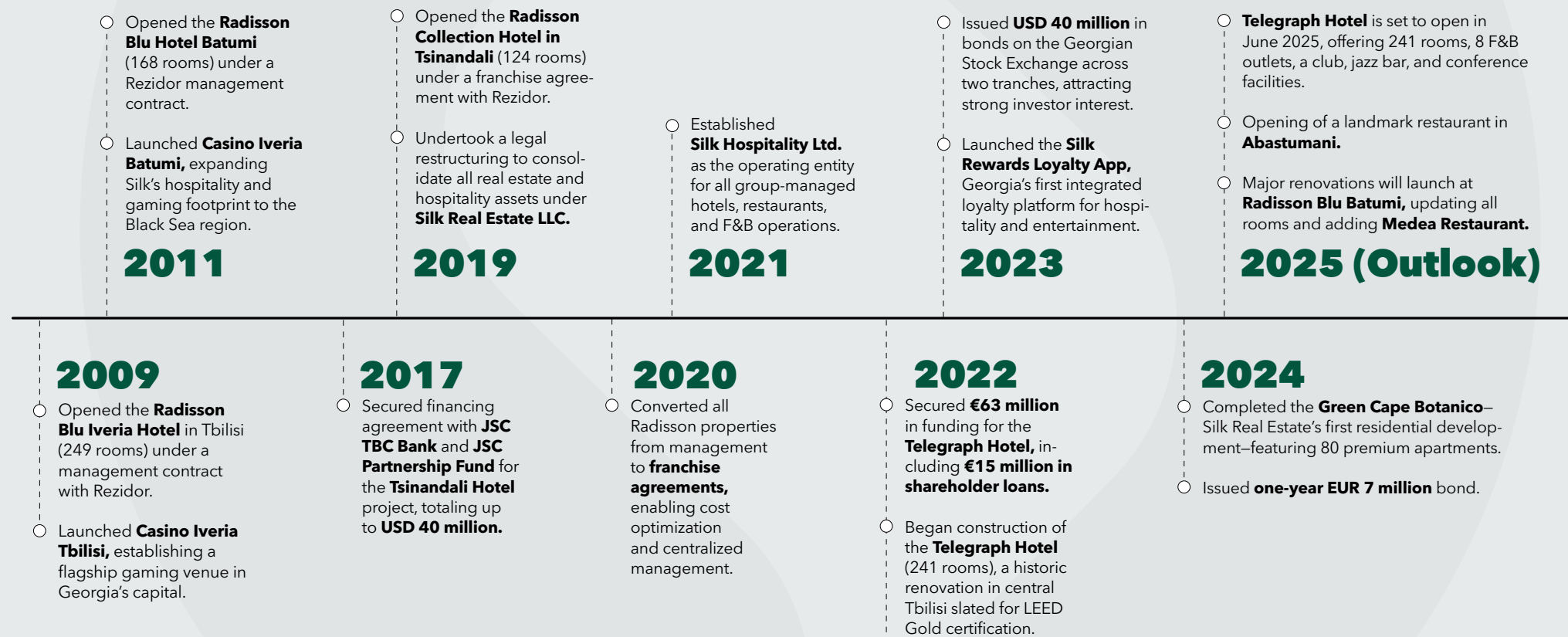
This division serves as the group's operating company for hospitality and food & beverage management. It is responsible for running the group's hotels, restaurants, and leisure venues, as well as managing third-party hospitality assets. Silk Hospitality is also the operator behind initiatives such as Silk Rewards, Silk Academy, and performance-driven human capital strategies that enhance operational excellence and guest experience. Together, these divisions enable Silk Real Estate to deliver consistent value through strategic investments, operational excellence, and a future-forward vision rooted in sustainability and innovation.



Company Development

History of the Company

Understanding Silk Real Estate's growth trajectory is key to appreciating its current market position. This section provides a brief historical overview, highlighting major milestones, strategic shifts, and the company's evolution into a diversified real estate platform.





Ratings and Awards

Silk Real Estate, together with the broader Silk Road Group, has earned numerous prestigious awards in acknowledgment of its outstanding contributions to Georgia's economy, its leadership in the hospitality and real estate sectors, and its commitment to sustainability and corporate social responsibility. These accolades reflect the Group's dedication to excellence, innovation, and long-term value creation, while reinforcing its role as a key driver of economic development in Georgia.

- **Best Hospitality Group 2023**

Awarded by the Georgian Tourism Association, recognizing the Group's excellence in managing luxury properties such as Radisson Blu Iveria and Radisson Collection

- **Best Investment Group in Real Estate Development 2023**

Presented by the Georgian Investment Authority, highlighting strategic investments and the successful delivery of landmark projects, including Green Cape Botanico

- **Sustainability Award 2023**

Granted by the Georgian Environmental Protection Agency for the implementation of environmentally responsible practices across developments, including green buildings and landscaped public spaces

- **Top Corporate Social Responsibility (CSR) Contributor 2023**

Conferred by the Georgian Chamber of Commerce for impactful contributions to cultural, philanthropic, and sports initiatives across the country

- **Best Value for Money Accommodation**

Park Hotel recognized in the "Welcome to Georgia!" hospitality awards

- **Best Luxury Wine Estate Hotel in Kakheti**

Radisson Collection honored by the Luxury Lifestyle Awards

- **Franchise Hotel of the Year**

Radisson Blu Tbilisi recognized for operational excellence within the Radisson franchise system

- **Luxe Global Awards 2024**

Tsinandali Estate, a Radisson Collection Hotel, achieved triple recognition as Best Historical Hotel, Best Cultural Hotel, and Best Wine Estate Hotel, underscoring its unique blend of heritage, luxury, and guest experience

- **World Travel Awards 2024**

Silk Hospitality nominated for Georgia's Leading Hospitality Development Company.

Together, these achievements affirm Silk Real Estate's industry leadership, cultural influence, and strategic focus on sustainable growth and hospitality excellence.

STRATEGIC DIRECTION

With a well-established foundation, Silk Real Estate's strategy is focused on long-term growth, operational excellence, and sustainable development. The following section outlines the broader market context, our strategic pillars, and the innovation priorities that guide decision-making across the Group.

Strategic Context & Global Trends

The global real estate and hospitality sectors are undergoing a profound transformation, shaped by post-pandemic recovery, accelerating urbanization, climate imperatives and regulatory pressure, and shifting consumer behaviors. At Silk Real Estate, we operate at the confluence of these megatrends, with a strategic focus on sustainable development, digital integration, and experiential value creation. Georgia's resilient economic performance—marked by 9.4% real GDP growth in 2024, record-high tourism revenues of USD 4.43 billion, and sustained foreign investment—reinforces our positioning within a fast-evolving, opportunity-rich environment.

Urbanization in Georgia reached 62% in 2024, coupled with declining household sizes and rising per capita income, driving structural demand for premium hospitality, residential, and mixed-use developments. Simultaneously, global ESG expectations and investor scrutiny are reshaping development priorities, prompting a shift toward certified green buildings, socially inclusive operations, and transparent governance. Silk Real Estate is strategically aligned with these expectations, embedding innovation, sustainability, and resilience across our operations.

As geopolitical and economic realignments redefine regional dynamics, Georgia's unique location at the crossroads of Europe and Asia continues to enhance its appeal as a gateway for capital, talent, and tourism. Silk Real Estate is harnessing these trends to deliver long-term stakeholder value and future-proof its growth trajectory.



Strategic Pillars

Silk Real Estate's long-term success is guided by six strategic pillars that reflect our commitment to operational excellence, customer-centric innovation, and sustainable impact. These pillars ensure agility in a dynamic market while reinforcing our leadership across real estate, hospitality, and entertainment.

◆ Service Excellence & Customer Experience

Delivering world-class service is at the heart of our value proposition. Across all our properties, we emphasize design-driven environments, personalized experiences, and consistently high service standards. Our hospitality and gaming venues are tailored to exceed the expectations of both local and international clientele, building lasting loyalty and brand equity.

◆ Casino-Centric Strategy

Casino operations remain a cornerstone of our business model, contributing 56% of total revenue in 2023. Silk Real Estate leverages premier venues such as Casino Iveria Tbilisi and Casino Iveria Batumi to maintain a leading position in the regional gaming market. Advanced loyalty programs like Club Iveria, exclusive high-roller offerings, and a personalized customer experience help drive repeat visitation and sustain our competitive edge amid evolving regulations and rising regional competition.

◆ Event Management & Destination Development

We view our properties as integrated lifestyle destinations. Through venues like the Republic Complex and the forthcoming Telegraph Hotel, we provide multifunctional spaces for concerts, conferences, and upscale private events. These developments support both community engagement and revenue diversification, while enhancing the tourism ecosystem in Georgia.

◆ Digital Transformation & Loyalty Ecosystem

Silk Hospitality leads digital innovation in Georgia's real estate and hospitality sectors. Our flagship initiative—Silk Rewards, the country's first integrated hospitality loyalty app—offers members seamless booking, cashback rewards, and exclusive experiences across the Group's assets. This digital ecosystem not only enhances customer engagement but also drives operational efficiency and cross-brand synergy.

◆ Talent Development & Silk Academy

People are our most valuable asset. Through Silk Academy, we provide over 2,400 employees with structured training programs, fostering professional growth and nurturing a culture of service, diversity, and ethics. This internal capability strengthens our human capital, ensuring the scalability and excellence of our operations.

◆ Sustainability-Driven Development

Our commitment to sustainable development is embedded in every project. With LEED certification achieved and EDGE evaluations underway, we are integrating eco-efficient design, renewable energy systems, and comprehensive waste reduction practices into our construction and operational models. These initiatives align with international ESG standards and elevate the long-term value of our portfolio.



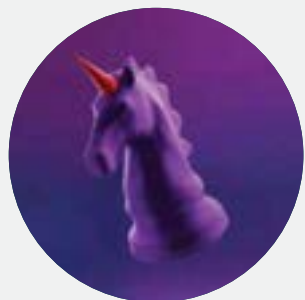
Innovation & R&D

Innovation Highlights 2024



Silk Rewards App

- Georgia's first integrated hospitality loyalty platform
- Cashback, tiered rewards, and seamless booking
- Drives guest retention and cross-property synergy



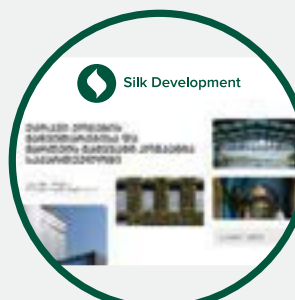
Unicorn Solutions

- B2B distribution arm serving 200+ clients
- Expanding e-commerce via unicorn.ge
- Focused on premium products and same-day delivery



Silk Academy

- In-house training for 2,400+ employees
- ESG-aligned curriculum and innovation incentives
- Promotes operational excellence and talent retention



Corporate Website Relaunch

- Fully redesigned sre.ge launched in 2024
- Clean, minimalistic design with mobile-first interface
- Enhances user experience and strengthens digital investor relations



Digital Innovation

Silk Rewards App

We lead Georgia's hospitality sector in digital transformation through the Silk Rewards App—the country's first dedicated loyalty platform for hospitality. Designed to enhance guest engagement and retention, the platform offers members a suite of exclusive benefits, including cashback on payments, tier-based rewards, and seamless hotel and restaurant booking functionality.

Silk Rewards is currently used across Silk Hospitality venues—hotels, restaurants, and wellness centers—but is in the process of being integrated with Silk's casino operations. This planned integration represents a major milestone in building a fully unified loyalty ecosystem, enabling guests to earn and redeem points across both hospitality and gaming experiences.

Key Features:

- **Cashback:** Members earn points on every eligible payment at Silk Hospitality venues, redeemable for future purchases or exclusive experiences
- **Redemption:** Points can be applied across accommodations, dining, spa services, and—in the near future—casino benefits
- **Booking Integration:** The app allows direct reservations with loyalty points usable at checkout
- **Gifts & Rewards:** Personalized benefits and promotional offerings based on member tier
- **Exclusive Deals:** Limited time offers and service vouchers accessible through the platform
- **Venue Explorer:** Interactive directory of all Silk Hospitality venues, enabling users to plan visits and maximize rewards

Through this expanding digital ecosystem, Silk Rewards not only strengthens customer loyalty and cross-property synergy but also lays the foundation for integrated guest experiences across the full spectrum of Silk Real Estate's operations.

silkrewards

Unicorn Solutions

Founded by Silk Road Group in 2023, Unicorn Solutions is a rapidly expanding import and distribution company focused on delivering premium, exclusive products across Georgia. Its operations span key sectors including F&B, FF&E, OS&E, and IT, serving over 200 active B2B clients through an agile supply chain and strategic partnerships.

To complement its wholesale operations, Unicorn Solutions runs www.unicorn.ge, a fast-growing e-commerce platform offering competitive pricing and same-day delivery, reinforcing its position in the retail market.

With a scalable business model, expanding client base, and commitment to operational efficiency, Unicorn Solutions is well-positioned for sustained growth and long-term market leadership.

Key Features:

- **Founded:** 2023 by Silk Road Group
- **Sectors:** F&B, FF&E, OS&E, IT
- **Client Base:** 200+ B2B clients
- **E-Commerce:** Unicorn.ge with same-day delivery
- **Strengths:** Agile supply chain, strategic partnerships
- **Outlook:** Strong growth trajectory and expansion potential



UNICORN SOLUTIONS



Integrated Strategic Approach

We leverage group-wide synergies and collaborate with world-class partners to deliver efficient, high-impact developments. Strategic alliances with firms like Kengo Kuma & Associates, Meinhardt UAE, GRAFT, and VTN Architects allow us to maintain service quality, reduce costs, and stay ahead of global design and sustainability trends.

Architectural and Design Innovation

Our developments redefine regional standards through forward-thinking architecture and sustainability-driven design:

- **Telegraph Hotel (Tbilisi):**
A LEED-certified heritage transformation designed by Neri&Hu
- **Tsikhisdziri Bamboo Retreat:**
Low-impact eco-resort created with VTN Architects
- **Silk Towers (Batumi):**
Mixed-use complex with energy-efficient infrastructure by Kengo Kuma & Associates and Meinhardt UAE
- **Tsinandali Estate:**
A master planned blend of luxury living and landscape architecture with strong ESG alignment

Talent Development and Organizational Innovation

Our in-house Silk Academy plays a key role in advancing operational excellence. With over 2,400 employees trained, it fosters a culture of continuous improvement, ethical leadership, and ESG awareness. Innovation is further encouraged through company-wide incentives and OKR-driven performance management.

At Silk Real Estate, innovation is embedded as a mindset—powering progress across every level of our organization. From digital ecosystems to low-carbon design and talent development, our integrated approach ensures that we stay future-ready while delivering exceptional value to customers, partners, and investors.

Digital Transformation: Website Renewal

In 2024, Silk Real Estate completed the launch of a fully redesigned corporate website, underscoring our ongoing commitment to digital innovation, transparency, and stakeholder-focused communication. The new platform, available at sre.ge, offers a streamlined and modern user experience, in line with international best practices in digital investor relations and real estate marketing.

Key improvements include enhanced site navigation, full mobile responsiveness, dynamic project showcases, and integrated multimedia features. These upgrades effectively highlight our diverse portfolio, sustainability efforts, and financial disclosures. This digital transformation forms a core part of our broader strategy to deepen stakeholder engagement, strengthen brand visibility, and leverage technology as a strategic advantage in a competitive market.



Market Positioning & Differentiation

Silk Real Estate holds a unique market position as Georgia's leading vertically integrated operator across real estate, hospitality, and gaming. Our full-spectrum control—from development and ownership to operation enables us to deliver high-performance assets that align with global standards and local opportunity.

Our competitive edge is built on:

- A high-value portfolio concentrated in Georgia's most strategic urban, resort, and cultural hubs, including Tbilisi, Batumi, and Kakheti
- Seamless operational integration across hotels, branded residences, casinos, and event venues—driving efficiency and cross-sectoral value, as demonstrated by integrated venues such as **Casino Iveria** within **Radisson Blu properties** and **the Republic Complex, which combines upscale dining with multifunctional event spaces**
- Strong brand recognition, underpinned by international awards, LEED certification, and consistently high guest satisfaction scores

We further differentiate through partnerships with globally renowned firms such as Kengo Kuma & Associates, Neri&Hu, and VTN Architects—delivering design-led developments that elevate our regional and international standing. Internally, innovation is driven through the **Silk Rewards** digital loyalty platform and **Silk Academy**, which supports the ongoing development of over 2,400 employees.

With ESG integration embedded into our operations and the EDGE certification process currently under evaluation for new projects, Silk Real Estate is redefining destination-led growth in Georgia—positioning itself as a trusted platform for global investors, partners, and guests seeking long-term, sustainable value.



Market Landscape and Industry Trends

Georgia: Sustained Economic Momentum

Over the past decade, Georgia has shown strong economic resilience, consistently outperforming regional peers. Following global disruptions, the country saw a robust recovery, with real GDP growth of 10.1% in 2022, 7.8% in 2023, and an acceleration to 9.4% in 2024. Nominal GDP reached 91.9 billion GEL (~USD 33.8 billion) in 2024, highlighting Georgia’s rising role in regional trade and investment. Inflation fell from 11.9% in 2022 to 0.6% by June 2023, before edging up to 2.4% in February 2025, remaining moderate overall.

The influx of migrants from Russia, Belarus, and Ukraine in 2022 boosted foreign currency inflows and strengthened the Georgian Lari (GEL). To manage appreciation pressures, the National Bank intervened through FX purchases. While reserves dipped to USD 4.08B in October 2024, they rebounded to USD 4.3B by March 2025. Backed by prudent fiscal policy, stable macroeconomic fundamentals, and pro-business reforms, Georgia continues to attract strong foreign investment and maintain solid international credit ratings.

Economic Performance and Recovery

Area	69.700 sq.m
GDP at current prices, billion USD	33.8
Annual inflation (dec/dec)	1.9%
Total external debt/GDP	74.5%
Population at the end of the year, millions	3.7
Nominal GDP growth	13.6%
Foreign direct investment as 1% of GDP (31.12.2024)	1%
Country rating (S&P, Fitch, Moody's)	BB. BB. Ba2
GDP, billion GEL	91.9
Real GDP growth	9.4%
Unemployment rate	13.9%

Demographic and Urbanization Trends

Georgia’s evolving demographic landscape reflects a dynamic shift toward modernization and economic opportunity. Between 2000 and 2022, the rural population declined by 20%, while urbanization steadily accelerated. By the end of 2022, 60% of the population lived in urban areas, with Tbilisi alone home to 33%. This trend underscores the growing appeal of Georgia’s urban centers as hubs for employment, innovation, and improved quality of life. While urbanization levels remain below the EU average, this signals strong potential for future development in infrastructure, housing, and public services. Cities like Tbilisi and Batumi are increasingly attracting talent and investment, positioning Georgia for a more connected and sustainable urban future.

Tourism: Growth and Challenges

In 2024, Georgia’s tourism sector reached new heights, attracting a record 7.37 million international visitors—surpassing pre-pandemic levels and marking a 4.2% increase over 2023 (Ministry of Economy and Sustainable Development). Tourism revenues also hit an all-time high of USD 4.43 billion, reflecting 7.3% year-over-year growth. This strong performance continues to stimulate growth in key industries such as hospitality, transportation, retail, and real estate, solidifying tourism as a vital pillar of Georgia’s economy. Enhanced infrastructure and the country’s rising profile as a regional destination are further contributing to its growing appeal among international travelers.

Overview of The Hospitality Sector

Tourism remains a cornerstone of Georgia's economic growth, supported by visa-free access for visitors from over 100 countries and a diverse range of offerings—from coastal and mountain resorts to wine regions and rich cultural heritage sites. In 2024, international arrivals reached 6.5 million, including 5.1 million overnight visitors and 1.4 million same-day trips. While same-day visits remain at about 52.8% of their 2019 peak in Q1, overnight tourism has nearly returned to pre-pandemic levels, underscoring the sector's strong recovery.

Tourism revenues reached a record USD 4.4 billion in 2024, accounting for 13.1% of GDP. Although slightly lower in GDP share compared to 2022, this figure reflects sustained growth in absolute terms and continued momentum in the sector. The outlook for 2025 remains positive, supported by the ongoing diversification of tourism services and the country's rising profile as a preferred travel destination in the region.

FIGURE 1: NUMBER OF INTERNATIONAL VISITORS, MLN PEOPLE

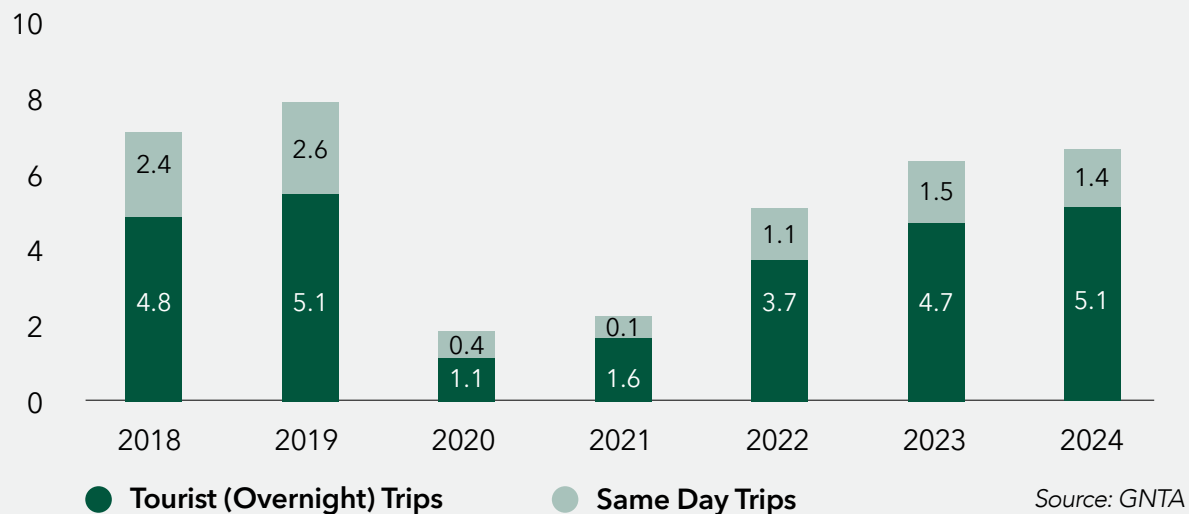
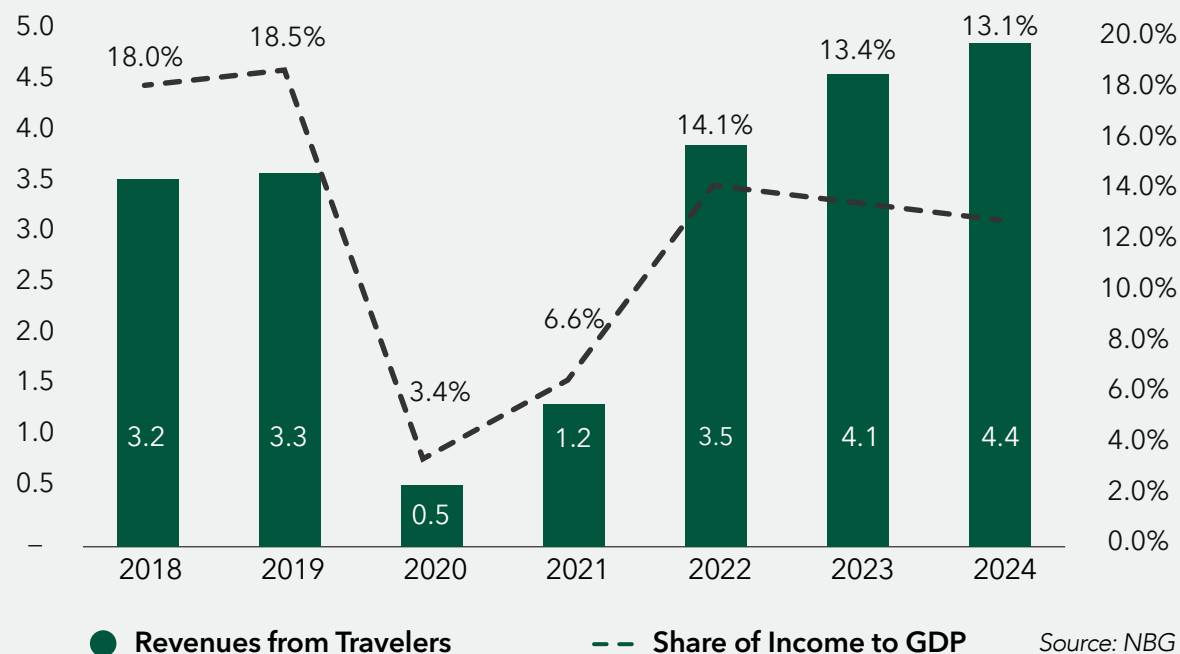
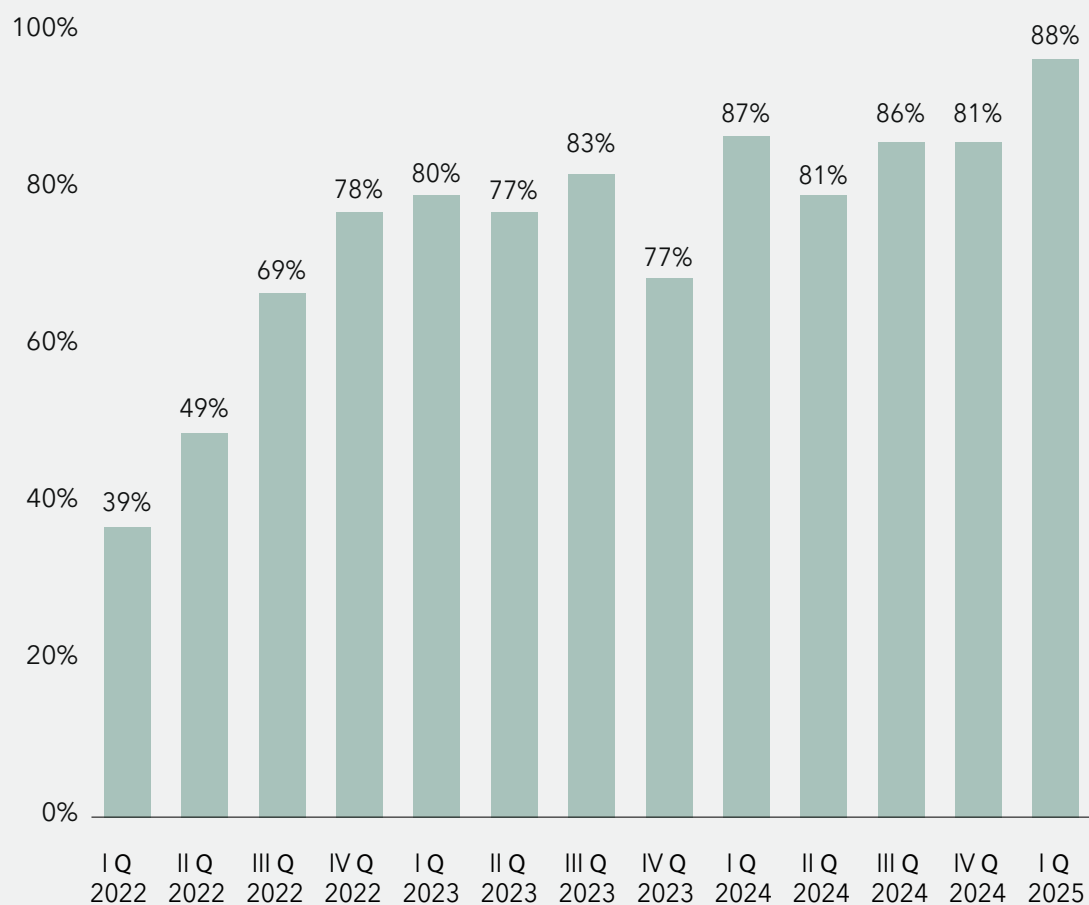


FIGURE 2: REVENUES FROM TOURISM, USD BLN



In 2024, Georgia's tourism sector continued its strong recovery, with international visitor numbers reaching 86% of 2019 levels by the third quarter and maintaining this momentum into the fourth quarter (Figure 1). The country welcomed over 5 million international visitors during the year, marking a 4% increase compared to 2023. Several key source markets not only recovered but exceeded pre-pandemic levels. Visitor numbers from Israel reached 152% of 2019 figures, followed by the European Union (123%) and Türkiye (116%) (Figure 2). However, inbound travel from some neighboring countries, including Azerbaijan (14%), Ukraine (57%), and Armenia (69%), remained below pre-pandemic volumes, reflecting varied regional recovery dynamics.

