



Silk Real Estate

# ANNUAL REPORT



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# OVERVIEW

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

# WHO ARE WE?

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



## MISSION & VISION

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

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

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

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

## OUR CORE VALUES

### ► INNOVATION

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

### ► PARTNERSHIP

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

### ► SUSTAINABILITY

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

### ► PROFESSIONALISM

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



## GEORGE RAMISHVILI

Founder of Silk Road Group

# CHAIRMAN'S LETTER



I am proud of the outward-looking, increasingly international company that Silk Road Group has grown to become since our formation over 20 years ago. At that time, Georgia was beginning to stabilize after the challenges of the early 1990s.

**Today, we have approximately 5,000 employees and \$1.3 billion invested in the Georgian economy—testament to the significant role Silk Road Group plays in the country's prosperity.**

Georgia's historic position at the crossroads of East and West, as a bridge between two hemispheres, has been both our geographical and intellectual inspiration—an idea reflected in the very name of Silk Road Group. Looking beyond our borders to the world has always been at the heart of our values.

**Our hospitality business is welcoming visitors from abroad, while our development business creates new spaces to gather and grow. Both operate under the Silk Real Estate umbrella, shaping vibrant communities. Our telecommunications business connects people near and far, and our energy business powers Georgia's ability to compete on the global stage.**

**These ventures are supported by our financial expertise through Silk's banking services, along with our initiatives to introduce internationally recognized media franchises like National Geographic and Euronews to Georgia.**

**Of course, our commitment to Georgia extends far beyond economic prosperity. I am privileged to lead a Group that is dedicated to supporting charitable, sporting, and cultural initiatives throughout the country. This commitment is evident in the wide range of Silk Road Group-backed initiatives, including support for wounded soldiers through the Wounded Warriors Fund (WWF), support for the Georgian Ski Federation and National Ski Team, the creation of new international tourist and cultural destinations, and opportunities for young musicians to shine through the Tsinandali Festival.**

Georgia—and indeed the world—continues to face significant challenges as we work toward economic recovery. Silk Road Group is ready to play its part in driving Georgian prosperity and revival, with our skilled and hard-working team at the core of this effort. I look forward to the next chapter in the Silk Road Group story.



## MAMUKA SHURGAIA

CEO of Silk Real Estate, Co-Director  
of Silk Holding

# SILK REAL ESTATE CEO'S MESSAGE

**In 2023, Silk Real Estate demonstrated impressive resilience amid increased competition. We successfully completed the Green Cape Botanico project, a testament to our team's dedication and adaptability. Additionally, we issued a 40 million USD bond, underscoring our financial stability and confidence in our strategic direction.**

Looking ahead, I am particularly excited about our upcoming developments, including the Telegraph Hotel in Tbilisi and the Silk Towers multifunctional complex in Batumi. These projects are not just expansions of our portfolio; they represent a strategic move to further solidify our market position and diversify our revenue streams. The Telegraph Hotel will introduce a new level of luxury and service, while Silk Towers will serve as a multifunctional hub, enhancing both commercial and residential appeal.

Moreover, we have several more projects in the pipeline that will span a range of diverse industries. These new ventures are designed to capitalize on emerging market opportunities and broaden our investment base beyond real estate and hospitality. I am confident that these initiatives will not only drive our growth and innovation but also strengthen our competitive edge and reinforce our leadership across various sectors.



## DAVID RAPAVA

CEO of Silk Hospitality

# SILK HOSPITALITY CEO'S MESSAGE

**Silk Hospitality has achieved remarkable milestones and set new benchmarks in the Georgian hospitality market. Through strategic initiatives, we have strengthened our leadership position, driving both growth and innovation. Our key achievements include the successful launch and renovation of several high-profile properties, a notable rise in guest satisfaction scores (as measured by ReviewPro), solid market share performance (as per Deloitte STR reports), and the bolstering of our reputation as a top hospitality management company in Georgia.**

- ▶ One of our flagship projects, The Telegraph Hotel, is set to open with 239 rooms and six dining venues, including a Rooftop Club and NY-style Jazz club. The hotel's inclusion as a member of The Leading Hotels of the World, after a rigorous selection process, highlights our commitment to excellence.
- ▶ We recognize that hospitality is primarily a people-driven business, by 2024 we employ around 2,000 team members. To support talent development, retention, and recruitment, we have launched Silk Academy, our in-house training facility offering year-round practical and theoretical programs aimed at maintaining our leadership position.
- ▶ In addition, Silk Rewards, Georgia's first fully developed hospitality loyalty program, enables us to engage directly with our most loyal guests and attract new ones. We are now entering the next phase, integrating Silk Rewards with other businesses like Silknet, Geocell, and Silk (financial services).

Looking ahead, we are fully committed to maintaining excellence as we continue to grow our portfolio and elevate our service offerings, ensuring our position as an industry leader remains strong.



# TEAM'S MESSAGE

At Silk Real Estate, we take pride in reflecting on the substantial investments we have made in Georgia. As of December 31, 2023, the value of our real estate holdings stood at an impressive 992 million GEL—a testament to the strength and breadth of our portfolio.

**Our revenue for 2023 was distributed across key sectors:**

**29%**

**Hotels and restaurants**

**56%**

**Casinos contribution**

**15%**

**other business\* activities  
making up**

**440<sup>m</sup>  
GEL**

**Investment in real estate  
and hospitality**

This balance reflects the diversity of our operations and the strategic investments we have made to position ourselves as a leader in multiple industries.

The year 2022 marked a pivotal moment for us, driven by a strong recovery in post-pandemic tourism. This surge in demand propelled impressive performance across our hospitality and real estate assets, making it one of our most profitable years to date. In 2023, we shifted our focus to building on this momentum, achieving stability, and further strengthening our market position.

Our EBITDA performance in 2023 mirrored our revenue distribution. Hotels contributed 45% of the total EBITDA, while casinos accounted for 67%. The contribution from other businesses, currently at -12%\*\* , highlights areas of ongoing refinement with significant potential for future growth.

These results reflect the resilience and adaptability of our team, as well as our commitment to creating long-term value for stakeholders. Our team continues to work diligently on key projects such as the Telegraph Hotel in Tbilisi and the Silk Towers residential complex in Batumi. These developments, alongside our ongoing projects, reflect our commitment to diversifying our portfolio and seizing new opportunities.

As we look ahead, we remain focused on driving sustained growth across all sectors of our business, continually striving for excellence and innovation in every project.

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

\*\* *The negative result is primarily driven by expenses associated with businesses under development*



# 2023 HIGHLIGHTS



## LOYALTY PROGRAM:

In 2023, Silk Hospitality launched the Silk Rewards Loyalty Program, significantly enhancing customer engagement and retention. This initiative has fostered long-term relationships with clients, resulting in 14,000 registered users and over 35,000 transactions made. The program generated GEL 10 million in member revenue, highlighting its substantial impact on business growth. Silk Rewards exemplifies Silk Hospitality's commitment to providing exceptional value and service, further solidifying its relationship with customers.



## HOSPITALITY AWARDS:

Silk Hospitality and its managed hotels have won numerous awards in 2023 and 2024, which is a significant achievement. These accolades not only elevate the brand's reputation but also position the hotels as leaders in the hospitality industry. Additionally, they serve as powerful marketing tools and reflect the dedication and excellence of the entire team.



## BOND ISSUANCE:

The company issued 40 million USD worth of bonds on the Georgian Stock Exchange, with two tranches offering yields of 9% and 9.25%, respectively. This initiative aimed to refinance existing liabilities and attracted substantial interest from both local and international investors, reflecting market confidence in Silk Real Estate's financial stability and growth prospects.



## REAL ESTATE ACHIEVEMENTS:

This stability was largely supported by key projects such as Green Cape Botanico, which bolstered the company's revenue and asset base. As our first residential project, Green Cape Botanico has achieved a high level of client satisfaction and a strong image.



## STRONG PARTNERSHIPS:

In 2023, we partnered with the renowned architectural firm Kengo Kuma & Associates for the design of Silk Towers. Additionally, we engaged the expertise of the British engineering firm AKT II and the Danish landscape company MASU Planning, ensuring that this project benefits from world-class architectural, engineering, and landscape solutions. In 2024, the Berlin-based company. GRAFT was contracted to develop the land and architectural design of the Sakanela project.

# COMPANY DEVELOPMENT

## HISTORY OF THE COMPANY:

- Radisson Blu Iveria Hotel, with 168 rooms, opened in Batumi under a management contract with Rezidor.
- Casino Iveria was opened in Batumi.

**2011**

- In January 2019, the Radisson Collection Hotel with 124 rooms opened in Tsinandali under a franchise contract with Rezidor.
- The legal restructuring of the group, consolidating operating assets and greenfield and brownfield projects under Silk Real Estate LLC.

**2019**

- Silk Hospitality Ltd. was founded as the operating company for the group's hotels and restaurants.

**2021**

- The Group issued 40M USD Bonds.

**2023**

**2009**

- Radisson Blu Iveria, with 249 rooms, opened in Tbilisi under a management contract with Rezidor.
- Casino Iveria opened next to the Radisson Hotel in Tbilisi.

**2017**

- An agreement was signed with JSC TBC Bank and JSC Partnership Fund to finance a new hotel in Tsinandali, with a total investment up to \$40 million.

