SRG Real Estate LLC

Consolidated Financial Statements
for 2022

Contents

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Independent Auditors' Report

To the Owners of SRG Real Estate LLC

Opinion

We have audited the consolidated financial statements of SRG Real Estate LLC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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

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 155,096 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	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;

Revenue recognition from casino operations (Note 5)	
The key audit matter	**How the matter was addressed in our audit**
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.	- 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 2022 and 2021 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 Standarts, 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:

Natia Tevzadze

KPMG Georgia LLC
Tbilisi, Georgia
15 May 2023

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- 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.
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Natia Tevzadze

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KPMG Georgia LLC
Tbilisi, Georgia
15 May 2023

'000 GEL	**Note**	**31 December 2022**	**31 December 2021**
Assets			
Property and equipment	8	331,151	267,193
Investment property	10	238,930	309,771
Intangible assets	9	6,700	5,619
Prepayments for non-current assets		1,592	308
Loans receivable	14	222,123	237,275
Non-current assets		**800,496**	**820,166**
Inventories		6,483	4,873
Loans receivable	14	1,886	40,710
Trade and other receivables	11	11,523	8,966
Cash and cash equivalents	13	53,912	34,413
Prepayments and other assets	12	9,062	7,747
Current assets		**82,866**	**96,709**
Total assets		**883,362**	**916,875**
Equity			
Charter capital		671,140	671,140
Accumulated losses		(122,875)	(137,860)
Equity attributable to owners of the Company		**548,265**	**533,280**
Non-controlling interests		12,091	7,529
Total equity	15	**560,356**	**540,809**
Liabilities			
Loans and borrowings	17	230,374	263,497
Trade and other payables	18	-	504
Put option liability	16	42,138	42,436
Non-current liabilities		**272,512**	**306,437**
Loans and borrowings	17	33,287	49,296
Trade and other payables	18	17,207	20,333
Current liabilities		**50,494**	**69,629**
Total liabilities		**323,006**	**376,066**
Total equity and liabilities		**883,362**	**916,875**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 54.

’000 GEL	**Note**	**2022**	**2021**
Revenue	5	246,002	144,738
Other income	5	17,030	7,795
Operating costs	6	(88,328)	(59,607)
Wages and other employee benefits		(87,679)	(51,606)
Depreciation and amortisation		(26,977)	(29,408)
Impairment reversal/(loss) of trade and other receivables and loans receivable	19 (b(ii))	650	(374)
Other expenses		(2,699)	(2,250)
Results from operating activities		**57,999**	**9,288**
Interest income		18,639	19,655
Net foreign exchange (loss)/gain		(5,220)	3,032
Interest expense		(26,284)	(29,515)
Net finance costs	7	**(12,865)**	**(6,828)**
Profit before income tax		**45,134**	**2,460**
Income tax		-	-
Profit and total comprehensive income for the year		**45,134**	**2,460**
Profit and total comprehensive income attributable to:			
Owners of the Company		38,244	463
Non-controlling interests	16	6,890	1,997

These consolidated financial statements were approved by management on 15 May 2023 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 10 to 54.

'000 GEL	Note	2022	2021
Revenue	5	246,002	144,738
Other income	5	17,030	7,795
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Non-controlling interests		6,890	1,997

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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 10 to 54.

000 GEL	Note	Charter capital	Accumulated losses	Total	Non-controlling interests	Total equity
Balance as at 1 Janaury 2021		671,140	(136,691)	534,449	4,545	538,994
Total comprehensive income						
Profit and total comprehensive income for the year		-	463	**463**	1,997	**2,460**
Total transactions with owner, recorded directly in equity						
Change in the carrying amount of the put option liability	16	-	(1,632)	**(1,632)**	-	**(1,632)**
Acquisition of subsidiary with non-controlling interests	16	-	-	**-**	987	**987**
Balance 31 December 2021		**671,140**	**(137,860)**	**533,280**	**7,529**	**540,809**
Balance as at 1 Janaury 2022		671,140	(137,860)	533,280	7,529	540,809
Total comprehensive income						
Profit and total comprehensive income for the year		-	38,244	**38,244**	6,890	**45,134**
Total transactions with owner, recorded directly in equity						
Change in the carrying amount of the put option liability	16	-	298	**298**	-	**298**
Fair value adjustment on received related party loans	17	-	9,900	**9,900**	-	**9,900**
Write-off of issued related party loans	14, 16	-	(32,435)	**(32,435)**	355	**(32,080)**
Dividends declared by the Group entities	15 (b), 16	-	(1,022)	**(1,022)**	(2,683)	**(3,705)**
Balance 31 December 2022		**671,140**	**(122,875)**	**548,265**	**12,091**	**560,356**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 54.

’000 GEL	**Note**	**2022**	**2021**
Cash flows from operating activities			
Profit before income tax		45,134	2,460
Adjustments for:			
Depreciation and amortisation		26,977	29,408
Impairment (reversal)/loss of trade and other receivables and loans receivable		(650)	374
Loss/(gain) on disposal/write off of property and equipment, investment property and intangible assets		61	(777)
Net finance costs		12,865	6,828
Changes in:			
Inventories		(1,610)	(1,134)
Trade and other receivables		(3,036)	7,279
Prepayments and other assets		(1,315)	(1,334)
Trade and other payables		(523)	8,108
Cash flows from operations before income taxes and interest paid		**77,903**	**51,212**
Interest paid	17	(24,465)	(43,132)
Net cash from operating activities		**53,438**	**8,080**
Cash flows from investing activities			
Proceeds from sale of property and equipment, investment property and intangible assets	10	-	2,987
Issuance of related party loans	23	(7,141)	(10,186)
Repayments of issued related party loans		9,655	7,116
Interest received		307	841
Consideration paid for business acquisition		(2,137)	-
Acquisition of property and equipment, intangible assets and investment property		(20,368)	(22,720)
Net cash used in investing activities		**(19,684)**	**(21,962)**
Cash flows from financing activities			
Proceeds from borrowings	17	33,968	34,587
Repayment of borrowings	17	(44,057)	(1,821)
Net cash (used in)/ from financing activities		**(10,089)**	**32,766**
Net increase in cash and cash equivalents		**23,665**	**18,884**
Cash and cash equivalents at 1 January		34,413	16,221
Effect of movements in exchange rates on cash and cash equivalents		(4,166)	(692)
Cash and cash equivalents at 31 December	13	**53,912**	**34,413**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 54.

1. Reporting entity

(a) Georgian business environment

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

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

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

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

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

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

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

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

During 2022, based on preliminary feasibility studies and pre-designing work/assessments, the Group made decision to proceed with renovation and reconstruction of former Telegraph Building in Tbilisi into 5 star 241-room hotel, that will be managed by Silk Road Group Hospitality under the Radisson Collection brand. For this purposes, the Group concluded international license agreement with Radisson Collection hotel brand and started construction activities. Construction budget was approved during 2022 and the Group signed agreements with TBC Bank JSC and Bank of Georgia JSC to finance the construction.

In 2023, the Group has issued a USD 20 million bond – the first of two tranches worth USD 40 million. The first tranche of USD 20 million offers a coupon of 9.00% p.a. (gross) with a maturity of 3 years. The second USD 20 million tranche is expected to be issued later this year. As a result, in 2023 SRG Real Estate LLC became a publicly listed company on the Georgian Stock Exchange (see note 29).