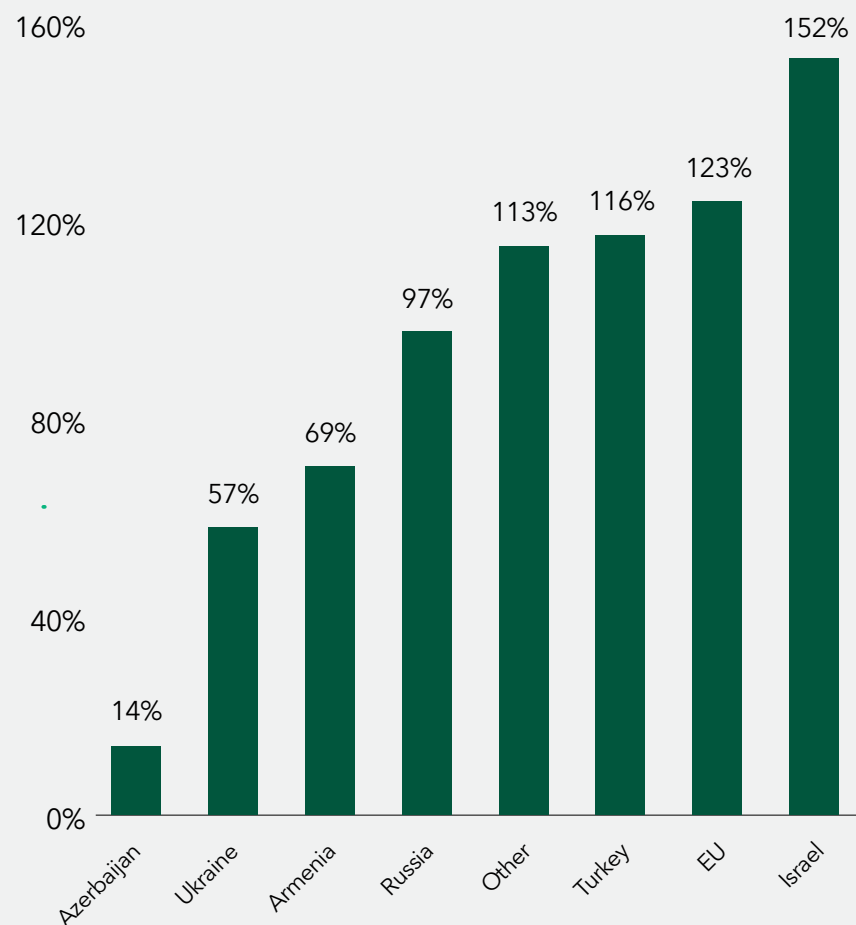
FIGURE 3: RECOVERY OF TOURIST VISITS COMPARED TO 2019



Note: Tourist visits include persons who leave Georgia in the reporting month and do not include migrants.

Source: GNTA

FIGURE 4: RECOVERY OF TOURIST VISITS PER COUNTRY

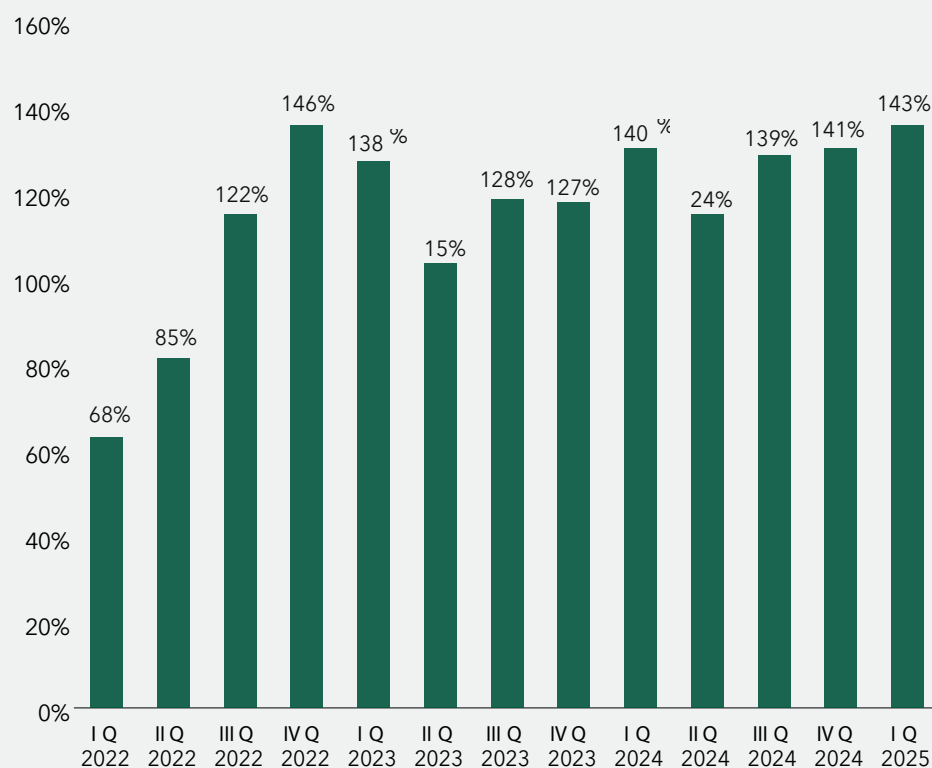


Source: GNTA

In 2024, Georgia's tourism revenue reached a record USD 4.43 billion, a 7.3% increase from 2023 and over 40% above 2019 levels (Figure 5). This growth highlights the sector's continued strength and increasing visitor spending.

Russia and the EU were the largest contributors, while revenues from Turkey and Ukraine declined compared to the previous year. Together, Turkey and Russia accounted for 33% of total tourism receipts, with Armenia and Azerbaijan contributing 8% (Figure 6). Revenue from Israel, Saudi Arabia, and other markets also grew, reflecting broader diversification in source countries. In contrast, remittance inflows declined notably in 2024, totaling approximately USD 3.4 billion—a 19% decrease (USD 785 million) compared to 2023.

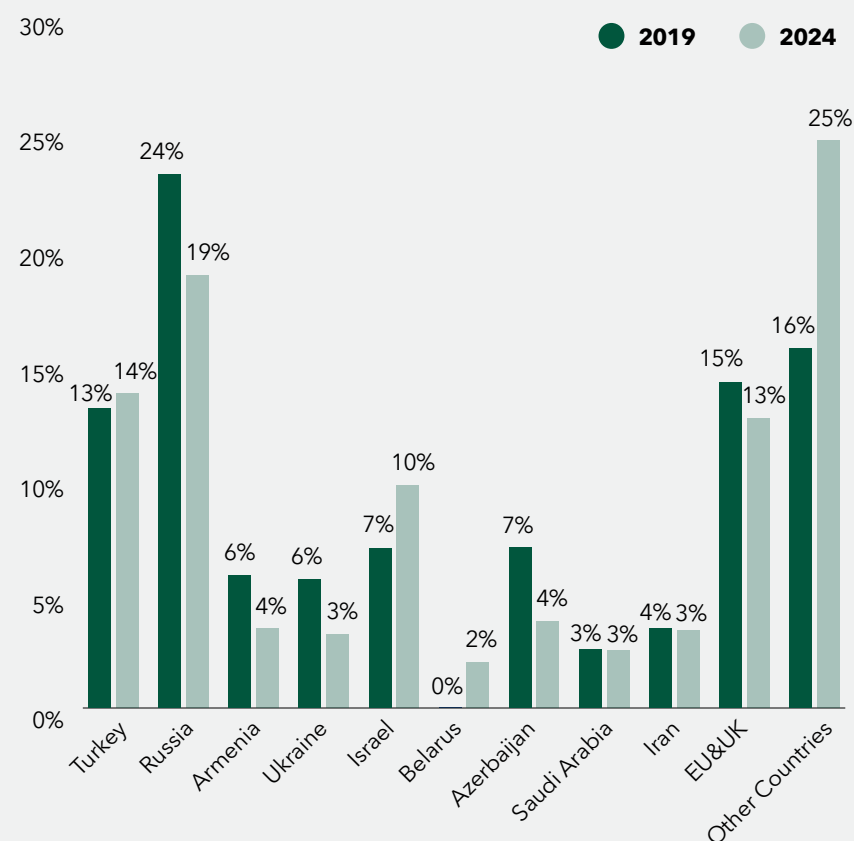
FIGURE 5: RECOVERY OF TOURISM REVENUES COMPARED TO 2019



Note: Data includes expenditures of migrants (Russia, Belarus, Ukraine) from March 2022

Source: GNTA

FIGURE 6: SHARE OF COUNTRIES IN REVENUES GENERATED BY INTERNATIONAL TRAVELERS

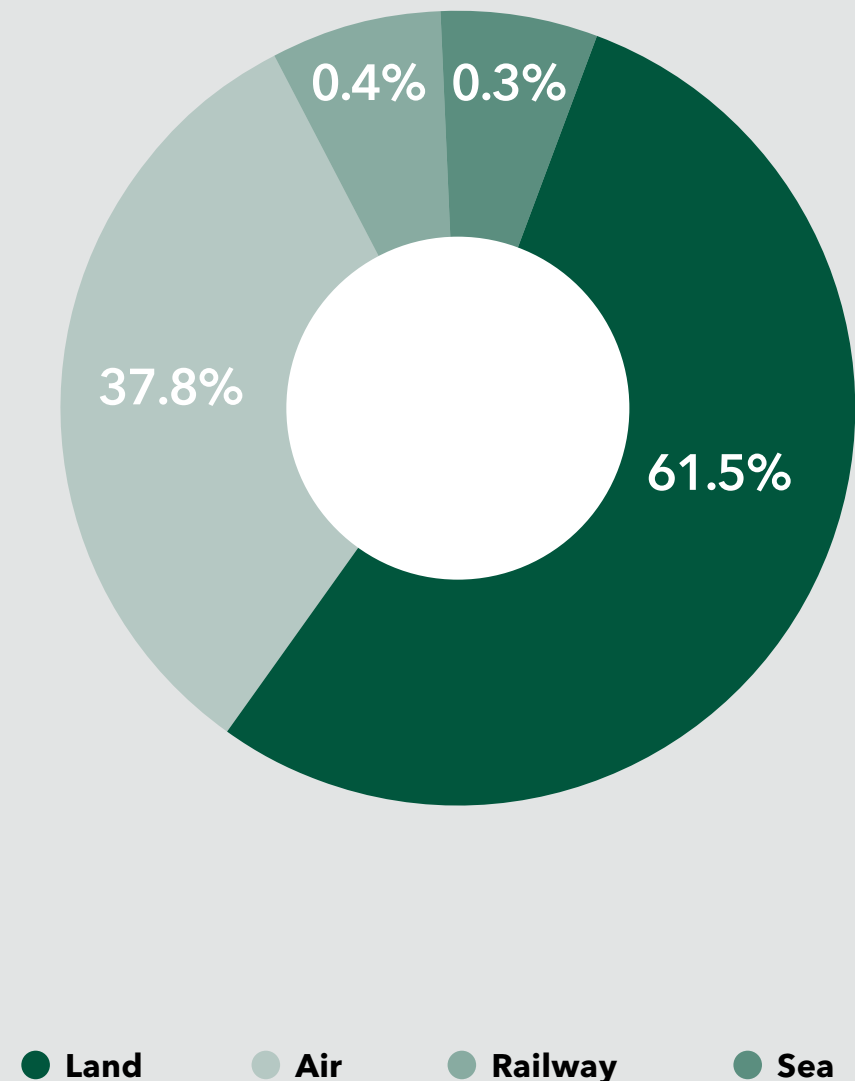


Source: GNTA

Air Travel and Hotel Industry Overview in Georgia

As of 2024, land border crossings accounted for 61.5% of international visitor entries, while air arrivals increased to 37.8%, reflecting a continued shift toward air travel (Figure 7). Air arrivals rose by 27% year over year, while land entries declined by 5%. Sea and rail entries remained minimal, at 0.4% and 0.3%, respectively. Georgia's hospitality sector continues to expand, with several notable hotel openings in 2024 enhancing the country's tourism infrastructure. These developments are part of a broader trend, with 324 new accommodations planned by 2027, signaling a major expansion in hospitality offerings. From 2020 to 2023, 238 hotels were opened, and the planned bed capacity for 2024–2027 is projected to be 130% higher than that of the previous period. Most of this growth is concentrated in Tbilisi and the Adjara region, underscoring their roles as key tourism and investment hubs.

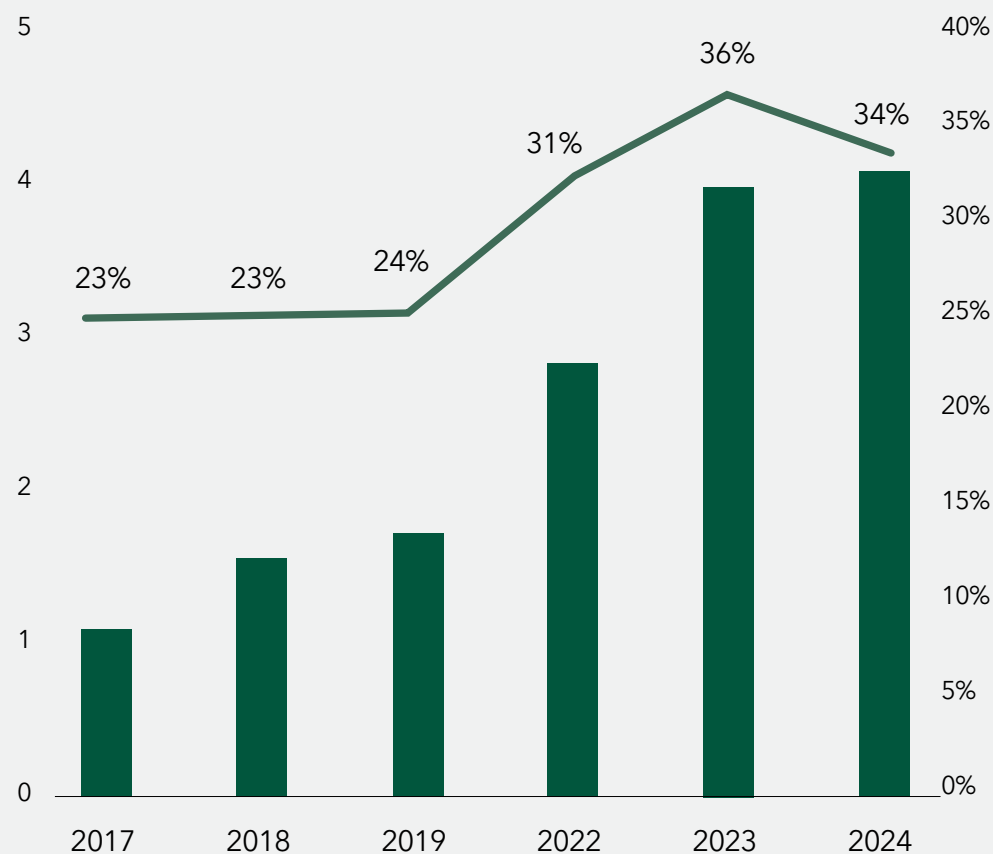
FIGURE 7: INTERNATIONAL VISITOR TRIPS BY BORDER TYPES



In 2024, visitor spending on accommodation totaled approximately 1.6 billion GEL, accounting for 34% of total expenditure, a slight decrease from 36% in 2023 (Figure 8). While accommodation remained the largest spending category, shopping (24%) and food and drinks (22%) followed closely (Figure 9). Other notable expenses included holiday and leisure activities (11%) and local transport (8%).

Overall, total visitor spending for the year 2024 reached 4.8 billion GEL, representing a 68% increase compared to the same period in 2019.

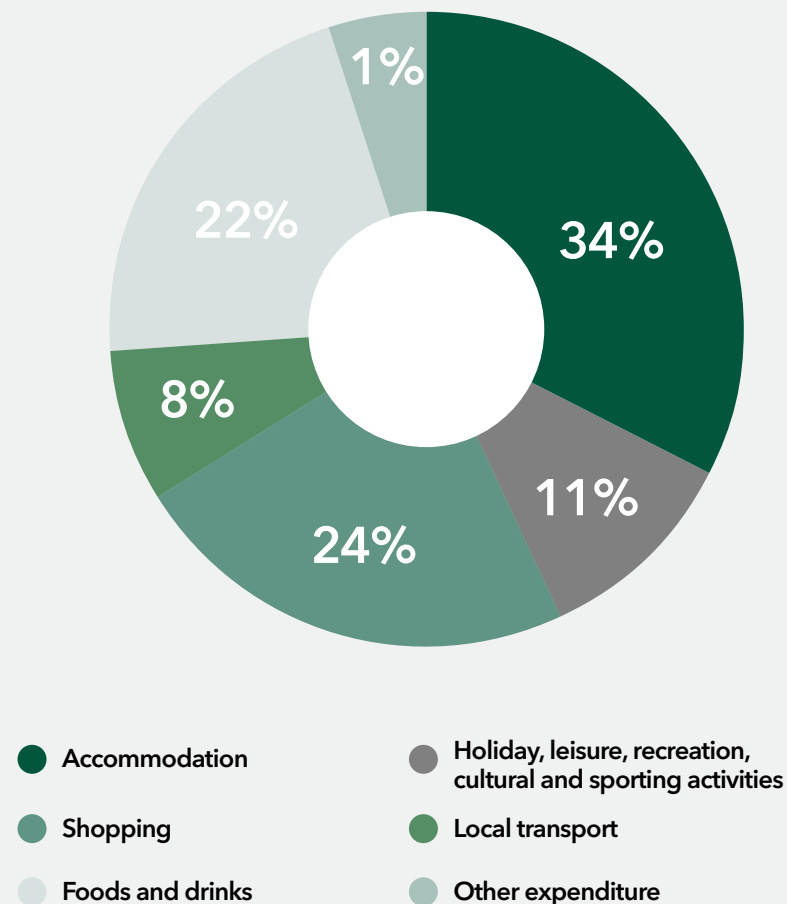
FIGURE 8: VISITOR SPENDING ON ACCOMMODATION, GEL BLN



■ Accommodation
— Accommodation share in total expenditure

Source: GNTA

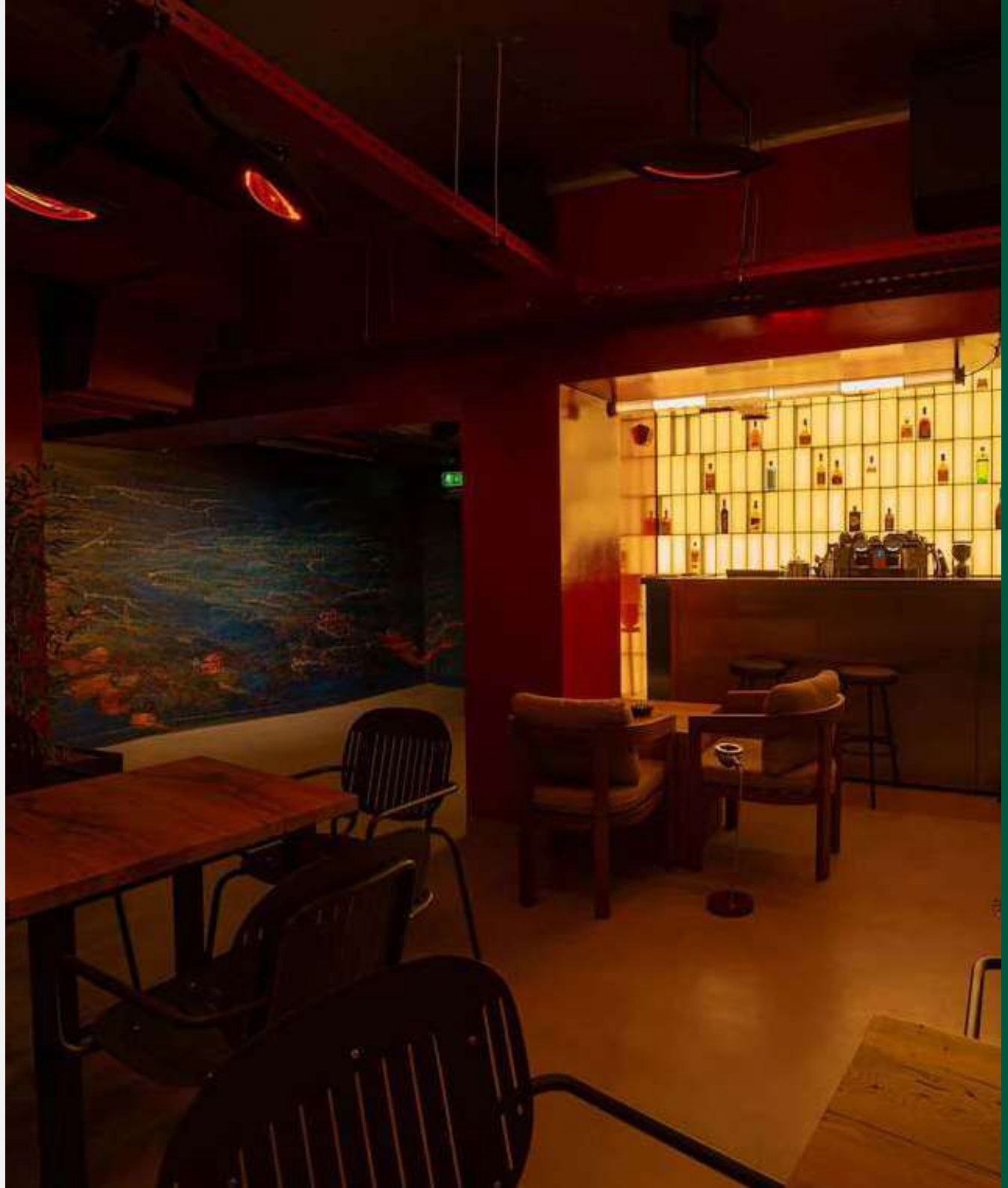
FIGURE 9: DISTRIBUTION OF VISITOR SPENDINGS BY CATEGORIES



Land-Based Gambling Sector in Georgia

Unlike many neighboring countries where gambling is fully or partially prohibited, Georgia stands out as a regional hub for the industry. Gambling is fully legalized and regulated by the Ministry of Finance, offering one of the most open and transparent legal frameworks in the region. This comprehensive regulatory structure permits both land-based and online gambling, positioning Georgia as a progressive and investor-friendly market within the wider Black Sea and Central Asian corridor.

As of May 2025, there are 121 active permits for land-based gambling establishments across Georgia, including casinos, slot machine parlors, sportsbooks, lotto, and bingo facilities. Notably, 28 casino licenses are currently active—many of them concentrated in Batumi, a rapidly growing gambling tourism destination. In contrast to the strict prohibitions in neighboring jurisdictions, Georgia's liberalized approach has fueled sectoral growth, cross-border tourism, and international investment in the gaming and hospitality industries.





● Fully Legal
 ● Partially Legal
 ● Illegal

TABLE 1: GAMBLING PERMIT DISTRIBUTION AS OF MAY 2025

	Tbilisi	Batumi	Others	Total
Casinos	7	16	5	28
Slot machine salon	16	27	21	64
Sportsbook	5	4	17	26
Lotto	1	0	0	1
Bingo	0	2	0	2

Source: Revenue Service

Recent Regulatory Developments

In 2024, two key regulatory changes were introduced, directly affecting physical casinos and slot machine parlors:

1. A 5% commission tax was implemented on cash withdrawals from slot machines.
2. Slot machine revenue (GGR) is now subject to a 15% tax rate.

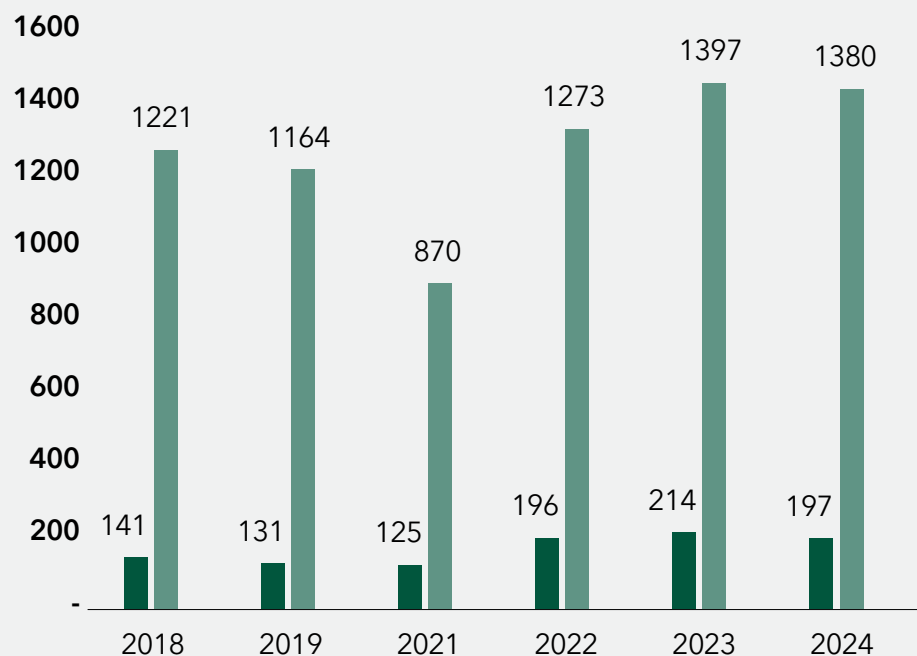
These updates reflect the government's effort to enhance fiscal oversight of the gambling industry while ensuring its continued growth under a transparent and accountable framework.

The number of slot machines in Batumi casinos has experienced a modest decline of approximately 1.2% in 2024, decreasing from 1,397 in 2023 to 1,380. Meanwhile, the number of casino tables saw a slight contraction of about 7.9%, dropping from 214 to 197. These shifts come after a period of strong growth in the previous year and may reflect short-term adjustments following an exceptional post-pandemic rebound.

Despite this marginal reduction in gaming assets, Adjara's casino industry continues to draw substantial international interest. In 2024, the region welcomed 886,000 casino visitors, with a remarkable 93% of them being foreign nationals—the highest share on record. Although the total number of visits dipped compared to 2023, the increasing proportion of international guests underscores the region's growing reputation as a prime destination for global casino tourism.

This sustained international appeal is bolstered by Adjara's premium entertainment infrastructure and its strategic positioning as a gateway for travelers seeking both luxury and excitement. The region remains a key player in the regional gaming landscape, signaling continued potential for long-term growth driven by global demand.

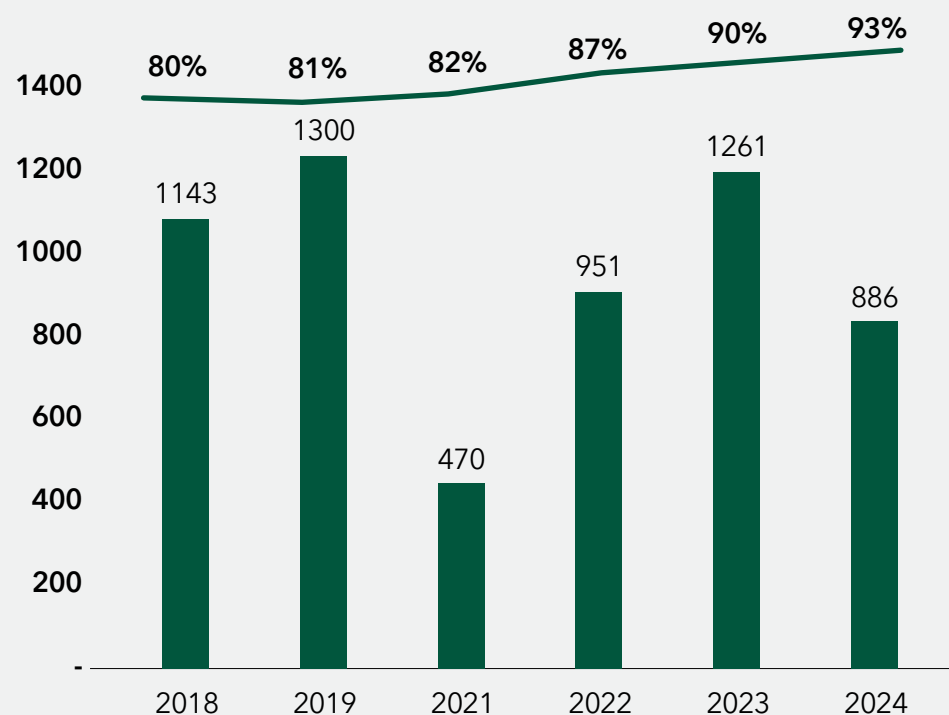
FIGURE 10: BATUMI CASINO TABLES AND GAMING MACHINES



● Slot Machines ● Casino Tables

Source: Ministry of Finance of Adjara

FIGURE 11: NUMBER OF VISITS TO ADJARA CASINO, THOUSANDS



● Visits — Share of foreigners

Source: Ministry of Finance of Adjara

TAX AND PERMIT SYSTEM ON CASINOS

The Revenue Service issues gambling permits for a period of 5 years to arrange casinos. A minimum of seven casino tables must be installed and operated, with one table dedicated to roulette on a gaming wheel.