**2020**

- All three Radisson hotels shifted from management contracts with Rezidor to franchise agreements, optimizing costs, enhancing decision-making flexibility, and uniting a strong management team.

**2022**

- The group secured €48 million from JSC TBC Bank and JSC Bank of Georgia for the Telegraph Hotel, with an additional €15 million from a subordinated loan by the shareholder. The 241-room hotel in central Tbilisi is scheduled to open in early 2025.

**2024**

- The group completed its first residential project on the Black Sea beach in Batumi, covering over 9 hectares with a plan for 450,000 sq.m. of construction.
- The group issued €7 million worth of bonds within a one-year term.



## **SILK REAL ESTATE IS A KEY REAL ESTATE AND HOSPITALITY BUSINESS OPERATOR**

Silk Real Estate LLC primarily operates as a holding company for the group's various subsidiaries in the real estate and hospitality sectors. Its core activities include owning and managing Radisson Blu hotels in Tbilisi and Batumi, overseeing the Radisson Collection Hotel and Park Hotel in Tsinandali, and operating casinos in Tbilisi and Batumi, which are located within Radisson Blu hotels. Additionally, the company owns and manages the Republic Complex and is actively involved in the development and management of various real estate projects across different regions of Georgia.

The real estate and hospitality business is managed by two divisions:

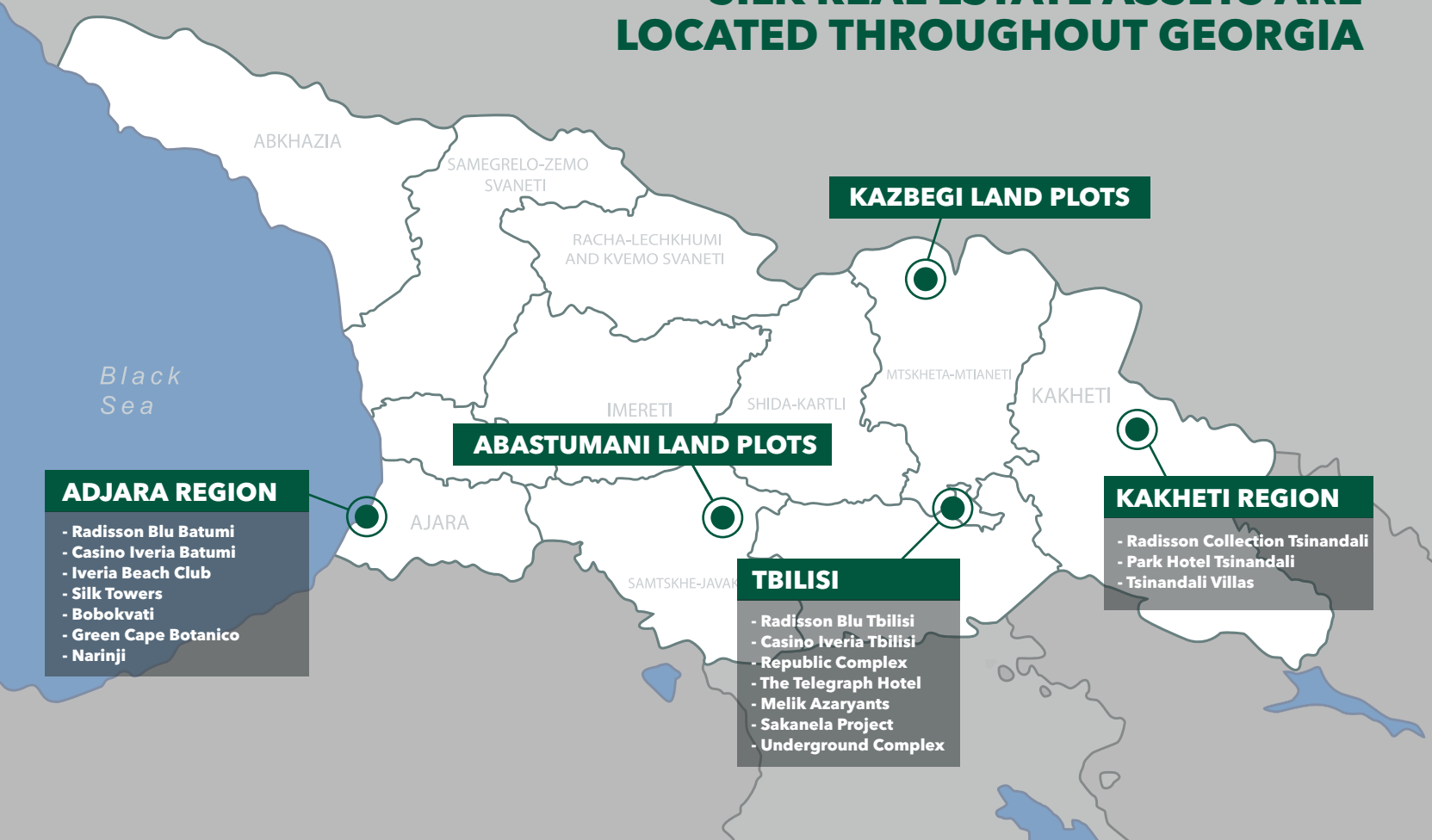
### **SILK DEVELOPMENT**

Through its subsidiary SRG Investments, the company oversees the development of diverse real estate projects, including residential, hospitality, and mixed-use developments.

### **SILK HOSPITALITY**

is an operating company responsible for the management of the group's developed properties as well as the properties of third parties.

# SILK REAL ESTATE ASSETS ARE LOCATED THROUGHOUT GEORGIA



## ABASTUMANI LAND PLOTS

## KAZBEGI LAND PLOTS

## ADJARA REGION

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

## KAKHETI REGION

- Radisson Collection Tsinandali
- Park Hotel Tsinandali
- Tsinandali Villas

## TBILISI

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

# CURRENT AND NOTABLE PROJECTS



## HOTEL RADISSON BLU IVERIA - TBILISI

Opened in 2009, Radisson Blu Iveria is a premier hotel in Tbilisi:

**Number of Rooms:** 236

**Location:** Positioned on Rustaveli Avenue, overlooking the Mtkvari River and a major tourist destination.

**Facilities:** Two top-class restaurants, Anne Semonin spa, a business center, 9 meeting rooms, a large hall available for events, indoor and outdoor pools, a gym, beauty treatments, office space, and conference facilities. Notably, it is one of the highest-grossing hotels in its class in Tbilisi.



## HOTEL RADISSON BLU - BATUMI

Operating since 2011, this high-class hotel on the Black Sea coast features:

**Number of Rooms:** 168

**Location:** Positioned in the heart of old Batumi.

**Facilities:** Includes a casino, beach club, 7 meeting rooms (including a large hall for up to 350 people), 2 restaurants, an indoor and outdoor pool, and an Anne Semonin spa.

**Revenue:** Approximately 20% of the hotel's revenue comes from the casino, with a higher share during the off-season.



## HOTEL RADISSON COLLECTION TSINANDALI

Opened in 2019, this five-star luxury hotel is located in Kakheta, the wine region of Georgia:

**Number of Rooms:** 124

**Location:** Adjacent to the 19th-century Tsinandali House-Museum of Aleksandre Chavchavadze.

**Facilities:** Designed by renowned architects, featuring an amphitheater for up to 1,200 spectators, a concert hall for 500, Anne Semonin spa, indoor and outdoor pools, a ballroom, meeting facilities, and two restaurants.



## PARK HOTEL TSINANDALI

Located adjacent to the Radisson Collection Hotel in Tsinandali, Park Hotel is a non-branded hotel designed for the low-budget segment. The hotel offers:

**Number of Rooms:** 72

**Amenities:** Basic yet comfortable accommodations tailored to budget-conscious travelers.

The group also owns up to 7 hectares of land nearby, where plans include developing additional villas (two completed) and potentially selling some of the land for the future development



## COMPLEX REPUBLIC

Located on Republic Square in Tbilisi, restaurant Republic is a multi-functional building:

**Space:** Covers 1,500 sq.m. with a capacity for 1,000 guests, including two restaurants and a two-story event space for concerts and conferences.

**Features:** A rooftop terrace with city views, a sophisticated menu of European cuisine, and a 24-hour diner, "Republic 24," offering Georgian food.



## GREEN CAPE BOTANICO

The Green Cape Botanico is Silk Real Estate's inaugural residential project, located on a 1.5-hectare green area adjacent to the historic Botanic Garden. Completed in 2024, the complex includes:

**Residential Blocks:** Two blocks (A and B) with 80 high-standard apartments, each featuring sea views and modern kitchen appliances.

**Amenities:** A third block with large children's pools, a gym, and a restaurant.

The company owns four additional plots totaling 2 hectares next to the botanical garden. Plans for these areas include holiday homes and hotels, following the approved Masterplan to ensure harmonious design integration.





## CASINO IVERIA BATUMI

Located in the Radisson Blu Hotel Batumi and operational since 2011, Casino Iveria Batumi offers a range of gaming options and amenities:

**Gaming Options:** 17 tables with blackjack, poker (including No Limit Texas Hold'em and Pot Limit Omaha), American roulette, and baccarat, plus over 160 slot machines.