The owners of the Company are as follows:

Name	**31 December 2022**	**31 December 2021**
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 Standards as issued by the International Accounting Standards Board (IFRS 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 IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

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

- Note 8 – assessment of impairment indicators for property and equipment;
- Note 27(h)(iii) – useful lives of property and equipment;
- Note 19 (b)(ii) - impairment of loans issued: determining inputs of the ECL measurement model;
- Notes 14 and 17 - recognition of below market interest rate related party loans and write off of issued related party loans through equity;
- Note 16 – recognition and measurement of put option liability.

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 note 8 (b) –determination of recoverable amount of property and equipment of Radisson Collection Hotel located in Tsinandali.

Other significant judgements and estimates are included in the following notes:

- Note 10 – valuation of investment property;
- Note 19 (b) (iii) – assessment of the Group's liquidity position and going concern.

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	**2022**	**2021**
Revenue from casino operations	**155,096**	**81,460**
Revenue from casino live games	*100,702*	*57,955*
Revenue from slot machines	*54,394*	*23,505*
Revenue from hotels' and Complex Republic operations	**82,665**	**56,964**
Food and beverage revenue	*41,491*	*24,850*
Room revenue	*34,594*	*27,744*
Other hotel revenue	*6,580*	*4,370*
Other revenue	**8,241**	**6,314**
	246,002	**144,738**

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. Other revenue comprises income from many different activities, such as operation of clubs, restaurants, event halls, museums and lease out of investment properties. See note 27 (b) for further details. Approximately 37% of total revenue in 2022 (2021: 44%) 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	2022	2021
Income from casino tips	11,829	4,886
Other	5,201	2,909
	17,030	**7,795**

6. Operating costs

’000 GEL	2022	2021
Customer related cost*	16,914	9,911
Consumption of inventories	11,597	7,784
Quarterly permission fee expenses**	9,433	4,555
Utility expenses	7,221	5,488
Hotel supplies	5,839	3,594
Marketing expenses	5,075	2,870
Consulting and professional fees***	4,050	2,259
Bank and other commissions	3,651	2,830
Taxes other than on income tax	3,594	2,802
Lease expenses	3,041	3,216
Repair and maintenance	2,516	2,141
Royalty fees ****	2,149	1,530
Contractor service fees	2,186	1,648
Security expenses	1,550	855
Other operating costs	9,512	8,124
	88,328	**59,607**

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

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

*** Professional fee above includes fees paid to the audit firms of GEL 729 thousand (2021: GEL 585 thousand) for the provision of audit services.

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

7. Net finance costs

’000 GEL	2022	2021
Recognised in profit or loss		
Interest income on loans receivable	18,639	19,655
Net foreign exchange gain	-	3,032
Finance income	**18,639**	**22,687**
Net foreign exchange loss	(5,220)	-
Interest expense	(26,284)	(29,515)
Finance costs	**(31,504)**	**(29,515)**
Net finance costs recognised in profit or loss	**(12,865)**	**(6,828)**

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 2021	315,898	8,281	37,412	2,044	19,137	382,772
Additions**	7,636	4,014	3,021	1,548	2,390	18,609
Disposals and write offs	-	(109)	(2,788)	-	(81)	(2,978)
Transfers	1,274	-	738	(2,012)	-	-
Transfer to investment property	(751)	-	-	(787)	-	(1,538)
Balance at 31 December 2021	**324,057**	**12,186**	**38,383**	**793**	**21,446**	**396,865**
Balance at 1 January 2022	324,057	12,186	38,383	793	21,446	396,865
Additions	454	1,578	1,874	406	3,024	7,336
Transfer from investment property (Note 10)	-	-	-	77,703	-	77,703
Disposal and write offs	-	-	(78)	-	(242)	(320)
Transfers	406	-	-	(406)	-	-
Balance at 31 December 2022	**324,917**	**13,764**	**40,179**	**78,496**	**24,228**	**481,584**
Depreciation						
Balance at 1 January 2021	(68,166)	(5,576)	(20,668)	-	(13,522)	(107,932)
Depreciation for the year	(16,628)	(1,241)	(6,121)	-	(666)	(24,656)
Disposals and write offs	-	90	2,745	-	81	2,916
Balance at 31 December 2021	**(84,794)**	**(6,727)**	**(24,044)**	**-**	**(14,107)**	**(129,672)**
Balance at 1 January 2022	(84,794)	(6,727)	(24,044)	-	(14,107)	(129,672)
Depreciation for the year	(13,122)	(1,718)	(5,640)	-	(389)	(20,869)
Disposals and write offs	-	-	78	-	30	108
Balance at 31 December 2022	**(97,916)**	**(8,445)**	**(29,606)**	**-**	**(14,466)**	**(150,433)**
Carrying amounts						
At 1 January 2021	**247,732**	**2,705**	**16,744**	**2,044**	**5,615**	**274,840**
At 31 December 2021	**239,263**	**5,459**	**14,339**	**793**	**7,339**	**267,193**
At 31 December 2022	**227,001**	**5,319**	**10,573**	**78,496**	**9,762**	**331,151**

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 2022 and carrying value of the respective land plot (see note 10).

** In 2021, included in additions of buildings GEL 7,480 thousand is related to the the acquisition of Tsinandali Resorts LLC (see note 22).

(a) Security

At 31 December 2022 and 31 December 2021 major part of the Group's property and equipment (approximately 94%) 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:

- 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 2022, the management analyzed impairment indicators (external and internal) according to IAS 36 and concluded that there is an indication of impairment for the Radisson Collection Hotel (located in Tsinandali, included in the group of Tsinandali Hotels above), because of the significant increase in market interest rates, depreciation of USD against the local currency and the fact that this particular hotel is still on a start-up phases of its operations and is loss-making, considering the slow-down in 2020-2022 due to COVID 19. The recoverable amount of the property and equipment of the Radisson Collection Hotel, as at 31 December 2022, was determined with reference to fair value less costs to sell, which approximates the value in use of the property. The fair value less costs to sell of the property was calculated by management, with assistance of the independent valuator, using income method. As a result no impairment losses were recognized. The following main key assumptions are used in the estimation of the recoverable amount as at 31 December 2022:

- Cash flows are projected based on actual operating results and cash flows for five years and a terminal growth rate thereafter. A long-term growth rate for the terminal period is determined as approximate inflation rate of the USD determined at 2.37%;
- Average daily rate (ADR) is projected to increase gradually and reach pre-pandemic figure by 2025 and is subsequently adjusted for the inflation rate of 2.37%;
- Occupancy rate is projected to increase gradually and reach 65% by 2027. No growth of occupancy rate is projected from 2027;
- Average EBITDA margin of 28% is expected for the projected period, fixed at 30% from 2027; Gradual increase in EBITDA margin is based on increase in revenue and significant optimization of costs, partially based on focusing on all season activities and optimizing fixed cash outflows;
- A discount rate of 13.1% is applied in determining the recoverable amount of the CGU. The discount rate reflects the required rate of return for the cash flows on the invested capital of similar companies denominated in USD.

The key assumptions to which the impairment test is most sensitive include discount rate and inflation rate – individually, increase of 1% point in the discount rate or decrease of 1% point in the inflation rate would have resulted in an impairment loss in a range of GEL 3 million to GEL 4 million.