The minimum age for players in casinos and other gambling establishments is set at 25 years for Georgian citizens and 18 years for foreign citizens.

Gambling taxation involves annual license fees, quarterly fees, and central taxes. The central government sets the annual permit fees and central taxes, while local governments set the quarterly fees. Similar types of fees go to the local municipality's budget, with the quarterly fee tied to the number of casino tables and slot machines.



Per amendments introduced in the Tax Code of Georgia in December 2023, the objects of taxation with income tax were determined, namely:

- The object of income taxation of a natural person, who receives income from the organization of a slot machine salon and/or the organization of games of chance in a systemic and electronic form, in a part of the said activity, shall be the difference between the bets accepted from players and the winnings paid out to players
- The object of income taxation of a person participating in games of chance organized using the slot machines and/or games of chance and/or prize-winning games organized in a systemic and electronic form (except for a promotional draw organized in a systemic and electronic form shall be the sum withdrawn by him/her from an organizer of a slot machine salon or the systemic and electronic gambling account.

According to amendments, taxable income received by a natural person from the organization of a slot machine salon and/or the organization of games of chance in the systemic and electronic form shall be taxed at 15%. The rate of annual and quarterly fees varies by region in Georgia.

The maximum annual license fee for casinos is 5,000,000 GEL, and the quarterly fee for one casino table ranges from 20,000 to 40,000 GEL. The quarterly fee for gaming machines is set at 2,000-4,000 GEL per machine per quarter. The annual fee for a casino license in Tbilisi is 5,000,000 GEL, while in Batumi, the fee is set at 250,000 GEL per year. Regarding the quarterly fee, the maximum limit for the casino table is 40,000 GEL for both cities, and the maximum limit for gaming machines is set at 4,000 GEL.

TABLE 2: CASINO'S ANNUAL AND QUARTERLY FEES, GEL

In GEL	CASINO'S ANNUAL PERMIT FEE	QUARTERLY FEE OF THE CASINO'S TABLE	QUARTERLY FEE OF THE SLOTS
Tbilisi	5 000 000	40 000	4 000
Batumi	250 000	40 000	4 000

Source: Legislative Herald of Georgia

The Law of Georgia on Licensing and Permit Fees establishes the limits of the fee rate for setting up a gambling machine salon, ranging from 50,000 GEL to 1,000,000 GEL per year; while the Resolution on Establishing the Annual Rates of Permit Fee for Setting Up a Gaming Machine Salon (Government of Georgia Resolution # 277 of 12/07/2011) establishes the annual rates of the permit fee for setting up a gaming machine cabin:

A **For setting up a gambling machine salon in the casino by a person who holds a permit to set up a casino in Tbilisi - 100,000 GEL**

(applies to the activities of the issuer);

B **In the territory of the city of Tbilisi**
(except for the case provided for in subsection "a") - **1,000,000 GEL;**

C **In the territory of the self-governing city of Batumi - 200,000 GEL**
(applies to the activities of the issuer)

Additionally, the Georgian government is authorized to raise the fee rate for the installation of gaming machines by a maximum of 30% within the initial 5 years of entry into force. This increase applies to the aforementioned fee rates.

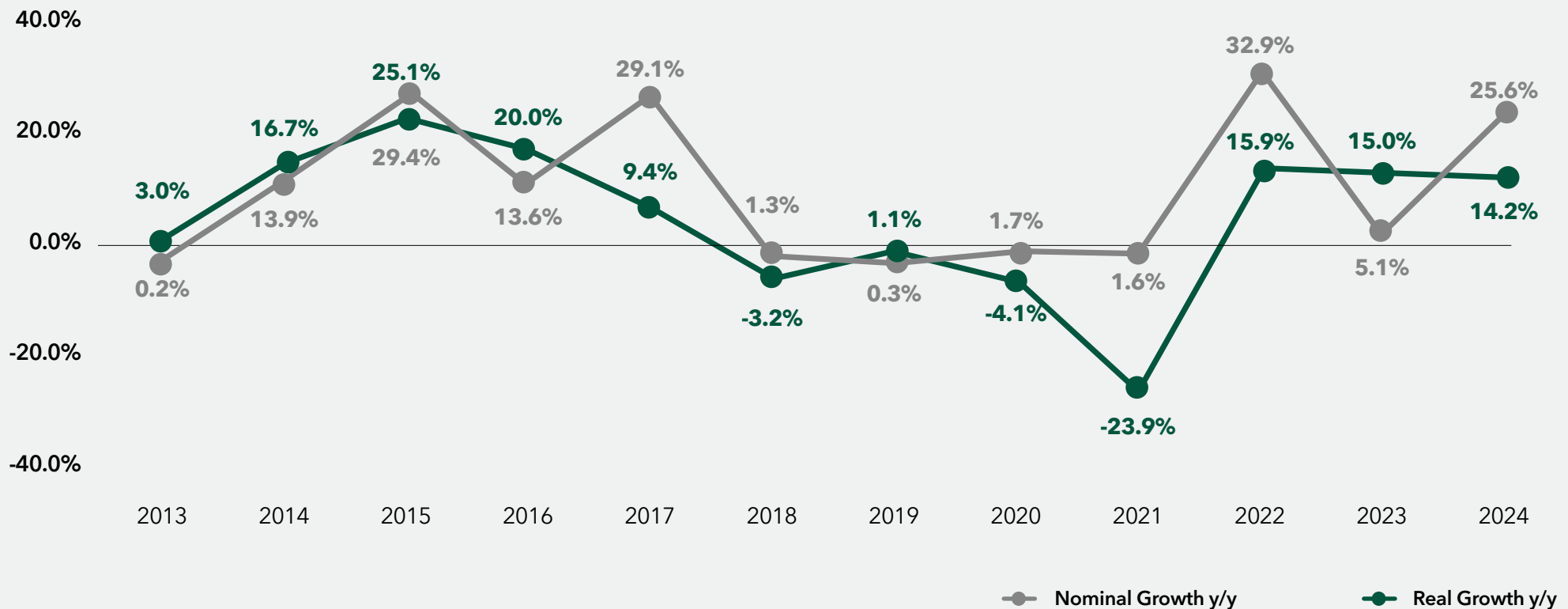
- Permits for setting up a casino and setting up a gaming machine salon are issued for a period of 5 years
- Permit fees for setting up a casino and setting up a gaming machine salon are paid annually
- The license issuer has the responsibility of monitoring compliance with, and ensuring that license holders adhere to, the conditions of the license. If there is no other administrative body designated by law to perform this function, the license issuer is authorized to carry out control functions. In cases where violations of other normative acts occur, the license issuer may impose penalties as provided for by law. The license issuer monitors compliance with the license conditions by conducting selective checks or requesting regular reports from the license holders. Unless otherwise specified by law, license holders must report on compliance with the license conditions every year between April 1 and May 1 by submitting a written report to the license issuer
- License holders who receive a license within six months before the start of the reporting period are not required to submit a report to the license issuer. The license issuer only checks compliance with the license conditions by verifying the license terms. The license issuer is not authorized to investigate or request the presentation of factual circumstances that are not directly related to compliance with the license terms by the license holder
- The casino is responsible for maintaining public order and safety, as well as protecting the legal rights and interests of players and other individuals present at the gaming venue. Additionally, it is prohibited for individuals under the age of 25 (in case of Georgian citizens) or under the age of 18 (in case of foreign citizens or stateless persons) to enter, and/or participate in gambling or profitable games (excluding incentive draws) at, gaming venues. The gaming organizer is obligated to request a copy of an identity document or other legally recognized document in physical or electronic form from anyone entering the gaming venue, and through this document, verify the person's age before allowing them to participate in any gambling or profitable games
- The casino management is responsible for preventing entry into the casino premises by individuals listed as dependents, for whom personal information is being processed by the Revenue Service
- The municipality has the authority to designate specific places (such as territorial zones and buildings) where gambling and profitable games (excluding incentive raffles) can be organized if they are not already designated by law (territorial zones and buildings)

Construction Sector

The construction sector remains a key driver of Georgia's economy, enabling progress across tourism, energy, real estate, and infrastructure projects. According to Geostat, real growth in the sector reached 14.2% in 2024, following 15% in 2023 and 15.9% in 2022, reflecting strong recovery after the pandemic-induced decline of -23.9% in 2021. Notably, nominal growth also accelerated to 25.6% in 2024, indicating robust investment and increased construction activity.

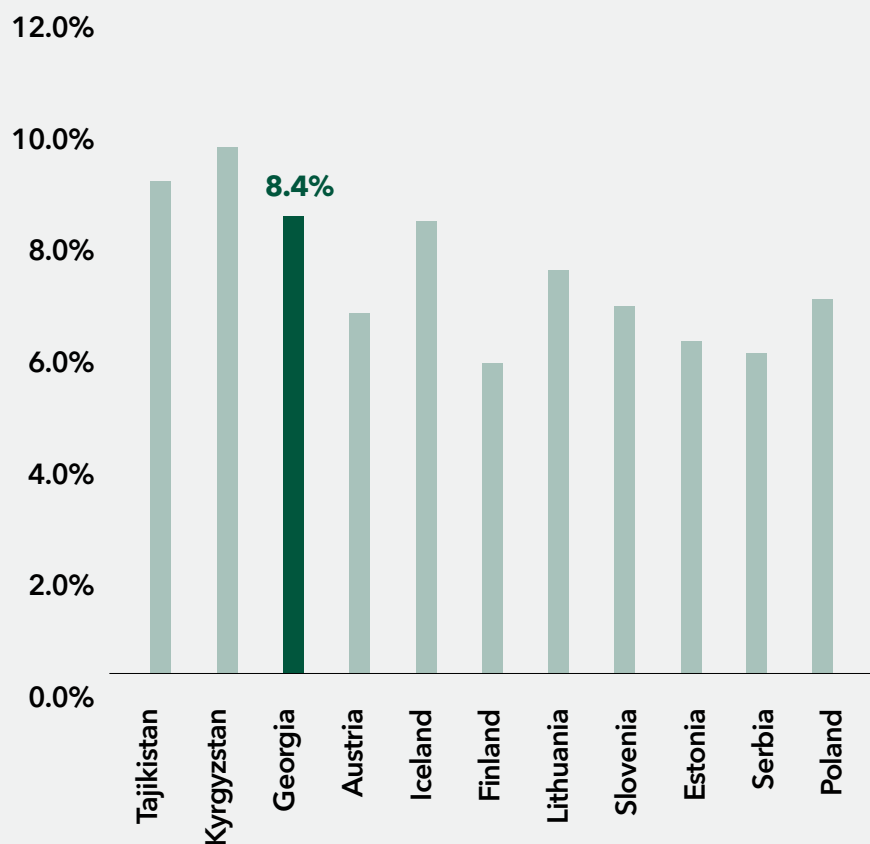
This growth is supported by stabilizing construction material prices and sustained demand in the real estate market. After several years of stagnation—marked by minimal or negative real growth from 2018 to 2021—the sector has regained momentum, benefiting from both post-pandemic recovery and structural demand for residential and commercial development.

FIGURE 12: NOMINAL AND REAL GROWTH OF THE CONSTRUCTION SECTOR



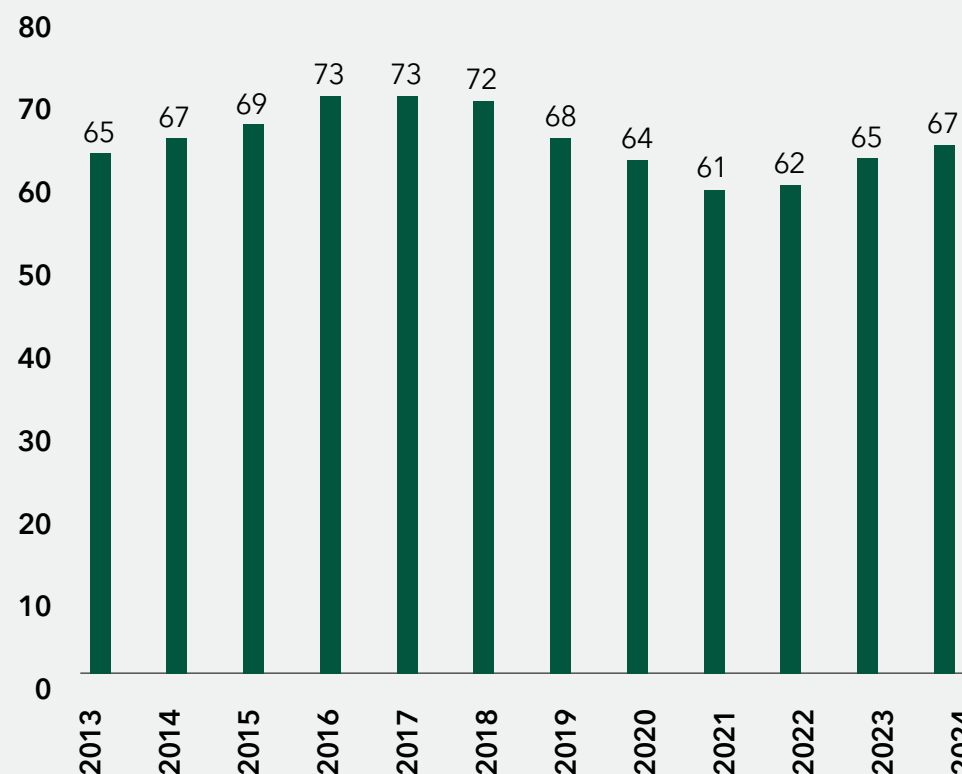
In 2024, the construction sector accounted for 8.4% of Georgia's nominal GDP, placing it among the leading contributors compared to regional peers (Figure 13). Employment in the sector showed modest recovery, rising to 67,000 workers, up from 65,000 in 2023, though still below the 2016–2018 peak levels (Figure 14). The workforce gradually declined after major projects like the BP pipeline concluded in 2017, but demand has picked up again in recent years. Wage growth remained strong, with average monthly salaries increasing by 19.7% year-over-year in 2024, following a 13.4% rise in 2023. This reflects both the shortage of skilled labor and the lagged effect of inflationary pressure on wages.

**FIGURE 13: SHARE OF CONSTRUCTION
IN NOMINAL GDP, 2024**



Source: UNECE

**FIGURE 14: EMPLOYMENT IN
CONSTRUCTION SECTOR, '000 PEOPLE**



Source: Geostat

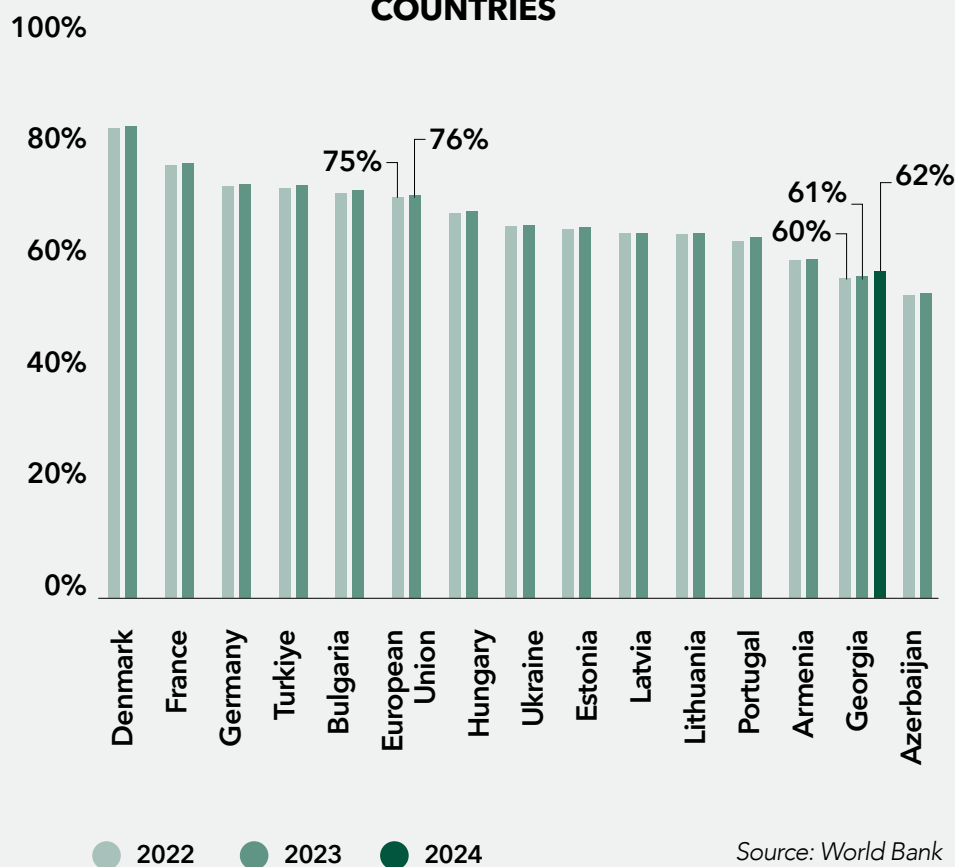
Residential Real Estate

Since the mid-2000s, residential real estate has remained a key pillar of Georgia's economic growth. In 2024, GDP per capita (USD) increased by 10.3%, enhancing purchasing power and stimulating housing demand, particularly in urban hubs like Tbilisi and Batumi.

The post-2022 migration wave continued to support real estate investment, reinforced by rising urbanization, income growth, greater mortgage availability, and shrinking household sizes. Urbanization reached 62.0% in 2024, still below the EU average of 75.5%—but remains on an upward trajectory. Meanwhile, the average household size declined to 3.1, driven by a rising number of young, independent households.

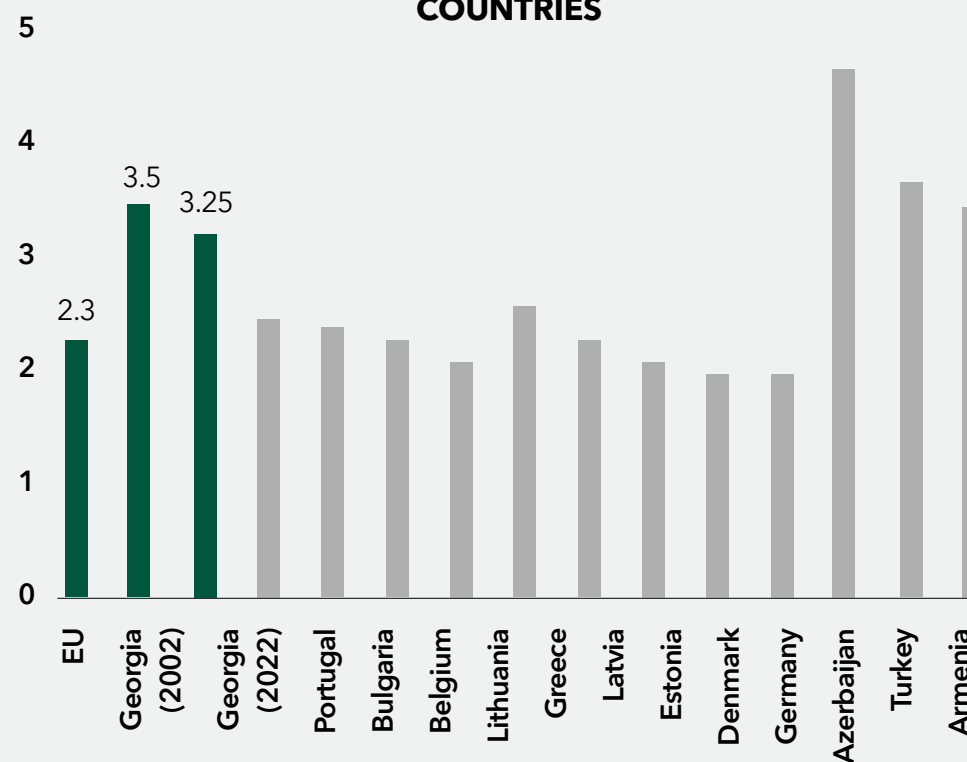
Combined with attractive rental yields and a scarcity of alternative investment options, these dynamics continue to position real estate as a preferred and resilient asset class in Georgia.

FIGURE 15: URBANIZATION IN COMPARABLE COUNTRIES



Source: World Bank

FIGURE 16: HOUSEHOLD SIZES IN COMPARABLE COUNTRIES



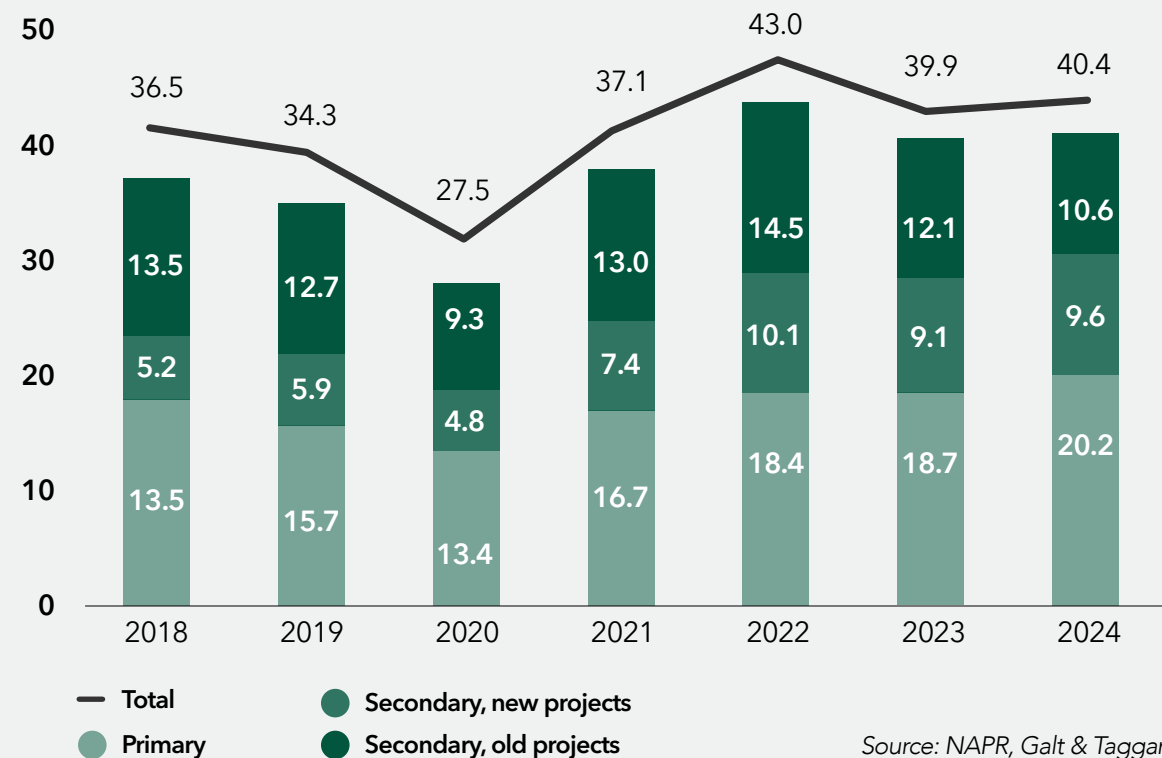
Source: Eurostat, Geostat



Following strong sales in 2018, Tbilisi's real estate market experienced a slowdown in 2019 and a significant drop in 2020 due to the pandemic. However, stabilization measures—such as the government's mortgage interest subsidy program introduced in 2020—supported recovery. Under this scheme, the state subsidized 4 percentage points of interest on GEL-denominated mortgage loans.

The market rebounded in 2021 and reached a record 43,000 apartment sales in 2022 (+15.9% y/y), driven by pent-up demand and migration. Although sales dropped by 7% to 39,949 in 2023, activity remained robust. In 2024, 40,400 apartments were sold, marking a 1.1% year-over-year increase and indicating renewed market momentum (Figure 17). Primary market sales rose to 20,200 units in 2024, the highest in the observed period, while purchases in the old secondary segment declined. This shift reflects growing demand for newer developments. Between 2018 and 2024, total units' sales in Tbilisi increased by 10.7, implying a drop in average apartment size from 71 m² in 2018 to 50-60 m² in 2024.

FIGURE 17: REAL ESTATE PURCHASES IN TBILISI, '000



Source: NAPR, Galt & Taggart

Economic Landscape

In 2024, the Georgian Lari (GEL) remained relatively stable, with moderate fluctuations against the US Dollar, shaped by global market dynamics, regional geopolitical developments, and domestic monetary policy. The average annual exchange rate stood at approximately 1 USD = 2.72 GEL, with the Georgian Lari reaching its strongest point at 2.63 GEL per USD in November and depreciating slightly to 2.87 GEL per USD in December. Inflation remained well-contained, averaging just 1.2%—significantly below the National Bank of Georgia’s (NBG) target of 3%. This price stability was supported by a consistent monetary stance, with the refinancing rate maintained at 8% throughout the year. These indicators reflect a resilient and predictable economic environment, reinforcing Georgia’s appeal to investors. For companies such as Silk Road Group, this stability highlights the importance of maintaining financial agility while capitalizing on favorable macroeconomic conditions.

Industry Trends

Georgia’s hospitality sector experienced robust growth in 2024, driven by rising international arrivals, regional diversification, and ongoing hotel development. The country welcomed 5.4 million international visitors, generating USD 4.4 billion in tourism revenue. Occupancy rates increased in Tbilisi (56.3%) and Batumi (51.5%), with medium-sized hotels maintaining dominance despite a slight decline in average daily rates.

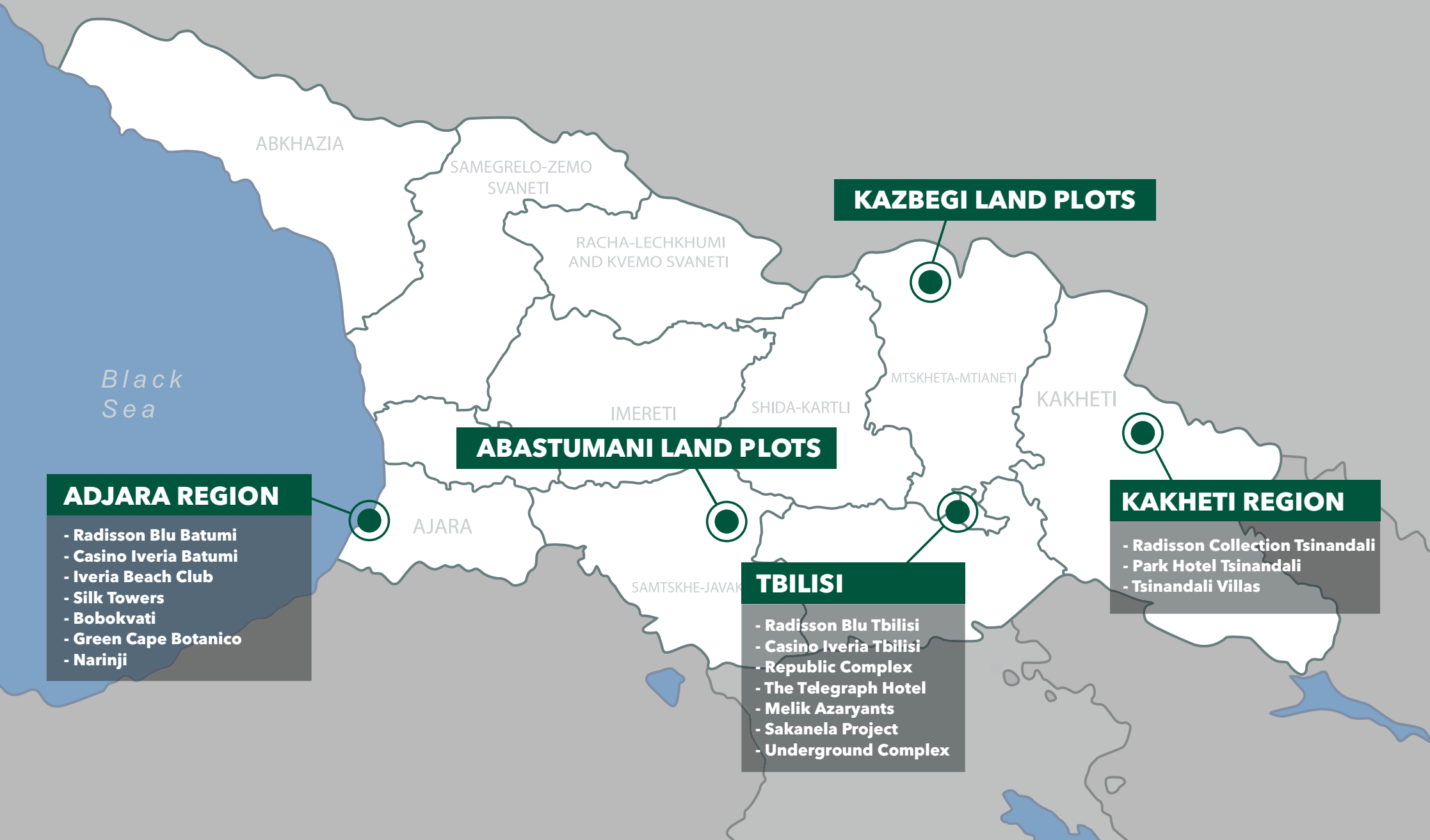
This favorable environment positively impacted Silk Real Estate. The company saw increased occupancy across its hospitality assets, strong performance from flagship hotels, and expanded revenue through its Silk Rewards program. Strategic projects like the Telegraph Hotel and Silk Towers advanced in development, while multiple industry awards and a focus on sustainability further reinforced the company’s leadership in Georgia’s growing tourism and hospitality landscape.