**Amenities:** Includes a buffet, à la carte restaurant with Georgian and international dishes, and a premium area with full-service facilities.



## CASINO IVERIA TBILISI

Opened in 2009, Casino Iveria Tbilisi is one of the first casinos in Georgia. Situated in the heart of Tbilisi, it is renowned for its classic European interior, world-class service, and extensive game selection. The casino features:

**Gaming Options:** 22 tables offering poker, blackjack, American roulette, and over 210 modern slot machines. It also includes several types of jackpots and high-stakes slots.

**Amenities:** A restaurant serving Georgian, European, and Mediterranean dishes; 3 bars; and a VIP area with dedicated staff. The casino's success was highlighted by its early resumption of operations during the pandemic.



## IVERIA BEACH CLUB

Situated between Batumi Boulevard and the seacoast, Iveria Beach Club spans 3,000 sq.m. and features:

**Amenities:** A bar, restaurant, and various entertainment options. It offers premium beach access and activities during the season.



## IVERIA CAFÉ

Located next to Radisson Blu Iveria in Tbilisi, Iveria Café offers:

**Features:** A variety of lunch options, a wine bar, and a store, conveniently situated in the city center.

# UPCOMING PROJECTS



## THE TELEGRAPH HOTEL - TBILISI

Currently under reconstruction in the historic building of the former central Post Office, The Telegraph Hotel will be a premier hotel:

**Location:** Situated in the heart of Tbilisi on Rustaveli Avenue.

**Status:** Cultural heritage building undergoing rehabilitation, with construction and renovation work having commenced in January 2023.

**Number of Rooms:** 239 rooms, available in eight different categories.

**Design:** The project is being designed by Neri&Hu, a renowned modern architectural firm, LEED-certified project, setting a new precedent in Georgia for environmentally friendly construction.

**Facilities:** The hotel will feature 8 restaurants, including a Rooftop Club and NY-style jazz club, a ballroom, meeting facilities, office space, and a gym.

**Investment:** Total additional investment of GEL 189 million, with GEL 45 million in committed cash equity and GEL 144 million in committed debt.

The hotel is on track to become fully operational by early 2025. This milestone is further underscored by the hotel's acceptance into The Leading Hotels of the World, a distinction after a rigorous selection process. This recognition will highlight the hotel's unwavering commitment to delivering exceptional quality and excellence in the hospitality sector.



## TSIKHISDZIRI

The latest project will feature eco-friendly bamboo cottages developed in collaboration with VTN Architects from Vietnam, designed as a serene retreat. Key elements include:

**Bamboo Cottages:** Elegant accommodations made from sustainably sourced bamboo, blending with nature.

**Design Collaboration:** A unique blend of sustainability and innovative design from VTN Architects.

**Facilities:** A stylish summer bar, a spacious 25-meter pool for relaxation and exercise, wellness amenities including a steam room and massage rooms, and a cozy hammock area for unwinding.

This project aims to create a harmonious retreat that balances comfort, luxury, and environmental stewardship, promising an exceptional experience for guests.



## SILK TOWERS

In the heart of Batumi, between the historic city center and the yacht club, the company plans to develop a multifunctional complex. This project will include:

**Components:** Residential, hotel, commercial, wellness center with gym, pool, treatment rooms, etc., F&B, sports-refreshing, including padel courts, a mini football field, children's play areas, water features, cycling & walking paths, and entertainment facilities.

**Additional Features:** A conference/concert hall and a 2-hectare land plot transformed into a park. The yacht club will also be upgraded to modern standards.

**Design:** the project is designed by renowned Japanese architect **Kengo Kuma and his Paris studio**, with a focus on security, energy efficiency, and LEED certification.



## ABASTUMANI

Set to open in the summer of 2025, this restaurant will be a key dining destination in Abastumani:

**Investment:** Minimum USD 1 million.

**Location:** Historic center, on a 2,122 sq.m. site of a former police building.

**Tourism Appeal:** Increasingly popular with tourists for its unique environment, healing air, and historic sites. Efforts are underway to extend the tourist season.

**Facilities:** Seating for over 150 guests, addressing the local dining shortage. The design is complete, and foundation work is underway.

This project aims to enhance Abastumani's appeal as a year-round tourist destination.



## SAKANELA

**Land Plot:** a 2-ha plot situated in the heart of Tbilisi next to Republic Square, will become a residential and mixed-use development, including a wellness center with a pool and gym, restaurants and cafes, offices, and recreation zones.

**Design:** the concept of Sakanela Land is being developed by GRAFT Architect Studio. GRAFT takes an optimistic approach to the challenges of the future by embracing multiple, simultaneous identities, which allows for greater complexity in design. Their design process is evidence-based and centered around human needs.



# RATINGS AND AWARDS

Silk Real Estate and the broader Silk Road Group have garnered numerous awards and accolades in recognition of their contributions to Georgia's economy, leadership in the hospitality and real estate sectors, and dedication to CSR initiatives. These recognitions underscore the company's commitment to excellence and its pivotal role in the economic development of Georgia.

Silk Real Estate and the Silk Road Group have received significant recognition for their contributions to Georgia's economy and leadership in the hospitality and real estate sectors. The accolades include:

## ► **BEST HOSPITALITY GROUP 2023:**

Awarded by the Georgian Tourism Association, acknowledging the group's excellence in managing luxury hotels such as Radisson Blu Iveria and Radisson Collection.

## ► **BEST INVESTMENT GROUP IN REAL ESTATE DEVELOPMENT 2023:**

Granted by the Georgian Investment Authority, highlighting the group's strategic investments and successful completion of major projects like Green Cape Botanico.

## ► **SUSTAINABILITY AWARD 2023:**

The Georgian Environmental Protection Agency - recognizes the company's efforts in implementing sustainable practices across its real estate developments, including energy-efficient buildings and green spaces.

## ► **TOP CORPORATE SOCIAL RESPONSIBILITY (CSR) CONTRIBUTOR 2023:**

Honored by the Georgian Chamber of Commerce for significant support of cultural, charitable, and sports initiatives throughout Georgia.

## ► **BEST VALUE FOR MONEY ACCOMMODATION 2023:**

Park Hotel is recognized in the "Welcome to Georgia!" category.

## ► **BEST LUXURY WINE ESTATE HOTEL IN KAKHETI 2024:**

Radisson Collection was awarded at the Luxury Lifestyle Awards.

## ► **RADISSON'S FRANCHISE HOTEL OF THE YEAR 2024:**

Radisson Blu Tbilisi is recognized for its excellence in franchise operations.

## ► **LUXE GLOBAL NOMINEE 2024:**

Tsinandali Estate, A Radisson Collection Hotel, with results to be announced on September 27, 2024.

These awards underscore Silk Real Estate's commitment to excellence, innovation, and sustainable growth, reinforcing its reputation as a key player in Georgia's economic development.





# THE GREEN CAPE BOTANICO PROJECT

has been recognized with several prestigious awards, highlighting its excellence in design, sustainability, and guest experience:

## ▶ **FIABCI-GEORGIA PRIX D'EXCELLENCE NATIONAL AWARD 2024**

Winner in two categories: **Best Resort** and **Mid-Rise Residential Building of the Year**.

## ▶ **ARCHELLO AWARD 2024**

**People's Choice Winner** in the **Housing Project of the Year - Mid Rise** category.

## ▶ **TRAVELLER REVIEW AWARDS (BOOKING.COM) 2024**

Achieved an **outstanding 9.3 rating**, recognizing its exceptional hospitality and guest satisfaction on a global scale.



# STRATEGIC REPORT



# STRATEGIC REPORT

## SERVICE QUALITY

Silk Real Estate emphasizes guest satisfaction, with improvements in ReviewPro scores and award-winning properties like Radisson Blu and Radisson Collection Tsinandali Estate. Investments in Silk Academy ensure that staff deliver exceptional experiences, while the Silk Rewards program drives loyalty, generating \$10 million in member revenue in 2023. The company remains committed to setting high service standards in Georgia and beyond.

## CASINO-CENTRIC DEVELOPMENT

Casino operations remain a cornerstone of Silk Real Estate, contributing 56% of revenue in 2023. The focus is on maintaining competitive advantages through luxury venues like Casino Iveria Tbilisi and Casino Batumi, integrating advanced loyalty systems for customer retention. Despite regulatory and competitive pressures, Silk Real Estate maintains its edge through targeted loyalty programs like Club Iveria, offering exclusive events and rewards. Its casinos achieve high customer retention by leveraging advanced marketing strategies and personalized experiences.

## EVENT MANAGEMENT

The group manages high-profile event spaces such as the Republic Complex, with multi-functional facilities for concerts, conferences, and upscale gatherings. Properties like The Telegraph Hotel also plan to offer state-of-the-art event venues, including ballrooms and rooftop clubs, tailored for premium experiences.

## DIGITALIZATION (LOYALTY AND IT TRANSFORMATION)

Silk Hospitality leads the way in digital innovation with Silk Rewards, Georgia's first hospitality loyalty app. The app integrates seamlessly with other Silk businesses and offers exclusive deals, loyalty points, and a streamlined booking process to enhance guest experiences.

## STAFF TRAINING (INCLUDING ACADEMY)

Silk Academy, the in-house training facility, equips over 2,300 employees with both theoretical and practical skills. This initiative supports talent development, ensuring excellence across operations, with the Silk Academy addressing the demand for skilled staff and promoting a culture of diversity, ethics, and innovation.