As at 31 December 2022 and 31 December 2021 no impairment indicators were identified by the management for other cash generating units of the Group. As at 31 December 2021, no impairment indicators were identified for Hotels in Tsinandali.

9. Intangible assets

'000 GEL	**Casino permit**	**Software for slot machines, licenses and other**	**Total**
Cost			
Balance at 1 January 2021	221	3,085	3,306
Additions	3,250	1,513	4,763
Balance at 31 December 2021	**3,471**	**4,598**	**8,069**
Balance at 1 January 2022	3,471	4,598	8,069
Additions	5,550	30	5,580
Disposals	(1,752)	(122)	(1,874)
Balance at 31 December 2022	**7,269**	**4,506**	**11,775**
Amortisation			
Balance at 1 January 2021	(76)	(646)	(722)
Amortisation for the year	(1,498)	(230)	(1,728)
Balance at 31 December 2021	**(1,574)**	**(876)**	**(2,450)**
Balance at 1 January 2022	(1,574)	(876)	(2,450)
Amortisation for the year	(4,237)	(140)	(4,377)
Disposals /write-offs	1,752	-	1,752
Balance at 31 December 2022	**(4,059)**	**(1,016)**	**(5,075)**
Carrying amounts			
At 1 January 2021	**145**	**2,439**	**2,584**
At 31 December 2021	**1,897**	**3,722**	**5,619**
At 31 December 2022	**3,210**	**3,490**	**6,700**

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 Company obtains new permit after the old permit expires, hence the continuity table above shows large amounts of additions and disposals in each year. Permit for operating Casino in Batumi costs GEL 250 thousand per annum. Difference in the costs of permit is determined by Georgian legislation and linked to location of casinos' operations. 2021 was the exception year, when the license fee for Tbilisi casino was reduced from GEL 5 million to GEL 2.5 million due to Covid-19 related government reliefs.

After COVID 19, in 2021 the Group started operation of Batumi casino in April, whereas Tbilisi casino operations were relaunched in July. The license for each casino was obtained according to the respective launch date.

10. Investment property

’000 GEL	**Lands**	**Buildings**	**Construction in Progress***	**Total**
Cost/deemed cost				
Balance at 1 January 2021	**176,813**	**130,392**	**9,058**	**316,263**
Additions	-	70	9,649	9,719
Transfer from property and equipment (note 8)	-	751	787	1,538
Disposals and write offs	-	(2,326)	-	(2,326)
Balance at 31 December 2021	**176,813**	**128,887**	**19,494**	**325,194**
Additions	100	5,492	3,033	8,625
Disposals and write offs	-	(32)	-	(32)
Transfer to property and equipment (note 8)	-	(83,060)	-	(83,060)
Transfers	-	5,833	(5,833)	-
Balance at 31 December 2022	**176,913**	**57,120**	**16,694**	**250,727**
Depreciation				
Balance at 1 January 2021	-	(12,515)	-	(12,515)
Charge for the year	-	(3,024)	-	(3,024)
Depreciation on disposal	-	116	-	116
Balance at 31 December 2021	**-**	**(15,423)**	**-**	**(15,423)**
Charge for the year	-	(1,731)	-	(1,731)
Transfer to property and equipment (note 8)	-	5,357	-	5,357
Balance at 31 December 2022	**-**	**(11,797)**	**-**	**(11,797)**
Carrying amount				
1 January 2021	**176,813**	**117,877**	**9,058**	**303,748**
31 December 2021	**176,813**	**113,464**	**19,494**	**309,771**
31 December 2022	**176,913**	**45,323**	**16,694**	**238,930**

* Construction in progress mainly includes the capital expenditures incurred during 2022 and 2021 for the development of Batumi Riviera residential complex in Adjara region, the first phase of which is expected to be finalized in 2024 and construction of villas in Tsinandali Region.

(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 – former Telegraph building, located in Tbilisi, Georgia (classified under propery pland and equipment as at 31 December 2022, see below);
- 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 Centre Plaza LLC and New Office 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 2022 and 31 December 2021, 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 2022 or 2021.

(b) Fair value of investment property

As at 31 December 2022 and 2021, management of the Group, with an assistance of external independent valuers (as at 31 December 2022), 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**	
		2022	**2021**	**2022**	**2021**
Properties 3,4,5,6, 9-15	Recent market transactions and other**	290,391	296,361	190,417	196,173
Property 7*	Market/Income approach	25,758	25,063	13,632	13,874
Properties 1,8	Income approach	57,553	39,619	34,881	27,378
Total		**373,702**	**361,043**	**238,930**	**237,425**

*As at 31 December 2022 and 2021, 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.

During 2022, following the start of the construction of Telegraph Hotel (see note 1), Property 2 was reclassified to property and equipment, as from 2022 the hotel is expected to be managed by the Group. As at 31 December 2021, carrying value and fair value of Property 2 amounted GEL 72,346 thousand and GEL 80,538 thousand, respectively. For fair value measurement see below.

** Properties with the carrying amount of GEL 2,333 thousand (31 December 2021: GEL 7,221 thousand) is valued using the cost approach, where the cost approximates the carrying amount.

Valuation technique and significant unobservable inputs

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

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Income approach: 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 2022 and 2021, discount and capitalization rates used in the valuation ranged between 10%-13% and 10%-12%, respectively.	The estimated fair value would increase (decrease) if: – the reversion rate was (higher) lower

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income/market approach: Fair value of Property 2 has been estimated using the combination of 1) the discounted cash flow techniques based on the expected cash inflows and outflows arising from the hotel in the center of Tbilisi; and 2) market approach based on announced asking prices for similar properties in the similar location and physical condition (hotel represents the anticipated, as well as highest and best use of the property).	− Occupancy rate will increase gradually from 55% to 70% (which is stabilised occupancy rate); − Average Daily Rate (ADR) was considered to be increased gradually from USD 130 to USD 170; − Capitalization rate and discount rate is approximately 8% to 10%, respectively; − The significant unobservable inputs related to the differences in the characteristics of the property, such as size, location, condition of the property and the discount achieved through negotiation, for which the appraiser applied 5% to 20% adjustments to observed asking prices.	− The estimated fair value would increase (decrease) if: − the reversion rate was (higher) lower − the initial investment was (higher) lower − projected ADR and occupancy rates were higher (lower) − The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).
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 2022 and 2021, discount and capitalization rates used in the valuation ranged between 10%-13% and 10%-12%, respectively. − The significant unobservable inputs related to the differences in the characteristics of the property, such as size, location, condition of the property and the discount achieved through negotiation, for which the appraiser applied 5% to 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 10% to 35% adjustments to observed asking prices.	The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).

(c) Security

As at 31 December 2022 and 31 December 2021 part of the Group's investment property (approximately 59% and 80%, respectively) is pledged under the Group's secured bank loans (see note 17).