OPERATIONS

Translating strategy into impact, Silk Real Estate is actively developing a range of landmark projects across Georgia. This section provides an overview of our current portfolio, ongoing developments, and the pipeline that will shape our growth over the coming years.

Silk Real Estate Assets Throughout Georgia



ADJARA REGION

- Radisson Blu Batumi
- Casino Iveria Batumi
- Iveria Beach Club
- Silk Towers
- Bobokvati
- Green Cape Botanico
- Narinji

ABASTUMANI LAND PLOTS

KAZBEGI LAND PLOTS

TBILISI

- Radisson Blu Tbilisi
- Casino Iveria Tbilisi
- Republic Complex
- The Telegraph Hotel
- Melik Azaryants
- Sakanela Project
- Underground Complex

KAKHETI REGION

- Radisson Collection Tsinandali
- Park Hotel Tsinandali
- Tsinandali Villas

Current Projects



Hotel Radisson Blu Iveria - Tbilisi

Opened in 2009, Radisson Blu Iveria is one of Tbilisi's premier hotels, consistently ranking among the highest-grossing properties in its category

Number of Rooms: 236

Location: Strategically located on Rustaveli Avenue, overlooking the Mtkvari River and close to key tourist and business landmarks

Facilities: Offers two upscale restaurants and rooftop bar, an Anne Semonin spa, a business center, nine meeting rooms, a large event hall, indoor and outdoor pools, a fitness center, beauty services, office space, and full conference facilities

New addition - Oxygen Bar: Newly opened on the 18th floor, Oxygen Bar provides panoramic views of the Tbilisi skyline and serves as a stylish venue for drinks, social gatherings, and business meetings. A dedicated smoking area is also available on the 17th floor for guest convenience



Hotel Radisson Blu - Batumi

Operating since 2011, Radisson Blu Batumi is a high-class hotel located on the Black Sea Coast

Number of Rooms: 168

Location: Situated in the heart of Old Batumi

Facilities: Features a casino, beach club, seven meeting rooms (including a large hall accommodating up to 350 guests), two restaurants, indoor and outdoor pools, and an Anne Semonin spa

Revenue: 20% of the hotel's revenue is generated by the casino, with a higher contribution during the off-season

Renovation: The Radisson Blu Hotel in Batumi is undergoing a phased renovation. The project includes a full upgrade of all **168 guest** rooms. In addition, a new ground-floor **Medea Restaurant** is under development, designed to enhance the hotel's F&B offering and attract both hotel guests and local patrons



Hotel Radisson Collection Tsinandali

The Tsinandali Estate, a Radisson Collection Hotel, is a five-star luxury retreat nestled in Georgia's Kakheti wine region. Opened in 2019, the hotel seamlessly blends contemporary elegance with the cultural legacy of the historic Tsinandali Estate

Number of Rooms: Features 124 elegantly appointed rooms and suites, offering serene views of the estate and surrounding landscape

Location: Situated adjacent to the 19th-century Tsinandali House-Museum of Prince Alexander Chavchavadze, the estate is surrounded by an 18-hectare landscaped park

Design: The property was designed by renowned architects and artists, including John Fotiadis, Christina Gabas, Damien Figueras, Ingo Maurer, and Georgian artist Tamara Kvesitadze

Facilities: a wide range of premium amenities, including indoor and outdoor pools, an Anne Semonin spa, diverse dining options such as Prince Alexander (international cuisine), Natella (traditional Georgian), and Umami at the Library Bar (Asian fusion and sushi), a grand ballroom, modern meeting rooms, an open-air amphitheater with a retractable roof for up to 1,200 guests, as well as a library, wine bar, tennis and padel courts and a kids' club



Park Hotel Tsinandali

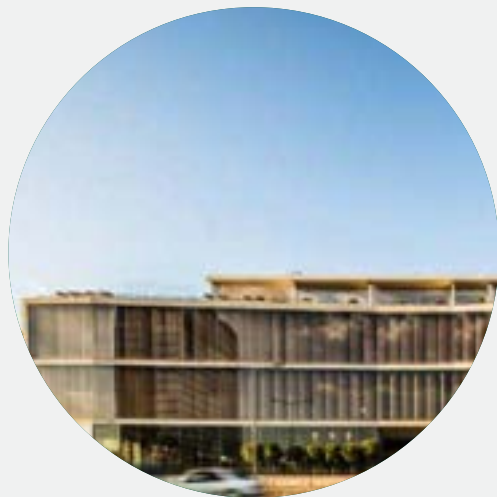
Located adjacent to the Radisson Collection Hotel in Tsinandali, Park Hotel is a non-branded property catering to the budget-conscious segment, offering functional and affordable accommodations in Georgia's wine region

Number of Rooms: 70

Location: Situated adjacent to the 19th-century Tsinandali House-Museum of Prince Alexander Chavchavadze, the estate is surrounded by an 18-hectare landscaped park

Amenities: Simple yet comfortable facilities tailored to meet the needs of low-budget travelers

Expansion Potential: The Group owns approximately 7 hectares of land near the hotel. Current development includes two completed villas, with plans for additional units and the potential sale of select land parcels



Complex Republic

Located on Republic Square in the center of Tbilisi, Complex Republic is a premier multi-functional venue offering a blend of upscale dining, versatile event space, and panoramic city views

Total Area: 1,500 sq.m

Capacity: Accommodates up to 1,000 guests

Key Features:

- **Two dining spaces:**
 - Republic: European fine dining
 - Republic 24: A 24/7 Georgian diner
- **Two-story event space suitable for concerts, conferences, and private events**
- **Rooftop terrace with sweeping views of Tbilisi**
- **Central location with direct access to major cultural and tourist landmarks**



Casino Iveria Tbilisi

Located within the Radisson Blu Iveria Hotel and operating since 2009, Casino Iveria is a flagship property in Georgia's gaming sector, known for its upscale environment and consistent performance

Gaming: 30 live tables (poker, blackjack, roulette, baccarat), 200+ modern slot machines, and a dedicated daily poker room

Amenities: On-site restaurant, four bars, two VIP rooms with private dealers, and 24/7 operations with exclusive services for VIP guests

Positioning: A key contributor to the Group's entertainment portfolio, Casino Iveria is recognized for its broad game offering and early post-COVID recovery



Casino Iveria Batumi

Established in 2011 within the Radisson Blu Hotel Batumi, Casino Iveria is a premier gaming destination on Georgia's Black Sea coast, catering to both international and local clientele

Gaming: 17 live tables offering blackjack, American roulette, baccarat, and poker variants (including No Limit Texas Hold'em and Pot Limit Omaha), along with 160+ modern slot machines featuring multiple jackpots

Amenities: Includes a buffet and à la carte restaurant, VIP gaming area with full-service facilities, and 24/7 operations supported by multilingual staff

Services & Access: Complimentary transportation and accommodations for qualified players; open to foreign guests aged 18+ and Georgian citizens 25+, with transactions accepted in GEL and USD

Positioning: A key asset in the Group's gaming portfolio, Casino Iveria Batumi plays a vital role in regional tourism and entertainment, supported by its visibility through ClubIveria.com and strong brand recognition.



Iveria Beach Club

Located between Batumi Boulevard and the Black Sea coast, Iveria Beach Club is a premier seasonal beachfront venue spanning 3,000 sq.m., offering a full-service leisure and entertainment experience

Key Features:

- Full-service bar and à la carte restaurant serving Georgian and international cuisine
- Live music and curated entertainment programming
- Premium beach access with sun loungers and umbrellas
- Two professional padel courts enhancing recreational offerings
- Recognized for its vibrant atmosphere and high service standards, Iveria Beach Club remains a key attraction for both local residents and international tourists



Iveria Café

Located adjacent to the Radisson Blu Iveria Hotel, Iveria Café is a modern, centrally located venue positioned as a casual yet stylish meeting spot that complements the hotel's hospitality offering

Food & Beverage: Serves freshly prepared meals, pastries, specialty coffees, and a curated selection of local wines

Additional Features: Includes outdoor terrace seating and an on-site retail store featuring locally made products

The café enhances the property's F&B ecosystem and attracts both hotel guests and walk-in customers from the surrounding business district



Green Cape Botanico

Completed in 2024, Green Cape Botanico is Silk Real Estate's flagship residential development, located on a 1.5-hectare plot adjacent to the Batumi Botanical Garden. The project sets a new standard for high-end coastal living in Georgia

Residential Blocks: Two buildings (Blocks A & B) featuring 80 sea-view apartments, fully equipped with modern kitchen appliances, smart home technology, and energy-efficient systems

Amenities: A third block houses facilities including a children's pool, gym, and restaurant, along with landscaped outdoor recreational areas designed to blend seamlessly with the natural surroundings

Expansion Potential: The Group holds four adjacent land plots totaling 2 hectares, designated under an approved Masterplan for future development of holiday homes and hospitality assets

Recognition: Recipient of multiple awards, including FIABCI-Georgia and the Archello People's Choice Award 2024, affirming the project's excellence in design and innovation

Pipeline/Upcoming Projects



The Telegraph Hotel

Located in the heart of Tbilisi on Rustaveli Avenue, The Telegraph Hotel breathes new life into one of the city's most iconic heritage landmarks, the former central Post Office. This transformative development is poised to become a premier destination in the region's hospitality landscape

Location: Rustaveli Avenue - the heart of Tbilisi's cultural and commercial life

Status: Cultural heritage building under active rehabilitation, with construction and renovation works initiated in January 2023

Number of Rooms: 239 rooms, offered in eight unique categories

Design: architectural firm Neri&Hu, the project is LEED-certified—setting a new precedent for sustainable hotel development in Georgia

Facilities: 8 F&B outlets, including a rooftop and New York-style jazz clubs, a ballroom, conference and meeting facilities, office spaces, and a gym

Investment: Total additional investment of GEL 189 million, comprising GEL 45 million in committed equity and GEL 144 million in secured debt financing

The Telegraph Hotel is set to open by mid-2025. As the first hotel in the region accepted into The Leading Hotels of the World, it establishes a new benchmark for luxury hospitality—offering world-class accommodation, exceptional dining experiences, and impeccable service



Silk Towers

In the heart of Batumi, between the historic city center and the yacht club, the company is planning a landmark multifunctional complex

Components: International branded residences, Silk Towers branded residences, a hotel, casino, commercial spaces, gym, pool, treatment rooms, F&B outlets, sports and wellness amenities—including padel courts—children's play areas, water features, cycling and walking paths, and a range of entertainment facilities

Additional Features: A state-of-the-art conference and concert hall, as well as a 2-hectare park designed to offer green public space. The adjacent yacht club will also be upgraded to meet contemporary international standards

Design: Led by acclaimed Japanese architect Kengo Kuma and his studio, the project emphasizes security, energy efficiency, and LEED certification. Structural and MEP design for Silk Towers (Tower 1) is being executed by Meinhardt UAE, ensuring top-tier engineering and sustainable infrastructure



Sakanela

A prime 2-hectare site located in the heart of Tbilisi, adjacent to Republic Square, is set to be transformed into a vibrant residential and mixed-use development

Planned Components: Wellness center with a pool and gym, restaurants and cafés, office spaces, and dedicated recreational areas

Design: The master plan for the Sakanela Land project is being developed by the renowned GRAFT architecture studio. Known for their evidence-based, human-centered approach, GRAFT embraces complexity and future-forward thinking by integrating multiple identities into their design. This ensures a flexible, inclusive, and engaging urban space that adapts to the evolving needs of its residents and visitors. Design - the concept of Sakanela Land is being developed by GRAFT Architect studio. GRAFT takes an optimistic approach to the challenges of the future by embracing multiple, simultaneous identities, which allows for greater complexity in design. Their design process is evidence-based and centered around human needs



Abastumani

Set to open in summer 2025, this upcoming restaurant will become a landmark dining destination in Abastumani, supporting the region's development as a year-round tourist hotspot

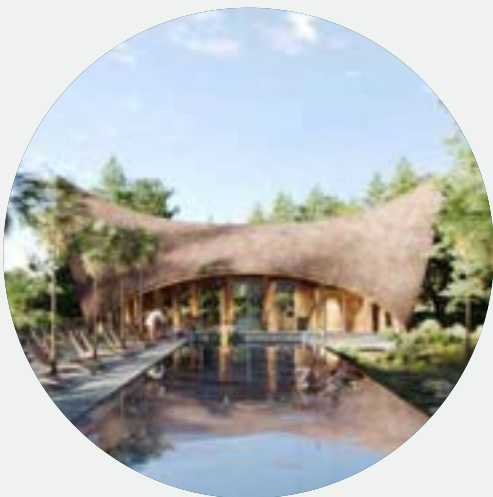
Investment: Minimum commitment of USD 1 million

Location: Positioned in the historic center on a 2,122 sq.m. plot, formerly home to a police station

Tourism Appeal: Nestled in the middle of the forest at an elevation of approximately 1,300 meters above sea level, Abastumani is known for its crystal-clear air, healing microclimate, and historical charm. The area is increasingly popular with visitors seeking nature, wellness, and cultural experiences. Initiatives are underway to extend the tourist season and further enhance its appeal

Facilities: Designed to accommodate over 150 guests, the restaurant will help meet the area's growing demand for quality dining. Design work is complete, and foundation construction is currently in progress

This project is a key step in elevating Abastumani's hospitality infrastructure and long-term tourism potential



Tsikhisdziri

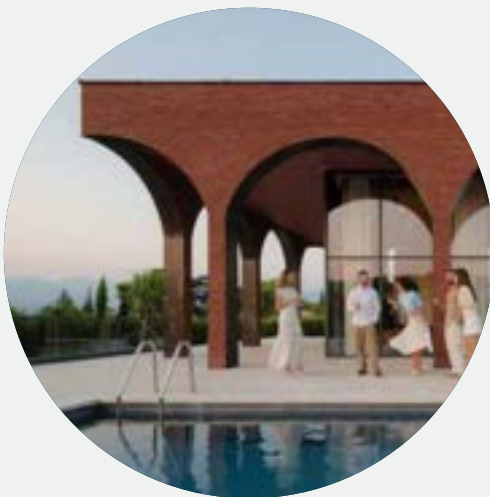
This latest project introduces a tranquil, nature-integrated retreat on the Black Sea coast, featuring a collection of eco-friendly bamboo cottages developed in collaboration with VTN Architects, a renowned Vietnamese architecture firm known for their innovative and sustainable designs

Bamboo Cottages: Elegant, low-impact accommodations constructed from sustainably sourced bamboo, thoughtfully integrated into the natural landscape

Design Collaboration: A distinctive architectural concept by VTN Architects, merging ecological responsibility with contemporary aesthetics

Facilities: A chic summer bar, a 25-meter pool for both relaxation and fitness, wellness amenities including a steam room and massage rooms, and a dedicated hammock zone for peaceful downtime

This project is envisioned as a premium retreat that harmonizes comfort, sustainability, and luxury—offering guests an immersive, environmentally conscious experience



Tsinandali Estate

A new master plan is currently in development to reimagine the area behind the Radisson collection hotel, covering approximately 6 hectares. This transformative project will introduce a harmonious blend of landscaped elegance, upscale residential areas, and sophisticated event venues

Master Plan Design: Spearheaded by the internationally acclaimed Kengo Kuma & Associates, ensuring a vision of architectural distinction

Landscape Architecture: Overseen by Vladimir Djurovic Landscape Architecture, the esteemed Lebanon-based firm celebrated for seamlessly integrating natural terrain into their work

New Features: A thoughtfully designed public park for recreation and community, a private residential enclave offering premium living, and a cutting-edge ballroom tailored for luxury events

This initiative is set to enrich the estate's offerings while honoring its cultural legacy and preserving the natural landscape



Narinji

A dynamic development is underway in Narinji, seamlessly blending modern residential living with the thoughtful restoration of historic heritage. The project prioritizes architectural authenticity, cultural preservation, and refined functionality

Residential Development: A contemporary residential complex with comprehensive infrastructure, designed by NOA Studio—one of Georgia's premier architecture firms

Historic Restoration: The iconic Sibirakov Palace is being meticulously restored under the vision of Kengo Kuma, in collaboration with leading Georgian heritage experts

Future Use: Once completed, the restored palace will feature an upscale restaurant, merging historic charm with a sophisticated culinary experience

This development creates a unique intersection of heritage and modernity, offering both vibrant living and cultural depth in one of Georgia's most historic settings

ESG & CORPORATE RESPONSIBILITY

In 2024, Silk Real Estate deepened its commitment to high-integrity governance and sustainable value creation. Building on the foundation laid in previous years, the Company adopted several new policies, formalized ESG oversight, and initiated a dedicated Sustainability Function under executive leadership. These steps signal a strategic transition from compliance to long-term impact, with governance and ESG now operating as fully integrated pillars of the business.

ESG Highlights 2024 Silk Real Estate

Pillar	Key Performance Indicators (KPIs)
Industry Trends	<ul style="list-style-type: none"> Sustainability unit created under executive leadership 100% of new projects reviewed for ESG impact Progress toward first green certification (EDGE or LEED) underway
Social	<ul style="list-style-type: none"> 100% of employees covered by formal HR policies >85% employee satisfaction in anonymous survey 100% compliance with anti-discrimination and whistleblower protections
Governance	<ul style="list-style-type: none"> Independent chairs for ESG & Audit Committees 5 internal audit reports reviewed; 60+ action items addressed 100% of Board members assessed via Competency Matrix

SUSTAINABLE DEVELOPMENT GOALS



Environmental Responsibility

Silk Real Estate's environmental strategy is aligned with Georgia's climate and sustainability priorities, supporting national commitments to reduce environmental impact and comply with emerging regulations on energy efficiency, waste management, and sustainable construction.

Key initiatives in 2024 included:

- The Telegraph Hotel receives LEED Gold certification, a testament to Silk's leadership in energy-efficient and sustainable hospitality design
- The Sakanela residential project initiating the EDGE certification process (Excellence in Design for Greater Efficiencies), reinforcing adherence to global green building standards
- Ongoing investments in renewable energy and waste reduction, including a solar energy plant and internal recycling systems

These actions support long-term asset value, enhance the Group's ESG profile, and advance Georgia's climate action goals under Sustainable Development Goals (SDG 7, SDG 11, and SDG 13).

Regulatory Compliance

As Georgia continues aligning with the UN Sustainable Development Goals (SDGs), Silk Real Estate proactively ensures full compliance with environmental and social regulations, particularly those involving:

- Energy efficiency benchmarks for buildings
- Sustainable materials and construction practices and
- Advanced waste and resource management protocols

This compliance infrastructure is supported by internal policies, regular audits, and a dedicated AML Officer appointed in 2024 to strengthen internal controls.

Social Responsibility and Community Engagement

Silk Real Estate upholds a people-first approach, prioritizing employee wellbeing, community engagement, and inclusivity.

Key 2024 achievements:

- Adoption of comprehensive HR policies addressing onboarding, training, leave policies, business travel, and employee feedback mechanisms
- Promotion of a safe, inclusive workplace, as mandated by the Code of Ethics and guided by international labor principles
- Structured employee training assessments aligned with long-term growth and strategic needs
- Launch of a Stakeholder Engagement Policy, emphasizing transparent, timely, and good-faith communication

Beyond the workplace, CSR projects in 2024 focused on supporting local culture, tourism, and community development, directly contributing to SDGs such as Decent Work & Economic Growth (SDG 8) and Reduced Inequalities (SDG 10).

Governance Excellence

Governance at Silk Real Estate is rooted in integrity, transparency, and independent oversight. The Company follows the Corporate Governance Code for Issuers of Public Securities, with a Supervisory Board structured to ensure balanced, skilled, and diverse leadership.

2024 highlights:

- Two active Board Committees, Audit & Risk and ESG & Compensation—are both chaired by independent members
- The ESG & Compensation Committee conducted the annual ESG strategy review, ensuring compliance with ethical, regulatory, and performance standards
- Introduction of core governance policies:
 - Code of Ethics
 - Remuneration Policy
 - Board Nomination & Evaluation Policy
 - Stakeholder Policy

A Competency Matrix guides Board member evaluations, ensuring the right mix of expertise and independence for effective governance.





Social & Environmental Performance

Silk Real Estate remains steadfast in its commitment to environmental sustainability, embedding innovative and responsible practices across all operations:

- **LEED Gold Certification:** The Telegraph Hotel is constructed in line with LEED Gold standards, an internationally recognized benchmark for sustainability and energy efficiency
- **EDGE Certification Progress:** The Sakanela residential project is currently undergoing evaluation for EDGE (Excellence in Design for Greater Efficiencies) certification. This reflects our continued drive to meet green building standards and enhance sustainability credentials across our development portfolio
- **Comprehensive Recycling Initiatives:** Company-wide programs ensure the recycling of all plastic bottles, actively reducing waste across our properties
- **Energy Efficiency Measures:** All properties are equipped with energy-efficient lighting systems, significantly lowering energy consumption and carbon footprint
- **Renewable Energy Integration:** A dedicated solar energy facility contributes to our transition toward cleaner, more sustainable power sources
- **Environmental Oversight:** A designated Environmental Officer oversees compliance with environmental regulations, monitors performance, and champions continuous improvement
- **Forward-Thinking Solutions:** Future initiatives include green building designs, advanced water conservation systems, and the integration of sustainable technologies in all new developments

These actions reflect Silk Real Estate's ongoing leadership in environmentally responsible development and our long-term commitment to sustainability.



Silk Academy: Empowering Through Education

Silk Academy plays a vital role in advancing Silk Real Estate's sustainability and development goals, aligning closely with several United Nations Sustainable Development Goals (SDGs):

- **Decent Work and Economic Growth (SDG 8):** Through targeted training programs, the Academy nurtures skilled professionals, supporting local job creation and economic advancement
- **Reduced Inequalities (SDG 10):** By offering equal access to learning opportunities, Silk Academy promotes diversity, equity, and inclusion across the workforce
- **Quality Education (SDG 4):** The curriculum is designed to deliver high-quality, up-to-date education, keeping employees informed about industry trends and sustainable practices
- **Responsible Consumption and Production (SDG 12):** Sustainability principles are embedded throughout the training, fostering environmentally responsible behavior in line with corporate values

Through its educational programs, Silk Academy not only enhances employee capability but also reinforces Silk Real Estate's broader commitment to sustainable development and social responsibility.





Commitment to Improving Employment Practices

We are committed to continuously enhancing our employment and compensation policies to boost employee engagement and align with our sustainability objectives. Our dedication goes beyond business goals; we strive to cultivate a supportive workplace that prioritizes employee well-being and contributes positively to society.

To maintain a strong connection with our workforce, we conduct annual employee experience surveys using the Qualtrics™ platform and methodology. These surveys provide valuable insights into our workplace culture, employee satisfaction, and organizational performance, enabling us to refine policies, improve HR strategies, and reinforce best practices. In 2024, the employee engagement rate remained high at 80%, with nearly all indices (e.g., recognition, psychological safety) remaining high or showing improvement compared to the previous year. We aim to build upon this momentum to further enhance employee engagement.

Staff training and development continue to be a priority, ensuring high performance, motivation, and retention. A systematic approach is used to identify training and development needs for career growth and improved effectiveness. Our talent management framework helps recognize and retain top performers. Leadership development is central to our strategy, as we invest in building strong managers who drive organizational success and foster a positive work environment.

Performance Management

In 2024 year, we adopted the Objectives and Key Results (OKRs) framework to enhance performance planning and management across relevant teams. This approach facilitates clear goal setting and alignment across teams. The CEO establishes annual OKRs in collaboration with the Supervisory Board, while senior management aligns their objectives accordingly. Year-end performance evaluations, which inform bonus allocations, are largely based on these outcomes. This approach fosters accountability and continuous improvement across the company.

To further support this initiative, in 2025 we are in the process of implementing a modern performance management system, such as Leapsome. This platform will enable us to effectively manage the performance process, coordinate efforts, and facilitate feedback regarding OKR achievement and key competencies.

Additionally, where applicable, we have introduced a system of company-wide and function-specific Key Performance Indicators (KPIs) to monitor and guide our operations. This structured approach ensures that our performance metrics are aligned with strategic objectives, promoting transparency and accountability throughout the organization.



Human Resources Overview

As of the current reporting period, the company has a total workforce of:

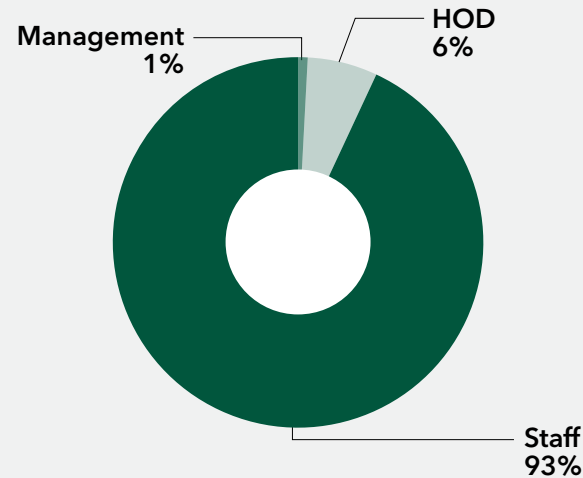
2100+

employees

This total includes the staff from both subsidiaries:

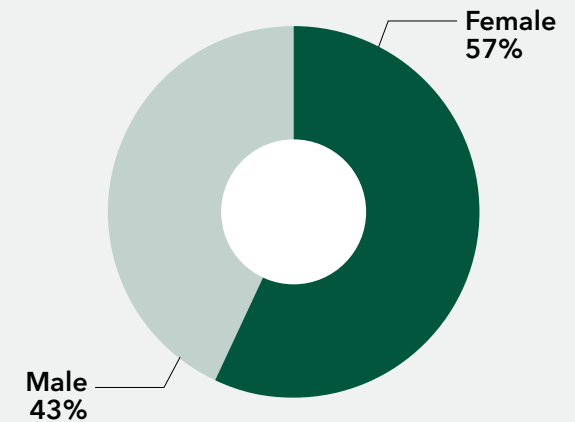
The figures presented reflect the combined employee count across all entities within the company.

Position



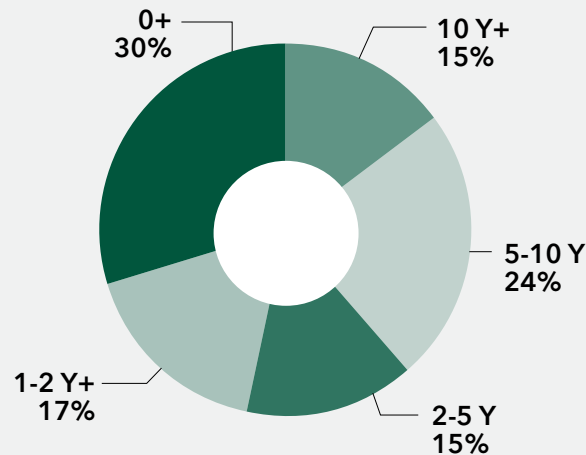
This diagram shows employee distribution across job categories, reflecting our organizational structure.

Gender



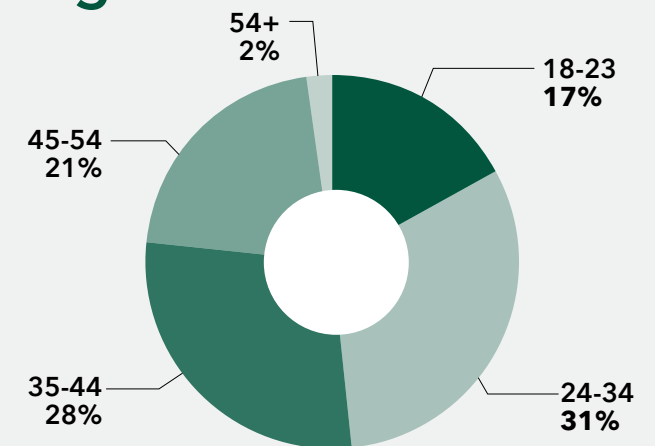
This diagram illustrates the gender distribution within our workforce.

Seniority



The diagram illustrates the distribution of employees based on their tenure in the company.

Age



This diagram shows the distribution of employees by age.





