Silk Real Estate LLC

Separate Financial Statements
for 2024

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Independent Auditors' Report

To the Owners of Silk Real Estate LLC

Opinion

We have audited the separate financial statements of Silk Real Estate LLC (the "Company", formerly SRG Real Estate LLC), which comprise the separate statement of financial position as at 31 December 2024, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2024, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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

Impairment of Investments in subsidiaries (Note 5(a))	
The key audit matter	**How the matter was addressed in our audit**
During the year, the Company recognized an impairment loss of GEL 18,069 thousand in relation to the investment in Silk Road Business Centre LLC (SRBC), as disclosed in note 5(a). The impairment was primarily driven by the revised future cash flow forecasts (including capital expenditures) following the amended business plan and updated discount rate. These changes	We have performed the following primary audit procedures: - Obtained understanding of management's process for the impairment analysis; - Evaluated the design and implementation of relevant controls over the preparation of the impairment model; - With the assistance of our valuation

led to the impairment losses being recognised on cash generating unit at the SRBC level, resulting the recoverable amount of SRBC being lower than the carrying amount of the Company's investment. Management determined the recoverable amount of investment in SRBC based on the value in use, which involved significant judgment in estimating future cash flows, terminal growth rates, and the discount rate applied. We have determined impairment of investment in SRBC to be a key audit matter due materiality of the impairment loss, the inherent estimation uncertainty associated with underlying assumptions, and the significant judgment involved in determining the recoverable amount.	specialists, we challenged the key assumptions and judgements underpinning the impairment testing model, such as, occupancy rate, average daily rate, long-term growth rate and discount rate, by comparing those inputs to externally derived data, as well as our own expectations; - Evaluated the sensitivity of the impairment model outcomes by considering the downside scenarios against reasonably plausible changes to the key assumptions; and - Evaluated the adequacy of the disclosures made in Note 5 (a) of the separate financial statements by reference to the requirements of relevant accounting standards.

Statement on Management Report

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

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

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

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

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

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

– Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Nikoloz Chochua

KPMG Georgia LLC
Tbilisi, Georgia
15 May 2025

შეზღუდული პასუხისმგებლობის საზოგადოება
LIMITED LIABILITY COMPANY
KPMG
KPMG GEORGIA
404437695

’000 GEL	**Note**	**31 December 2024**	**31 December 2023**
Assets			
Investments in subsidiaries	5	822,622	793,511
Loans receivable	7	297,473	266,373
Non-current assets		**1,120,095**	**1,059,884**
Loans receivable	7	34,951	-
Cash and cash equivalents	6	67,964	11,751
Current assets		**102,915**	**11,751**
Total assets		**1,223,010**	**1,071,635**
Equity			
Capital		646,457	492,242
Retained earnings		314,055	376,460
Total equity	8	**960,512**	**868,702**
Liabilities			
Loans and borrowings	9	184,918	185,206
Non-current liabilities		**184,918**	**185,206**
Loans and borrowings	9	49,203	2,728
Trade and other payables		28,377	14,999
Current liabilities		**77,580**	**17,727**
Total liabilities		**262,498**	**202,933**
Total equity and liabilities		**1,223,010**	**1,071,635**

The separate statement of financial position is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 36.

'000 GEL	Note	2024	2023
Dividend income	5	36,080	45,760
Decrease in capital of subsidiaries	8	17,105	206,846
Other expense	9 (b)	(678)	(9,173)
Impairment loss recognised on investments	5	(56,022)	(10,015)
Operating costs		(1,565)	(1,950)
Results from operating activities		**(5,080)**	**231,468**
Interest income		23,268	15,225
Net foreign exchange gain		2,257	2,528
Interest expense		(22,912)	(19,585)
Net finance income/(costs)		**2,613**	**(1,832)**
(Loss)/profit before income tax		**(2,467)**	**229,636**
Income tax		-	-
(Loss)/profit and total comprehensive income for the year		**(2,467)**	**229,636**

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

Director
Mamuka Shurgaia

The separate statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 36.

'000 GEL	Note	Capital	Retained earnings	Total equity
Balance as at 1 Janaury 2023		671,140	78,120	749,260
Total comprehensive income				
Profit and total comprehensive income for the year		-	229,636	229,636
Total transactions with owner, recorded directly in equity				
Capital increase	8	27,948	-	27,948
Other transactions with the parent entity	8	-	75,866	75,866
Fair value adjustment on received related party loans	9	-	(7,162)	(7,162)
Decrease in capital	8	(206,846)	-	(206,846)
Balance 31 December 2023		**492,242**	**376,460**	**868,702**
Balance as at 1 Janaury 2024		492,242	376,460	868,702
Total comprehensive income				
Loss and total comprehensive income for the year		-	(2,467)	(2,467)
Total transactions with owner, recorded directly in equity				
Capital increase	8	154,215	(80,909)	73,306
Fair value adjustment on received related party loans	9	-	22,965	22,965
Fair value adjustment on issued related party loans	7	-	(1,994)	(1,994)
Balance 31 December 2024		**646,457**	**314,055**	**960,512**

The separate statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 36.