## GROUP SYNERGIES (FINANCING AND PURCHASING)

The group maximizes synergies across its diversified business portfolio by implementing joint loyalty initiatives in sectors such as hospitality and telecommunications. Additionally, strategic partnerships—such as collaborating with Kengo Kuma for architectural excellence—enhance cost efficiency and drive innovation in project development.

# OUR INNOVATION HIGHLIGHTS



## silkrewards

Silk Rewards is the first Georgian loyalty application in the hospitality industry, designed to enhance customer engagement and retention. The program offers exclusive benefits such as cashback on payments, a structured tier progression system, and personalized rewards. Members can earn points through various transactions, which can be redeemed at Silk Hospitality venues, including hotels and dining establishments. By integrating seamless booking options and exclusive member privileges, Silk Rewards strengthens customer relationships while driving long-term brand loyalty.

**Cashback:** Members earn points on every payment at Silk Hospitality venues, which can be redeemed for future purchases or exclusive discounts.

**Redemption:** Loyalty points can be used as a payment method across Silk Hospitality services, including accommodations, dining, spa treatments, and recreational facilities.

**Booking:** The Silk Rewards platform allows members to book hotels and restaurants while applying points toward reservation costs.

**Gifts & Rewards:** The program offers members exclusive rewards, including personalized gifts and promotional benefits.

**Deals:** Members gain access to special offers and service vouchers, enhancing value through the Silk Rewards platform.

**Explore:** The application provides an overview of all Silk Hospitality venues, allowing members to utilize their points for exclusive access and additional privileges.



## UNICORN SOLUTIONS

Founded by Silkroad Group in 2023, Unicorn Solutions is a fast-growing import and distribution company dedicated to bringing high-quality, exclusive products to the Georgian market.

The company's diverse portfolio spans F&B, FF&E, OS&E, and IT sectors, ensuring a strong presence across multiple industries. With a mission to enhance accessibility to premium products while optimizing cost efficiency, Unicorn Solutions continues to strengthen its role in the local market.

Supported by an agile supply chain and strategic partnerships, the company serves over 200 active B2B clients, ensuring smooth distribution and sustainable growth.

In addition, Unicorn Solutions operates [www.unicorn.ge](http://www.unicorn.ge), a rapidly expanding e-commerce platform that offers competitive pricing and same-day delivery, reinforcing its position in the retail sector.

With a scalable business model, strong market demand, and a commitment to operational excellence, Unicorn Solutions is well-positioned for long-term success and expansion.



# RESEARCH, DEVELOPMENT & INNOVATION

At Silk Real Estate, we are committed to staying at the forefront of innovation by integrating advanced R&D initiatives into every facet of our business. Here's how we drive progress:

## DIGITAL INNOVATION

- **Silk Rewards App:** We are proud to lead digital transformation in the hospitality sector with Georgia's first hospitality loyalty app—Silk Rewards. This powerful tool integrates seamlessly with our other businesses, streamlining the booking process, offering exclusive deals and loyalty points, and enhancing overall guest engagement.

*(Refer to "Digitalization (Loyalty and IT Transformation)" on page 20.)*

## INTEGRATED STRATEGIC APPROACH

- **Leveraging Group Synergies:** We capitalize on strategic partnerships with international architectural and engineering firms to drive innovation in project development, enhance cost efficiency, and promote sustainable practices.
- **Adaptability in a Competitive Market:** Through continuous innovation, we maintain exceptional service quality and stay ahead of evolving market trends.

*(Refer to "Operating Environment" on page 16 and related sections in the Strategic Report.)*

In summary, we embed innovation throughout our business model—whether through digital solutions, pioneering architectural designs, or investing in our people. While our report does not list "R&D" as a separate line item, these initiatives collectively form the engine behind our continuous innovation and development.

## ARCHITECTURAL AND DESIGN INNOVATION

- **Collaborative Projects:** We are setting new benchmarks in design and sustainability with our upcoming projects. For instance:

- **The Telegraph Hotel (Tbilisi):** Designed by Neri&Hu, this LEED-certified development transforms a culturally significant building into an environmentally friendly, state-of-the-art hotel.
- **Eco-Friendly Bamboo Cottages:** In collaboration with VTN Architects from Vietnam, we are pioneering sustainable construction using naturally sourced bamboo.
- **Silk Towers:** With the concept of famous Japanese architecture studio Kengo Kuma & Associates, this multifunctional complex exemplifies our commitment to energy efficiency and modern design standards.

*(See "Upcoming Projects" on pages 14–15.)*

## TALENT DEVELOPMENT AND ORGANIZATIONAL INNOVATION

- **Silk Academy:** Recognizing that our people are our greatest asset, we established Silk Academy to upskill over 2,300 employees. This in-house training facility supports operational excellence and nurtures a culture of continuous innovation.

# MARKET OVERVIEW

## 2023

Area	69,700 sq.m
GDP at current prices, billion USD	30.5
Annual inflation (dec/dec)	0.4%
Total external debt/GDP	79.1%
Population at the end of the year, millions	3,7
direct foreign Investments as %1 of GDP (31.12.2023)	5.2%
Country rating (S&P, Fitch, Moody's)	BB, BB, Ba2
GDP, billion GEL	80.2
Real GDP growth	7.5%
Unemployment rate	16.4%

## ECONOMIC PERFORMANCE AND RECOVERY

Over the past decade, Georgia has consistently outperformed its regional peers economically, cementing its reputation as a growing hub for business and investment. The country demonstrated an impressive post-COVID recovery, with real GDP growth reaching 10.5% in 2021 and an expected 10.1% in 2022, despite facing annual average inflation of 11.9%.

Inflation, which peaked during 2022, began to decline in the fourth quarter, returning to more sustainable levels in 2023. By July 2023, annual inflation had dropped to 0.3%, highlighting the success of the National Bank of Georgia's monetary interventions.

Georgia's economic growth in 2022 was further boosted by an influx of migrants from Russia, Belarus, and Ukraine, following the Russian invasion of Ukraine in February 2022. This migration resulted in a significant strengthening of the Georgian Lari (GEL), driven by an increased inflow of foreign currency, primarily through remittances. In response, the National Bank of Georgia conducted foreign currency purchase operations, which not only stabilized the exchange rate but also bolstered international reserves—an essential buffer against future external shocks.

These factors, along with Georgia's strong fiscal management and favorable business environment, are reflected in the country's consistently high international ratings, solidifying its position as a competitive and attractive destination for investment.

## DEMOGRAPHIC AND URBANIZATION TRENDS

Significant demographic shifts have shaped Georgia over the past two decades. According to "Sakstat," the country's rural population declined by 20% between 2000 and 2022, with urbanization accelerating during this period. By the end of 2022, 60% of the population resided in cities, with 33% living in Tbilisi alone.

Despite this urban growth, Georgia's urbanization rate still lags behind EU standards, highlighting an area of potential future development. Tbilisi, as the economic and cultural hub of the country, continues to attract people from across Georgia, further driving urban expansion.

## TOURISM: GROWTH AND CHALLENGES

Georgia's tourism sector experienced rapid growth from 2015 to 2019, with the number of international visitors steadily increasing year-over-year. During this period, tourism became a cornerstone of the Georgian economy, contributing significantly to GDP and employment.

However, the COVID-19 pandemic brought unprecedented challenges to the industry. In 2020, the number of international visitors plummeted by 80.4%, and tourism revenues declined by 83.4%, creating immense pressure on businesses reliant on this sector.

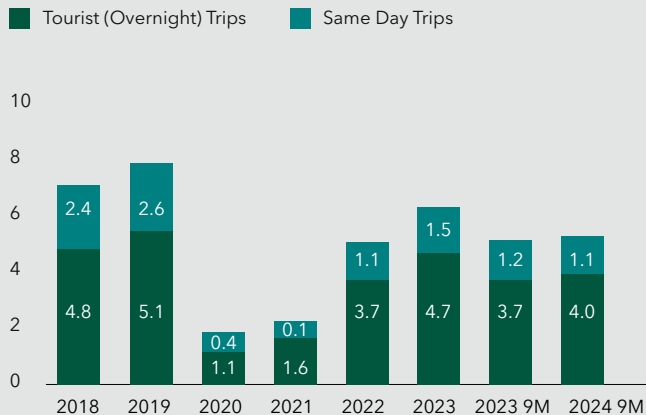
The subsequent recovery of the tourism industry has been a key driver of Georgia's overall economic rebound, with renewed demand from international visitors supporting growth across related sectors such as hospitality, real estate, and transportation.

# OVERVIEW OF THE HOSPITALITY SECTOR

The Georgian tourism sector was enjoying rapid growth before the pandemic, with much of it due to a visa-free regime with more than 100 countries, as well as a rich and historic culture, improved service quality, and comprehensive Government support. Georgia's marine resorts, medical and health resorts, winter ski resorts, four-season resorts, wine tourism, cultural attractions, and gaming businesses have made tourism a key sector of the service sector.