A Culture of Equality and Inclusiveness

Equality and inclusiveness in the workplace are essential values in our company for creating a fair and supportive environment where every employee has the opportunity to succeed. This means providing equal access to job opportunities, promotions, and professional development, while ensuring fair treatment regardless of race, gender, age, religion, sexual orientation, or disability. We are confident that a diverse workforce brings together a variety of perspectives, driving innovation and improving problem-solving, and an inclusive culture ensures that every employee feels valued, heard, and included. We prioritize merit-based opportunities, placing emphasis on competence, experience, and performance.

Work-place free of discrimination and harassment are crucial for us as they are essential for creating a positive and productive work environment. We put continuous effort in making sure that the organization remains aligned with the best practices for equality and inclusiveness.

Health and Safety

Our company is fully committed to maintaining a safe and healthy work environment for all employees, contractors, and visitors. Health and safety are integral to our operations, and we prioritize the prevention of accidents, injuries, and occupational illnesses. We adhere strictly to all relevant health and safety regulations and continuously strive to improve our practices through regular assessments, training, and the implementation of best practices. Every employee is expected to actively participate in maintaining a safe workplace by following established safety protocols and reporting potential hazards immediately.

We are dedicated to creating a culture of safety where everyone feels responsible for their own well-being and that of their colleagues. We also commit to investigating all incidents transparently and using the findings to further enhance our safety measures. Our goal is to ensure that every person who enters our workplace returns home safely each day.



Community Engagement & Impact

Beyond delivering essential services through our core operations, Silk Real Estate embraces its broader responsibility to support and uplift the communities in which we operate. Through a range of cultural, educational, and environmental initiatives, we actively contribute to the social and economic development of the region.



Tsinandali Festival

Silk Real Estate and Silknet are proud sponsors of the **Tsinandali Festival**, Georgia's premier classical music event. Designed to position the country as a global center for classical music, the festival fosters international cultural exchange and youth development.

Founded in 2019, the **Pan-Caucasian Youth Orchestra**—under the baton of renowned Music Director Gianandrea Noseda—brings together talented young musicians from across the region. Each year, participants engage in masterclasses and perform alongside acclaimed artists, offering an unparalleled educational and artistic experience.

The festival attracts leading conductors, composers, scholars, and performers from around the world. It offers a rare opportunity for emerging musicians in the Caucasus to refine their craft in a professional setting guided by global leaders in classical music.

The Tsinandali Festival was established by **George Ramishvili** (Chairman of Silk Road Group), **Martin Engstroem** (founder of the Verbier Festival), and Avi Shoshani (Secretary-General of the Israel Philharmonic Orchestra). Since its debut on September 8, 2019, it has become a cultural cornerstone, recently ranked among the **top 30 classical music festivals in Europe for 2024**.



Wine Symposium

As part of its commitment to cultural and economic development, Silk Road Group, in partnership with Grand Jury Du Vin—an esteemed Swiss association renowned for its prestigious wine symposiums—continues to support the Tsinandali Wine Symposium. Now in its second year, this event, held at the historic Tsinandali Estate in Georgia’s Kakheti region, serves as a platform for esteemed wine experts, sommeliers, journalists, and enthusiasts to exchange knowledge and celebrate winemaking excellence.

The symposium is more than a showcase of fine wines; it fosters collaboration between Georgian and European winemakers, strengthening Georgia’s position in the global wine industry. The Tsinandali Estate, with its deep historical ties to Prince Alexander Chavchavadze—who introduced Georgia’s first bottled wine—stands as a symbol of the country’s rich winemaking heritage and its enduring connection with European traditions.

Beyond wine, the symposium offers a rich cultural experience. Guests enjoy exclusive tastings, featuring Bordeaux Grand Cru wines and Georgia’s finest selections, alongside curated Georgian gastronomy. The event also includes classical and jazz performances, a traditional folklore evening with the renowned Sukhishvili ensemble, and a gala dinner prepared by a three-star Michelin chef and Silk Hospitality’s brand chef, Irakli Asatiani.

Through this initiative, Silk Road Group reaffirms its dedication to cultural preservation, international collaboration, and the promotion of Georgia as a premier destination for wine, hospitality, and the arts.



Tsinandali Museum and Park



Real Estate is proud to support the preservation and revitalization of the Tsinandali estate, a cultural hub founded by Prince Alexander Chavchavadze. The estate, which includes a memorial house, landscape garden, winery, hotel, and café, is a vibrant center for exhibitions, concerts, and events. The restored vineyards have resumed wine production, offering visitors a chance to explore the Chavchavadze family’s legacy, sample “Tsinandali” wines, and enjoy the historic surroundings.

The Tsinandali garden, Georgia’s first European-style recreation area, features unique plants and the legendary “love lane.” The winery, the first to bottle wine in Georgia, houses a vintage collection dating back to 1814.

Since 2008, Silk Road Group, the parent company of Silk Real Estate, has invested over \$12 million in restoring the estate, acquiring over 500 exhibits. We invite you to visit and discover the history of the Chavchavadze family firsthand.



Batumi Park

As part of our ongoing commitment to sustainable urban development, Silk Real Estate is proud to support the new municipal park project in Batumi, approved by the Batumi Municipality City Council. This initiative, led by LLC Batumi Riviera, aligns with our corporate values of enhancing quality of life through environmentally conscious and community-focused developments.

The park, designed by the renowned Danish landscape firm MASU Planning in collaboration with Kengo Kuma Architects, will integrate seamlessly with Batumi Boulevard's green coastal strip. The design preserves existing trees while introducing new species, shrubs, and ornamental plants. It will also feature key amenities such as two padel courts, a sports field, children's playgrounds, recreation areas, and walking and cycling paths, offering a diverse space for relaxation and recreation.

The project is set to cover two hectares of land and will be fully funded by LLC Batumi Riviera, with construction set to begin by the end of September. This development is a significant step toward creating a more sustainable and vibrant urban environment for both residents and visitors of Batumi, reinforcing Silk Real Estate's commitment to responsible and impactful growth.



Melik Azaryants – Architectural Heritage



In line with its commitment to cultural preservation, Silk Road Group has invested in the conservation of the Melik-Azaryants building in Tbilisi—a stunning example of early 20th-century architecture blending European and Eastern influences.

Designed by Armenian architect Melik-Azaryants, the building is renowned for its ornate façades, carved woodwork, and elegant balconies. Originally a residential complex, it has become an iconic part of Tbilisi's architectural identity.

As part of Silk Road Group's commitment to preserving Georgia's rich cultural heritage, the Melik-Azaryants building is included in our portfolio of historical preservation projects.

We have invested in its restoration and conservation to maintain its architectural significance and ensure its continued presence as an important part of Tbilisi's urban landscape.

This project reflects our dedication to safeguarding cultural landmarks while fostering responsible urban development.



Leadership & Governance

Robust governance practices underpin Silk Real Estate's credibility and long-term success. The following section presents the Group's ownership and governance structure, highlighting our Supervisory Board composition, committee functions, and approach to shareholder engagement.

Our Commitment to Transparency and Corporate Governance

Strong corporate governance is fundamental to our business strategy.

As the company has grown and evolved, so too has our governance approach—adapting to meeting the demands of a dynamic business environment. We are committed to aligning our leadership and management structures with the best international practices. To support this, we have implemented comprehensive internal regulations that promote transparency, accountability, and clearly define the roles and responsibilities of shareholders, the Supervisory Board, management, and other key stakeholders.

Conflict of Interest

There are no conflicts of interest between members of the Supervisory Board and executive management. Additionally, there are no familial or other personal relationships between these individuals. All appointments to both bodies are made in accordance with Georgian legislation and the Issuer's charter, with no separate agreements or arrangements influencing these decisions. As of the date of this Prospectus, there are no restrictions on the sale or transfer of the Issuer's securities.



Disclosure and Communication

We believe that **timely and transparent disclosure** is essential to effective stakeholder engagement and a cornerstone of sound corporate governance. To that end, **we regularly provide investors with clear, comprehensive communication**, including semi-annual updates and presentations, ensuring they remain well-informed about our performance, strategy, and ongoing developments.

Fight Against Corruption and Bribery

Our company is firmly committed to **transparency and accountability**, in line with the **Corporate Management Code for Public Securities Issuers**, established by Presidential Order N172/04 of Georgia, effective January 2022. This Code requires issuers to submit **annual reports** that reflect compliance with its principles, following a **“comply or explain and present an alternative”** framework designed to encourage the adoption of best corporate governance practices. Under the Code, governance policies must be tailored to the **enterprise’s profile, scale, and operational complexity**, and supported by internal documents that address key issues such as **conflicts of interest, abuse of power, corruption, insider trading, money laundering**, and other unlawful activities. Additionally, all supervisory boards—regardless of company size—must consist of at **least five members**, including a **minimum of two independent directors**, as defined by law.

Related Party Transactions

In the course of our operations, we engage in transactions with related parties, including shareholders, members of management, subsidiaries, and certain shareholders of those subsidiaries. A related party is defined as any entity or individual that exercises control, significant influence, or is under common control with the company.

Our **Articles of Association establish** specific restrictions on related party transactions to protect the financial integrity of the Group. For example:

- Transactions **exceeding 1 million GEL** require **prior approval from the Supervisory Board**
- Transactions **over 5 million GEL** must be supported by an **independent appraiser’s opinion** to ensure they are not detrimental to the Group’s financial interests

In addition to these measures, the Supervisory Board has adopted a **Related Party Transactions Policy**, requiring all such transactions to be conducted on **market terms** and in **compliance with applicable laws, regulations, and IFRS standards**.

Further details can be found in **Note 25 of the 2022 Consolidated Financial Statements**. Additionally, the company’s **bonds and financial instruments** include covenants governing related party transactions. Notably, transactions must not be executed on terms more favorable than those available in the open market. Where a transaction exceeds **10% of total assets**, a **written opinion from an independent auditor or third-party expert** is required to confirm that the transaction is **fair, at market value, and financially sound**.



Ownership & Shareholding Structure

Silk Real Estate is proud to be part of the **Silk Road Group (SRG)**—a leading private investment group with a dynamic presence in the Caucasus region and a significant footprint across multiple sectors of the Georgian economy. As of **December 31, 2024**, SRG's total assets stand at approximately **1.0 billion GEL**, reflecting its strong financial foundation and long-term growth strategy.

The group's diversified portfolio encompasses four main sectors:

Telecommunication Services:



Silknet is one of Georgia's largest telecommunications providers, serving over 2 million customers nationwide. The company plays a critical role in advancing the country's digital infrastructure by delivering reliable, high-speed services that enhance everyday life, support business innovation, and continuously raise the bar for service excellence in the industry.

Financial Services:



Silk Bank offers a fully digital banking experience designed to simplify everyday financial management. With a customer-centric approach, Silk Bank provides a comprehensive suite of intuitive, secure, and personalized banking products tailored to meet the evolving needs of individuals and businesses across Georgia.

Real Estate:



Silk Real Estate owns and operates a diverse range of hotels, restaurants, and entertainment venues. The company partners with global leaders in hospitality to deliver exceptional guest experiences. With a portfolio spanning Tbilisi, Batumi, the Black Sea coast, and key regional hubs, Silk Real Estate is also a strong advocate for cultural preservation, integrating heritage conservation into its development philosophy.

Energy:



Silk Road Energy - invests in and operates hydroelectric power plants across Georgia. Focused on sustainable growth, the company is committed to expanding the country's renewable energy capacity and contributing to global energy solutions that prioritize environmental responsibility and long-term resilience.

Shareholder Overview



George Ramishvili

George Ramishvili - is the founder and Chairman of Silk Road Group and the controlling shareholder of Silk Real Estate (SRE). He serves as Chairman of the Supervisory Board of Silk Real Estate LLC and has over 25 years of experience in business development.

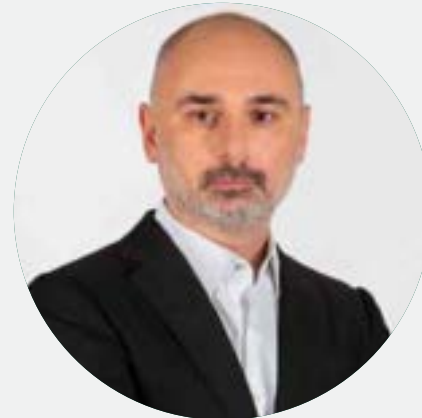
In addition to his leadership in the real estate and telecommunications sectors, George Ramishvili is the founder of Silknet JSC, the Tsinandali Classical Music Festival, and National Geographic Georgia, reflecting his broader commitment to cultural and educational initiatives in the region.



Yerkin Tatishev

Yerkin Tatishev - is a major shareholder of Silk Real Estate (SRE) and the founder and Chairman of Kusto Group, a diversified international holding company operating across sectors such as energy, real estate, agriculture, construction materials, and technology.

Headquarters in Singapore, Kusto Group has a global presence with operations in Asia, Europe, and the Americas, and reports an annual turnover exceeding USD 1 billion. In 2022, Yerkin Tatishev was named EY World Entrepreneur of the Year, recognizing his outstanding achievements in global entrepreneurship and leadership.



Alex Topuria

Alex Topuria has been an integral part of Silk Real Estate (SRE) since the late 1990s and is a shareholder in Silk Road Group. He serves as a member of the Supervisory Boards of both Silk Real Estate LLC and Silknet JSC, where he plays an active role in shaping the Group's strategic direction and corporate governance. In addition to his business leadership, he is the beneficial owner of a controlling interest in FC Locomotive Tbilisi, contributing to the Group's broader investment portfolio.



David Borger

David Borger - joined Silk Real Estate (SRE) as a partner in 2005 and brings a strong academic and financial background to the Group. He holds a degree in Business and Economics from Witten-Herdecke University in Germany and a PhD in Accounting and Finance from the London School of Economics.

David serves on the Supervisory Boards of Silk Real Estate LLC, Silk Bank JSC, and Silknet JSC, contributing his expertise in financial oversight and strategic planning across the Group's key sectors.

Board Oversight & Governance

In 2024, the Supervisory Board of Silk Real Estate LLC continued to provide strong and transparent oversight across all governance, compliance, and strategic functions. The Board consists of seven members, including two independent directors, whose diverse expertise ensures balanced decision-making and compliance with the Corporate Governance Code for Issuers of Public Securities.

Key developments during the year included:

• Adoption of Supervisory Board Bylaws

Approved on June 5-6, 2024, the Bylaws formalize Board responsibilities, decision-making procedures, and the structure of its committees.

• Implementation of a Competency Matrix

A detailed Board Competency Matrix was introduced to ensure that Board members collectively cover all key domains – including finance, legal compliance, strategic leadership, and ESG. This helps maintain the Board’s effectiveness, objectivity, and compliance with independence and diversity requirements.

Metric	Detail
Supervisory Board Size	7 members
Independent Members	2 independent members (Ulman, Neumann)
Female Representation	1 female member (14%)
Average Board Tenure	2.0 years
Board Committees	Audit & Risk Committee; ESG & Compensation Committee
Committee Chairs	Both committees chaired by independent members
Board Meetings Held	4 board meetings held in 2024
Average Attendance Rate	100% Attendance
Board Evaluation	Annual evaluation using Competency Matrix
Key Policies Adopted	Code of Ethics, Remuneration Policy, Board Nomination Policy

• Approval of Key Governance Policies

The Board formally adopted new policies to enhance transparency and alignment with stakeholder interests:

- Remuneration Policy
- Board Nomination, Evaluation & Re-evaluation Policy
- Stakeholder Engagement Policy

• Oversight of the Code of Ethics

Building on the Code of Ethics adopted in 2023, the Board continued to monitor compliance with principles such as integrity, anti-corruption, responsible data handling, and non-discrimination.

• Strengthened Stakeholder Communication

Building on the Code of Ethics adopted in 2023, the Board continued to monitor compliance with principles such as integrity, anti-corruption, responsible data handling, and non-discrimination.

The Board held regular sessions and committee meetings, receiving presentations and updates from the Director, internal control units, and external advisors. These meetings ensured a high level of responsiveness to evolving operational and regulatory challenges.



Supervisory board

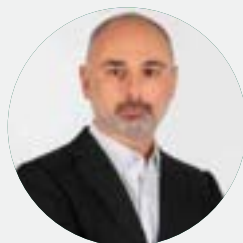


George Ramishvili

Chairman of the Supervisory Board

Giorgi Ramishvili is the founder and controlling shareholder of Silk Road Group and currently chairs the Supervisory Boards of Silk Real Estate LLC and Silknet JSC. With over 25 years of experience in business development, he plays a central role in guiding the Group's strategic direction.

He is also the founder of the Tsinandali Classical Music Festival and serves as Chairman of the Board of National Geographic Georgia. Appointed Chairman of the Supervisory Board of Silk Real Estate LLC on December 5, 2022, his responsibilities include leading board meetings, convening sessions, and setting agendas in accordance with the company charter.



Alex Topuria

Member of the Supervisory Board

Alex Topuria has been with Silk Road Group since the late 1990s and is a shareholder in the Group. He serves on the Supervisory Boards of both Silk Real Estate LLC and Silknet JSC and is also a major beneficial owner of FC Locomotive Tbilisi.

Appointed to the Supervisory Board of Silk Real Estate LLC on December 5, 2022, for a three-year term, he contributes to board sessions and fulfills responsibilities in accordance with the company's charter.



David Franz Borger

Member of the Supervisory Board

David Borger joined Silk Road Group as a partner in 2005. He holds a PhD in Accounting and Finance from the London School of Economics and a business degree from Witten-Herdecke University in Germany.

He serves on the Supervisory Boards of both Silk Real Estate LLC and Silknet JSC. Appointed to the Supervisory Board of Silk Real Estate LLC on December 5, 2022, for a three-year term, he participates in board meetings and carries out responsibilities as defined by the company's charter.



Wolfgang Mathias Neumann

Independent Member of the Supervisory Board

Wolfgang Neumann is a seasoned senior executive with extensive experience in non-executive and strategic advisory roles across the hospitality, travel, and tourism sectors.

He joined the Supervisory Board of Silk Real Estate LLC on December 26, 2022, for a three-year term. In this role, he participates in board sessions and fulfills duties as outlined in the company's charter.



Berna Ulman

Independent member of the Supervisory Board

Berna Ulman is an independent member of the Supervisory Board of Silk Real Estate LLC. She also serves on the boards of AKis Real Estate Investment Trust, SEV Education, and the Health Foundation.

Based in Istanbul, she holds a degree in Business Administration from Bosphorus University and a master's in finance from the University of Tennessee. Appointed on December 26, 2022, for a three-year term, she participates in board meetings and performs duties as outlined in the company's charter.



Vakhtang Ghonghadze

Member of the Supervisory Board

Vakhtang Ghonghadze joined Silk Road Group in 2003 as a legal advisor, later becoming Chief Lawyer in 2004 and CEO of the Energy Division in 2012. He holds a law degree from Tbilisi State University; a master's in European Law through a joint program with Robert Bosch Stiftung and completed a Sustainability Leadership course at London Business School.

He currently serves as Chairman of the Supervisory Board of Lemon 2009 LLC and is a board member at Bakhvi Hydro Power LLC. Mr. Ghonghadze was appointed to the Supervisory Board of Silk Real Estate LLC on December 5, 2022, for a three-year term.



Vasil Kenkishvili

Member of the Supervisory Board

Vasil Kenkishvili joined Silk Road Group in 2006 as Chief Legal Counsel and became Director in 2010. He holds a law degree from Tbilisi State University, a master's in international legal studies from American University, and completed the Negotiation Program at Harvard Law School.

His prior experience includes roles at the Ministry of State Property Management, the Parliament of Georgia, and Georgian Railways, along with board positions across various Silk Road Group entities. He was appointed to the Supervisory Board of Silk Real Estate LLC on December 5, 2022, for a three-year term.

Board Committees

Risk and Audit Committee

The Committee played a central role in risk oversight, financial integrity, and internal audit monitoring. Key actions in 2024 included:

- Review of Five Internal Audit Reports, resulting in 60 targeted improvement actions to enhance regulatory compliance, internal controls, and operational efficiency
- Refinement of the Risk Management Structure
 - Corporate compliance risks assigned to the Legal Department
 - Operational risks delegated to executive leadership
 - AML, labor, food safety, and data privacy handled by designated departments in collaboration with internal and external advisors

The Risk and Audit Committee consists of four members:

- **Berna Ulman** - Chairman of the Committee and Independent Member of the Board of Directors
- **Wolfgang Neumann** - Independent Member of the Board of Directors
- **Vakhtang Ghonghadze** - Secretary of the Committee
- **David Franz Borger**

The Committee is responsible for:

- Overseeing and evaluating the company's risk management and audit processes
- Ensure integrity of external audits
- Monitor effectiveness of internal audit function
- Detect and minimize critical risks

Environmental Protection, Social, Governance, and Compensation Committee

The Environmental Protection, Social, Governance, and Compensation Committee assists the Supervisory Board in its supervisory duties by:

- 1** Developing recommendations regarding the compensation and bonus systems for the company's directors and managers
- 2** Monitoring the alignment of the company's environmental protection, social, governance, and compensation strategies with its business strategy
- 3** Evaluating adherence to principles generally accepted in comparable businesses

The committee is composed of five members:

- **Wolfgang Neumann** - Chairman of the Committee
- **Vakhtang Ghonghadze** - Secretary of the Committee
- **David Franz Borger**
- **Vasil Kenkishvili**
- **Berna Ulman**

The Committee continued to embed ESG and human capital management into the Company's strategic framework:

- Review of Five Internal Audit Reports, resulting in 60 targeted improvement actions to enhance regulatory compliance, internal controls, and operational efficiency
- Refinement of the Risk Management Structure
 - Oversight of Silk Academy initiatives
 - Promotion of inclusive hiring, employee wellbeing, and succession planning strategies

Both committees met regularly in 2024 and had unrestricted access to Company management, external auditors, and strategic consultants. Their work reinforces Silk Real Estate's focus on integrity, sustainability, and long-term shareholder value.





Investment Highlights

The following highlights summarize the strategic and financial attributes that make Silk Real Estate a strong long-term partner for investors.

Silk Real Estate: A Platform for Long-Term Value Creation

Silk Real Estate offers a compelling opportunity for investors seeking long-term value, resilient revenue streams, and exposure to Georgia's rapidly expanding real estate and hospitality markets.

- **Diversified GEL 500 Million Portfolio:** Vertically integrated across hospitality, gaming, residential, and mixed-use sectors. Properties located in Tbilisi, Batumi, and Kakheti—Georgia's top economic zones
- **Strong and Balanced Revenue Base: 2024 revenue: GEL 317.4 million**
 - Casinos: 50%
 - Hospitality: 37%
 - Other operations: 13%
- **Successful Capital Markets Track Record:** First private company in Georgia to issue one year EUR 7M euro-denominated bonds in 2024. Follows USD 40M issuance in 2023. Strong local and international investor confidence
- **Flagship Developments Underway:** Telegraph Hotel: Georgia's first Leading Hotel of the World (Opening June 2025). Silk Towers (Batumi): Mixed-use complex by Kengo Kuma & Associates
- **ESG Excellence:** LEED Gold certification: Telegraph Hotel. EDGE certification in progress for Sakanela project. Strong focus on low-impact development, energy efficiency, and sustainability
- **Digital Innovation & Loyalty:** Silk Rewards App: Georgia's first integrated hospitality & gaming platform. Drives guest retention and cross-property synergy
- **Cultural Impact & Brand Visibility:** Hosted Europakonzert 2024 by Berliner Philharmoniker, a long-standing partner of Tsinandali Festival and Georgian arts
- **Human Capital & Organizational Strength:** 2,100+ employees trained through Silk Academy, an OKR-based performance system with 80%+ engagement rate

Backed by robust macroeconomic growth, rising tourism, and a culture of innovation, Silk Real Estate is strategically positioned to deliver sustainable long-term returns.





FINANCIAL RESULTS MANAGEMENT OVERVIEW

This section provides a high-level overview of the Group's financial performance, based on segment reporting and unaudited internal data.

Revenue and EBITDA

Revenue and EBITDA figures are derived from the annual segment reports, with detailed breakdowns presented to highlight key business drivers. The analysis below outlines management's interpretation of the financial outcomes for the period.

*In the context of hotels, the term "other revenue" refers to revenue generated from restaurant and bar sales, conference room rentals, and other miscellaneous sources.

**In this context the term "Other" refers to the:

- *Service-providing companies*
- *Operational businesses (excluding hotels and casinos)*
- *Non-operational, asset-holding companies*

'000 GEL	2024	2023	2022
Total Revenue	317,367	306,630	304,728
Hotel revenue	93,894	89,575	82,612
Room revenue	44,733	42,873	40,447
Other revenue*	49,161	46,702	42,165
Casino revenue	178,524	172,705	183,536
GGR tables	103,875	98,275	116,472
GGR slots	62,115	62,428	53,656
Other	12,534	12,002	13,062
Other revenue**	44,949	44,350	38,580

Total EBITDA	40,548	59,366	80,089
Hotel EBITDA	30,465	26,478	23,119
Casino EBITDA	25,125	39,810	61,807
Other**	(15,042)	(6,922)	(4,837)

EBITDA Margin	13%	19%	26%
Hotel EBITDA	30%	30%	28%
Casino EBITDA	23%	23%	34%
Other**	-16%	-16%	-13%



For the 2024 period, 30% of total revenue was generated from hotel operations, 56% from casino revenue, and 14% from other revenue streams. Hotel revenue increased by 5% compared to the previous year, primarily driven by the continued strong performance of our properties in Tbilisi, Batumi, and Tsinandali. This growth was further supported by stable operations and sustained demand across key destinations.

Casino revenue in 2024 increased by 3% year-over-year, indicating a partial recovery from the previous decline, although it remains below 2022 levels. Despite ongoing competition in the market, including the opening of new casino in Tbilisi in 2024—the revenue growth suggests a stabilization and potential rebound of the company's casino segment.

In line with revenue trends, EBITDA in 2024 decreased by 32% compared to 2023. The total EBITDA amounted to GEL 40.5 million, with hotels contributing 75%, casinos 62%, and other segments generating a negative contribution of -37%. The growth in hotel EBITDA by 15% reflects strong operational performance in both Tsinandali and Tbilisi properties. However, casino EBITDA dropped by 37%, largely due to increased operational pressures and continued marketing expenses aimed at retaining market share.

While 2022 remains the most profitable year in the observed period, with total income increasing by 75% compared to 2021 and hotel revenue up by 49%, these gains were largely attributed to post-pandemic tourism recovery and full-year operations across the portfolio. EBITDA in 2022 saw a 212% increase year-on-year, with margins reaching 26%—marking it as an exceptional year driven by a surge in tourism and casino activity.

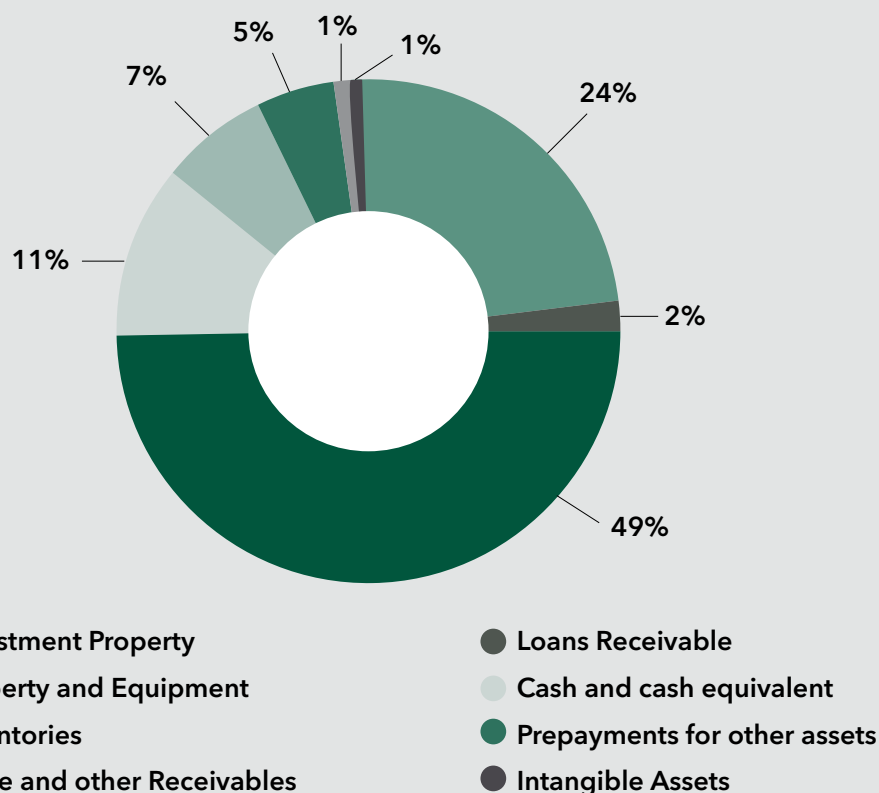
Consolidated Statement of Financial Position (000' GEL)	31-Dec-2024	31-Dec-2023	31-Dec-2022
	Audited	Audited	Audited
Assets			
Property and equipment	436,562	354,339	331,151
Investment property	211,348	242,890	238,930
Intangible assets	6,901	6,607	6,700
Prepayments for non-current assets	24,260	29,630	1,592
Investments in equity accounted investees	2,387	642	-
Loans receivable	5,885	14,537	222,123
Non-current assets	687,343	648,645	800,496
Inventories	59,950	7,802	6,483
Loans receivable	13,331	5,198	1,886
Trade and other receivables	8,525	9,106	11,523
Cash and cash equivalents	98,453	40,779	53,912
Prepayments and other assets	15,864	11,499	9,062
Current assets	196,123	74,384	82,866
Total assets	883,466	723,029	883,362
Equity			
Capital*	646,457	492,242	671,140
Accumulated losses	(127,945)	(48,205)	(122,875)
Equity attributable to owners of the Company	518,513	444,037	548,265
Non-controlling interests	16,893	17,304	12,091
Total equity	535,405	461,341	560,356
Liabilities			
Loans and borrowings	286,595	223,130	230,374
Trade and other payables	468	599	-
Put option liability	-	-	42,138
Non-current liabilities	287,063	223,729	272,512
Current liabilities			
Loans and borrowings	41,000	18,413	33,287
Trade and other payables	19,998	19,546	17,207
Current liabilities	60,998	37,959	50,494
Total liabilities	348,061	261,688	323,006
Total equity and liabilities	883,466	723,029	883,362

Total Assets

As of 31 December 2024, total assets amounted to **GEL 883.5 million**, representing a **22% increase** compared to **GEL 723.0 million** at year-end 2023. This growth was primarily driven by strategic capital investments and improved liquidity.