’000 GEL	Note	2024	2023
Cash flows from operating activities			
(Loss)/profit before income tax		(2,467)	229,636
Adjustments for:			
Dividend income	5	(36,080)	(45,760)
Other income	8	(17,105)	(206,846)
Modification loss of loans received from subsidiary		678	9,173
Impairment loss recognised on investments	5	56,022	10,015
Net finance costs		(2,613)	1,832
Changes in:			
Trade and other receivables		-	499
Trade and other payables		183	(154)
Cash flows used in operations before income taxes and interest paid		**(1,382)**	**(1,605)**
Interest paid	9	(12,736)	(21,942)
Net cash used in operating activities		**(14,118)**	**(23,547)**
Cash flows from investing activities			
Investments in subdsidiaries	5	(70,162)	(28,849)
Issuance of related party loans		(40,792)	(143,117)
Cash received from capital decrease of subsidiaries		17,106	
Repayments of issued related party loans		1,090	-
Interest received		545	1,238
Net cash used in investing activities		**(92,213)**	**(170,728)**
Cash flows from financing activities			
Capital contribution		62,813	27,948
Proceeds from other equity transactions with the parent entity	9	-	74,292
Proceeds from borrowings	9	150,014	147,032
Repayment of borrowings	9	(50,547)	(66,724)
Transaction costs	9	-	(1,417)
Net cash from financing activities		**162,280**	**181,131**
Net increase/(decrease) in cash and cash equivalents		**55,949**	**(13,144)**
Cash and cash equivalents at 1 January		11,751	23,903
Effect of movements in exchange rates on cash and cash equivalents		264	992
Cash and cash equivalents at 31 December	6	**67,964**	**11,751**

Material non-cash transactions are disclosed in notes 5, 8 and 9.

The separate statement of cash flows is to be read in conjunction with the notes to, and forming part of, the separate financial statements set out on pages 10 to 36.

1. Reporting entity

(a) Georgian business environment

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

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

(b) Organisation and operations

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

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

In 2023, the Company has issued a USD 40 million bond on the Georgian Stock Exchange, followed by a EUR 7 million bond issuance in 2024 (see Note 9).

The owners of the Company are as follows:

Name	**31 December 2024**	**31 December 2023**
Silk Road Group Holding LLC	95%	95%
Amphidon Holding (Malta) Limited	5%	5%
Total	**100%**	**100%**

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

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

2. Basis of accounting

(a) Statement of compliance

These separate financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The consolidated financial statements of the Company and its subsidiaries are issued on 15 May 2025 and publicly available through the website of Service for Accounting, Reporting and Auditing Supervision. The users should familiarise themselves with these separate financial statements together with the consolidated financial statements as at and for the year ended 31 December 2024 to obtain full information on the financial position, results of the operations and changes in the financial position of the Company and its subsidiaries in general.

3. Functional and presentation currency

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

4. Use of estimates and judgements

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

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

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

- Notes 5 and 14 (h) - assessment of impairment indicators for investments in subsidiraries: determination of cash generating units;
- Notes 7 and 9 - recognition and measurement of related party loans issued/received on preferencial terms;

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the Note 5 (a) – impairment of investment in Silk Road Business Centre LLC.

