Silk Real Estate LLC

Consolidated Financial Statements for 2024

Contents

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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: - 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

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. 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.	the Group's budgeting and forecasting process; - 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.

Revenue recognition from casino operations (Note 5)

The key audit matter	How the matter was addressed in our audit
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.	We have performed the following primary audit procedures: - 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

’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 interests	16	16,893	17,304
Total equity	15	**535,405**	**461,341**
Liabilities			
Loans and borrowings	17	286,595	223,130
Trade and other payables	18	468	599
Non-current liabilities		**287,063**	**223,729**
Loans and borrowings	17	41,000	18,413
Trade and other payables	18	19,998	19,546
Current liabilities		**60,998**	**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 12 to 59.

'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:

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Director
Mamuka Shurgaia

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 12 to 59.

000 GEL	**Note**	**Capital**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 Janaury 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	16 (b)	-	-	-	(6,240)	(6,240)
Changes in Group entity's capital	16 (b)	-	-	-	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 12 to 59.

Balance as at 1 Janaury 2024		492,242	(48,205)	444,037	17,304	461,341
Total comprehensive income						
Profit 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 (b)	-	(2,125)	(2,125)	(795)	(2,920)
Dividends declared by the Group entities	16 (b)	-	-	-	(4,937)	(4,937)
Changes in Group entity's capital	16 (b)	-	-	-	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 12 to 59.

'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		(4,366)	(2,437)
Trade and other payables		(9,525)	4,005
Cash flows from operations before income taxes and interest paid		**33,074**	**66,347**
Interest paid	17	(27,624)	(32,186)
Net cash from operating activities		**5,450**	**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/ (used in) financing activities		**177,407**	**81,009**
Net (decrease)/ increase in cash and cash equivalents		**57,220**	**(11,773)**
Cash and cash equivalents at 1 January		40,779	53,912
Effect of movements in exchange rates on cash and cash equivalents		454	(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 12 to 59.

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 planed 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(h)(iii) – useful lives of property and equipment;
– Notes 14 and 17 – recognition and measurement of related party loans received on preferencial 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 properties;
– 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 XX thousand (2023: GEL XX 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% (see also note 29(a)).

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	(343)	-	(539)	(526)	(183)	(1,591)
Transfers	414	-	-	(414)	-	-
Balance at 31 December 2024	**337,177**	**19,110**	**48,867**	**200,903**	**33,303**	**639,360**
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	(14,026)	(2,193)	(2,733)	-	(427)	(19,379)
Impairment for the year	-	-	-	(14,039)	-	(14,039)
Disposals and write offs	-	-	30	-	83	113
Balance at 31 December 2024	**(124,192)**	**(12,309)**	**(36,950)**	**(14,039)**	**(15,308)**	**(202,798)**
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 XX %. (2023: GEL 2,381 thousand, with a capitalisation rate of XX%).

(a) Security

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

(b) Impairment of property and equipment

At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The management determined that the Group's property and equipment is related to the 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 XX to XX 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 XX% to YY% 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
Cost			
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**
Amortisation			
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)**
Carrying amounts			
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 XX %. (2023: GEL XX thousand, with a capitalisation rate of XX%).

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
Income approach: 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.	As at 31 December 2024 and 2023, discount and capitalization rates used in the valuation ranged between 10%-12.8%.	The estimated fair value would increase (decrease) if: – the reversion rate was (higher) lower
Income/market approach: 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. Market approach was used in valuation process of residential spaces while retail and office spaces were valued using income approach.	– 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.	– 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).
Recent market transactions: The valuation model is based on announced asking prices for similar properties in the similar location and physical condition.	- The significant unobservable inputs related to the differences in the characteristics of the lands, such as size, location, access to the property and discount achieved through negotiation, for which the appraiser applied 5% to 35% adjustments to observed asking prices.	The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).

(c) Security

As at 31 December 2024 and 31 December 2023 part of the Group's investment property (approximately 23% 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 (see also note 29).

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 consequetive 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 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 sharholdings 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, the non-controlling shareholder has refused to interfere in the management of the Company and will have no access to the its returns. 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**
(Loss)/Profit and total comprehensive income/ (loss)	4,178	3,971	41,940	528
(Loss)/Profit and total comprehensive income/(loss) 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	144,864	106,583
Loans from related parties	29,327	9,771
Loans from third parties	1,769	682
Bonds issued	110,635	106,094
	286,595	**223,130**
Current liabilities		
Current portion of bank loans	16,251	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
	41,000	**18,413**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2024		31 December 2023	
’000 GEL	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured Bank Loan	EUR	6m EURIBOR+7.5%	2024	22,862	22,862	864	864
Secured Bank Loan	EUR	11%	2024	22,740	22,740	835	835
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 refinance 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 refinance rate	2033	9,466	9,466	10,010	10,010
Secured Bank Loan	GEL	5.25%+ NBG refinance 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 refinance 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 refinance 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	-	-
Unsecured Third Party Loan	GEL	14%	On Demand	1,060	1,060	990	990
Unsecured Related Party Loan	GEL	0%	2030	2,000	948	-	-
Unsecured Related Party Loan	GEL	0%	2030	2,000	948	-	-

				31 December 2024		31 December 2023	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**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	-	-
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
Unsecured Related Party Loan	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, investment property and inventory 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 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 from31 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

'000 GEL	**Loans and borrowings and movements related to other equity transactions**	**Bonds issued**	**Total**
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)
Other movements	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 22% to 39% (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)
Reversal/(increase) 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)
Reversal/(increase) during the year	(435)	(250)
Write-off	856	-
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	192,516	333,998	1,060	39,557	36,573	85,396	171,412
Bonds issued	135,079	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 receivebles		625
Cash and cash equivalents		21,406
Loans and borrowings	(135,593)	(11,345)
Bonds issued	(78,368)	(108,822)
Trade and other payables		(2,383)
Net exposure		**(94,721)**

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

in GEL	**Average rate**		**Reporting date spot rate**	
	2024	**2023**	**2024**	**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)				
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 6.8 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	(189,221)	(117,558)
	(170,005)	**(97,823)**
Variable rate instruments		
Financial liabilities	**(138,374)**	**(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 1,383 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 20244 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, Yerkin Tatishev, with indirect minority holding (36.51%) in the Company. The Company's ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual George Ramishvili. No publicly available financial statements are produced by the Company's ultimate parent company or any other intermediate parent company.

(b) Key management remuneration

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	**8,572**	**11,077**

(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 3,085 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 detailes on the operations of the segments are described in note 1 (b).

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

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 operting 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 operting 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 operting 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 operting 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 revnues:

’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 “yellobox” 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 reveiwing the performance of the operating segments; instead, management analyzes the performance of its segments based on the balance sheets presented for the “Greenbox” and “Yellobox” entities. The respective voluntary disclosures are presented below.

	31 December 24			
’000 GEL	**"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			
’000 GEL	**"Greenbox" entities**	**"Yellowbox" entities**	**Eliminations**	**Consolidated**
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 statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

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

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

(v) Offsetting

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

(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 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 separate 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