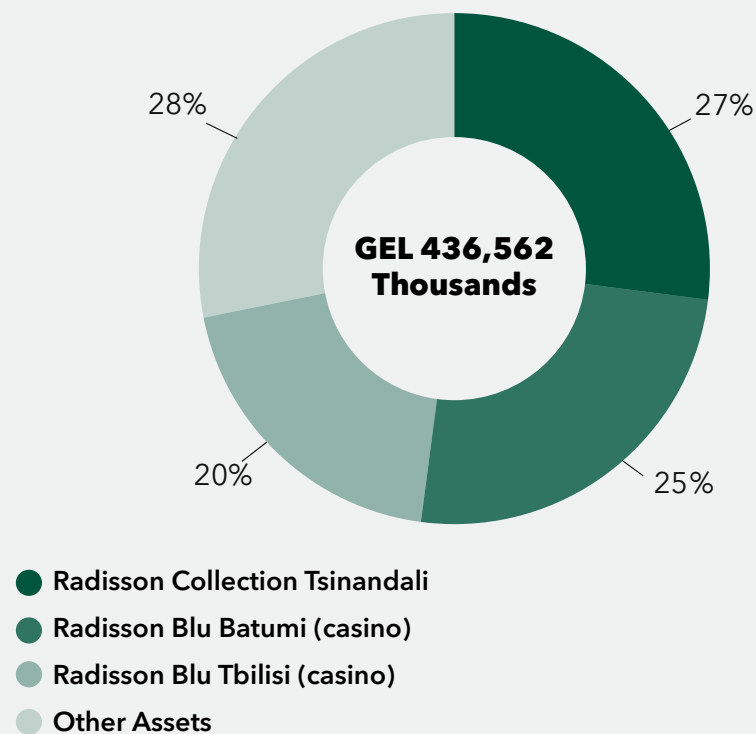
- **Non-current assets** totaled **GEL 687.3 million**, comprising **78%** of total assets, and increased by **6%** year-on-year. The growth was largely attributable to a **GEL 82.2 million** rise in **property and equipment**, reflecting ongoing investments in long-term development projects
- **Current assets** increased sharply by **164%**, reaching **GEL 196.1 million** and accounting for **22%** of total assets. This rise was driven by a **GEL 57.7 million** increase in **cash and cash equivalents** (+141%) and a **GEL 52.1 million** increase in inventories, indicating strengthened operational capacity and liquidity

The evolving asset structure reflects our enhanced financial resilience and readiness to support future growth and development initiatives.



Property and Equipment

Property and equipment consist of the consolidated assets of 38 companies. The main portion of existing properties are hotels, casinos, and the Republic complex. The historical cost of fixed assets is determined by the acquisition cost of the property and equipment, along with any additional expenses that are directly attributable to putting the asset into operation. The lands primarily represent part of the buildings. Additionally, the value of hotels owned by the company, (including Radisson Blu Tbilisi, Radisson Blu Batumi, and Radisson Tsinandali Collection), account for 31% of the total assets. The management has identified the largest cash-generating units in the company. These are:



Investment Property

As of 31 December 2024, our investment property portfolio was valued at GEL 211.3 million, representing 23% of total assets, compared to 34% in 2023 – a 13% year-on-year decrease. This change reflects a combination of asset reclassifications and market-based adjustments aligned with the company's long-term strategic development plans.

The portfolio comprises a diverse range of land plots and buildings across Georgia, held for rental income, capital appreciation, or future development. Key locations include Tbilisi, Batumi, Tsinandali, Misaktsieli, Khelvachauri, Kobuleti, Poti, and Abastumani.

Highlighted properties include:

- **Tsinandali Villas** and surrounding land in Kakheti
- **Prime plots in central Tbilisi**, including Rustaveli Avenue, Sanapiro Street, and underground facilities near Rose Revolution Square
- **Strategic coastal** assets in Batumi Riviera, Kobuleti, and Poti

The fair value of the investment portfolio was assessed by independent valuers Colliers International in accordance with IFRS 13, and totaled GEL 403.5 million as of year-end. While the overall portfolio value declined, valuation gains were observed in select assets due to enhanced development potential, updated market comparable, and progress in permitting and zoning, which helped mitigate the impact of broader market adjustments.

This strategically located portfolio remains a core pillar of the future development pipeline and continues to offer significant potential for long-term value creation.



Loans Receivable

Loan receivables primarily represent unsecured, GEL-denominated loans issued to related parties by Silk Real Estate LLC. These loans are repayable at maturity and are classified as non-current when repayment is not expected within one year of the reporting date.

In June 2023, related party loans with a carrying amount of GEL 206.8 million were transferred by the respective counterparties to the Group's parent entity, Silk Road Group Holding LLC. As a result, the parent entity reduced the Company's capital by the same amount and settled the related payable incurred from the transaction, offsetting it against the Company's receivable. This was accounted for as a capital reduction (see note 15).

In 2024, the Group issued additional loan tranches to Iveria Group LLC, a related party, totaling GEL 2.6 million. In parallel, GEL 4.9 million in receivables was offset against payables to the same counterparty. Although the loans were technically callable on demand, management did not expect repayment within the next 12 months and therefore classified them as non-current. The maturity was subsequently extended to 31 December 2030, with the amendment formalized during the reporting period.

Additionally, a loan modification executed in 2024 resulted in a fair value adjustment of GEL 1.99 million, which was recognized directly in equity. In the prior year, on 31 December 2022, an agreement was signed with a related party to forgive outstanding loan balances totaling USD 11.6 million and GEL 1.0 million. This transaction was treated as a shareholder action and accordingly, GEL 32.4 million was recognized directly in equity.



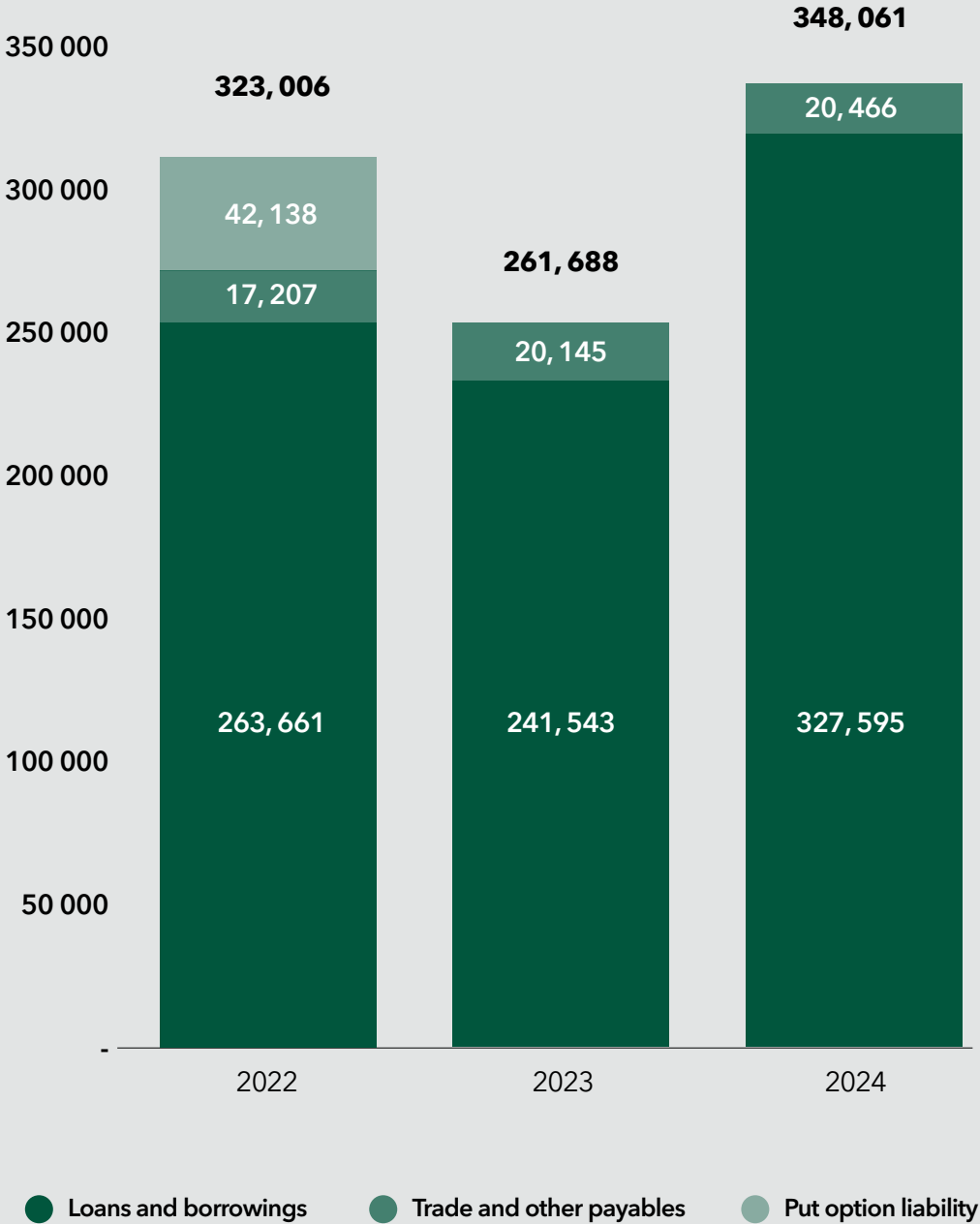
Total Liabilities

As of 31 December 2024, total liabilities amounted to GEL 348.1 million, reflecting a 33% increase compared to GEL 261.7 million at year-end 2023. This increase was primarily driven by additional borrowing to support the ongoing development of the Telegraph Hotel in Tbilisi and the successful issuance of a EUR 7 million bond on the Georgian market in 2024.

The liability structure remains stable, with non-current liabilities comprising 82% and current liabilities 18% of the total (2023: 86% and 14%, respectively). Most obligations, 94% of total liabilities, stem from loans and borrowings, reflecting the Group’s strategy of leveraging long-term financing for high-impact development.

Long-term borrowings increased by 28%, from GEL 223.1 million to GEL 286.6 million, as we secured additional funding to finance large-scale assets. Short-term borrowings more than doubled from GEL 18.4 million to GEL 41.0 million, in part to support construction cash flows and flexible capital allocation.

These liabilities are aligned with our growth strategy and capital deployment priorities, reinforcing our commitment to value creation through landmark developments and diversified funding sources.



Trade and Other Payables

As of 31 December 2024, the Group's total trade and other payables amounted to GEL 20.5 million, reflecting a 16% increase compared to GEL 20.1 million as of 31 December 2023. This total includes both current and non-current liabilities.

Non-current trade and other payables, totaling GEL 0.5 million, primarily relate to deferred payments for fixed asset acquisitions.

The moderate increase in total payables reflects the Group's expanded development activity and ongoing investment commitments, particularly within the context of its capital expenditure pipeline.

Put Option Liability

Under the Partnership Agreement ("PA"), formed on 2 September 2016 between Tsinandali Savane LLC and Partnership Fund JSC, 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 a 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 the 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 October 5th, 2021, an amendment to the PA was formed, according to which the put option of Partnership Fund JSC was deferred by two years, which will start from 31 July 2025. Similarly, the call option term has been prolonged as well.

As of December 31, 2022, the Group has recognized a put-option liability of GEL 42,138 thousand and GEL 42,436 thousand respectively, based on the present value of the option exercise price, discounted at approximately 12% -13% for each year.

On May 15, 2023, the group completed the transaction of buying out the share of Tsinandali estates, for which it paid 42,383 thousand GEL. Accordingly, the put-option liability as of December 31, 2023, and December 31, 2024, is 0.



Overview of The Cash Flow Statement

('000 GEL)	31-Dec-2024	31-Dec-2023	31-Dec-2022
	Audited	Audited	Audited
Cash flows from operating activities			
Profit before income tax	(13,579)	12,647	45,134
Depreciation and amortisation	27,221	27,566	26,977
Impairment of non-financial assets	14,039	-	-
Reversal of trade and other receivables and loan receivable	435	(2,218)	(650)
(Gain)/loss on disposal of property and equipment, investment property and intangible assets	630	136	61
Share of Equity Accounted Investment	(2,387)	-	-
Modification gains on financial liabilities	-	(1,575)	-
Net finance costs	20,369	27,082	12,865
Cash flows from operating activity before changes in assets and liabilities	46,728	63,638	84,387
Inventories	491	(1,319)	(1,610)
Trade and other receivables	(254)	2,460	(3,036)
Prepayments and other assets	(4,366)	(2,437)	(1,315)
Trade and other payables	(9,524)	4,005	(523)
Cash flows from/(used in) operations before income taxes and interest paid	33,075	66,347	77,903
Interest paid	(27,624)	(32,186)	(24,465)
Net cash (used in)/from operating activities	5,451	34,161	53,438
Cash flows from investing activities			
Issuance of related party loans	(4,327)	(7,340)	(7,141)
Repayments of issued related party loans	225	1,395	9,655
Interest received	904	1,434	307
Consideration paid for business acquisition	-	-	(2,137)
Acquisition of non-controlling interests	(2,085)	(44,882)	-
Acquisition of property and equipment, intangible assets and investment property	(120,372)	(77,550)	(20,368)
Net cash from/(used in) investing activities	(125,655)	(126,943)	(19,684)
Cash flows from financing activities			
Capital contribution	62,813	27,948	-
Proceeds from borrowings	178,644	145,702	33,968
Proceeds from other equity transactions with parent entity	-	74,292	-
Transaction costs related to bonds	-	(1,417)	-
Repayment of borrowings	(64,050)	(165,516)	(44,057)
Net cash from/(used in) financing activities	177,407	81,009	(10,089)
Net (decrease)/increase in cash and cash equivalents	57,203	(11,773)	23,665
Cash and cash equivalents at 1 January	40,779	53,912	34,413
Effect of movements in exchange rates on cash and cash equivalents	471	(1,360)	(4,166)
Cash and cash equivalents at 31 December	98,453	40,779	53,912



Cash From Operating Activities

As of 31 December 2024, net cash flows from operating activities totaled GEL 5.5 million, down significantly from GEL 34.2 million in 2023. The decline was primarily driven by a loss before taxation of GEL 13.6 million (2023: profit of GEL 12.6 million), alongside increased impairment charges and less favorable working capital movements—particularly in prepayments and trade payables.

In 2023, net cash from operating activities had already declined by 36% compared to GEL 53.4 million in 2022, largely due to higher salary and operating expenses.

Looking ahead, we remain focused on improving operational efficiency and optimizing cost structures to enhance cash generation from core activities in 2025.

Cash From Investing Activities

As of 31 December 2024, net cash used in investing activities amounted to GEL 125.6 million, remaining broadly consistent with the GEL 126.9 million outflow recorded in 2023. This sustained investment level reflects our strategic focus on the development of key projects, including the Telegraph Hotel in Tbilisi and the Silk Towers complex in Batumi.

In 2024, we invested GEL 120.4 million in the acquisition and construction of property, equipment, investment property, and intangible assets, compared to GEL 77.6 million in 2023. The increase is primarily attributed to accelerated construction progress on the Telegraph and Silk Towers projects, both of which are central to our long-term hospitality and mixed-use portfolio strategy.

An additional GEL 2.1 million was used to acquire non-controlling interests, continuing the effort to consolidate ownership and streamline asset control. Partial offsets to the outflows included interest income of GEL 0.9 million and loan repayments from related parties of GEL 0.2 million.

In 2023, the increase in investing cash flows was largely driven by the GEL 44.9 million acquisition of non-controlling interests, alongside rising capital expenditures linked to development pipeline expansion. That year also saw a significant refinancing operation—the issuance of bonds and repayment of commercial bank loans, which contributed to large financing-related movements.

These sustained investment activities underscore our long-term commitment to premium asset development, urban regeneration, and portfolio growth across high-potential locations in Georgia.



Cash From Financing Activities

As of 31 December 2024, net cash from financing activities totaled GEL 177.4 million, more than doubling the GEL 81.0 million received in 2023. This significant increase reflects our proactive financing strategy to support large-scale development projects, including the Telegraph Hotel and Silk Towers.

In 2024, financing inflows were driven by a capital contribution of GEL 62.8 million from the parent entity and borrowings totaling GEL 178.6 million, which included the successful issuance of a EUR 7 million bond. These inflows were partially offset by loan repayments of GEL 64.1 million. Unlike the previous year, there were no additional equity transactions with the parent entity or bond-related transaction costs recorded in 2024.

In comparison, financing activities in 2023 comprised a capital contribution of GEL 27.9 million, GEL 145.7 million in borrowings, and GEL 74.3 million from other equity transactions with the parent entity. These were partially offset by loan repayments of GEL 165.5 million and bond-related costs of GEL 1.4 million.

Our continued access to both equity and debt capital highlights its strong financial position and supports the execution of its long-term development strategy.



AUDIT REPORT

The acquired service includes the fee for services rendered by the audit firm for both audit and other professional services, amounting to GEL 1,246 thousand and USD 218 thousand, respectively.

CONTENTS

Independent Auditors' Report	79
Consolidated Statement of Financial Position	83
Consolidated Statement of Profit or Loss and Other Comprehensive Income	84
Consolidated Statement of Changes in Equity	85
Consolidated Statement of Cash Flows	87
Notes to the Consolidated Financial Statements	88





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Independent Auditors' Report

To the Owners of Silk Real Estate LLC

Opinion

We have audited the consolidated financial statements of Silk Real Estate LLC (formerly SRG Real Estate LLC) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, 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 material 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Telegraph hotel (Note 8(b))

The key audit matter	How the matter was addressed in our audit
During the year, the Group recognized an impairment loss of GEL 14,039 thousand in relation to the Telegraph hotel, as disclosed in note 8(b) to the consolidated financial statements. The impairment was primarily driven by the revised future cash flow forecasts following the amended business plan and updated discount rate.	We have performed the following primary audit procedures: <ul style="list-style-type: none">- Obtained understanding of management's process for the impairment analysis;- Evaluated the design and implementation or relevant controls over preparation of the impairment model, include those related to

<p>Management determined the recoverable amount of Telegraph hotel using value in use model, which involved significant judgment in estimating future cash flows, terminal growth rates, and the discount rate applied.</p> <p>We have determined this impairment to be a key audit matter due to materiality of the impairment loss, the inherent estimation uncertainty associated with underlying assumptions, and the significant judgment involved in determining the recoverable amount.</p>	<p>the Group's budgeting and forecasting process;</p> <ul style="list-style-type: none"> - With the assistance of our valuation specialists, we challenged the key assumptions and judgements underpinning the impairment testing model, such as, average daily rate, occupancy rate, growth rate and the discount rate, by comparing those inputs to externally derived data, as well as our own expectations; - Evaluated the sensitivity of the impairment model outcomes by considering the downside scenarios against reasonably plausible changes to the key assumptions; and - Evaluated the adequacy of the disclosures made in Note 8(c) of the consolidated financial statements by reference to the requirements of relevant accounting standards.
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Revenue recognition from casino operations (Note 5)

The key audit matter	How the matter was addressed in our audit
<p>Revenue generated from casino operations (GEL 154,450 thousand included in total revenue, note 5) is a material amount consisting of a high volume of individually low value transactions, which are mainly processed manually and get settled in cash. High volume of manual transactions combined with the presumed inherent risk of the Group intentionally overstating the revenue to present better financial performance may result in the manipulation of revenue recognition from casino operations. Therefore, revenue generated from casino operations represents a key audit matter.</p>	<p>We have performed the following primary audit procedures:</p> <ul style="list-style-type: none"> - Evaluated the design and implementation and tested the operating effectiveness of internal manual controls; - Performed, on a sample basis, reconciliation of daily revenue as per the accounting records to the properly authorised internal documents; - Reconciled revenue, considering the movement in cash on hand balances, to the bank payments' register, received directly from banks; - Observed cash counts as at 31 December 2024 and reconciled the cash count results to the accounting records and consolidated financial statements; - Performed various unpredictability tests over existence of revenue, including scanning the certain revenue and cash transactions for different unusual trends.

Statement on 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 conclude 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.

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 Accounting Standards, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming opinion on the Group financial statements. We are responsible for the direction, supervision and review of the work performed for purposes 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.



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

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

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

Nikoloz Chochua

KPMG Georgia LLC
Tbilisi, Georgia
15 May 2025



Silk Real Estate LLC
Consolidated Statement of Financial Position as at 31 December 2024

'000 GEL	Note	31 December 2024	31 December 2023
Assets			
Property and equipment	8	436,562	354,339
Investment property	10	211,348	242,890
Intangible assets	9	6,901	6,607
Prepayments for non-current assets	8(c)	24,260	29,630
Investments in equity accounted investees	22	2,387	642
Loans receivable	14	5,885	14,537
Non-current assets		687,343	648,645
Inventories	10	59,950	7,802
Loans receivable	14	13,331	5,198
Trade and other receivables	11	8,525	9,106
Cash and cash equivalents	13	98,453	40,779
Prepayments and other assets	12	15,864	11,499
Current assets		196,123	74,384
Total assets		883,466	723,029
Equity			
Capital		646,457	492,242
Accumulated losses		(127,945)	(48,205)
Equity attributable to owners of the Company		518,512	444,037
Non-controlling interest	16	16,893	17,304
Total equity	15	535,405	461,341
Liabilities			
Loans and borrowings	17	284,393	223,130
Trade and other payables	18	468	599
Non-current liabilities		284,861	223,729
Loans and borrowings	17	43,202	18,413
Trade and other payables	18	19,998	19,546
Current liabilities		63,200	37,959
Total liabilities		348,061	261,688
Total equity and liabilities		883,466	723,029

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 88 to 135.

Silk Real Estate LLC
Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2024

'000 GEL.	Note	2024	2023
Revenue	5	258,689	246,995
Other income	5	16,584	15,433
Operating costs	6	(117,671)	(97,940)
Wages and other employee benefits		(107,021)	(97,191)
Depreciation and amortisation		(27,221)	(27,566)
Impairment loss on non-financial assets	8(b)	(14,039)	-
Impairment reversal of trade and other receivables and loans receivable	19 (b(ii))	(435)	2,218
Modification gain on financial liabilities	17(d)	-	1,575
Other expenses		(4,483)	(3,795)
Results from operating activities		4,403	39,729
Interest income		3,116	9,103
Net foreign exchange loss		(3,192)	(9,009)
Interest expense		(20,293)	(27,176)
Net finance costs	7	(20,369)	(27,082)
Share of profit of equity accounted investee (net of income tax)		2,387	-
(Loss)/Profit before income tax		(13,579)	12,647
Income tax		-	-
(Loss)/Profit and total comprehensive income for the year		(13,579)	12,647
Profit and total comprehensive income attributable to:			
Owners of the Company		(18,635)	5,201
Non-controlling interests	16	5,056	7,446

These consolidated financial statements were approved by management on 15 May 2025 and are signed on its behalf by:

Director
Mamuka Shurgaiia

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 88 to 135.

Silk Real Estate LLC
Consolidated Statement of Changes in Equity for 2024

000 GEL	Note	Capital	Accumulated losses	Total	Non-controlling interests	Total equity
Balance as at 1 January 2023		671,140	(122,875)	548,265	12,091	560,356
Total comprehensive income						
Profit and total comprehensive income for the year		-	5,201	5,201	7,446	12,647
Total transactions with owner, recorded directly in equity						
Change in the carrying amount of the put option liability	16	-	(245)	(245)	-	(245)
Modification effect on issued related party loans		-	2,155	2,155	-	2,155
Other transactions with the parent entity	15	-	75,866	75,866	-	75,866
Fair value adjustment on received related party loans	17	-	(7,237)	(7,237)	-	(7,237)
Acquisition of non-controlling interests without a change in control	22	-	(1,070)	(1,070)	(787)	(1,857)
Dividends declared by the Group entities	15 (b)	-	-	-	(6,240)	(6,240)
Changes in Group entity's capital	16	-	-	-	4,794	4,794
Capital contribution		27,948	-	27,948	-	27,948
Decrease in capital		(206,846)	-	(206,846)	-	(206,846)
Balance 31 December 2023		492,242	(48,205)	444,037	17,304	461,341

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 88 to 135.

Silk Real Estate LLC
Consolidated Statement of Changes in Equity for 2024

000 GEL	Note	Capital	Accumulated losses	Total	Non-controlling interests	Total equity
Balance as at 1 January 2024		492,242	(48,205)	444,037	17,304	461,341
Total comprehensive income						
Loss and total comprehensive income for the year		-	(18,635)	(18,635)	5,056	(13,579)
Total transactions with owner, recorded directly in equity						
Modification effect on issued related party loans		-	(1,994)	(1,994)	-	(1,994)
Land plot received free of charge from entity under common control		-	958	958	-	958
Fair value adjustment on received related party loans	17	-	22,965	22,965	-	22,965
Acquisition of non-controlling interests without a change in control	16	-	(2,125)	(2,125)	(795)	(2,920)
Dividends declared by the Group entities	16	-	-	-	(4,937)	(4,937)
Changes in Group entity's capital	16	-	-	-	265	265
Capital increase	15(a)	154,215	(80,909)	73,306	-	73,306
Balance 31 December 2024		646,457	(127,945)	518,512	16,893	535,405

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 88 to 135.

Silk Real Estate LLC
Consolidated Statement of Cash Flows for 2024

'000 GEL	Note	2024	2023
Cash flows from operating activities			
Profit before income tax		(13,579)	12,647
Adjustments for:			
Depreciation and amortisation		27,221	27,566
Impairment of non-financial assets		14,039	-
Reversal of trade and other receivables and loans receivable		435	(2,218)
Loss on disposal/write off of property and equipment, investment property and intangible assets		630	136
Share of profit of equity accounted investee (net of income tax)		(2,387)	-
Modification gain on financial liabilities		-	(1,575)
Net finance costs		20,369	27,082
Changes in:			
Inventories		491	(1,319)
Trade and other receivables		(254)	2,460
Prepayments and other assets		(4,365)	(2,437)
Trade and other payables		(9,525)	4,005
Cash flows from operations before income taxes and interest paid		33,075	66,347
Interest paid	17	(27,624)	(32,186)
Net cash from operating activities		5,451	34,161
Cash flows from investing activities			
Issuance of related party loans	23	(4,327)	(7,340)
Repayments of issued related party loans		225	1,395
Interest received		904	1,434
Consideration paid for business acquisition		-	-
Acquisition of non-controlling interests		(2,067)	(44,882)
Acquisition of property and equipment, intangible assets and investment property		(120,372)	(77,550)
Net cash used in investing activities		(125,637)	(126,943)
Cash flows from financing activities			
Capital contribution	15	62,813	27,948
Proceeds from borrowings	17	178,644	145,702
Proceeds from other equity transactions with parent entity	15	-	74,292
Transaction costs related to bonds	17	-	(1,417)
Repayment of borrowings	17	(64,050)	(165,516)
Net cash from financing activities		177,407	81,009
Net increase/(decrease) in cash and cash equivalents		57,221	(11,773)
Cash and cash equivalents at 1 January		40,779	53,912
Effect of movements in exchange rates on cash and cash equivalents		453	(1,360)
Cash and cash equivalents at 31 December	13	98,453	40,779

Material non-cash transactions are disclosed in note 15 (a).