Measurement of fair values

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

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

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

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

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

5. Investments in subsidiaries

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

Entity	Principal Activity	Date of Incorporation	Ownership percentage as at 31 December 2024	Ownership percentage as at 31 December 2023	Ownership type
Georgian Hotel Management LLC	Operation of Tbilisi Radisson Blu Iveria Hotel	9 August 2010	96%	96%	Direct
Argo Management LLC	Operation of Batumi Radisson Blu Hotel	30 November 2010	96%	96%	Indirect, through Georgian Hotel Management LLC
Riviera Beach LLC	Club operation	18 May 2012	100%	100%	Direct
Silk Road Service LLC	Pooling of purchases for the group companies	31 December 2015	100%	100%	Direct
Development Solution LLC	Real Estate development service	10 July 2006	100%	100%	Direct
Development solutions Medea LLC	Dormant entity	7 September 2009	100%	100%	Indirect, through Development Solution LLC
Tsinandali Savane LLC	Holding entity	17 February 2016	100%	100%	Direct
Tsinandali Estates LLC	Operation of Tsinandali Radisson Collection Hotel	27 June 2008	100%	100%	Indirect, through Tsinandali Savane LLC
Tsinandali LLC	Museum operation	3 October 2005	100%	100%	Direct
Georgian Wine Institute LLC	Wine tasting and training service	26 December 2011	100%	100%	Indirect, through Tsinandali LLC
SRG Investments LLC	Corporate service provider to the Group	27 May 2011	100%	100%	Direct
Limoni 2009 LLC	Operation of casinos	11 August 2009	88%	88%	Direct
Medea Operating company LLC	Ownership of Batumi Radisson Blu Hotel and related casino	5 November 2010	100%	100%	Direct
F Telecom LLC	Real estate development	2 October 2006	100%	100%	Direct
Riviera LLC	Holding Entity	12 July 2012	100%	100%	Direct
Batumi Riviera LLC	Real estate development	30 May 2018	100%	100%	Indirect, through Riviera LLC
Center Plaza LLC	Real estate development	14 July 2005	100%	100%	Direct
Club Savane LLC	Night club operation	11 April 2018	100%	100%	Indirect, through Centre Plaza LLC
Tsinandali Villas LLC	Real estate development	19 February 2016	100%	100%	Direct
New Hotel JSC	Ownership of Tbilisi Radisson Blu Hotel	30 September 2005	100%	100%	Direct

Entity	Principal Activity	Date of Incorporation	Ownership percentage as at 31 December 2024	Ownership percentage as at 31 December 2023	Ownership type
Silk Road Business Centre LLC	Real estate development	27 August 1997	100%	100%	Direct
Misaktsieli LLC	Real estate development	7 August 2008	100%	100%	Direct
New Office LLC	Real estate development	7 August 2008	100%	100%	Direct
Iveria Center LLC	Real estate development	6 August 2013	50%	50%	Indirect, through New Office LLC
Restaurant Tsinandali LLC	Hospitality sector	2 April 2018	50%	50%	Indirect, through Iveria Centre LLC
Hotel Medea + JSC	Real estate development	17 April 2007	100%	100%	Direct
Adjara Investment LLC	Holding entity	30 August 2017	100%	100%	Direct
Adjara Resort JSC	Real estate development	3 January 2006	100%	100%	Indirect, through Adjara Investments LLC
Adjara Real Estate LLC	Real estate development	23 August 2006	100%	100%	Indirect, through Adjara Investments LLC
Bobokvati LLC	Real estate development	23 March 2007	100%	100%	Indirect, through Adjara Real Estate LLC and Adjara Resorts JSC
Kobuleti Resort LLC	Real estate development	17 April 2007	100%	100%	Indirect, through Adjara Resorts JSC
Silk Road Group Travel LLC	Hospitality	4 September 2009	51%	51%	Direct
Telegraph Hotel JSC	Hospitality	5 February 2020	100%	100%	Indirect, through Silk Road Business Centre LLC
Limoni Real Estate LLC	Real estate development	21 April 2017	100%	100%	Direct
Green-cape Botanico LLC	Real estate development	18 August 2020	51%	51%	Joint venture
Silk Hospitality LLC	Hotel management service provider to the Group	26 March 2021	100%	100%	Direct
Tsinandali Resorts LLC	Operation of Park Hotel Tsinandali	1 March 2018	51%	51%	Direct
Unipharm LLC*	Real estate development	10 July 1996	100%	50%	Indirect, through Centre Plaza LLC
Silk Play LLC**	Real estate development	19 June 2024	100%	0%	Direct
Silk Entertainment LLC**	Real estate development	15 April 2024	100%	0%	Direct
Sakanela Development LLC**	Real estate development	27 March 2024	100%	0%	Direct

* On 29 December 2023, the Centre Plaza LLC acquired 50% of Unipharm LLC for non-cash consideration of GEL 933 thousand.
** In 2024, the Company established Silk Play LLC, Silk Entertainment LLC and Sakanela Development LLC, subsidiaries for development and operation of real estate and entertainment complex.

Below is presented the movement in investments in subsidiaries:

’000 GEL	**2024**	**2023**
Carrying amount as at 1 January	793,511	768,067
Non-cash investments*	1,299	5,679
Investments to be made in cash	83,834	29,780
Impairment loss	(56,022)	(10,015)
Carrying amount as at 31 December	**822,622**	**793,511**

Out of the investments to be made in cash above, in 2024 the Company paid GEL 70,162 thousand to its subsidiaries (2023: GEL 28,849 thousand). The remaining amount of investment payable is included in trade and other payables.

Dividend income of GEL 36,080 thousand in 2024 (2023: GEL 45,760 thousand) was fully settled with loans and borrowings from the same counterparty (see note 9).