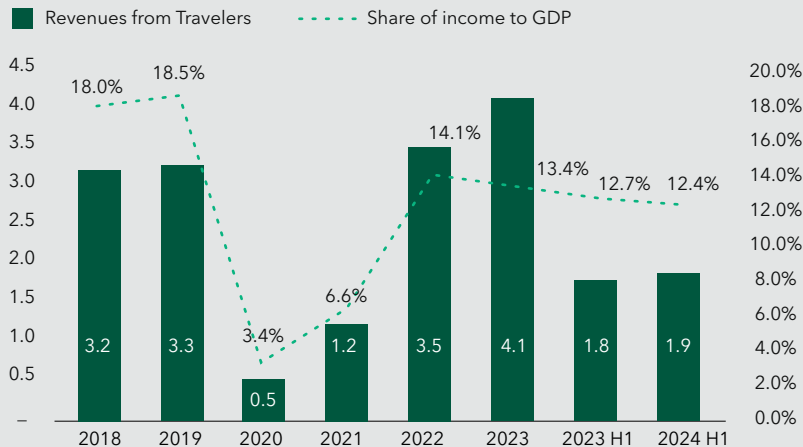
World tourism has recovered to 88% of the pre-pandemic level by the end of 2023. A strong trajectory of recovery is likely to continue in 2024. However, one-day visits remain significantly lower, reaching only 52.8% of the 2019 level in the first quarter of 2024. This decline is largely attributed to ongoing border regulations imposed by neighboring countries.

**FIGURE 1: NUMBER OF INTERNATIONAL VISITORS, MILLION PEOPLE**



Source: GNTA

**FIGURE 2: REVENUES FROM TOURISM**

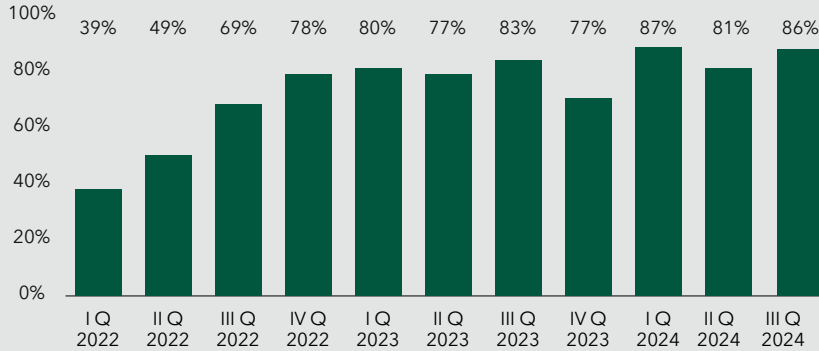


Source: NBG

The recovery of Georgia's tourism sector remains slower than the global average, with an 80% recovery recorded in 2023 compared to 2019 levels. However, in the first half of 2024, the number of international visitors surpassed 5 million, reflecting a 4% increase compared to the same period in 2023. By this time, the recovery of international visitor numbers had reached 86% of 2019 levels.

A full recovery of international travel from several countries is still delayed, including Azerbaijan, which had the lowest recovery rate of 14%. In the first 9 months of 2024, the rate of international visits from Russia rose by 92% compared to 2019. At the same time, Armenia is still lagging the 2019 figure, with a slightly reduced recovery rate of 74%.

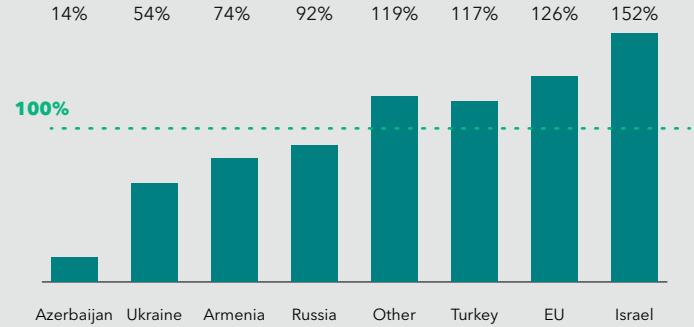
**FIGURE 3: RECOVERY OF TOURIST VISITS COMPARED TO 2019**



Source: GNTA

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

**FIGURE 4: RECOVERY OF TOURIST VISITS PER COUNTRY**



Source: GNTA

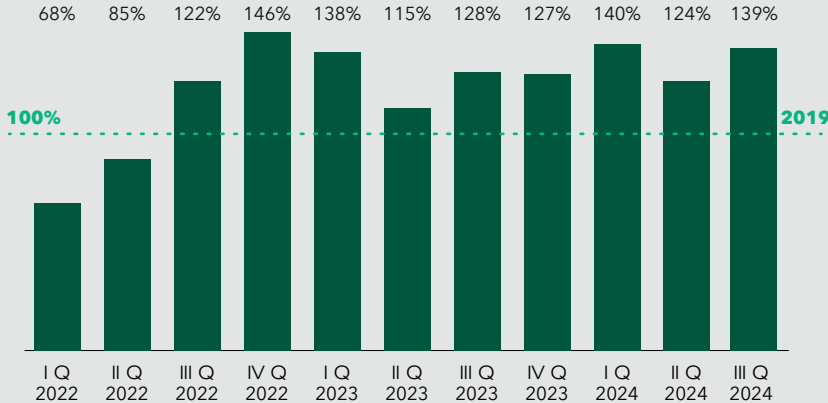


International travel revenues in the first nine months of 2024 increased by 6.5% year-over-year, reaching USD 3,461 million—up 34% from 2019 levels. Revenue growth in Q3 2024 was nearly identical to that of Q1. The primary contributors to this growth were Russia and the EU. However, travel receipts from Turkey and Ukraine saw a decline in Q3 2024, falling by 13% and 7%, respectively, compared to the same period in 2023.

In the first nine months of 2024, Turkey and Russia together accounted for 33% of total international travel receipts, while Azerbaijan and Armenia contributed a smaller share of 8%. Meanwhile, as travel from Saudi Arabia and Israel continues to increase, both the volume of travel receipts and their respective shares of total revenue from international visitors have been steadily growing.

In September 2024, the National Bank of Georgia (NBG) reported that cash remittances into the country amounted to \$283.39 million (767.3 million Georgian Lari), showing a 1.1% decline, or \$3.0 million less, compared to the same period in 2023.

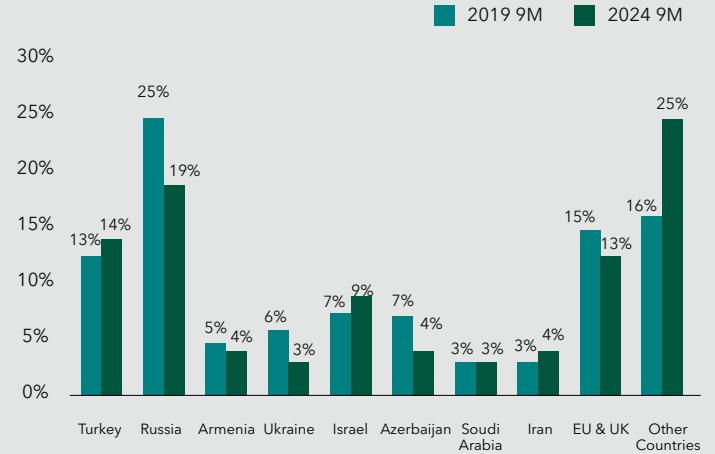
**FIGURE 5: RECOVERY OF TOURISM REVENUES COMPARED TO 2019**



Source: NBG

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

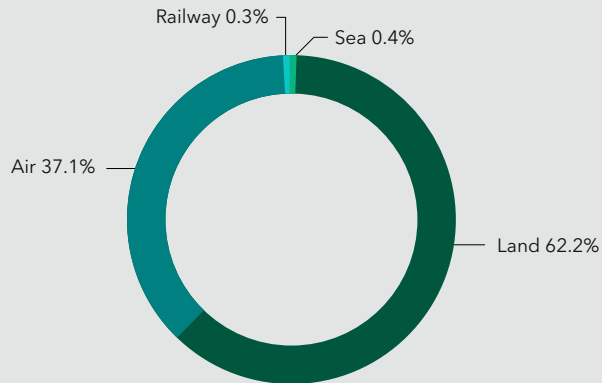
**FIGURE 6: SHARE OF COUNTRIES IN REVENUES GENERATED BY INTERNATIONAL TRAVELERS**



Source: GNTA

# AIR TRAVEL AND HOTEL INDUSTRY OVERVIEW IN GEORGIA

## INTERNATIONAL VISITOR TRIPS BY BORDER TYPES:



Until 2022, visitors arriving by road mostly prevailed in Georgia, and the number of visitors arriving by air did not exceed 25%. However, in the post-pandemic period, this trend changed, and the share of air arrivals equaled 34.7% (car - 64.3%), while the share of sea (0.4% of visitors) and rail (0.7% of visitors) transport was still very small. In 2023, both land and air border crossings increased.