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 88 to 135.

1. Reporting entity

(a) Georgian business environment

The Group's operations are primarily located in Georgia. Consequently, the Group is 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 ongoing military conflict between the Russian Federation and Ukraine 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 financial position of the Group. The future business environment may differ from management's assessment.

(b) Organisation and operations

The consolidated financial statements include the financial statements of Silk Real Estate LLC (the "Company", formerly SRG Real Estate LLC) 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 Silk 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).

As at 31 December 2024 Telegraph building owned by the Group is under construction to redesign and develop as a hotel. The 5 star, 239-room hotel is planned to commence operations in 2025 under the Radisson Collection brand.

In 2023, the Group has issued a USD 40 million bond on the Georgian Stock Exchange, followed by a EUR 7 million bond issuance in 2024 (see note 17).

The owners of the Company are as follows:

Name	31 December 2024	31 December 2023
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 (36.51%) 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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 IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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 10 – classification of land plot, located in Batumi, Georgia and respective construction in progress as inventory;
- ☒ Note 8 – assessment of impairment indicators for property and equipment;
- ☒ Note 27(g)(iii) – useful lives of property and equipment;
- ☒ Notes 14 and 17 – recognition and measurement of related party loans received on preferential terms and write off of issued related party loans through equity.
- ☒ Note 15 - recognition of other transactions with the parent entity directly in equity.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the Note 8 (b) – impairment of Telegraph hotel cash generating unit.

Other significant judgements and estimates are included in Note 10 – valuation of investment property.

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 property;
- ☒ Note 19 (a) – fair values of financial assets and liabilities.

5. Revenue and other income

(a) Revenue

'000 GEL	2024	2023
Revenue from casino operations	154,450	146,971
Revenue from casino live games	91,324	83,436
Revenue from slot machines	63,126	63,535
Revenue from hotels' and Complex Republic operations	93,077	89,980
Food and beverage revenue	48,899	47,285
Room revenue	36,063	35,193
Other hotel revenue	8,115	7,502
Other revenue	11,162	10,044
	258,689	246,995

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. Revenue from Casino operations is reported net-off customer promotions and bonuses. Due to the nature of the hotel and casino business, which is mainly cash-based, the Group does not have any material contract assets and/or contract liabilities. Principal part of other revenue in 2024 (approximately, GEL 8 million; 2023: GEL 8.4 million) consists of revenue generated by Complex Republic, through the sale of food and beverage. See note 27 (b) for further details. Approximately 40% of total revenue in 2024 (2023: 40%) 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	2024	2023
Income from casino tips	10,997	11,065
Other	5,587	4,368
	16,584	15,433

6. Operating costs

'000 GEL	2024	2023
Casino customer related cost*	17,380	16,699
Non-refundable taxes*****	13,589	-
Consumption of inventories	12,239	11,293
Quarterly permission fee expenses**	11,948	11,824
Utility expenses	7,373	7,382
Hotel supplies	6,460	6,551
Consulting and professional fees***	5,186	5,443
Lease expenses	5,219	4,432
Bank and other commissions	5,174	4,151
Marketing expenses	4,520	4,523
Taxes other than on income tax	3,888	4,179
Repair and maintenance	2,828	2,951
Royalty fees ****	2,413	2,286
Contractor service fees	2,156	2,342
Security expenses	2,031	1,720
Other operating costs	15,267	12,164
	117,671	97,940

* Customer related cost represents the free of charge services and goods delivered to casino customers, such as: snacks, drinks, cigarettes, food, 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 for the provision of audit services amounting GEL 776 thousand (2023: GEL 776 thousand).

**** Royalty fees represent fees paid under International License Agreement ("ILA") with Radisson Hotel Aps Danmark for license to operate hotels with a brand name of "Radisson".

***** From January 2024, revenue from slot machines has become subject to a specific taxation regime in Georgia, in line with the requirements of the Georgian Tax Code ("GTC"). Under this specific tax regime, effective from 1 January 2024, rather than taxing the distributed profit, the gross gaming revenue (i.e. the difference between the bets received from players and the winnings paid out) from slot machines is taxed at 15%.

7. Net finance costs

'000 GEL	2024	2023
Recognised in profit or loss		
Interest income on loans receivable	3,116	9,103
Finance income	3,116	9,103
Net foreign exchange loss	(3,192)	(9,009)
Interest expense	(20,293)	(27,176)
Finance costs	(23,485)	(36,185)
Net finance costs recognised in profit or loss	(20,369)	(27,082)

8. Property and equipment

'000 GEL	Land and buildings	Gaming tables and slot machines	Furniture and fixture	Construction in progress*	Other	Total
Cost						
Balance at 1 January 2023	324,917	13,764	40,179	78,496	24,228	481,584
Additions**	665	4,392	4,142	28,843	5,510	43,552
Disposals and write offs	(58)	(635)	(342)	-	(269)	(1,304)
Transfers	376	-	(1,242)	(567)	1,433	-
Balance at 31 December 2023	325,900	17,521	42,737	106,772	30,902	523,832
Balance at 1 January 2024	325,900	17,521	42,737	106,772	30,902	523,832
Additions	11,206	1,589	6,669	95,071	2,584	117,119
Disposal and write offs	(345)	-	(539)	(526)	(183)	(1,593)
Transfers	414	-	-	(414)	-	-
Balance at 31 December 2024	337,175	19,110	48,867	200,903	33,303	639,358
Depreciation						
Balance at 1 January 2023	(97,916)	(8,445)	(29,606)	-	(14,466)	(150,433)
Depreciation for the year	(12,274)	(1,971)	(4,807)	-	(767)	(19,819)
Disposals and write offs	24	300	166	-	269	759
Balance at 31 December 2023	(110,166)	(10,116)	(34,247)	-	(14,964)	(169,493)
Balance at 1 January 2024	(110,166)	(10,116)	(34,247)	-	(14,964)	(169,493)
Depreciation for the year	(14,024)	(2,193)	(2,733)	-	(427)	(19,377)
Impairment for the year	-	-	-	(14,039)	-	(14,039)
Disposals and write offs	-	-	30	-	83	113
Balance at 31 December 2024	(124,190)	(12,309)	(36,950)	(14,039)	(15,308)	(202,796)
Carrying amounts						
At 1 January 2023	227,001	5,319	10,573	78,496	9,762	331,151
At 31 December 2023	215,734	7,405	8,490	106,772	15,938	354,339
At 31 December 2024	212,985	6,801	11,917	186,864	17,995	436,562

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.

* Major part of construction in progress represents carrying amount of former Telegraph building, under construction as at 31 December 2024 and carrying value of the respective land plot. In 2024, capitalised borrowing costs related to the construction of Telegraph hotel amounted to GEL 7,949 thousand, with a capitalisation rate of 10%-12 %. (2023: GEL 2,381 thousand, with a capitalisation rate of 10%-12%).

(a) Security

At 31 December 2024 major part of the Group's property and equipment (approximately 95%) is pledged as a security to the bank loans (see note 17) (31 December 2023: approximately 100%).

(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 five larger cash-generating units (CGU):

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

As at 31 December 2024, management has identified impairment indicators for Telegraph Hotel cash generating unit, which was primarily driven by the revised future cash flow forecasts (including capital expenditures) following the amended business plan and updated discount rate. As a result, management has conducted an impairment test. Based on these analysis, the recoverable amount of Telegraph hotel CGU was estimated to be significantly different from its carrying value as at 31 December 2024.

The management adopted discounted cash flow (DCF) method based on 'Value in use' (VIU) concept and based the valuation on income approach adopting a 5-year DCF to arrive at a net present value of property. Since it is assumed that the property will continue generating cash flows beyond the projection period, its value at that point ('terminal value') was estimated and discounted to present value. Key assumptions used in the in the estimation of recoverable amount were average daily rate (ADR), occupancy rate, discount rate of 12.2% and a long-term growth rate of 2.2%.

As at 31 December 2024, the carrying value of Telegraph hotel was GEL 215,848 thousand, which was higher than its recoverable amount of GEL 201,809 thousand. As a result, impairment losses of GEL 14,039 thousand was recognised in the consolidated statement of profit or loss and other comprehensive income.

The key assumptions to which the impairment analysis is most sensitive include:

- Discount rate – an increase of 1% point in the discount rate used would have resulted in an increase of impairment loss of approximately GEL 23,857 thousand. 1% point decrease in discount rate would have resulted in no impairment loss.
- Long-term growth rate – a decrease of 1% point in long-term growth rate used would have resulted in increase of impairment loss of approximately GEL 15,998 thousand. 1% point decrease in long-term growth rate would have resulted in no impairment loss.
- ADR in the impairment model varies from USD 150 to USD 230 over the projection period and is derived from external market data. A decrease of 5% in average daily rate projection used would have resulted in an increase of impairment loss of approximately GEL 12,911 thousand. 5% increase in average daily rate projection used would have resulted in a decrease of impairment loss of approximately GEL 12,911 thousand.
- The occupancy rate also reflects external industry trends and range from 40% to 75% over the projected period. A decrease of 5% in occupancy rate projection use would have resulted in and increase of impairment loss of approximately GEL 12,911 thosaund. 5% increase in occupancy rate projection used would have resulted in a decrease of impairment loss of approximately GEL 12,911 thousand.

As at 31 December 2024 and 31 December 2023 no impairment indicators were identified by the management for other cash generating units of the Group.

(c) Prepayments for non-current assets

As at 31 December 2024, prepayment for non-current assets amounted GEL 24,260 thousand (31 December 2023: GEL 29,630 thousand) out of which GEL 15,359 thousand is attributable to construction of Telegraph Hotel (31 December 2023: GEL 29,109 thousand).

9. Intangible assets

'000 GEL	Casino permit	Software for slot machines, licenses and other	Total
<i>Cost</i>			
Balance at 1 January 2023	7,269	4,506	11,775
Additions	5,554	126	5,680
Disposals	(5,632)	-	(5,632)
Balance at 31 December 2023	7,191	4,632	11,823
Balance at 1 January 2024	7,191	4,632	11,823
Additions	5,554	633	6,187
Disposals	(5,550)	-	(5,550)
Balance at 31 December 2024	7,195	5,265	12,460
<i>Amortisation</i>			
Balance at 1 January 2023	(4,059)	(1,016)	(5,075)
Amortisation for the year	(5,554)	(150)	(5,704)
Disposals /write-offs	5,563	-	5,563
Balance at 31 December 2023	(4,050)	(1,166)	(5,216)
Balance at 1 January 2024	(4,050)	(1,166)	(5,216)
Amortisation for the year	(5,550)	(343)	(5,893)
Disposals /write-offs	5,550	-	5,550
Balance at 31 December 2024	(4,050)	(1,509)	(5,559)
<i>Carrying amounts</i>			
At 1 January 2023	3,210	3,490	6,700
At 31 December 2023	3,141	3,466	6,607
At 31 December 2024	3,145	3,756	6,901

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 month since the payment date. Each year the Group 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 per annum. Difference in the costs of permit is determined by Georgian legislation and linked to location of casinos' operations.

10. Investment property

'000 GEL	Lands	Buildings	Construction in Progress	Total
Cost/deemed cost				
Balance at 1 January 2023	176,913	57,120	16,694	250,727
Additions	-	3,599	2,578	6,177
Disposals and write offs	-	(68)	(133)	(201)
Balance at 31 December 2023	176,913	60,651	19,139	256,703
Additions	958	5,823	15,419	22,200
Disposals and write offs	-	-	-	-
Transfer*	(29,026)	848	(23,613)	(51,791)
Balance at 31 December 2024	148,845	67,322	10,945	227,112
Depreciation				
Balance at 1 January 2023	-	(11,797)	-	(11,797)
Charge for the year	-	(2,043)	-	(2,043)
Disposals and write offs	-	27	-	27
Balance at 31 December 2023	-	(13,813)	-	(13,813)
Charge for the year	-	(1,951)	-	(1,951)
Disposals and write offs	-	-	-	-
Balance at 31 December 2024	-	(15,764)	-	(15,764)
Carrying amount				
1 January 2023	176,913	45,323	16,694	238,930
31 December 2023	176,913	46,838	19,139	242,890
31 December 2024	148,845	51,558	10,945	211,348

* As at 31 December 2023 construction in progress mainly includes the capital expenditures incurred for the development of Batumi Riviera residential complex in Adjara region and construction of villas in Tsinandali Region. In 2024, capitalised borrowing costs related to the above constructions amounted to GEL 1,223 thousand, with a capitalisation rate of 9%-10%. (2023: GEL 772 thousand, with a capitalisation rate of 9%-10%).

As of 31 December 2023, investment properties included two land plots in Batumi, with respective capitalised costs (included under construction in progress) amounting to GEL 103,679 thousand and GEL 12,621 thousand, respectively. Management plans to develop four skyscrapers on these land plots.

In 2024, following extensive design and planning works, the Group successfully obtained a construction permit for Tower 1, which is to be built on one of the plots and is expected to be completed by 31 December 2028. The project will consist of a 43-storey complex with approximately 130,000 square meters of space, primarily designated for residential use. Construction is expected to commence in 2025.

Regarding other towers, which are planned to be built on the second land plot, active design and development activities have not yet begun. At this stage, only a general concept and allocation plan for the full project has been developed, and no construction permit has been obtained for the respective land.

As a result of the above developments, as of 31 December 2024, the land plot with approved construction permits and corresponding capitalised costs amounting to GEL 29,026 thousand and GEL 23,444 thousand were reclassified from investment properties to inventories.

(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 – Land plot located in Tbilisi, Georgia, owned by Sakanela Development LLC (the land plot was transferred to Sakanela Development LLC free of charge in 2024 by the entity under common control);
- Property 4 – Land plots on Rustaveli Avenue, 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;
- Properties 3 and 8 – Underground facilities near Rose Revolution square, located in Tbilisi, Georgia, owned by New Office LLC, Silk Entertainment LLC and 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 2024 and 31 December 2023, 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 2024 or 2023.

(b) Fair value of investment property

As at 31 December 2024 and 2023, management of the Group, with an assistance of external independent valuers, has estimated the fair values of the investment properties.

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	
		2024	2023	2024	2023
Properties 2, 3,4,5,6, 9-15	Recent market transactions and other	283,966	320,491	137,555	194,324
Property 7*	Market/Income approach	36,067	28,096	21,431	13,395
Properties 1,8	Income approach	83,502	79,875	52,362	35,171
Total		403,535	428,462	211,348	242,890

*As at 31 December 2024 and 2023, the fair value of Property 7 is determined in combination of market and income approaches, which management and the independent valuator consider as more appropriate approach.

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
<p><i>Income approach:</i></p> <p>Fair value of Properties 1 and 8 was estimated using discounted cash flow techniques based on the expected cash inflows and outflows arising from the operations and rentals.</p>	<p>As at 31 December 2024 and 2023, discount and capitalization rates used in the valuation ranged between 10%-12.8%.</p>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the reversion rate was (higher) lower
<p><i>Income/market approach:</i></p> <p>The fair value is attributable to Property 7, which represents a part of multi-functional building with residential, retail and office spaces. Each property is registered under its own cadastral code.</p> <p>Market approach was used in valuation process of residential spaces while retail and office spaces were valued using income approach.</p>	<ul style="list-style-type: none"> As at 31 December 2024 and 2023, discount and capitalization rates used in the valuation ranged between 10%-12.8%. 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 10% adjustments to observed asking prices. 	<ul style="list-style-type: none"> The estimated fair value would increase (decrease) if: the reversion rate was (higher) lower the initial investment was (higher) lower. The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).
<p><i>Recent market transactions:</i></p> <p>The valuation model is based on announced asking prices for similar properties in the similar location and physical condition.</p>	<ul style="list-style-type: none"> 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 5% to 35% adjustments to observed asking prices. 	<p>The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).</p>

(c) Security

As at 31 December 2024 and 31 December 2023 part of the Group's investment property (approximately 16% and 23%, respectively) is pledged under the Group's secured bank loans (see note 17).

11. Trade and other receivables

'000 GEL	31 December 2024	31 December 2023
Trade receivables	5,520	6,284
Other receivables	8,441	8,679
Trade and other receivables included in loans and receivables category	13,961	14,963
Less: credit loss allowance	(5,436)	(5,857)
	8,525	9,106

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 2024	31 December 2023
Prepayments	11,265	8,753
Tax assets	3,505	1,485
Other	1,094	1,261
	15,864	11,499

13. Cash and cash equivalents

'000 GEL	31 December 2024	31 December 2023
Cash on hand	10,432	9,520
Bank balances	88,021	31,259
	98,453	40,779

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 2024	31 December 2023
Non-current assets		
Related party loans	5,941	14,586
Current assets		
Related party loans	13,331	5,184
Total	19,272	19,770
Less: allowance for impairment loss	(56)	(35)
	19,216	19,735

Terms and payment schedule:				31 December 2024		31 December 2023	
'000 GEL	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Related party loan*	GEL	13%	2025/2030	7,804	5,681	6,504	6,504
Related party loan	USD	7%	2025	4,755	4,755	4,272	4,272
Related party loan**	GEL	16%	2024	3,499	3,443	5,184	5,149
Related party loan	USD	9%	2025	1,770	1,770	1,526	1,526
Related party loan	GEL	14%	2025	1,923	1,923	984	984
Related party loan	GEL	13%	2025	1,154	1,154	1,040	1,040
Related party loan	USD	10%	2025	286	230	-	-
Related party loan	GEL	0%	2030	260	260	260	260
Total interest-bearing assets				21,451	19,216	19,770	19,735

Interest on loans issued to related parties is repayable at maturity. Difference between the face value and the carrying amount of the loans represent effect of the fair value adjustments at initial recognition and amortization of the discounted cash flows in the subsequent periods.

*In 2024, the loan amendment was signed between the Company and its related party for the prolongation of loan term till 31 December 2030. The modification effect, amounting GEL 1,994 thousand, was recognized directly in equity.

** In 2024, the Group issued additional loan tranches to the related party, Iveria Group LLC, in the total amount of GEL 2,591 thousand. Furthermore, the loan receivable of GEL 4,920 thousand was offset against payables towards the same counterparty.

Despite the loan balance being receivable on demand as at 31 December 2024, management does not intend to request repayment for at least one year from the reporting date and therefore classifies the balance as non-current. As at the reporting date, management was actively engaged in negotiations with the counterparty to extend the maturity of the loan. Subsequently, the maturity was formally extended until 31 December 2030.

In June 2023, related party loans with a carrying amount of GEL 206, 846 thousand were transferred by the respective counterparties to the Company's parent entity, Silk Road Group Holding LLC. Subsequently, Silk Road Group Holding LLC reduced the Company's capital by GEL 206,846 thousand (see note 15) and settled its payable towards the Company, incurred by the above transaction, against its receivable from the Company as a result of the capital reduction.

15. Capital and reserves

(a) Capital

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

'000 GEL	2024	2023
Balance at the beginning of the period	492,242	671,140
Increase in capital	154,215	27,948
Decrease in capital (note 14)	-	(206,846)
	646,457	492,242

In 2024, based on the shareholders decisions capital of the Company was increased by GEL 154,215 thousand. Details of the capital increase are as follows:

- GEL 62,813 was settled in cash;
- Capital receivable of GEL 10,493 thousand was netted off with the loan received from the parent entity;
- In 2023, the Company signed agreements with the parent entity to receive cash of EUR 15,000 thousand and GEL 43,700 thousand with the following terms: principal and interest repayment at maturity of 31 December 2080; interest rate of 9% and 10%, respectively, and the Company's unconditional right to extend the maturity in every consecutive 50 years. Although the instruments were legally structured through loan agreements, as the Company has unconditional right to defer the payments indefinitely, total transaction value of GEL 75,866 thousand was classified as equity. On 30 April 2024, based on the shareholders's resolution, capital of the Company was legally increased by GEL 80,909 thousand and mentioned loans with respective interest accrued were fully netted-off with capital receivable.

During 2023, capital of the Company was increased by cash contributions of GEL 27,948 thousand, which was fully settled in cash in 2023.

As at 31 December 2024 the Company does not have subscribed capital as defined under the new Georgian legislation.

(b) Dividends

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

In 2024, the Group entities declared dividends to the minority shareholder in the amount of GEL 4,920 thousand which was fully netted off with the loans receivable from the same counterparty (2023: GEL 6,240 thousand).

(c) Capital management

The Group 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. Furthermore, the management ensures, before any capital reductions, that the Company will be in compliance the respective legislation norms and will maintain sufficient capital base. With these measures the Group aims for steady profits growth.

(d) Security

As at 31 December 2024 and 31 December 2023, the Company's shareholding in Tsinandali Estates LLC (see note 22) is pledged in respect of secured bank loans (see 17). As at 31 December 2023, the Company's shareholding in Tsinandali Estates LLC was pledged in respect of the Partners' Agreement which was revoked during 2024.

As at 31 December 2024 and 31 December 2023, the Company's shareholdings in Georgian Hotel Management LLC, Medea Operating company LLC, Limoni 2009 LLC, Limoni Real Estate LLC and New Hotel JSC are pledged in respect of secured bank loans (see note 17).

As at 31 December 2024 and 31 December 2023 the Company's shareholding in 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 JSC Development Fund of Georgia (formerly JSC Partnership Fund), the owner of the non-controlling interest in Tsinandali Estates LLC, the Group had 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, JSC Development Fund of Georgia had 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 JSC Development Fund of Georgia'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 JSC Development Fund of Georgia was deferred by two years and starts from 31 July 2025.

The Group applied anticipated-acquisition method to the investment in Tsinandali Estate LLC and as at 31 December 2022 recognised put option liability of GEL 42,138 thousand, with reference to the present value of the exercise price of the option, discounted by the discount rate of approximately 12-13%. As at 31 December 2022, following the decision of the Group to issue bonds on the Georgian Stock Exchange (see note 1) with the purpose to refinance part of its existing liabilities and to purchase remaining shares of Tsinandali Estates LLC from the non-controlling shareholder the put option liability was discounted on the basis of settlement date of 30 May 2023.

On 15 May 2023, transactions was finalised and the remaining shares of Tsinandali Estates LLC were acquired by the Group for GEL 42,383 thousand. As a result, as at 31 December 2023 put option liability is fully settled.

During 2023 the Group has recognised changes in the carrying amounts of put option liabilities of GEL 245 thousand, directly in equity. The changes are mainly attributable to unwinding of discount, change in expected cash flows 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.

31 December 2024

'000 GEL	Georgian Hotel Management	Iveria Centre	Limoni 2009	Tsinandali Resorts
NCI percentage	4%	50%	12%	0%
Total assets	52,214	24,532	85,773	8,676
Total liabilities	(28,566)	(5,528)	(34,758)	(6,789)
Net assets	23,648	19,004	51,015	1,887
Carrying amount of NCI	946	9,502	6,122	-
Profit and total comprehensive income	1,195	3,438	29,389	(485)
Profit and total comprehensive income attributable to NCI	48	1,719	3,527	(238)
Acquisition of NCI*	-	-	-	(795)
Dividends declared attributable to NCI	(17)	-	(4,920)	-
Other equity movements attributable to NCI	265	-	-	-
Net increase (decrease) in cash and cash equivalents	(2,667)	(407)	1,760	-

*In 2024, the Company entered into an agreement with non-controlling shareholder of Tsinandali Resorts LLC to acquire remaining 49% of equity interest for a consideration of USD 1,150 thousand, payable till 30 December 2025. Although legal ownership will transfer to the Company upon full repayment of the contract price, per agreement the non-controlling shareholder has no longer access to the future returns of Tsinandali Resorts LLC and cannot interfere in the management. As a result, non-controlling interest of GEL 795 thousand was derecognized and the difference between the purchase price (recognized as payable) and the derecognised non-controlling interest was accounted directly in equity. During 2024, the Company repaid GEL 2,067 thousand to the non-controlling shareholder.

31 December 2023

'000 GEL	Georgian Hotel Management	Iveria Centre	Limoni 2009	Tsinandali Resorts
NCI percentage	4%	50%	12%	49%
Total assets	40,102	20,791	102,085	8,799
Total liabilities	(23,228)	(5,196)	(39,459)	(6,683)
Net assets	16,874	15,595	62,626	2,116
Carrying amount of NCI	650	7,783	7,515	1,033
Profit and total comprehensive income	4,178	3,971	41,940	528
Profit and total comprehensive income attributable to NCI	167	1,987	5,033	259
Dividends declared attributable to NCI	-	-	(6,240)	-
Other equity movements attributable to NCI	(883)	5,677*	-	-
Net increase (decrease) in cash and cash equivalents	3,743	(26)	(3,485)	(144)

*During 2023, capital of Iveria Centre LLC was increased by non-controlling shareholders in the amount of GEL 5,677 thousand. Respective receivable from shareholder was settled against loan payable to the same counterparty.

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 2024	31 December 2023
Non-current liabilities		
Bank loans	142,662	106,583
Loans from related parties	29,327	9,771
Loans from third parties	1,769	682
Bonds issued	110,635	106,094
	284,393	223,130
Current liabilities		
Current portion of bank loans	18,453	14,434
Current portion of third party loans	108	1,008
Current portion of related party loans	197	243
Bonds issued	24,444	2,728
	43,202	18,413

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

*000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2024		31 December 2023	
				Face value	Carrying amount	Face value	Carrying amount
Secured Bank Loan	EUR	6m EURIBOR+7.5%	2036	21,737	21,737	-	-
Secured Bank Loan	EUR	6m EURIBOR+7.5%	2036	21,663	21,663	-	-
Secured Bank Loan	EUR	7.5% + Euribor 6 months	2033	17,006	17,006	27,009	27,009
Secured Bank Loan	EUR	7.5% + Euribor 6 months	2036	14,653	14,653	-	-
Secured Bank Loan	EUR	7.5% + Euribor 6 months	2036	14,653	14,653	-	-
Secured Bank Loan	GEL	5.25%+ NBG refinace Rate	2033	13,369	13,369	14,087	14,087
Secured Bank Loan	GEL	5.25% + NBG Refinance Rate	2027	10,851	10,851	13,587	13,587
Secured Bank Loan	GEL	5.25% + NBG refinace rate	2033	9,466	9,466	10,010	10,010
Secured Bank Loan	GEL	5.25%+ NBG refinace Rate	2033	6,372	6,372	6,669	6,669
Secured Bank Loan	GEL	6% + NBG Refinance Rate	2027	5,844	5,844	7,294	7,294
Secured Bank Loan	GEL	3% + NBG Refinance Rate	2027	5,415	5,415	6,831	6,831
Unsecured Related Party Loan	GEL	0%	2030	10,000	4,738	-	-
Secured Bank Loan	USD	6.5% + 6m SOFR	2028	3,717	3,717	4,933	4,933
Secured Bank Loan	GEL	5.75% + NBG Refinance Rate	2027	3,139	3,139	3,898	3,898
Unsecured Related Party Loan	USD	0%	2030	5,614	2,843	-	-
Unsecured Related Party Loan	USD	0%	2030	5,614	2,843	-	-
Secured Bank Loan	GEL	5.56% + NBG Refinance Rate	2027	2,829	2,829	3,513	3,513
Secured Bank Loan	GEL	5.75% + NBG refinace rate	2033	2,762	2,762	4,468	4,468
Unsecured Related Party Loan	GEL	0%	2030	5,000	2,369	-	-
Secured Bank Loan	USD	7.85% + SOFR	2033	1,997	1,997	2,025	2,025
Secured Bank Loan	GEL	6% + NBG Refinance Rate	2027	1,937	1,937	2,418	2,418
Secured Related Party Loan	GEL	12%	2035	1,766	1,766	1,838	1,838
Secured Related Party Loan	USD	9%	2035	1,750	1,750	1,763	1,763
Secured Bank Loan	GEL	5.25% + NBG refinace rate	2033	1,502	1,502	-	-
Unsecured Related Party Loan	USD	0%	2030	2,807	1,422	-	-
Unsecured Related Party Loan	USD	0%	2030	2,807	1,422	-	-
Unsecured Related Party Loan	USD	0%	2030	2,807	1,422	-	-
Unsecured Related Party Loan	USD	0%	2030	2,807	1,422	-	-
Unsecured Related Party Loan	GEL	0%	2030	3,000	1,421	-	-
Unsecured Related Party Loan	USD	0%	2030	2,245	1,137	-	-
Secured Bank Loan	EUR	10.5%	2025	1,125	1,125	864	864
Secured Bank Loan	EUR	10.5%	2025	1,077	1,077	835	835
Unsecured Third Party Loan	GEL	14%	On Demand	1,060	1,060	990	990

Silk Real Estate I.L.C.
Notes to the Consolidated Financial Statements for 2024

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2024		31 December 2023	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured Related Party Loan	GEL	0%	2030	2,000	948	-	-
Unsecured Related Party Loan	GEL	0%	2030	2,000	948	-	-
Unsecured Related Party Loan	GEL	0%	2030	2,000	948	-	-
Unsecured Related Party Loan	GEL	0%	2030	2,000	948	-	-
Secured Related Party Loan	USD	12%	2035	849	849	846	846
Unsecured Third Party Loan	GEL	16%	2025	240	240	206	206
Unsecured Third Party Loan	USD	15%	2030	550	427	376	376
Secured Related Party Loan	USD	9%	2029	328	328	362	362
Unsecured Third Party Loan	GEL	14%	2025	108	108	100	100
Unsecured Related Party Loan	USD	10%	2025	42	42	40	40
Unsecured Related Party Loan	EUR	0.75% + 12M EURIBOR	2025	-	-	3,735	3,735
Unsecured Related Party Loan	USD	7%	2030	-	-	1,362	1,362
Parent loan #1	USD	0.75% + 6M SOFR	2080	-	-	2,882	68
Secured Bank Loan	EUR	7.5% + Euribor 6 months	2024	-	-	8,644	8,644
Secured Bank Loan	EUR	7.5% + Euribor 6 months	2033	-	-	3,932	3,932
Unsecured Third Party Loan	EUR	11%	2023	-	-	18	18
Bonds Issued	USD	9%	2026	57,229	56,712	54,836	54,155
Bonds Issued	USD	9%	2026	57,672	57,260	55,260	54,667
Bonds Issued	EUR	7%	2025	21,108	21,108	-	-
Total interest-bearing liabilities				354,517	327,595	245,631	241,543

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).