During 2024, the Company has decreased capital of Centre Plaza LLC by withdrawing cash of GEL 17,105 thousand. As a result the Company recognised income of GEL 17,105 thousand in the separate statement of profit or loss and other comprehensive income.

*In 2024, non-cash investments of GEL 1,299 include investment in Silk Hospitality LLC which was netted off with the loan received from the same counterparty (2023: non-cash investments of GEL 5,679 include investment in Iveria Centre LLC which was netted off with the loan received from the same counterparty).

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

’000 GEL	**31 December 2024**	**31 December 2023**
Limoni 2009 LLC	176,528	176,528
Riviera LLC	116,003	102,603
Georgian Hotel Management LLC	114,439	109,439
Silk Road Business Centre LLC	96,233	114,301
Centre Plaza LLC	76,257	107,441
New Hotel JSC	70,348	70,348
Mede Operating Company LLC	25,551	25,551
Limoni Real Estate LLC	20,000	8,000
Silk Entertainment LLC	19,030	-
SRG Investments LLC	14,758	8,603
Tsinandali Savane LLC	14,503	10,154
Adjara Investments LLC	9,649	9,649
Other	69,323	50,894
	822,622	**793,511**

a) Impairment of investment in subsidiaries

Impairment of investment in Silk Road Business Centre LLC

As at 31 December 2024, impairment losses have been recognised on cash generating unit at Silk Road Business Centre LLC (SRBC) level, which was primarily driven by the revised future cash flow forecasts (including capital expenditures) following the amended business plan and updated discount rate. As a results, management has identified impairment indicators for investment in Silk Road Busines Centre LLC (SRBC) and conducted an impairment test. Based on these analysis, the recoverable amount of investment in subsidiary was estimated to be significantly different from its carrying value as at 31 December 2024. The management has determined the recoverable amount of the investment in SRBC using discounted cash flow model based on the projected net cash flows from the underlying propery held by the subsidiary (cash generating unit) and considering the carrying amounts of financial assets and liabilities held by SRBC as at 31 December 2024, which were estimated to approximate their fair values.

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

As at 31 December 2024, the carrying value of investment in SRBC was GEL 114,301 thousand, which was higher than its recoverable amount of GEL 96,232 thousand. As a result, impairment losses of GEL 18,069 thousand was recognised in the separate statement of profit or loss and other comprehensive income.

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

- Discount rate – an increase of 1% point in the discount rate used would have resulted in an increase of impairment loss of approximately GEL 26,103 thousand. 1% point decrease in discount rate would have resulted in no impairment loss.
- Long-term growth rate – a decrease of 1% point in long-term growth rate used would have resulted in increase of impairment loss of approximately GEL 17,121 thousand. 1% point decrease in long-term growth rate would have resulted in no impairment loss.
- ADR in the impairment model varies from USD 150 to USD 230 over the projection period and is derived from external market data. A decrease of 5% in average daily rate projection used would have resulted in an increase of impairment loss of approximately GEL 11,788 thousand. 5% increase in average daily rate projection used would have resulted in a decrease of impairment loss of approximately GEL 11,788 thousand.
- The occupancy rate also reflects external industry trends and range from 40% to 75% over the projected period. A decrease of 5% in occupancy rate projection use would have resulted in and increase of impairment loss of approximately GEL 11,788 thosaund. 5% increase in occupancy rate projection used would have resulted in a decrease of impairment loss of approximately GEL 11,788 thousand.

Impairment of other investments in subsidiaries

As at 31 December 2024, management concluded that the investment in Development Solutions LLL, formerly a consulting company for Silk Real Estate Group entities, amounting to GEL 6,769 thousand, was fully impaired, as the company has become dormant with no plans for future operations.

During 2024, Centre Plaza LLC disposed of one of its properties, the Underground Complex, which had a significant fair value, to Silk Entertainment LLC. Additionally, in 2024 the Company reduced the capital of Centre Plaza LLC by GEL 17,105 thousand. These transactions materially reduced the net asset value of Centre Plaza LLC, as adjusted for the fair value of its real estate holdings. As a result, the difference between the carrying amount of the investment in Centre Plaza LLC and its recoverable amount amounted GEL 31,184 thousand, that was recognized as an impairment loss in the separate statement of profit or loss and other comprehensive income.

During 2023, Silk Real Estate LLC decreased capital of Hotel Medea + LLC (see note 8) - a dormant entity in 2023, with no operations. As a result, previously recognised investment balance of GEL 10,015 thousand was fully impaired.

No impairment indicators were identified for any of the other investments as at 31 December 2023 and 31 December 2024.