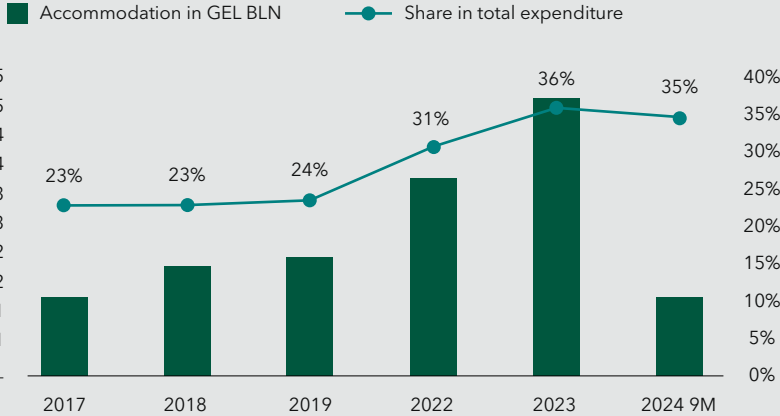
In the first nine months of 2024, land border crossings decreased by 5%, while air border crossings increased by 27% compared to the same period in 2023.

International brand hotels dominate the hotel market. Currently, there are 40 international branded hotels operating in Georgia, most of which are located in Tbilisi and Batumi. The number of international branded hotels will increase further, as 22 more hotels are planned to open between 2025-28, with a total of 2,865 rooms. After competition intensified in Tbilisi, investors shifted their attention partially to the development of regional hotels. Accordingly, out of the planned hotels, only 6 hotels will be built by 2025-26. Out of the 22 planned hotels, 5 are planned to be built in Adjara, while 4 are in Samtskhe-Javakheti and 2 are in Samegrelo-Zemo Svaneti.

In the first nine months of 2024, visitor spending on accommodation totaled 1.3 billion GEL, representing 35% of total expenditure. This marked a 2% decrease in accommodation spending compared to the same period in 2023.

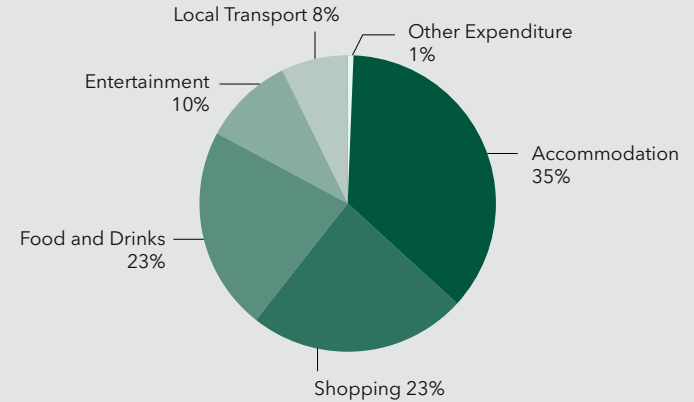
Following accommodation, the largest spending category was shopping, accounting for 23% of total spending, with food and beverage spending coming in at 22%. Overall, total visitor spending in the first nine months of 2024 reached 3.8 billion GEL, a 66% increase compared to the same period in 2019. Of this, accommodation spending comprised 25%

**FIGURE 8: VISITOR SPENDING ON ACCOMMODATION**



Source: GNTA

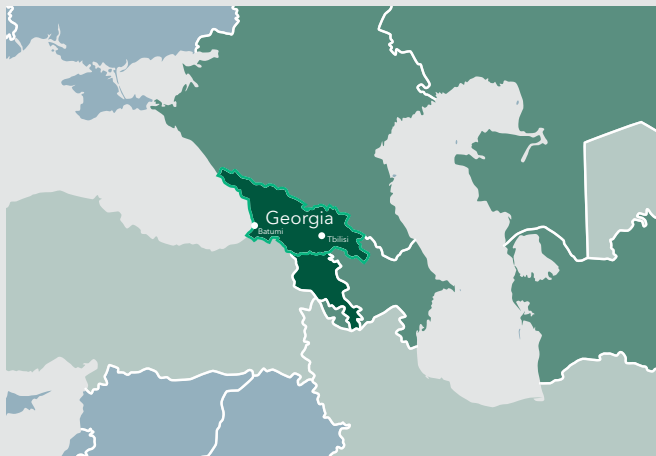
**FIGURE 9: VISITOR SPENDING 2024 9M**



Source: GNTA

# LAND-BASED GAMBLING SECTOR IN GEORGIA

■ Illegal
 ■ Partially Legal
 ■ Fully Legal



## PERCENTAGE OF INTERNATIONAL VISITORS IN 2023



Unlike many neighboring countries where gambling is fully or partially prohibited, Georgia stands out as a regional hub for the industry. Gambling in Georgia is fully legalized and regulated by the Ministry of Finance, creating a structured and transparent framework for operators. Both online gambling and land-based gambling activities are permitted under Georgian law, making the country one of the most open and progressive markets in the region for this sector.

The types of land-based gambling establishments allowed in Georgia include casinos, gaming machine salons, sportsbooks, lotto, and bingo facilities.

As of January 2023, there are 127 active permits for physical gambling facilities across different regions of Georgia. The majority of these permits are held by slot machine parlors. Additionally, there are 24 active casino licenses, most of which are concentrated in Batumi, a city that has become a key destination for gambling tourism in Georgia.

## ACTIVE GAMBLING PERMITS, JANUARY 2023

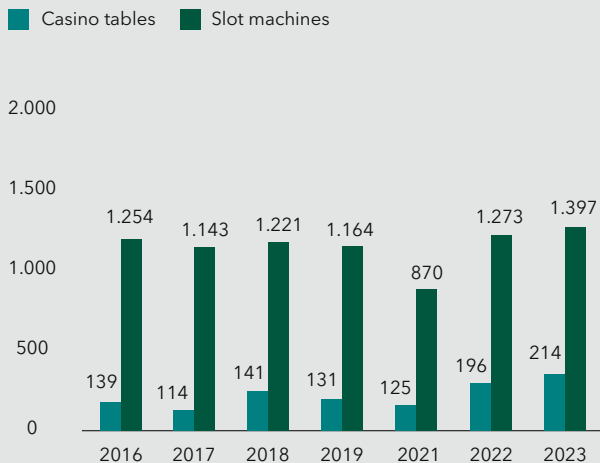
	Tbilisi	Batumi	Others	Total
Casinos	8	13	3	24
Slot machine salon	20	28	25	73
Sportsbook	5	3	17	25
Lotto	1	0	0	1
Bingo	1	3	0	4

Source: Revenue Service

The number of slot machines in Batumi casinos has grown by 10%, while casino tables have increased by 9%, reflecting the rising demand for diverse gaming experiences. This growth is part of a broader trend in Adjara's casino industry, which continues to gain significant international attention.

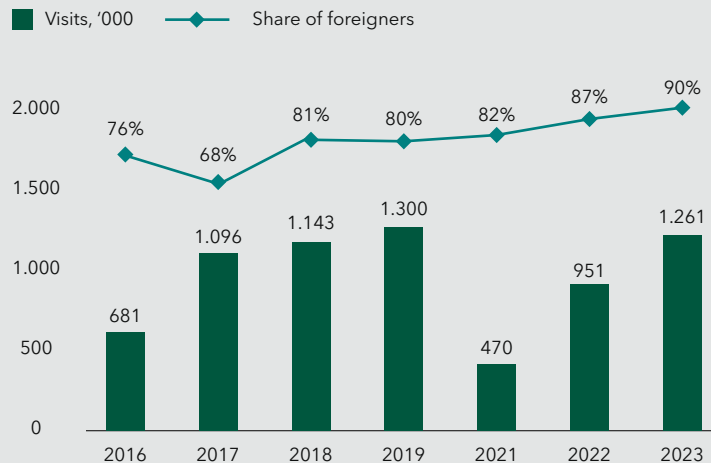
In 2023, Adjara's casinos welcomed a total of 1,261,279 visitors, with an impressive 90% coming from abroad. This surge in international tourism highlights the region's growing reputation as a premier destination for casino enthusiasts. Adjara's success is fueled by its world-class entertainment offerings and its unique ability to attract global travelers seeking both leisure and excitement.

**FIGURE 10: CASINO TABLES AND GAMING MACHINES IN BATUMI CASINO**



Source: Ministry of Finance of Adjara

**FIGURE 11: NUMBER OF VISITS TO ADJARA CASINO, THOUSAND**



Source: Ministry of Finance of Adjara



# TAX AND PERMIT SYSTEM ON CASINOS

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

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

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

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

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



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

The rate of annual and quarterly fees varies by region in Georgia. The maximum annual license fee for casinos is 5,000,000 GEL, and the quarterly fee for one casino table ranges from 20,000 to 40,000 GEL. The quarterly fee for gaming machines is set at 2,000-4,000 GEL per machine per quarter.

The annual fee for a casino license in Tbilisi is 5,000,000 GEL, while in Batumi, the fee is set at 250,000 GEL per year. Regarding the quarterly fee, the maximum limit for the casino table is 40,000 GEL for both cities, and the maximum limit for gaming machines is set at 4,000 GEL.

In GEL	Casino's annual permit fee	Quarterly fee of the Casino's table	Quarterly fee of the Slots
<b>Tbilisi</b>	5,000,000	40,000	4,000
<b>Batumi</b>	250,000	40,000	4,000

In 2023, the gambling sector contributed a total of GEL 791.2 million in taxes and fees to the budget, representing a 21.6% increase compared to the previous year and representing 88.2% increase compared to 2019, before the pandemic. The surge is mainly attributed to the new tax scheme for the electronic gambling sector implemented in 2022.