11. Trade and other receivables

’000 GEL	31 December 2022	31 December 2021
Trade receivables	6,687	5,985
Other receivables	10,443	9,034
Trade and other receivables included in loans and receivables category	**17,130**	**15,019**
Less: credit loss allowance	(5,607)	(6,053)
	11,523	**8,966**

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 2022	31 December 2021
Prepayments	6,285	5,481
Tax assets	1,516	1,484
Other	1,261	782
	9,062	**7,747**

13. Cash and cash equivalents

’000 GEL	31 December 2022	31 December 2021
Cash on hand	11,951	11,563
Bank balances	41,961	22,850
	53,912	**34,413**

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 2022	31 December 2021
Non-current assets		
Related party loans	224,563	239,893
Current assets		
Related party loans	1,949	40,799
Total	**226,512**	**280,692**
Less: allowance for impairment loss	(2,503)	(2,707)
	224,009	**277,985**

Terms and payment schedule:				**31 December 2022**		**31 December 2021**	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Related party loan	USD	11%	2025	104,672	103,860	112,906	112,093
Related party loan	USD	12%	2024	60,029	59,628	64,504	63,951
Related party loan	USD	10%	2025	19,836	18,646	20,826	19,576
Related party loan	USD	10%	2025	18,711	18,711	20,134	20,134
Related party loan	GEL	10%	2024/2022	9,722	9,687	5,551	5,516
Related party loan	USD	7%	2025	5,778	5,778	6,200	6,200
Related party loan	GEL	13%	2025/2023	4,723	4,723	3,483	3,483
Related party loan	USD	9%	2025	1,188	1,188	1,230	1,230
Related party loan	USD	14%	2022	1,053	990	1,094	1,040
Related party loan	GEL	14%	2025	522	522	-	-
Related party loan	USD	14%	2025	278	276	295	293
Related party loan*	USD	11%	2022	-	-	33,191	33,191
Related party loan	USD	4%	2025	-	-	10,315	10,315
Related party loan*	GEL	14%	2022	-	-	963	963
Total interest-bearing assets				**226,512**	**224,009**	**280,692**	**277,985**

* On 31 December 2022, agreement was formed between the Group and the related party entity on the forgiveness of total outstanding loan amounts of USD 11,632 thousand and GEL 1,003 thousand. The transaction was considered as a transaction with shareholders, acting in the capacity of shareholders, and respectively GEL 32,435 thousand was recognized directly in equity.

15. Capital and reserves

(a) Charter capital

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

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

(b) Dividends

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

In 2022 (2021: nil), the Group entities declared dividends to the minority shareholder in the amount of GEL 3,705 thousand; GEL 2,640 thousand was netted off with the loans receivable from the same counterparty.

(c) Capital management

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

(d) Security

As at 31 December 2022 and 31 December 2021, capital of Tsinandali Estates LLC (see note 22) is pledged in respect of Partners' Agreement (see note 16).

As at 31 December 2022 and 31 December 2021, capitals of 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 2022 and 31 December 2021 capital of Batumi Riviera LLC is pledged in respect of secured third party loans (see note 17).

As at 31 December 2022 capital of Tsinandali Resorts LLC (see note 22) is pledged in respect of secured bank loans (see note 17).

16. Non-controlling interests and put option liability

Put option liability

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

The Group believes that from an economic perspective, the option will be exercised in substantially all cases and the sensitivity of the exercise price to the variations in the fair value of the ownership interest is sufficiently low that substantially all of that variation accrues to the parent. Consequently management believes that the non-controlling shareholder does not have present access to the returns associated with the underlying ownership interest in Tsinandali Estates LLC and as such applies anticipated-acquisition method to the investment. Furthermore, the Group has recognised put option liability of GEL 42,138 thousand and GEL 42,436 thousand as at 31 December 2022 and 31 December 2021, respectively, with reference to the present value of the exercise price of the option, discounted by the discount rate of approximately 12-13% for each year.

In 2022, the Group made decision 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. Consequently, as at 31 December 2022 the put option liability is discounted on the basis of settlement date of 30 May 2023 (31 December 2021: settlement date of 31 July 2025). As at 31 December 2022 and 2021, put option liability is recognised as non-current, based on the contractual terms.

During 2022 and 2021 the Group has recognised changes in the carrying amounts of put option liabilities of GEL 298 thousand and GEL 1,632, respectively, 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.

’000 GEL	Georgian Hotel Management	Iveria Centre	Limoni 2009	Tsinandali Resorts*
NCI percentage	**4%**	**50%**	**12%**	**49%**
Total assets	59,092	21,733	118,938	9,367
Total liabilities	(25,454)	(21,496)	(46,252)	(7,789)
Net assets	**33,638**	**237**	**72,686**	**1,578**
Carrying amount of NCI	**1,366**	**119**	**8,722**	**774**
Profit/(loss) and total comprehensive income/(loss)	1,394	1,320	52,668	(301)
Profit/(loss) and total comprehensive income/(loss) attributable to NCI	**56**	**661**	**6,320**	**(147)**
Dividends declared attributable to NCI	**(43)**	**-**	**(2,640)**	**-**
Other equity movements attributable to NCI	**355**	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**4,407**	**(248)**	**1,463**	**169**

31 December 2021

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

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

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 2022	31 December 2021
Non-current liabilities		
Bank loans	170,977	216,544
Loans from related parties	51,253	27,435
Loans from third parties	8,144	19,518
	230,374	**263,497**
Current liabilities		
Current portion of bank loans	20,358	4,702
Current portion of third party loans	12,929	1,507
Current portion of related party loans	-	43,087
	33,287	**49,296**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2022		31 December 2021	
’000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan	EUR	7,5% + Euribor 6 months	2033	32,756	32,756	42,762	42,762
Secured bank loan	USD	9%+ Libor 6 months	2033	25,856	25,856	30,158	30,158
Parent loan*	USD	4%	2022/2030	34,934	25,073	43,133	43,133
Secured bank loan	GEL	5.25% + NBG ref. Rate	2033	21,553	21,553	21,553	21,553
Secured bank loan	GEL	5.25% + NBG ref. Rate	2027	18,278	18,278	18,386	18,386
Secured bank loan	USD	7.85% + Libor 6 months	2033	12,696	12,696	16,059	16,059
Secured third party loan	USD	9%	2023	11,946	11,946	12,521	12,521
Secured bank loan	USD	7.85%+ Libor 6 months	2033	11,284	11,284	20,178	20,178
Secured bank loan	GEL	5.25% + NBG ref. Rate	2023	10,393	10,393	10,579	10,579
Secured bank loan	GEL	6% + NBG ref. Rate	2027	10,215	10,215	10,215	10,215
Secured bank loan	GEl	3% + Refinancing Rate	2027	8,048	8,048	-	-
Unsecured third party loan	GEL	14%	2025	7,530	7,530	6,856	6,856
Unsecured related party loan	USD	0.75% + 12M Libor	2030	7,433	7,433	8,134	8,134
Secured bank loan	EUR	7.5% + 6M Euribor	2022/2023	6,018	6,018	2,193	2,193
Secured bank loan	USD	6.5% + 6m Libor	2028	5,884	5,884	7,135	7,135
Parent Loan	EUR	0.75% + 12M Libor	2025	5,251	5,251	6,332	6,332
Secured bank loan	EUR	7.5% + Libor 6 months	2033	5,148	5,148	-	-
Secured bank loan	GEL	5.75% + NBG refinance rate	2033	4,640	4,640	-	-
Secured bank loan	GEl	16%	2027	4,557	4,557	-	-
Secured bank loan	USD	7.85% + 6m Libor	2033	3,801	3,801	-	-
Unsecured related party loan	USD	0%	2025	3,308	3,308	3,792	3,792
Unsecured related party loan	USD	4%	2025	3,089	3,089	3,476	3,476
Secured bank loan	GEL	6% + NBG ref. Rate	2027	2,820	2,820	2,820	2,820
Secured bank loan	EUR	7.25% + 6M Euribor	2033	2,612	2,612	3,134	3,134
Secured bank loan	USD	9.45%+ Libor 6 months	2033	2,582	2,582	2,960	2,960
Secured related party loan	GEL	12%	2035	1,935	1,935	1,994	1,994
Unsecured related party loan	USD	9%	2035	1,852	1,852	2,214	2,214
Unsecured related party loan	USD	4%	2030	1,708	1,708	-	-
Secured bank loan	USD	12%	2027	1,200	1,200	-	-
Secured bank loan	USD	7.7%+ Libor 6 months	2033	994	994	2,748	2,748
Unsecured third party loan	GEL	14%	On demand	920	920	853	853