6. Cash and cash equivalents

’000 GEL	**31 December 2024**	**31 December 2023**
Bank balances	67,964	11,751
	67,964	**11,751**

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

7. Loans receivable

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

	31 December 2024	**31 December 2023**
Non-current assets		
Related party loans	297,473	266,373
Current assets		
Related party loans	34,951	-
Total	**332,424**	**266,373**

Terms and payment schedule:

’000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**31 December 2024 Face value**	**31 December 2024 Carrying amount**	**31 December 2023 Face value**	**31 December 2023 Carrying amount**
Related party loan	USD	9.0%	2030	85,888	84,041	75,755	75,103
Related party loan	EUR	9.0%	2030	56,945	55,840	52,369	52,058
Related party loan	USD	13.5%	2030	45,106	45,106	40,115	40,115
Related party loan	EUR	8% + 6 Month EURIBOR	2038	31,422	30,547		
Related party loan	USD	3.5%	2030	40,602	27,894	37,849	24,490
Related party loan	USD	4.0%	2025	18,321	17,740	16,963	15,917
Related party loan	USD	9.5%	2033	14,845	14,410	13,019	12,920
Related party loan	USD	3.5%	2030	18,249	12,597	16,995	11,060
Related party loan*	GEL	13.0%	2025/2030	7,804	5,681	6,436	6,436
Related party loan	EUR	7.6% + 6 Months Euribor	2030	7,693	7,392	7,081	6,921
Related party loan	GEL	13.0%	2025	6,903	6,903	6,293	6,293
Related party loan	GEL	12.86%	2030	6,732	6,732		
Related party loan	EUR	0.85% + 12 M EURIBOR	2025	2,697	2,697	2,647	2,507
Related party loan	GEL	11.8%	2030	2,575	2,575	1,179	1,179
Related party loan	USD	11.5%	2025	2,322	2,322	2,033	2,033
Related party loan	GEL	13.8%	2025	1,923	1,923	984	984
Related party loan	USD	5.5%	2030	1,706	1,706	1,566	1,566
Related party loan	USD	9%+6M SOFR	2025	1,282	1,282	1,112	1,112
Related party loan	USD	9.25%	2030	1,232	1,232	1,223	1,223
Related party loan	GEL	13.0%	2025	1,154	1,154	1,040	1,040
Related party loan	USD	9.3%	2030	970	970	853	853
Related party loan	GEL	3.0%	2025	488	488	414	414
Related party loan	GEL	12.0%	2025	442	442	410	410
Related party loan	USD	3.5%	2030	439	439	409	409
Related party loan	GEL	0%	2030	260	260	-	-
Related party loan	USD	8.6%	2030	51	51	46	46
Related party loan	GEL	14.1%	2030	-	-	1,284	1,284
Total interest-bearing assets				**358,051**	**332,424**	**288,075**	**266,373**

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

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

8. Capital and reserves

(a) Capital

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

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

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

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

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

In June 2023, related party loans receivable by Medea Operating Company LLC, New Hotel JSC, Hotel Medea + JSC and Georgian Hotel Management LLC with a carrying amounts totaling GEL 206,846 thousand were transferred by the respective counterparties first to the Company's parent entity, Silk Road Group Holding LLC, and then to the Company. As a result, the Company recognised loans payable to the above subsidiaries amounting GEL 206,846 thousand and loan receivable from Silk Road Goup Holding LLC in the same amount. Subsequently, Silk Real Estate LLC reduced capitals of the subsidiaries by GEL 206,846 thousand, as a result the Company recognised income of GEL 206,846 thousand and settled its payable towards the subsidiaries, incurred by the above loan assignments, against its receivables from the subsidiaries as a result of the capital reduction.

Silk Road Group Holding LLC reduced the Company's capital by GEL 206,846 thousand and settled its payable towards the Company, incurred by the above transaction, against its receivable from the Company as a result of the capital reduction.

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

(b) Dividends

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

In 2024 and 2023, the Company has not declared dividends.