Annual and quarterly fee revenues in the budget exceeded pre-pandemic levels in 2023, indicating that the number of physical gambling establishments, as well as the number of casino tables and slot machines, surpassed 2019 levels.

Source: *The Law of Georgia on License and Permit Fees*

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

- A.** For setting up a gambling machine salon in the casino by a person who holds a permit to set up a casino in Tbilisi - 100,000 GEL (applies to the activities of the issuer);
- B.** In the territory of the city of Tbilisi (except for the case provided for in subsection "a") - 1,000,000 GEL;
- C.** In the territory of the self-governing city of Batumi - 200,000 GEL (applies to the activities of the issuer)

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

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



# CONSTRUCTION SECTOR

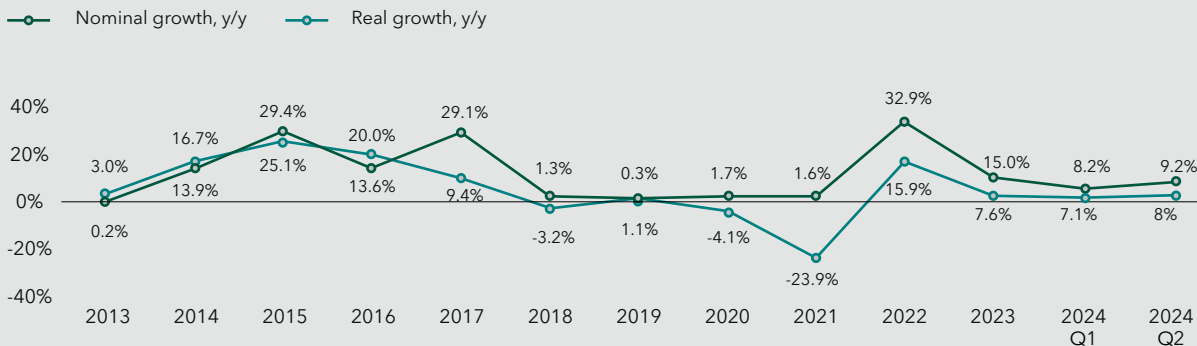
The construction sector continues to be the backbone of the economy, as realizing investment opportunities in the tourism industry, energy, residential and commercial real estate and infrastructure works requires direct involvement of the sector.

Preliminary data from Geostat indicates that the sector grew by 8.2% in Q1 2024 and 9.2% in Q2 2024 in real terms. This follows real growth of 15% in 2023 and 15.9% in 2022. The recent growth is partially attributed to the low base effect, as the sector experienced annual declines in real terms from 2018, except for a 1.1% increase in 2019.

The pandemic and related restrictions had a very large negative impact, both on the economy as a whole and on the construction sector. On the other hand, the increased demand for real estate and construction caused the sector to grow in both nominal and real terms from 2022 to the present. In 2021, the construction sector in real terms decreased by 23.9%, despite a nominal 1.6% increase, which was due to a significant increase in the prices of construction materials. High prices for construction materials were caused by the increase in prices on global commodity markets and the disruption of supply chains (one of the effects of the pandemic).

However, in light of the increased demand for real estate from 2022 and the stabilization of construction materials prices from 2023, the sector's real growth for the same year amounted to 15%.

**FIGURE 12: NOMINAL AND REAL GROWTH OF THE CONSTRUCTION SECTOR**

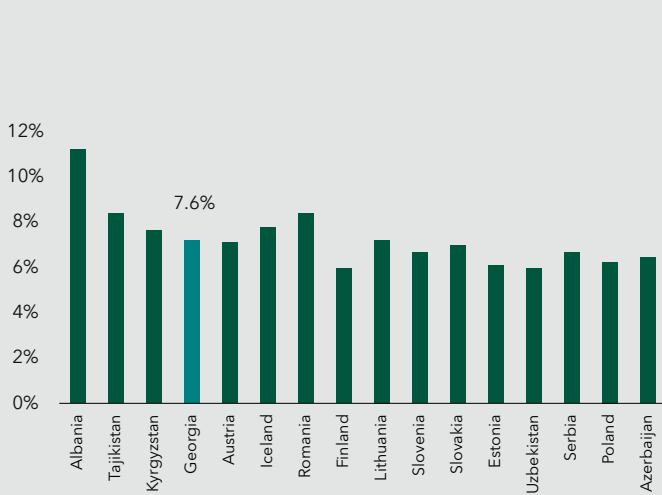


Source: GEOSTAT

The construction sector, a labor-intensive industry, employed 68,551 people in 2023, with the number slightly decreasing to 68,021 by Q3 2024. Employment in the sector experienced a general decline from 2018 to 2022, primarily due to the completion of large-scale projects, such as the BP pipeline construction in 2017, which reduced demand for labor.

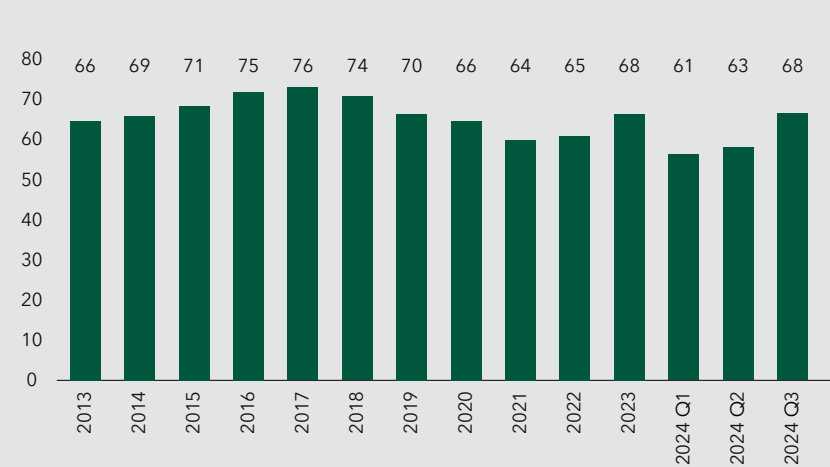
Preliminary data for 2024 indicates that average monthly wages in the construction sector increased by 31.5% y/y, in 2023 there was a 32.9% y/y rise. This notable wage growth reflects the impact of a skilled labor shortage, which has intensified competition for workers, and the delayed effects of high inflation, which typically exerts upward pressure on wages over time.

**FIGURE 13: SHARE OF CONSTRUCTION IN NOMINAL GDP, 2023**



Source: UNECE

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



Source: Geostat

# RESIDENTIAL REAL ESTATE

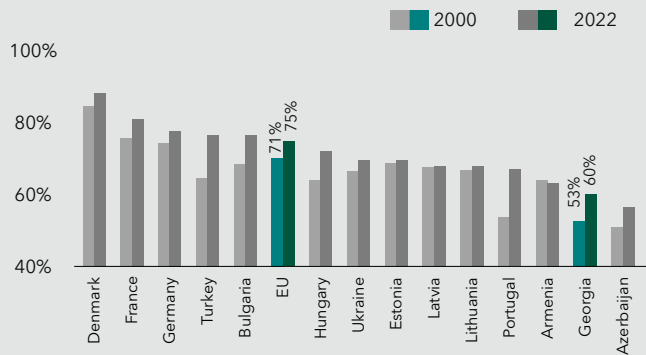
Since the mid-2000s, the residential real estate sector has been a major driving force behind Georgia's economy. Between 2010 and 2023, GDP per capita in USD increased by an average of 7.7% annually, which had a positive impact on the purchasing power of the Georgian population. As a result, the combination of rising average incomes and the availability of real estate has led to a surge in demand for residential properties, particularly in Tbilisi and Batumi. It should be noted that the effect of migration was added to all this, which significantly increased the investment attractiveness of residential real estate from 2022.

There are several factors positively influencing the demand. Of these, the need-based demand drivers are increasing urbanization, shrinking family size, income growth, mortgage affordability, housing improvements, migration, etc., while the investment attractiveness-based factors are rental yields, capital gains, and lack of investment alternatives.

The residential real estate market in Georgia has experienced additional demand due to population migration from rural to urban areas. Urbanization in the country has increased to 60.3% in 2021, compared to 52.6% in 2000. Despite the growth, the urbanization rate in Georgia is still lower than the EU average (75.5%). The trend towards urbanization is expected to continue due to the population shift from less productive agricultural sectors to more productive ones.

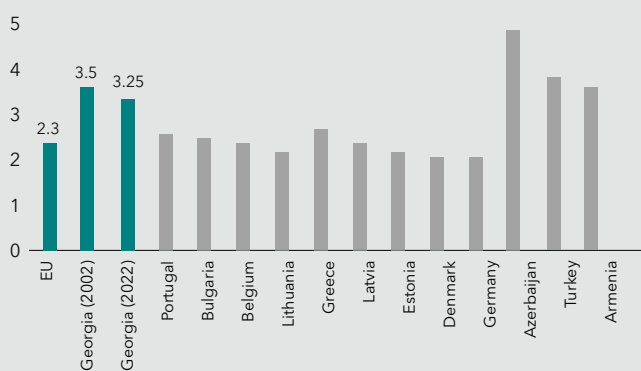
Increasing incomes have also contributed to the demand for residential real estate, as Georgians now have the means to live independently. In recent years, young people in particular have started to separate from their families, leading to increased demand for housing. This trend is not unique to Georgia, as it has also been observed in European countries. The average household size in Georgia has decreased to 3.2 people in 2021, compared to 3.8 in 2002. This figure is also significantly higher than the EU average, which stood at 2.3 in 2022.