’000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2022 Face value	31 December 2022 Carrying amount	31 December 2021 Face value	31 December 2021 Carrying amount
Secured related party loan	USD	12%	2035	881	881	1,040	1,040
Unsecured third party loan	USD	15%	2022/2030	474	347	511	511
Unsecured related party loan	USD	0.75% + 12M Libor	2030	359	359	407	407
Unsecured third party loan	GEL	16%	2025	175	175	143	143
Unsecured third party loan	EUR	11%	2023	63	63	141	141
Unsecured third party loan	GEL	14%	2025	92	92	-	-
Unsecured related party loan	USD	10%	2025	41	41	-	-
Secured related party loan	EUR	9%	2029	323	323	-	-
Secured bank loan	GEL	5.75% + NBG refinance	2033	-	-	3,773	3,773
Secured bank loan	USD	8.5% + 6M Libor	2027	-	-	5,154	5,154
Secured bank loan	GEL	5.75% + Refinancing Rate	2027	-	-	4,449	4,449
Secured bank loan	GEL	5.25% + NBG ref. Rate	2033	-	-	716	716
Secured bank loan	USD	8.5% + 6M Libor	2027	-	-	929	929
Secured bank loan	USD	8.2%+ Libor 6 months	2033	-	-	1,340	1,340
Secured bank loan	USD	8.83% + 6M USD Libor	2027	-	-	1,045	1,045
Secured bank loan	USD	7.85% + Libor 6 months	2033	-	-	2,013	2,013
Secured bank loan	EUR	7.5%+ Euribor 6 months	2033	-	-	3,438	3,438
Secured bank loan	USD	8.2%+ Libor 6 months	2033	-	-	3,399	3,399
Secured bank loan	USD	8.5% + 6M Libor	2027	-	-	4,110	4,110
Total interest-bearing liabilities				**273,649**	**263,661**	**312,793**	**312,793**

* On 7 August 2022, the loan amendment was signed between the Group and its intermediate parent entity for the prolongation of loan term from 31 December 2022 till 31 December 2030 on non-market terms (4% nominal interest rate). As a result, at initial recognition, the loan was discounted using market rate of interest of 7.6% and the difference between the carrying amount and the fair value of loan, in the amount of GEL 9,900 thousand was recognized directly in equity.

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

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

’000 GEL	Loans and borrowings
Balance at 1 January 2022	312,793
Proceeds from borrowing	33,968
Repayment of borrowings	(44,057)
Total changes from financing cash flows	**(10,089)**
The effect of changes in foreign exchange rates	**(32,368)**
Other changes	
Additional paid-in capital	(9,900)
Other movements	1,406
Interest expense	26,284
Interest paid	(24,465)
Total other changes	**(6,675)**
Balance at 31 December 2022	**263,661**

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

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

18. Trade and other payables

’000 GEL	31 December 2022	31 December 2021
Current liabilities		
Trade payables	5,607	6,214
Payables for acquisition of property and equipment	3,531	2,754
Taxes payable	2,111	2,640
Consideration payable for business acquisition (Note 22)	-	2,429
Payables to employees	3,618	1,683
Other payables	2,340	4,613
	17,207	**20,333**
Non-current liabilities		
Payables for acquisition of property and equipment	-	504
	-	**504**

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 2022, approximately 1% and 33% 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 2021: 1% and 40%, respectively).

PD (12-month) for loans receivable was determined as 2.7% by an individual approach by an expert on a rating system based on a scoring questionnaire and represents the rated company's rating (based on Fitch rating agency) in the Silk Road Group adjusted by the individual risk characteristics of the borrowers from the same group.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, collateral market value and timing of realization of the collateral, if applicable. LGD is calculated on a discounted cash flow basis using effective interest rate as the discounting factor. Derived LGDs to the different exposures varies from 22% to 39% (31 December 2021: 17% to 40%).

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

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

Determining whether credit risk has increased significantly

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. One of the criteria the Group uses for determining whether there has been a significant increase in credit risk is a backstop indicator of more than 30 days past due. As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 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 2022 and 31 December 2021, approximately 90% of total loans receivable is allocated to Stage 1 as there was no increase in credit risk of the financial instruments since initial recognition. The remaining balances are allocated to Stage 2.

As at 31 December 2022 and December 2021, approximately 35% of trade and other receivables are allocated to Stage 3 as they are overdue more than 90 days. Such trade receivables are mostly related to rental income receivable from related party entities, that have history of past due payments and non-performance.

Sensitivity analysis

10% increase in expected credit loss rate, assuming that all other variables remain constant, could affect the expected credit loss on trade and other receivables for 2022 and 2021 by approximately GEL 1.7 million and GEL 1.5. million, respectively.

1% increase in expected credit loss rate, assuming that all other variables remain constant, could affect the expected credit loss on loans receivable for 2022 and 2021 by approximately GEL 2.3 million and GEL 2.8 million, respectively.

Impairment losses on loans receivable

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

'000 GEL	**2022**	**2021**
Balance at 1 January	(2,707)	(2,536)
Reversal/(increase) during the year	204	(171)
Balance at 31 December	**(2,503)**	**(2,707)**

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	**2022**	**2021**
Balance at 1 January	(6,053)	(5,850)
Reversal/(increase) during the year	446	(203)
Balance at 31 December	**(5,607)**	**(6,053)**

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 2022 and 2021).

(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 (except for put option liability, see below), including estimated interest payments and excluding the impact of netting agreements.

31 December 2022

’000 GEL	Carrying amount	Contractual cash flows	On demand	Less than 1 yr	1-2 yrs	2-5 yrs	Over 5 yrs
Non-derivative financial liabilities							
Loans and borrowings	263,661	425,173	920	55,204	36,897	133,135	199,017
Trade and other payables	17,207	17,207	-	17,207	-	-	-
Put option liability	42,138	44,324	-	44,324	-	-	-
	323,006	**486,704**	**920**	**116,735**	**36,897**	**133,135**	**199,017**

31 December 2021

’000 GEL	Carrying amount	Contractual cash flows	On demand	Less than 1 yr	1-2 yrs	2-5 yrs	Over 5 yrs
Non-derivative financial liabilities							
Loans and borrowings	312,793	475,832	853	74,010	53,616	153,915	193,438
Trade and other payables	20,837	20,934	-	20,333	601	-	-
Credit related commitments* (note 21(b))	-	371,712	371,712	-	-	-	-
Put option liability	42,436	63,696	-	-	-	63,696	-
	376,066	**932,174**	**372,565**	**94,343**	**54,217**	**217,611**	**193,438**