(c) Capital management

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

9. Loans and borrowings

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

'000 GEL	**31 December 2024**	**31 December 2023**
Non-current liabilities		
Loans from related parties	74,283	79,112
Bonds issued	110,635	106,094
	184,918	**185,206**
Current liabilities		
Current portion of related party loans	24,759	-
Bonds issued	24,444	2,728
	49,203	**2,728**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2024		31 December 2023	
'000 GEL	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Loan from related parties	USD	3.50%	2025	22,205	21,390	20,619	19,145
Loan from related parties	GEL	5.00%	2030	29,596	17,325	29,017	15,548
Loan from related parties	USD	7.25% + 6M SOFT	2029	12,395	12,191	10,576	10,432
Loan from related parties	EUR	7.75% + 6M EURIBOR	2038	10,027	10,027	-	-
Loan from related parties	GEL	15.60%	2030	9,623	9,760	24,028	24,028
Parent entity loan	GEL	0%	2030	10,000	4,738	-	-
Loan from related parties	GEL	12.70%	2025	3,369	3,369	4,607	4,607
Parent entity loan (b)	USD	0%	2030	5,614	2,843	-	-
Parent entity loan (b)	USD	0%	2030	5,614	2,843	-	-
Parent entity loan (b)	GEL	0%	2030	5,000	2,369	-	-
Parent entity loan (b)	USD	0%	2030	2,807	1,422	-	-
Parent entity loan (b)	USD	0%	2030	2,807	1,422	-	-
Parent entity loan (b)	USD	0%	2030	2,807	1,422	-	-
Parent entity loan (b)	USD	0%	2030	2,807	1,422	-	-
Parent entity loan (b)	USD	0%	2030	2,245	1,137	-	-
Parent entity loan (b)	GEL	0%	2030	3,000	1,421	-	-
Parent entity loan (b)	GEL	0%	2030	2,000	948	-	-
Parent entity loan (b)	GEL	0%	2030	2,000	948	-	-
Parent entity loan (b)	GEL	0%	2030	2,000	948	-	-
Parent entity loan (b)	GEL	0%	2030	2,000	948	-	-
Loan from related parties	EUR	7.55% + 6M EURIBOR	2030	149	149	136	136
Loan from related parties	EUR	7.55% + 6M EURIBOR	2025	-	-	3,800	3,800
Loan from related parties	USD	6.60%	2030	-	-	1,362	1,362
Parent loan #1 (b)	USD	0.75% + 6M SOFR	2080	-	-	2,882	54
Bonds issued	USD	9%	2026	57,229	56,716	-	-
Bonds issued	USD	9%	2026	57,672	57,260	54,836	54,155
Bonds issued	EUR	7%	2025	21,108	21,103	55,260	54,667
Total interest-bearing liabilities				**274,074**	**234,121**	**207,123**	**187,934**

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In 2023, the Company has issued a USD 40 million bond in two tranches. The first tranche of USD 20 million offers a coupon of 9.00% p.a. (gross) with a maturity of 3 years. The second tranche of USD 20 million offers a coup on of 9.25% p.a. (gross) with a maturity of 3 years. As a result, in 2023 Silk Real Estate LLC became a publicly listed company on the Georgian Stock Exchange. In 2024, a new bond of EUR 7 was issued, with a coupon of 7% p.a. (gross) and maturity of 1 years. Under the joint surety argreement, the Company's main operating subsidiaries and subsidiaries holding assets of operating businesses act as co-guarantors to secure bonds issued by the Company.

(b) Fair value adjustments on related party loans

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

On 7 August 2022, the loan amendment was signed between the Company and its intermediate parent entity for the prolongation of loan term from 31 December 2022 till 31 December 2030 on non-market terms (4% nominal interest rate). As a result, at modification date, the loan was discounted using market rate of interest of 7.6% and the difference between the carrying amount and the fair value of loan, in the amount of GEL 9,707 thousand was recognized directly in equity. During 2023, the above-mentioned loan was fully repaid and the effect of early repayment amounting to GEL 9,707 thousand, combined with the initial discount effect of parent entity loan #1 above of GEL 2,545 thousand, was deducted directly from equity. During 2024, Parent loan #1 was early repaid and the effect of early repayment amounting to GEL 2,918 thousand was deducted directly from equity.

On 25 December 2022, the loan amendment was signed between the Company and its subsidiary for the prolongation of loan term from 31 December 2022 till 31 December 2030 on non-market terms (5% nominal interest rate). The Company has performed quantitative and qualitative evaluation of the modification and concluded that the modified cash flows were substantially different. As a result, the Company derecognised the original loan and recognised new financial liability. At initial recognition, the loan was discounted using market rate of interest of 14.1%. The difference between the carrying amount and the fair value of loan, in the amount of GEL 17,702 thousand, was recognized in the separate statement of profit or loss and other comprehensive income as "other income". During 2023, the Company repaid loans to subsidiaries and the effect of early repayment amounting to GEL 9,173 thousand was recognised in the separate statement of profit or loss and other comprehensive income as "other expense". In 2024, after further repayments additional expense of GEL 678 thousand was recognized in the separate statement of profit or loss and other comprehensive income.