In 2023, the Group has issued a USD 40 million bond in two tranches. The first tranche of USD 20 million offers a coupon of 9.00% p.a. (gross) with a maturity of 3 years. The second tranche of USD 20 million offers a coupon of 9.25% p.a. (gross) with a maturity of 3 years. As a result, in 2023 Silk Real Estate LLC became a publicly listed company on the Georgian Stock Exchange. In 2024, a new bond of EUR 7 million was issued, with a coupon of 7% p.a. (gross) and maturity of 1 years.

(b) Fair value adjustments on related party loans

In 2024, the Company has received GEL and USD denominated loans from the parent entities, on non-market terms (0% nominal interest rate). As a result, at initial recognition, the parent entity loans were discounted using market rate of interest of 13.25% and 12% for loans denominated in GEL and USD, respectively and the difference between the carrying amount and the fair value of loan, in the amount of GEL 25,883 thousand was recognised directly in equity.

On 7 August 2022, the loan amendment was signed between the Group and its intermediate parent entity for the prolongation of loan term from 31 December 2022 till 31 December 2030 on non-market terms (4% nominal interest rate). As a result, at initial recognition, the parent loan #1 was discounted using market rate of interest of 7.6% and the difference between the carrying amount and the fair value of loan, in the amount of GEL 9,900 thousand was recognized directly in equity. During 2023, the above-mentioned loan was fully repaid and the effect of early repayment amounting to GEL 9,785 thousand, combined with the initial discount effect of parent entity loan #1 above of GEL 2,548 thousand, was deducted directly from equity. During 2024, Parent loan #1 was early repaid and the effect of early repayment amounting to GEL 2,918 thousand was deducted directly from equity.

(c) Covenants

The Group's bonds issued and secured bank loans are subject to various financial and non-financial covenants, linked to adjusted EBITDA, DEBT, EBITDA, DSCR and ICR ratios and operations, structure, financing and investing activities of the Company and its subsidiaries. As at 31 December 2024, the Group has complied with all covenants and expects to remain in compliance throughout the term of the bonds issued. Accordingly, bonds issued and bank loans (excluding balances contractually repayable within 12 months from the reporting date) are classified as non-current as at 31 December 2024.

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

	Loans and borrowings and movements related to other equity transactions	Bonds issued	Total
'000 GEL			
Balance at 1 January 2024	132,721	108,822	241,543
Proceeds from borrowing	158,104	20,540	178,644
Repayment of borrowings	(64,050)	-	(64,050)
Total changes from financing cash flows	94,054	20,540	114,594
The effect of changes in foreign exchange rates	(1,391)	4,466	3,075
Other changes			
Net-off with capital receivable	(10,493)	-	(10,493)
Fair value adjustment on related party loans	(22,965)	-	(22,965)
Capitalised borrowing costs	9,172	-	9,172
Interest expense	9,208	11,085	20,293
Interest paid	(17,791)	(9,833)	(27,624)
Total other changes	(32,869)	1,252	(31,617)
Balance at 31 December 2024	192,515	135,080	327,595

'000 GEL	Loans and borrowings and movements related to other equity transactions	Bonds issued	Total
Balance at 1 January 2023	263,661	-	263,661
Proceeds from borrowing	42,649	103,053	145,702
Proceeds from other equity transactions with the parent entity	74,292	-	74,292
Repayment of borrowings	(165,516)	-	(165,516)
Total changes from financing cash flows	(48,575)	103,053	54,478
The effect of changes in foreign exchange rates	(1,440)	4,435	2,995
Other changes			
Other transactions with the parent entity	(75,866)	-	(75,866)
Fair value adjustment on related party loans	7,237	-	7,237
Net-off with receivable from Group entities' non-controlling shareholders	(6,012)	-	(6,012)
Modification gain on financial liabilities	(1,575)	-	(1,575)
Capitalised borrowing costs	3,153	-	3,153
Transaction costs	-	(1,417)	(1,417)
Interest expense	21,970	5,105	27,075
Interest paid	(29,832)	(2,354)	(32,186)
Total other changes	(80,925)	1,334	(79,591)
Balance at 31 December 2023	132,721	108,822	241,543

18. Trade and other payables

'000 GEL	31 December 2024	31 December 2023
Current liabilities		
Trade payables	916	3,120
Payables for acquisition of property and equipment	7,544	3,400
Taxes payable	3,761	6,786
Payables to employees	3,139	4,139
Other payables	4,638	2,101
	19,998	19,546
Non-current liabilities		
Payables for acquisition of property and equipment	468	599
	468	599

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 2024, approximately 0.4% and 39% 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 2023: 0.6% and 39%, respectively).

PD (12-month) for loans receivable was determined as 2.62% 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 Real Estate 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 20% to 45% (31 December 2023: 22% to 39%).

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 7% 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 60 days past due. For cash and cash equivalents the Group considers downgrade of credit rating assigned to the commercial banks as an indicator for the significant increase in credit risk.

As at 31 December 2024 total loans receivable is allocated to Stage 1 (31 December 2023: 100% is allocated to Stage 1) as there was no increase in credit risk of the financial instruments since initial recognition.

As at 31 December 2024, approximately 40% (31 December 2023: approximately 40%) 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 2024 and 2023 by approximately GEL 544 thousand and GEL 586 thousand, 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 2024 and 2023 by approximately GEL 33 thousand and GEL 111 thousand, 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	2024	2023
Balance at 1 January	(35)	(2,503)
(Increase)/reversal during the year	(21)	2,468
Balance at 31 December	(56)	(35)

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	2024	2023
Balance at 1 January	(5,857)	(5,607)
Increase during the year	(414)	(250)
Write-off	835	-
Balance at 31 December	(5,436)	(5,857)

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 (bank balances are Stage 1 as at 31 December 2024 and 2023).

(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.

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

31 December 2024

'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 borrowing	192,515	323,561	1,060	36,979	34,972	79,090	171,457
Bonds issued	135,080	152,171	-	32,187	119,984	-	-
Trade and other payables	20,466	20,624	-	20,137	195	292	-
	348,061	506,793	1,060	91,881	156,752	85,688	171,412

31 December 2023

'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 borrowing	132,721	221,141	990	29,832	32,527	71,048	86,744
Bonds issued	108,822	134,624	-	9,843	9,816	114,965	-
Trade and other payables	20,145	20,304	-	19,605	195	504	-
	261,688	376,069	990	59,280	42,538	186,517	86,744

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 the long-term perspective, the Group is confident that future operating profits will be sufficient to cover the loans and borrowings, and accrued interest thereon, according to the respective repayment schedules. Furthermore, as at 31 December 2024 the Group has credit lines of USD 300,000 thousand with TBC Bank JSC and USD 300,000 thousand with Bank of Georgia JSC (including used facilities, see note 17), in case it needs additional financing for ongoing projects. 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.

(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 2024	USD-denominated 31 December 2023
Loans receivable	6,755	5,798
Trade and other receivables		625
Cash and cash equivalents	67,348	21,406
Loans and borrowings	(135,593)	(11,345)
Bonds issued	(78,368)	(108,822)
Trade and other payables	(1,497)	(2,383)
Net exposure	(141,355)	(94,721)

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

in GEL	Average rate		Reporting date spot rate	
	2024	2023	31 December 2024	31 December 2023
USD 1	2.7208	2.6279	2.8068	2.6894

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 2024				
USD (10% movement)	-	14,136	-	(14,136)
31 December 2023				
USD (10% movement)	-	9,472	-	(9,472)

As at 31 December 2024 and 31 December 2023, 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 16.9 million (31 December 2023 – 15%: GEL 6.8 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 as at 31 December	
	2024	2023
Fixed rate instruments		
Financial assets	19,216	19,735
Financial liabilities	(168,683)	(117,558)
	(149,467)	(97,823)
Variable rate instruments		
Financial liabilities	(158,912)	(123,985)

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 1,589 thousand (2023: GEL 1,239 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

20. Commitments

Other commitments

As at 31 December 2024, the Group has investment obligations for the construction of investment property towards the Government of Georgia of USD 19.9 million (31 December 2023: USD 22.5 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 (31 December 2023: USD 15 million).

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.

22. Subsidiaries

Entity	Principal Activity	Date of Incorporation	Group's ownership percentage as at 31 December 2024	Group's ownership percentage as at 31 December 2023	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 Estates LLC	Operation of Tsinandali Radisson Collection Hotel	27 June 2008	100%	100%	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	100%	100%	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%	Direct
New Office LLC	Real estate development	7 August 2008	100%	100%	Direct
Iveria Center LLC	Real estate development	6 August 2013	50%	50%	Indirect, through New Office LLC

Entity	Principal Activity	Date of Incorporation	Group's ownership percentage as at 31 December 2024	Group's ownership percentage as at 31 December 2023	Ownership type
Restaurant Tsinandali LLC	Hospitality sector	2 April 2018	50%	50%	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	4 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	26 March 2021	100%	100%	Direct
Tsinandali Resorts LLC	Operation of Park Hotel Tsinandali	1 March 2018	51%	51%	Direct
Unipharm LLC*	Real estate development	10 July 1996	100%	50%	Indirect, through Centre Plaza LLC
Silk Play LLC**	Real estate development	19 June 2024	100%	0%	Direct
Silk Entertainment LLC**	Real estate development	15 April 2024	100%	0%	Direct
Sakanel Development LLC**	Real estate development	27 March 2024	100%	0%	Direct

* On 29 December 2023, the Centre Plaza LLC acquired 50% of Unipharm LLC for non-cash consideration of GEL 933 thousand.

** In 2024, the Company established Silk Play LLC, Silk Entertainment LLC and Sakanela Development LLC, subsidiaries for development and operation of real estate and entertainment complex.

23. Related parties

(a) Parent and ultimate controlling party

As at 31 December 2024 and as at the date these consolidated 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, Yerkın Tatishev, with indirect minority holding (36.51%) in the Company. The Company's ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual George Ramishvili. No publicly available consolidated 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.

'000 GEL	2024	2023
Salaries and other benefits	<u>12,010</u>	<u>11,077</u>

(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	
	2024	2023	2024	2023
Other revenue and income*:				
Entities under common control	5,689	6,763	3,542	2,164
Parent Company	996	-	233	-
Operating expenses:				
Entities under common control	(585)	(733)	(847)	(1,206)
Loans issued:				
Entities under common control	4,102	(7,340)	21,395	19,735
Parent company	-	-	-	-
Loans received and other equity transactions:				
Entities under common control	-	-	(4,693)	(4,809)
Parent company	(50,701)	(82,171)	(24,873)	(5,269)

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

For related party transactions on loans and borrowings and loans receivable, recognised directly in equity, see note 14 and 17.

In 2024 interest income of GEL 3,161 thousand (2023: GEL 8,423 thousand) was accrued on loans to related parties. The interest rates and maturities of loans to related parties are disclosed in note 14. In 2024 interest expense of GEL 1,207 thousand (2023: GEL 3,085 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 2024 other revenue with entities under common control mainly includes consulting services of GEL 3,701 thousand (2023: GEL 3,701 thousand) provided to Silknet JSC in relation to strategy development, funding, investment decisions and certain regulatory matters.

24. Operating segments

The Group has five 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 classifies its Group entities into five operating segments under IFRS 8; and further classifies all its Group entities as "Greenbox" and "Yellowbox" operations. All operating segments are presented separately and are included in "Greenbox" category.

Under "Greenbox" category fall all operating segments and the Group entities, which a) are major cash-generating units in the Group, or b) are in the active development stage of the major cash-generating unit in the Group, or c) generate mainstream revenues from their 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 "Greenbox" entities are also attributable to "Greenbox" category. All reportable segments are attributable to "Greenbox" category. Entities or operating segments where the non-controlling interest is significant, are excluded from the "Greenbox" category.

Under "Yellowbox" category fall 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); and c) any other entity or operating segment that is not a "Greenbox".

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;
- Casino Tbilisi;
- Casino Batumi.

Further details 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.

All operations of the Group are located in Georgia. There are no customers in any of the segments that represent more than 10% of revenue.

Consolidated statement of profit or loss and other comprehensive income for 2024 '000 GEL	Radisson Blu Iveria Hotel, Tbilisi	Radisson Blu Hotel, Batumi	Tsinandali Estate, A Radisson Collection Hotel	Hotels	Eliminations	Hotels after eliminations	Casino Tbilisi	Casino Batumi	Casinos	Eliminations	Casinos after eliminations
Revenue	47,842	23,486	22,566	93,894	(12,447)	81,447	103,484	74,419	177,903	(91)	177,812
Other operating income	-	-	-	-	(139)	(139)	(96)	717	621	(40)	581
Depreciation and amortization	(7,009)	(3,506)	(3,638)	(14,153)	-	(14,153)	(2,255)	(1,441)	(3,696)	-	(3,696)
Direct costs and expenses	(29,635)	(15,880)	(17,040)	(62,555)	10,073	(52,482)	(75,452)	(71,005)	(146,457)	12,229	(134,228)
Overhead costs*	(2,908)	(1,581)	(1,725)	(6,214)	(7)	(6,221)	(1,414)	(188)	(1,602)	87	(1,515)
Segment operating profit	8,290	2,519	163	10,972	(2,520)	8,452	24,267	2,502	26,769	12,185	38,954
Interest income	838	156	88	1,082	(87)	995	6,095	126	6,221	(5,067)	1,154
Interest expense	(75)	-	(2,656)	(2,731)	2,622	(109)	-	-	-	-	-
Net FOREX	327	217	(1,625)	(1,081)	-	(1,081)	958	157	1,115	-	1,115
Share of profit of equity accounted investee (net of income tax)	-	-	-	-	-	-	-	-	-	-	-
Impairment of non-financial assets	-	-	-	-	-	-	-	-	-	-	-
Impairment reversal of financial assets	(23)	(9)	-	(32)	-	(32)	-	-	-	-	-
Segment profit/loss before tax	9,357	2,883	(4,030)	8,210	15	8,225	31,320	2,785	34,105	7,118	41,223
Income tax expense	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	9,357	2,883	(4,030)	8,210	15	8,225	31,320	2,785	34,105	7,118	41,223
Net operating profit	18,207	7,606	5,526	31,339	(2,513)	28,826	27,936	4,131	32,067	12,098	44,165
Segment adjusted EBITDA	15,299	6,025	3,801	25,125	(2,520)	22,605	26,522	3,943	30,465	12,185	42,650
CAPEX and other additions	6,124	4,522	1,691	12,337	-	12,337	9,458	550	10,008	-	10,008

Consolidated statement of
profit or loss and other
comprehensive income for
2024

'000 GEL

	Other unallocated "Greenbox" entities	Elimination	Other unallocated "Greenbox" entities after eliminations	Total "Greenbox" entities after eliminations	Other unallocated "Yellowbox" entities	Eliminations	Other unallocated "Yellowbox" entities after eliminations	Eliminations	Total
Revenue	34,598	(14,152)	20,446	279,705	4,646	(118)	4,528	(2,315)	281,918
Other operating income	2,243	(1)	2,242	2,684	3,462	(7)	3,455	(469)	5,670
Depreciation and amortization	(981)	-	(981)	(18,830)	(2,841)	-	(2,841)	-	(21,671)
Direct costs and expenses	(10,569)	3,534	(7,035)	(193,745)	(4,949)	123	(4,826)	2,090	(196,481)
Overhead costs*	(39,120)	954	(38,166)	(45,902)	(5,353)	2	(5,351)	694	(50,559)
Segment operating profit	(13,829)	(9,665)	(23,494)	23,912	(5,035)	-	(5,035)	-	18,877
Interest income	29,240	(25,795)	3,445	5,594	2,705	(78)	2,627	(5,105)	3,116
Interest expense	(49,607)	28,327	(21,280)	(21,389)	(4,087)	78	(4,009)	5,105	(20,293)
Net FOREX	(1,713)	-	(1,713)	(1,679)	(1,513)	-	(1,513)	-	(3,192)
Share of profit of equity accounted investee (net of income tax)	-	-	-	-	2,387	-	2,387	-	2,387
Impairment of non-financial assets	(14,039)	-	(14,039)	(14,039)	-	-	-	-	(14,039)
Impairment reversal of financial assets	308	-	308	276	(711)	-	(711)	-	(435)
Segment profit/loss before tax	(49,640)	(7,133)	(56,773)	(7,325)	(6,254)	-	(6,254)	-	(13,579)
Income tax expense	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	(49,640)	(7,133)	(56,773)	(7,325)	(6,254)	-	(6,254)	-	(13,579)
Net operating profit	26,272	(10,619)	15,653	88,644	3,159	(2)	3,157	(694)	91,107
Segment adjusted EBITDA	(12,848)	(9,665)	(22,513)	42,742	(2,194)	-	(2,194)	-	40,548
CAPEX and other additions	96,821	-	96,821	119,166	26,337	-	26,337	-	145,503

Consolidated statement of profit or loss and other comprehensive income for 2023 '000 GEL	Radisson Blu Iveria Hotel, Tbilisi	Radisson Blu Hotel, Batumi	Tsinandali Estate, A Radisson Collection Hotel	Hotels	Eliminations	Hotels after eliminations	Casino Tbilisi	Casino Batumi	Casinos	Eliminations	Casinos after eliminations
Revenue	49,229	19,364	20,982	89,575	(11,547)	78,028	102,302	69,467	171,769	(111)	171,658
Other operating income	-	-	-	-	-	-	(74)	1,059	985	(4)	981
Depreciation and amortization	(6,459)	(2,361)	(6,132)	(14,952)	-	(14,952)	(2,102)	(1,386)	(3,488)	-	(3,488)
Direct costs and expenses	(28,736)	(11,827)	(16,137)	(56,700)	8,488	(48,212)	(66,730)	(64,434)	(131,164)	12,176	(118,988)
Overhead costs*	(3,129)	(1,984)	(1,284)	(6,397)	-	(6,397)	(1,630)	(150)	(1,780)	12	(1,768)
Segment operating profit	10,905	3,192	(2,571)	11,526	(3,059)	8,467	31,766	4,556	36,322	12,073	48,395
Interest income	1,411	106	53	1,570	(92)	1,478	8,296	54	8,350	(6,709)	1,641
Interest expense	(34)	-	(3,105)	(3,139)	950	(2,189)	-	-	-	-	-
Net FOREX	(718)	(27)	129	(616)	-	(616)	(149)	(63)	(212)	-	(212)
Impairment of financial assets	916	-	-	916	-	916	-	-	-	-	-
Segment profit/loss before tax	12,480	3,271	(5,494)	10,257	(2,201)	8,056	39,913	4,547	44,460	5,364	49,824
Income tax expense	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	12,480	3,271	(5,494)	10,257	(2,201)	8,056	39,913	4,547	44,460	5,364	49,824
Net operating profit	20,493	7,537	4,845	32,875	(3,059)	29,816	35,498	6,092	41,590	12,061	53,651
Segment adjusted EBITDA	17,364	5,553	3,561	26,478	(3,059)	23,419	33,868	5,942	39,810	12,073	51,883
CAPEX and other additions	2,607	2,760	973	6,340	-	6,340	8,621	3,289	11,910	-	11,910

Consolidated statement of profit or loss and other comprehensive income for 2023 '000 GEL	Other unallocated "Greenbox" entities	Elimination	Other unallocated "Greenbox" entities after eliminations	Total "Greenbox" entities after eliminations	Other unallocated "Yellowbox" entities	Eliminations	Other unallocated "Yellowbox" entities after eliminations	Eliminations	Total
Revenue	31,782	(13,621)	18,161	267,847	6,426	(3)	6,423	(2,642)	271,628
Other operating income	1,980	-	1,980	2,961	4,162	(17)	4,145	(998)	6,108
Depreciation and amortization	(464)	-	(464)	(18,904)	(2,951)	-	(2,951)	-	(21,855)
Direct costs and expenses	(14,708)	3,543	(11,165)	(178,365)	(5,121)	4	(5,117)	2,214	(181,268)
Overhead costs*	(26,655)	1,064	(25,591)	(33,756)	(4,788)	16	(4,772)	1,426	(37,102)
Segment operating profit	(8,065)	(9,014)	(17,079)	39,783	(2,272)	-	(2,272)	-	37,511
Interest income	22,721	(15,094)	7,627	10,746	3,251	(66)	3,185	(4,828)	9,103
Interest expense	(46,901)	20,945	(25,956)	(28,145)	(3,925)	66	(3,859)	4,828	(27,176)
Net FOREX	(7,747)	-	(7,747)	(8,575)	(434)	-	(434)	-	(9,009)
Impairment of financial assets	1,332	-	1,332	2,248	(30)	-	(30)	-	2,218
Segment profit/loss before tax	(38,660)	(3,163)	(41,823)	16,057	(3,410)	-	(3,410)	-	12,647
Income tax expense	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	(38,660)	(3,163)	(41,823)	16,057	(3,410)	-	(3,410)	-	12,647
Net operating profit	19,054	(10,078)	8,976	92,443	5,467	(16)	5,451	(1,426)	96,468
Segment adjusted EBITDA	(7,601)	(9,014)	(16,615)	58,687	679	-	679	-	59,366
CAPEX and other additions	29,556	-	29,556	47,806	7,479	-	7,479	-	55,285

*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, remuneration for the management companies for both greenbox and yellowbox entities , insurance costs and audit and other consulting fees.

Reconciliation of reportable segment revenues:

'000 GEL	2024	2023
Total revenue for reportable segments	281,918	271,628
Income from casino tips (Note 5(b))	(10,997)	(11,065)
Customer promotions and bonuses for Casinos	(12,232)	(13,568)
Consolidated revenue	258,689	246,995

Revenues of GEL 8,000 thousand (2023: GEL 8,271 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 of GEL 3,705 thousand in 2024 (2023: GEL 3,721 thousand) is attributable to the operations of "Park Hotel Tsinandali" which is allocated to revenues from other unallocated "yellowbox" 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.

The CODM does not use statement of financial position for reviewing the performance of the operating segments; instead, management analyzes the performance of its segments based on the balance sheets presented for the "Greenbox" and "Yellowbox" entities. The respective voluntary disclosures are presented below.

'000 GEL	31 December 24			
	"Greenbox" entities	"Yellowbox" entities	Eliminations	Consolidated
ASSETS				
Property and equipment	405,695	30,867	-	436,562
Investment property	5,371	205,977	-	211,348
Intangible assets	6,811	90	-	6,901
Prepayments for non-current assets	24,260	-	-	24,260
Investments	274,997	-	(272,610)	2,387
Loans receivable	5,885	-	-	5,885
Total Non-Current Assets	723,019	236,934	(272,610)	687,343
Inventories	7,240	52,710	-	59,950
Loans receivable	86,039	59,464	(132,172)	13,331
Trade and other receivables	6,391	26,564	(24,430)	8,525
Cash and cash equivalents	95,786	2,667	-	98,453
Prepayments and other assets	10,881	5,011	(28)	15,864
Total Current Assets	206,337	146,416	(156,630)	196,123
Total Assets	929,356	383,350	(429,240)	883,466
	-	-	-	-
Loans and borrowings	331,496	87,271	(132,172)	286,595
Trade and other payables	-	468	-	468
Total Non-Current Liabilities	331,496	87,739	(132,172)	287,063
Loans and borrowings	39,749	1,251	-	41,000
Trade and other payables	41,685	2,798	(24,485)	19,998
Total Current Liabilities	81,434	4,049	(24,485)	60,998
Total liabilities	412,930	91,788	(156,657)	348,061
Charter capital	646,457	373,974	(373,974)	646,457
Accumulated losses	(146,924)	(82,412)	101,391	(127,945)
Non-controlling interests	16,893	-	-	16,893
Total Equity	516,426	291,562	(272,583)	535,405

	31 December 2023			
	"Greenbox" entities	"Yellowbox" entities	Eliminations	Consolidated
'000 GEL				
ASSETS				
Property and equipment	325,589	28,750	-	354,339
Investment property	5,162	237,728	-	242,890
Intangible assets	6,509	98	-	6,607
Prepayments for non-current assets	29,630	-	-	29,630
Investments	237,772	642	(237,772)	642
Loans receivable	10,005	4,532	-	14,537
Total Non-Current Assets	614,667	271,750	(237,772)	648,645
Inventories	7,621	181	-	7,802
Loans receivable	73,028	70,669	(138,499)	5,198
Trade and other receivables	6,873	19,630	(17,397)	9,106
Cash and cash equivalents	38,575	2,204	-	40,779
Prepayments and other assets	9,010	2,489	-	11,499
Total Current Assets	135,107	95,173	(155,896)	74,384
Total Assets	749,774	366,923	(393,668)	723,029
Loans and borrowings	289,143	72,486	(138,499)	223,130
Trade and other payables	-	599	-	599
Total Non-Current Liabilities	289,143	73,085	(138,499)	223,729
Loans and borrowings	17,161	1,252	-	18,413
Trade and other payables	34,241	2,766	(17,461)	19,546
Total Current Liabilities	51,402	4,018	(17,461)	37,959
Total liabilities	340,545	77,103	(155,960)	261,688
Charter capital	494,242	356,537	(358,537)	492,242
Accumulated losses	(102,317)	(66,717)	120,829	(48,205)
Non-controlling interests	17,304	-	-	17,304
Total Equity	409,229	289,820	(237,708)	461,341

25. 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 24). 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
- ☒ share of profit/loss from equity accounted investees
- ☒ 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	2024	2023
Profit for the year	(13,579)	12,647
Depreciation and amortization	27,221	27,566
Amortization of casino permit	(5,550)	(5,711)
Impairment of non-financial assets	14,039	-
Share of profit of equity accounted investee	(2,387)	-
Net foreign exchange loss/ (gain)	3,192	9,009
Interest income	(3,116)	(9,103)
Interest expense	20,293	27,176
Specific items☒	435	(2,218)
Adjusted EBITDA	40,548	59,366

☒ Specific items mainly comprise of impairment of loans receivable.

'000 GEL	2024	2023
Consolidated Adjusted EBITDA	40,548	59,366
Consolidated revenue	258,689	246,995
Consolidated Adjusted EBITDA margin %	16%	24%

26. 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).

27. Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

(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 assets and liabilities of acquiree assumed is recorded in retained earnings in equity (see note 15).

(v) 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 should have become effective from 1 January 2023. In 2022 the Government of Georgia has approved the changes to the current corporate tax model in Georgia for financial institutions, applicable from 2023. According to the amendments to the legislation, the part of financial institutions will no longer switch to the Estonian tax model.

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

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

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

The Tax Code of Georgia provides for charging corporate income tax on certain transactions not related to the entity's economic activities, free of charge supplies and representative expenses over the allowed limit. The 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) 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.

(h) 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.

(i) 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.

During construction, the Group may assume additional obligations for renovation and free-of-charge transfer to municipal authorities of certain real estate objects, including parks nearby the construction.

If the assumption of such obligations is directly related to the construction of residential real estate objects intended for sale, the costs of fulfilling these obligations are included in the overall cost of the construction project to which they relate.

(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.

(j) 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 consolidated 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 consolidated 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.

(k) Equity

Capital represents the nominal amount of capital in the founding documentation of the Company and is classified as equity.

(l) 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 consolidated 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.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out 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.

28. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- *IFRS 18 Presentation and Disclosure in Financial Statements.*
- *Lack of Exchangeability (Amendments to IAS 21).*
- *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).*

29. Subsequent events

Effective from 1 January 2025, amendments were made to the Tax Code of Georgia, according to which, the Group is now subject to 20% tax on Revenue from Slot machines as defined by the Tax Code of Georgia (up from the previous rate of 15%).



Silk Real Estate