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

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. As at 31 December 2022, the Group’s current liability position of GEL 117,655 thousand is partially driven by the put option liability of GEL 44,324 thousand, which is contractually non-current, but expected to be settled in 2023 by the funds received from the issuance of the bonds on the Georgian Stock Exchange (see note 1). For the rest of the current liabilities, the Group has sufficient net current asset position to settle them, when due. 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 2022 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 2022**	**USD-denominated 31 December 2021**
Loans receivable	209,077	268,023
Trade and other receivebles	700	533
Cash and cash equivalents	32,145	13,330
Loans and borrowings	(120,334)	(172,456)
Trade and other payables	(1,896)	(3,709)
Put option liability	(42,138)	(42,436)
Net exposure	**77,554**	**63,285**

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

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

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 2022				
USD (15% movement)	6,321	(17,954)	(6,321)	17,954
31 December 2021				
USD (15% movement)	6,365	(15,858)	(6,365)	15,858

As at 31 December 2022 and 31 December 2021, 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 7.8 million (31 December 2021 – 15%:GEL 8.7 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**	
	2022	**2021**
Fixed rate instruments		
Financial assets	224,009	277,985
Financial liabilities	(65,040)	(76,674)
	158,969	**201,311**
Variable rate instruments		
Financial liabilities	**(198,621)**	**(236,119)**

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 1,986 thousand (2021: GEL 2,361 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

20. Commitments

Other commitments

As at 31 December 2022, the Group has investment obligations for the construction of investment property towards the Government of Georgia of 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.

21. Contingencies

(a) Taxation contingencies

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

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

(b) Financial guarantees

As at 31 December 2021, the Group stands as a guarantor of the indebtedness of the related party towards JSC TBC Bank for USD 120 million. Under the guarantee agreement, the Group is liable for the total withdrawn loan balances in case of the event of default by the related party. The loans were negotiated in 2019 and were fully repaid in 2022.

As at 31 December 2021, the withdrawn amount of the credit facilities was GEL 17,257 thousand, equivalent to EUR 4,925 thousand.

22. Subsidiaries

Entity	**Principal Activity**	**Date of Incorporation**	**Group's ownership percentage as at 31 December 2022**	**Group's ownership percentage as at 31 December 2021**	**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	67%	67%	Indirect, through Tsinandali Savane LLC
Tsinandali LLC	Museum operation	3 October 2005	100%	100%	Direct
Georgian Wine Institute LLC	Wine tasting and training service	26 December 2011	100%	100%	Indirect, through Tsinandali LLC
SRG Investments LLC	Corporate service provider to the Group	27 May 2011	100%	100%	Direct
Limoni 2009 LLC	Operation of casinos	11 August 2009	88%	88%	Direct
Medea Operating company LLC	Ownership of Batumi Radisson Blu Hotel and related casino	5 November 2010	100%	100%	Direct
F Telecom LLC	Real estate development	2 October 2006	100%	100%	Direct
Riviera LLC	Holding Entity	12 July 2012	100%	100%	Direct
Batumi Riviera LLC	Real estate development	30 May 2018	100%	100%	Indirect, through Riviera LLC
Center Plaza LLC	Real estate development	14 July 2005	100%	100%	Direct
Club Savane LLC	Night club operation	11 April 2018	51%	51%	Indirect, through Centre Plaza LLC
Tsinandali Villas LLC	Real estate development	19 February 2016	100%	100%	Direct
New Hotel JSC	Ownership of Tbilisi Radisson Blu Hotel	30 September 2005	100%	100%	Direct
Silk Road Business Centre LLC	Real estate development	27 August 1997	100%	100%	Direct
Misaktsieli LLC	Real estate development	7 August 2008	100%	100%	Direct from 2022
New Office LLC	Real estate development	7 August 2008	100%	100%	Direct from 2022
Iveria Center LLC	Real estate development	6 August 2013	50%	50%	Indirect, through New Office LLC
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 **(a)**	Operation of Park Hotel Tsinandali	1 March 2018	51%	51%	Direct

(a) Acquisition of subsidiary

On 16 July 2021 the Group obtained control of Tsinandali Resorts LLC by acquiring 51% share and voting interests in the company, for the consideration of USD 784 thousand, included in trade and other payables as at 31 December 2021 (Note 18), which was fully settled in cash during 2022.

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

* On 26 March 2021, the Company incorporated a new subsidiary Silk Hospitality LLC with a purpose to manage the operations of the Hotels.

23. Related parties

(a) Parent and ultimate controlling party

As at 31 December 2022 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 (38.2%) in the Company. The Company's ultimate parent remains Silk Road Group Holding (Malta) Limited – an entity controlled by an individual George Ramishvili. No publicly available financial statements are produced by the Company's ultimate parent company or any other intermediate parent company.

(b) Key management remuneration

Key management received the following remuneration during the year, which is included in wages and other employee benefits.

'000 GEL	**2022**	**2021**
Salaries and other benefits	**9,471**	**6,279**

(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**	
	2022	**2021**	**2022**	**2021**
Other revenue and income*:				
Entities under common control	4,646	5,619	2,111	2,943
Operating expenses:	-			
Entities under common control	(698)	(2,965)	(1,418)	(1,410)
Loans issued:				
Entities under common control	(7,141)	(9,292)	224,009	267,670
Parent company	-	(894)	-	10,315
Loans received:				
Entities under common control	-	-	(19,180)	(21,057)
Parent company	(1,846)	(6,758)	(32,073)	(49,465)

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.

In 2022 the Group recognised forgiveness of related party loans of GEL 32,435 thousand directly in equity, see note 14.

In 2022 interest income of GEL 18,639 thousand (2021: GEL 19,443 thousand) was accrued on loans to related parties. The interest rates and maturities of loans to related parties are disclosed in note 14. In 2022 interest expense of GEL 3,561 thousand (2021: GEL 3,250 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 2022 other revenue with entities under common control mainly includes consulting services of GEL 3,136 thousand (2021: GEL 3,136 thousand) provided to Silknet JSC in relation to strategy development, funding, investment decisions and certain regulatory matters.

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

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

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 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 2022 ’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	42,228	19,731	19,876	**81,835**	(9,596)	72,239	116,896	65,810	**182,706**	(10)	182,696
Other operting income	-	-	777	**777**	-	777	118	712	**830**	-	830
Depreciation and amortization	(6,271)	(2,157)	(7,084)	**(15,512)**	-	(15,512)	(2,352)	(1,166)	**(3,518)**	-	(3,518)
Direct costs and expenses	(24,530)	(11,277)	(16,249)	**(52,056)**	7,253	(44,803)	(61,666)	(59,758)	**(121,424)**	9,694	(111,730)
Overhead costs*	(4,083)	(1,602)	(1,752)	**(7,437)**	152	(7,285)	(187)	(118)	**(305)**	-	(305)
Segment operating profit	**7,344**	**4,695**	**(4,432)**	**7,607**	**(2,191)**	**5,416**	**52,809**	**5,480**	**58,289**	**9,684**	**67,973**
Interest income	2,477	40	12	**2,529**	(57)	2,472	5,340	-	**5,340**	(4,111)	1,229
Interest expense	(151)	-	(3,386)	**(3,537)**	174	(3,363)	-	(6)	**(6)**	-	(6)
Net FOREX	(3,758)	(231)	4,287	**298**	-	298	(2,896)	(670)	**(3,566)**	-	(3,566)
Impairment of financial assets	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss before tax	**5,912**	**4,504**	**(3,519)**	**6,897**	**(2,074)**	**4,823**	**55,253**	**4,804**	**60,057**	**5,573**	**65,630**
Income tax expense	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	**5,912**	**4,504**	**(3,519)**	**6,897**	**(2,074)**	**4,823**	**55,253**	**4,804**	**60,057**	**5,573**	**65,630**
Net operating profit	**17,698**	**8,454**	**4,404**	**30,556**	**(2,343)**	**28,213**	**55,348**	**6,764**	**62,112**	**9,684**	**71,796**
Segment adjusted EBITDA	**13,615**	**6,852**	**2,652**	**23,119**	**(2,191)**	**20,928**	**55,161**	**6,646**	**61,807**	**9,684**	**71,491**
CAPEX and other additions	1,864	1,245	712	3,821	-	3,821	7,188	1,245	8,433	-	8,433