(c) Bond covenants

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

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

'000 GEL	Loans and borrowings and movements related to other equity transactions	Bonds issued	Total
Balance at 1 January 2024	79,112	108,822	187,934
Proceeds from borrowing	129,474	20,540	150,014
Repayment of borrowings	(50,547)	-	(50,547)
Total changes from financing cash flows	**78,927**	**20,540**	**99,467**
The effect of changes in foreign exchange rates	**939**	**4,465**	**5,404**
Other changes			
Net-off with capital receivable (note 8)	(10,493)	-	(10,493)
Fair value adjustment on received related party loans	(22,965)	-	(22,965)
Modification loss of loans received from subsidiary	678	-	678
Net-off with dividend receivable (note 5)	(36,080)	-	(36,080)
Interest expense	11,827	11,085	22,912
Interest paid	(2,903)	(9,833)	(12,736)
Total other changes	**(59,936)**	**1,252**	**(58,684)**
Balance at 31 December 2024	**99,042**	**135,079**	**234,121**

'000 GEL	Loans and borrowings and movements related to other equity transactions	Bonds issued	Total
Balance at 1 January 2023	138,265	-	138,265
Proceeds from borrowing	43,979	103,053	147,032
Proceeds from other equity transactions with the parent entity	74,292	-	74,292
Repayment of borrowings	(66,724)	-	(66,724)
Total changes from financing cash flows	**51,547**	**103,053**	**154,600**
The effect of changes in foreign exchange rates	**(301)**	**4,435**	**4,134**
Other changes			
Other transactions with the parent entity	(75,866)	-	(75,866)
Fair value adjustment on received related party loans	7,162	-	7,162
Modification loss of loans received from subsidiary	9,173		9,173
Net-off with dividend receivable (note 5)	(45,760)	-	(45,760)
Transaction costs	-	(1,417)	(1,417)
Interest expense	14,480	5,105	19,585
Interest paid	(19,588)	(2,354)	(21,942)
Total other changes	**(110,399)**	**1,334**	**(109,065)**
Balance at 31 December 2023	**79,112**	**108,822**	**187,934**

10. Fair values and risk management

(a) Fair values of financial assets and liabilities

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

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

Management believes that the fair values of the Company's financial assets and liabilities approximate their carrying amounts with an exception of loans receivable and loans and borrowings. The fair value of loans receivable and loans and borrowings were lower than their fair values by 22% and 8%, respectively. The difference in fair value is connected to increased market rates of interest as at 31 December 2024 compared to the initial period when the loans were issued/received.

(b) Financial risk management

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

– credit risk;
– liquidity risk;
– market risk.

(i) Risk management framework

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

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

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

(ii) Credit risk

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

Loans receivable

Silk Road Group utilizies intercompany loans as part of its cash pooling arrangements, to manage the financing within the group based on the strategies and plans. The Company's loans receivable are mostly due from subsidiaries (note 12 (c)). The expected credit loss (ECL) model is influenced by the individual characteristics of the borrowers, as well as the fact that all counterparties are entities under common control and, if needed, the ultimate parent company, Silk Road Group Holding (Malta) Limited (see note 12), will provide entities under common control with such financial support to enable them to repay the loans to the Company. Most of the subsidiaries are managing profitable business lines within the Silk Road Group, and some are managing the businesses in the phase of development, where future cash flows demonstrate business profitability.

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

PD for loans receivable allocated to Stage 1 was determined as 2.6% 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.

As at 31 December 2024 and 31 December 2023, 100% of issued loans are allocated to Stage 1 and management estimates that the expected credit loss is not significant.

Determining whether credit risk has increased significantly

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

As at 31 December 2024 and 31 December 2023, loans receivable are allocated to Stage 1 as there was no increase in credit risk of the financial instruments since initial recognition.

Bank balances

The Company holds the majority of its funds with one Georgian bank with short-term default rating of B, rated by Fitch Ratings. The Company does not expect this counterparty to fail to meet its obligations (bank balances are Stage 1 as at 31 December 2024 and 31 December 2023).

(iii) Liquidity risk

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

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

31 December 2024

'000 GEL	**Carrying amount**	**Contractual cash flows**	**Less than 1 yr**	**1-2 yrs**	**2-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities						
Loans and borrowings	99,042	177,017	26,690	-	17,803	132,524
Bonds issued	135,079	152,171	32,187	119,984	-	-
Trade and other payables	28,377	28,377	28,377	-	-	-
	262,498	**357,565**	**87,254**	**119,984**	**17,803**	**132,524**

31 December 2023

'000 GEL	**Carrying amount**	**Contractual cash flows**	**Less than 1 yr**	**1-2 yrs**	**2-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities						
Loans and borrowings	79,112	145,447	-	31,975	-	113,472
Bonds issued	108,822	134,624	9,843	9,816	114,965	-
Trade and other payables	14,999	14,999	14,999	-	-	-
	202,933	**295,070**	**24,842**	**41,791**	**114,965**	**113,472**

(iv) Market risk

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

(v) Currency risk

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

Exposure to currency risk

The Company's exposure to USD was as follows:

'000 GEL	**USD-denominated 31 December 2024**	**USD-denominated 31 December 2023**
Loans receivable	209,790	186,847
Cash and cash equivalents	49,068	7,068
Loans and borrowings	(46,092)	(30,993)
Bonds issued	(113,976)	(108,822)
Net exposure	**98,790**	**54,100**

The Company's exposure to EUR was as follows:

'000 GEL	**EUR-denominated 31 December 2024**	**EUR-denominated 31 December 2023**
Loans receivable	96,476	61,486
Loans and borrowings	(10,176)	(136)
Bonds issued	(21,103)	-
Net exposure	**65,197**	**61,350**

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

in GEL	**Average rate**		**Reporting date spot rate**	
	2024	**2023**	**31 December 2024**	**31 December 2023**
USD 1	2.7208	2.6279	2.8068	2.6894
EUR 1	2.9440	2.8416	2.9306	2.9753

Sensitivity analysis

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

’000 GEL	**Profit or (loss)**	
	Strengthening	**Weakening**
31 December 2024		
USD (10% movement)	(9,879)	9,879
EUR (10% movement)	(6,520)	6,520
31 December 2023		
USD (10% movement)	(5,410)	5,410
EUR (10% movement)	(6,135)	6,135

(vi) Interest rate risk

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

Exposure to interest rate risk

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

’000 GEL	**31 December 2024**	**31 December 2023**
Fixed rate instruments		
Financial assets	290,506	255,833
Financial liabilities	(211,754)	(173,512)
	78,752	**82,321**
Variable rate instruments		
Financial assets	41,918	10,540
Financial liabilities	(22,367)	(14,422)
	19,551	**(3,882)**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have affected profit or loss by GEL 196 thousand (2023: GEL 39 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

11. Contingencies

(a) Taxation contingencies

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

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

12. Related parties

(a) Parent and ultimate controlling party

As at 31 December 2023, 31 December 2024 and as at the date these separate financial statements were authorised for issue, the Company's immediate parent company is Silk Road Group Holding LLC. The annual consolidated financial statements of Silk Road Group Holding LLC are publicly available through the website of Service for Accounting, Reporting and Auditing Supervision.

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

(b) Key management remuneration

Director of the Company also acts as a director in another entity under common control. No remuneration was paid to the Director by the entity in 2024 and 2023.

(c) Related party transactions

The Company's related party transactions are disclosed below.

	Transaction value for the year ended 31 December		**Outstanding balance as at**	
	2024	**2023**	**31 Decembe 2024**	**31 December 2023**
Dividend income				
Subsidiaries	36,080	45,760	-	-
Investments in subsidiaries /Accounts payable				
Subsidiaries	70,162	28,849	28,377	14,999
Loans issued:				
Subsidiaries	40,792	143,117	332,424	266,373
Loans received and other equity transactions:				
Entities under common control	-	-	-	3,800
Subsidiaries	(46,634)	(36,099)	74,211	73,883
Parent entity	(82,841)	(82,172)	24,831	1,429

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

In 2024, the Company has decreased capital of Centre Plaza LLC by withdrawing cash of GEL 17,105 thousand (note 8).

In 2024, the loan amendment was signed between the Company and its related party for the prolongation of loan term till 31 December 2030. The modification effect, amounting GEL 1,994 thousand, was recognized directly in equity (note 7).

In 2024, fair value adjustment on received parent loans amounting GEL 22,965 thousand was recognized directly in equity (note 9).

In 2024, capital of the Company was increased by GEL 154,215 thousand. See details in note 8.

In 2024 interest income of GEL 23,268 thousand (2023: GEL 15,225 thousand) was accrued on loans to related parties. The interest rates and maturities of loans to related parties are disclosed in note 7.

In 2024 interest expense of GEL 11,827 thousand (2023: GEL 14,480 thousand) was accrued on loans and borrowings from related parties. The interest rates and maturities of loans from related parties are disclosed in note 9.

13. Basis of measurement

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

14. Material accounting policies

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

(a) Finance income and finance costs

The Company’s finance income and finance costs include:

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

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

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

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

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

(b) Foreign currency transactions

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

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

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

Foreign currency differences are generally recognised in profit or loss.

(c) Employee benefits

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

(d) Income tax

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

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

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

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

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

(e) Financial instruments

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

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

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

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

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

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

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

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

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

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

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

Financial assets – Business model assessment:

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

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

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

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

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

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

(iv) Derecognition

Financial assets

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

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

Financial liabilities

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

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

(v) Offsetting

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

(f) Equity

Capital

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

(g) Impairment

(i) Non-derivative financial assets

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL in the separate statement of financial position

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

Write-off

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

(ii) Non-financial assets

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

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

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

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

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

(h) Investment in subsidiaries

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

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

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

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

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

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

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

(i) Segment reporting

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

15. New standards and interpretations not yet adopted

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

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