Consolidated statement of profit or loss and other comprehensive income for 2022 ’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	25,597	(9,960)	15,637	**270,572**	7,414	(3)	**7,411**	(4,381)	273,602
Other operting income	2,069	-	2,069	**3,676**	3,500	-	**3,500**	(1,975)	5,201
Depreciation and amortization	(1,199)	-	(1,199)	**(20,229)**	(2,511)	-	**(2,511)**	-	(22,740)
Direct costs and expenses	(10,628)	841	(9,787)	**(166,320)**	(3,678)	3	**(3,675)**	84	(169,911)
Overhead costs*	(24,947)	1,626	(23,321)	**(30,911)**	(4,164)	-	**(4,164)**	6,272	(28,803)
Segment operating profit	**(9,108)**	**(7,493)**	**(16,601)**	**56,788**	**561**	**-**	**561**	**-**	**57,349**
Interest income	23,954	(9,025)	14,929	**18,630**	4,553	(511)	**4,042**	(4,033)	18,639
Interest expense	(36,371)	13,019	(23,352)	**(26,721)**	(4,107)	511	**(3,596)**	4,033	(26,284)
Net FOREX	(7,053)	-	(7,053)	**(10,321)**	5,101	-	**5,101**	-	(5,220)
Impairment of financial assets	650	-	650	**650**	-	-	**-**	-	650
Segment profit/loss before tax	**(27,928)**	**(3,499)**	**(31,427)**	**39,026**	**6,108**	**-**	**6,108**	**-**	**45,134**
Income tax expense	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	**(27,928)**	**(3,499)**	**(31,427)**	**39,026**	**6,108**	**-**	**6,108**	**-**	**45,134**
Net operating profit	**17,038**	**(9,119)**	**7,919**	**107,928**	**7,236**	**-**	**7,236**	**(6,272)**	**108,892**
Segment adjusted EBITDA	**(7,909)**	**(7,493)**	**(15,402)**	**77,017**	**3,072**	**-**	**3,072**	**-**	**80,089**
CAPEX and other additions	5,897	-	5,897	**18,151**	3,400	-	3,400	-	21,551

Consolidated statement of profit or loss and other comprehensive income for 2021 '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	24,538	14,483	16,422	**55,443**	(4,324)	51,119	50,028	46,826	**96,854**	-	96,854
Other operting income	-	-	-	-	-	-	393	564	**957**	-	957
Depreciation and amortization	(6,309)	(1,892)	(7,090)	**(15,291)**	-	(15,291)	(2,174)	(1,055)	**(3,229)**	-	(3,229)
Direct costs and expenses	(15,956)	(8,594)	(13,117)	**(37,667)**	1,621	(36,046)	(26,373)	(37,995)	**(64,368)**	5,023	(59,345)
Overhead costs*	(3,812)	(1,026)	(1,270)	**(6,108)**	74	(6,034)	(204)	(152)	**(356)**	117	(239)
Segment operating profit	**(1,539)**	**2,971**	**(5,055)**	**(3,623)**	**(2,629)**	**(6,252)**	**21,670**	**8,188**	**29,858**	**5,140**	**34,998**
Interest income	2,630	13	-	**2,643**	(92)	2,551	-	-	-	(903)	(903)
Interest expense	(411)	-	(3,651)	**(4,062)**	431	(3,631)	-	-	-	-	-
Net FOREX	(905)	(38)	2,248	**1,305**	(1,358)	(53)	-	-	-	-	-
Impairment of financial assets	(293)	-	-	**(293)**	-	(293)	-	-	-	-	-
Segment profit/loss before tax	**(518)**	**2,946**	**(6,458)**	**(4,030)**	**(3,648)**	**(7,678)**	**21,670**	**8,188**	**29,858**	**4,237**	**34,095**
Income tax expense	-	-	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	**(518)**	**2,946**	**(6,458)**	**(4,030)**	**(3,648)**	**(7,678)**	**21,670**	**8,188**	**29,858**	**4,237**	**34,095**
Net operating profit	**8,582**	**5,889**	**3,305**	**17,776**	**(2,703)**	**15,073**	**24,048**	**9,395**	**33,443**	**5,023**	**38,466**
Segment adjusted EBITDA	**4,770**	**4,863**	**2,035**	**11,668**	**(2,629)**	**9,039**	**23,844**	**9,243**	**33,087**	**5,140**	**38,227**
CAPEX and other additions	624	1,147	1,991	3,762	-	3,762	5,239	2,274	7,513	-	7,513

Consolidated statement of profit or loss and other comprehensive income for 2021 '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	12,454	(3,050)	9,404	**157,377**	3,085	-	**3,085**	**(330)**	160,132
Other operting income	489	-	489	**1,446**	5,289	(418)	**4,871**	**(3,408)**	2,909
Depreciation and amortization	(6,236)	-	(6,236)	**(24,756)**	(3,401)	-	**(3,401)**	**-**	(28,157)
Direct costs and expenses	(8,283)	-	(8,283)	**(103,674)**	(2,418)	-	**(2,418)**	**2,977**	(103,115)
Overhead costs*	(2,918)	539	(2,379)	**(8,652)**	(14,634)	418	**(14,216)**	**761**	(22,107)
Segment operating profit	**(4,494)**	**(2,511)**	**(7,005)**	**21,741**	**(12,079)**	**-**	**(12,079)**	**-**	**9,662**
Interest income	27,554	(10,109)	17,445	**20,354**	**4,553**	(506)	**4,047**	**(4,746)**	19,655
Interest expense	(36,603)	10,668	(25,935)	**(29,566)**	**(5,134)**	506	**(4,628)**	**4,679**	(29,515)
Net FOREX	980	1,363	2,343	**1,132**	**1,833**	**-**	**1,833**	**67**	3,032
Impairment of financial assets	5	-	5	**(190)**	**(184)**	-	**(184)**	-	(374)
Segment profit/loss before tax	**(12,558)**	**(589)**	**(13,147)**	**13,471**	**(11,011)**	**-**	**(11,011)**	**-**	**2,460**
Income tax expense	-	-	-	-	-	-	-	-	-
Segment profit/loss after tax	**(12,558)**	**(589)**	**(13,147)**	**13,471**	**(11,011)**	**-**	**(11,011)**	**-**	**2,460**
Net operating profit	**4,660**	**(3,050)**	**1,610**	**55,149**	**5,956**	**(418)**	**5,538**	**(761)**	**59,926**
Segment adjusted EBITDA	**1,742**	**(2,511)**	**(769)**	**46,497**	**(8,678)**	**-**	**(8,678)**	**-**	**37,819**
CAPEX and other additions	394	-	394	11,669	9,781	-	9,781	-	21,450

*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	**2022**	**2021**
Total revenue for reportable segments	273,602	160,132
Income from casino tips (Note 5(b))	(11,829)	(4,886)
Customer promotions and bonuses for Casinos	(15,771)	(10,508)
Consolidated revenue	**246,002**	**144,738**

Revenues of GEL 7,028 thousand (2021: GEL 2,966 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 3,399 thousand in 2022 (2021: GEL 2,879 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 22			
’000 GEL	**"Greenbox" entities**	**"Yellowbox" entities**	**Eliminations**	**Consolidated**
ASSETS				
Property and equipment	302,277	28,874	-	331,151
Investment property	5,364	233,566	-	238,930
Intangible assets	6,585	115	-	6,700
Prepayments for non-current assets	1,592	-	-	1,592
Investments	232,783	-	(232,783)	-
Loans receivable	251,332	80,566	(109,775)	222,123
Total Non-Current Assets	**799,933**	**343,121**	**(342,558)**	**800,496**
Inventories	6,374	109	-	6,483
Loans receivable	2,318	-	(432)	1,886
Trade and other receivables	8,461	13,258	(10,196)	11,523
Cash and cash equivalents	51,974	1,938	-	53,912
Prepayments and other assets	7,457	1,605	-	9,062
Total Current Assets	**76,584**	**16,910**	**(10,628)**	**82,866**
Total Assets	**876,517**	**360,031**	**(353,186)**	**883,362**
Loans and borrowings	267,354	72,795	(109,775)	230,374
Put option liability	42,138	-	-	42,138
Total Non-Current Liabilities	**309,492**	**72,795**	**(109,775)**	**272,512**
Loans and borrowings	20,015	13,704	(432)	33,287
Trade and other payables	26,409	3,061	(12,263)	17,207
Total Current Liabilities	**46,424**	**16,765**	**(12,695)**	**50,494**
Total liabilities	**355,916**	**89,560**	**(122,470)**	**323,006**
Charter capital	675,257	349,939	(354,056)	671,140
Accumulated losses	(166,747)	(79,468)	123,340	(122,875)
Non-controlling interests	12,091	-	-	12,091
Net Assets	**520,601**	**270,471**	**(230,716)**	**560,356**

	31 December 2021			
’000 GEL	**"Greenbox" entities**	**"Yellowbox" entities**	**Eliminations**	**Consolidated**
ASSETS				
Property and equipment	237,503	29,690	-	267,193
Investment property	77,728	232,043	-	309,771
Intangible assets	5,498	121	-	5,619
Prepayments for non-current assets	308	-	-	308
Investments	236,653	-	(236,653)	-
Loans receivable	227,665	49,171	(39,561)	237,275
Total Non-Current Assets	**785,355**	**311,025**	**(276,214)**	**820,166**
Inventories	4,740	133	-	4,873
Loans receivable	82,665	31,135	(73,090)	40,710
Trade and other receivables	6,347	10,008	(7,389)	8,966
Cash and cash equivalents	31,565	2,848	-	34,413
Prepayments and other assets	6,123	1,627	(3)	7,747
Total Current Assets	**131,440**	**45,751**	**(80,482)**	**96,709**
Total Assets	**916,795**	**356,776**	**(356,696)**	**916,875**
Loans and borrowings	265,846	39,900	(42,249)	263,497
Trade and other payables	504	-	-	504
Put option liability	42,436	-	-	42,436
Total Non-Current Liabilities	**308,786**	**39,900**	**(42,249)**	**306,437**
Loans and borrowings	79,673	42,713	(73,090)	49,296
Trade and other payables	25,462	2,315	(7,444)	20,333
Total Current Liabilities	**105,135**	**45,028**	**(80,534)**	**69,629**
Total liabilities	**413,921**	**84,928**	**(122,783)**	**376,066**
Charter capital	675,257	345,836	(349,953)	671,140
Accumulated losses	(179,912)	(73,988)	116,040	(137,860)
Non-controlling interests	7,529	-	-	7,529
Net Assets	**502,874**	**271,848**	**(233,913)**	**540,809**

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
- 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	**2022**	**2021**
Profit for the year	45,134	2,460
Depreciation and amortization	26,977	29,408
Amortization of casino permit	(4,237)	(1,251)
Net foreign exchange loss/ (gain)	5,220	(3,032)
Interest income	(18,639)	(19,655)
Interest expense	26,284	29,515
Specific items*	(650)	374
Adjusted EBITDA	**80,089**	**37,819**

*Specific items mainly comprise of impairment of loans receivable.

'000 GEL	**2022**	**2021**
Consolidated Adjusted EBITDA	80,089	37,819
Consolidated revenue	246,002	144,738
Consolidated Adjusted EBITDA margin %	**33%**	**26%**

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. Significant accounting policies

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

(a) Basis of consolidation

(i) Non-controlling interests

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

(ii) Non-controlling shareholders holding put options

The Group recognises a liability for the present value of the exercise price of the option, when the Group writes a put option to the non-controlling shareholders.
The Group applies the anticipated-acquisition method when the Group writes a put option to non-controlling shareholders resulting the non-controlling shareholders not to have present access to the returns associated with the underlying ownership interest.

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

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

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Except for the common control transactions (see below), the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Acquisitions from entities under common control

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

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

(v) Interests in equity-accounted investees

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

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

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

(vi) Business combinations

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

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

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(vii) Transactions eliminated on consolidation

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

(b) Revenue

(i) Revenue from Casino Games

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

(ii) Revenue from Hotel services

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

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

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

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

(c) Finance income and finance costs

The Group's finance income and finance costs include:

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

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

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

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

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

(d) Foreign currency transactions

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

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

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

Foreign currency differences are generally recognised in profit or loss.

(e) Employee benefits

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

(f) Income tax

On 13 May 2017 the Parliament of Georgia passed the bill on corporate income tax reform (also known as the Estonian model of corporate taxation), which mainly moves the moment of taxation from when taxable profits are earned to when they are distributed. The law has entered into force in 2017 and is effective for tax periods starting after 1 January 2018 for all entities except for financial institutions (such as banks, insurance companies, microfinance organizations, pawnshops), for which the law 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) Inventories

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

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

(h) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(iv) Borrowing costs

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

(i) Intangible assets

(i) Intangible assets

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

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

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

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

(j) Investment property

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

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

(k) Financial instruments

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

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

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

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

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

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

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

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

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

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

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

Financial assets – Business model assessment:

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

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

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

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

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

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

(iv) Derecognition

Financial assets

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

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

Financial liabilities

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

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

(v) Offsetting

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

(l) Equity

Charter capital

Charter capital is classified as equity.

(m) Financial guarantees

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

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

(n) Impairment

(i) Non-derivative financial assets

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

(ii) Non-financial assets

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

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

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

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

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

(o) Leases

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

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

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

(p) Government grants

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

The Group applies a net approach to government assistances.

28. New standards and interpretations not yet adopted

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

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

29. Subsequent events

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

The Group made advance payment to a construction company in the amount of GEL 8,662 thousand in accordance with the contract signed on 28 December 2022 for the purposes of the Telegraph hotel construction.