**FIGURE 15: URBANIZATION IN COMPARABLE COUNTRIES**



Source: World Bank

**FIGURE 16: HOUSEHOLD SIZES IN COMPARABLE COUNTRIES**



Source: Eurostat, Geostat



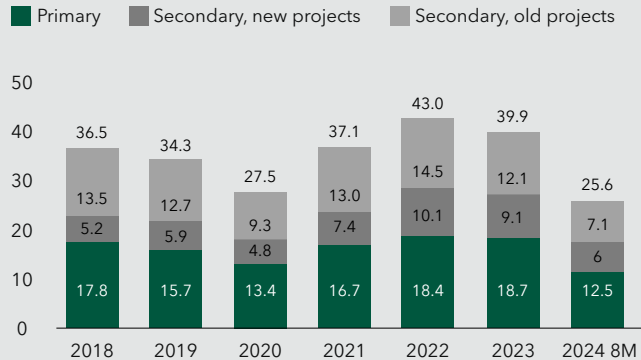
After strong sales in 2018, the real estate market slowed down in 2019, and in 2020, the pandemic significantly impacted sales. However, government measures, including an interest subsidy scheme, helped stabilize the market. Under this scheme, the state subsidized 4 percentage points of interest on mortgage loans in GEL for loans taken in 2020.

Following a recovery in 2021, 2022 saw record sales of 42,974 apartments (+15.9% y/y), driven by pent-up demand and migrant inflows. In 2023, 39,949 apartments were sold, a 7.0% decline compared to 2022, but still a strong figure considering the high base. Notably, 46.9% of these sales (18,734 apartments) were in the primary market.

Between 2018 and 2023, the total space sold in Tbilisi increased by 5.7%, with apartment sales up by 9.6%. This indicates a slight decrease in the average apartment size, from 71 square meters in 2018 to 68 square meters in 2023.

In the first eight months of 2024, apartment sales decreased by 3.8% year-on-year, primarily due to a drop in secondary market transactions. Medium-sized apartments (51-80 m<sup>2</sup>) remained the most prevalent.

**FIGURE 17: REAL ESTATE PURCHASES IN TBILISI**



Source: NAPR, Galt & Taggart



# OPERATING ENVIRONMENT

## ECONOMIC LANDSCAPE:

The Georgian Lari (GEL) has faced notable fluctuations against the USD, influenced by global economic conditions, geopolitical tensions, and domestic monetary policies. While these dynamics have added complexity to the business environment, they also underscore the importance of adaptability and financial prudence.

Inflation, which peaked in 2022, began to stabilize in 2023, driven by effective monetary interventions from the National Bank of Georgia. This stabilization has provided greater predictability for businesses and has laid the foundation for sustainable economic growth moving forward.

However, these economic variables continue to shape the operating environment for Silk Road Group and other businesses across the region, requiring ongoing vigilance and strategic agility.

## INDUSTRY TRENDS:

The casino and hospitality industries in Georgia are experiencing heightened competition, as new entrants bring fresh energy and innovation to the market. While this creates challenges for established players like Silk Road Group, it also presents significant opportunities for differentiation.

In this evolving landscape, innovation and exceptional service quality are key to staying ahead. By focusing on enhancing customer experience and leveraging our expertise, Silk Road Group is well-positioned to not only navigate these changes but also set new standards in the industry.

# FINANCIAL RESULTS MANAGEMENT OVERVIEW

The operational overview given is the result of group segmentation. Total revenues and EBITDA can be found in the "Segment Report" by year, and the breakdown of revenues is unaudited company information.

The following section provides a discussion of the company's management of financial information. For a comprehensive overview of the operating results, please refer to the Operating Results subsection.

'000 GEL	2023	2022	2021
<b>Total Revenue</b>	<b>306,630</b>	<b>304,382</b>	<b>174,671</b>
<b>Hotel revenue</b>	<b>89,575</b>	<b>82,612</b>	<b>55,443</b>
Room revenue	42,873	40,447	29,434
Other revenue	46,702	42,165	26,009
<b>Casino revenue</b>	<b>172,705</b>	<b>183,190</b>	<b>97,911</b>
GGR tables	98,275	116,472	68,298
GGR slots	62,428	53,656	23,505
Other	12,002	13,062	6,108
<b>Other revenue***</b>	<b>44,350</b>	<b>38,580</b>	<b>21,317</b>

<b>Total EBITDA</b>	<b>59,366</b>	<b>80,089</b>	<b>37,819</b>
Hotel EBITDA	26,478	23,119	11,668
Casino EBITDA	39,810	61,807	33,087
Other***	(6,922)	(4,837)	(6,936)

<b>EBITDA Margin</b>	<b>19%</b>	<b>26%</b>	<b>22%</b>
Hotel EBITDA margin	30%	28%	21%
Casino EBITDA margin	23%	34%	34%
Other***	-16%	-13%	-33%

\*Please refer to the "Reconciliation of the reporting segments" subsection under "Key financial indicators" for the reconciliation of financial data of the reportable segments with the consolidated IFRS figures.

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

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

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



For the 2023 period in the table, 29% of total revenue came from hotel revenue, 56% from casino revenue, and 15% from other revenue. The increase in the income of hotels was 8% compared to the previous year, which is mainly due to the increase in the income of Tsinandli Radisson. It can be said that the mentioned hotel had a fully operational first year after opening (Tsinandli Radisson opened in 2019). In the case of casinos, the 6% decrease is due to the growth of competitors. In 2023, 2 new casinos were opened in Tbilisi, which directly affected the revenues of the company's casinos.

EBITDA indicators in 2023 repeat the same trend as revenues. From the total EBITDA, the share of hotels is 45%, casinos 67%, and the figure generated by other companies is -12%. In the case of the hotel, we can attribute the 15% increase rate to the stable operating year of the Tsinandli hotel and the high occupancy rate of the Tbilisi hotel. In the case of the casino, the 36% decrease between the same periods was caused by two main indicators; The decrease in income (by 10.831 million GEL, compared to 2022), as stated in the present paragraph, and the increase in direct marketing expenses (by 9.136 million GEL, compared to 2022), which was due to the continued increased competition.

It should be emphasized that the Company's 2022 results are significantly improved. The total income of 2022 exceeds the indicator of the same period of 2021 by 75%. The hotel's income has increased by 49%. This was due to the post-pandemic period. Compared to previous years, hotels operated throughout the year, and the inflow of tourist flows gradually recovered.

Along with the revenue in 2022, the company's EBITDA has also increased significantly. Compared to the period of the previous year, the increase was 212%. The margin also increased from 22% to 26%. To summarize, 2022 was an exceptionally profitable year for the issuer, both in the casino business and on the hotel side. Post-pandemic tourism growth has had a positive impact on all destinations.

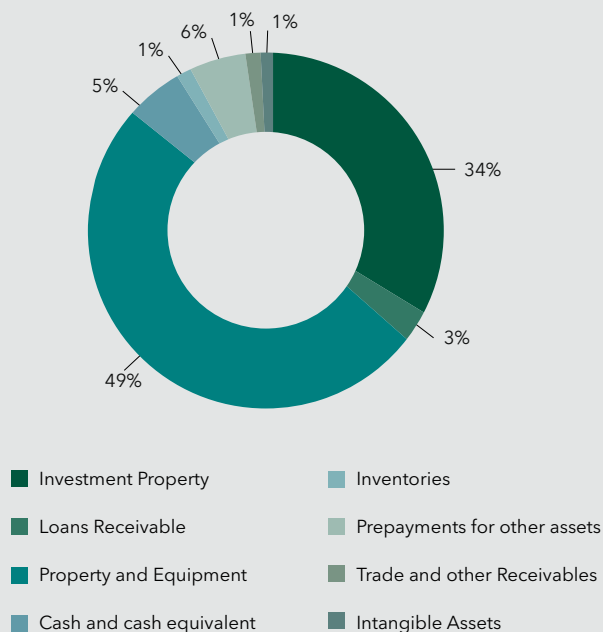


Consolidated Statement of Financial Position (000' GEL)	31-Dec-2023	31-Dec-2022	31-Dec-2021
	Audited	Audited	Audited
<b>Assets</b>			
Property and equipment	354,339	331,151	267,193
Investment property	242,890	238,930	309,771
Intangible assets	6,607	6,700	5,619
Prepayments for noncurrent assets	29,630	1,592	308
Investments in equity accounted investees	642	-	-
Loans receivable	14,537	222,123	237,275
Non-current assets	648,645	800,496	820,166
Inventories	7,802	6,483	4,873
Loans receivable	5,198	1,886	40,710
Trade and other receivables	9,106	11,523	8,966
Cash and cash equivalents	40,779	53,912	34,413
Prepayments and other assets	11,499	9,062	7,747
Current assets	74,384	82,866	96,709
Total assets	723,029	883,362	916,875
<b>Equity</b>			
Capital*	492,242	671,140	671,140
Accumulated losses	(48,205)	(122,875)	(137,860)
Equity attributable to owners of the Company	444,037	548,265	533,280
Non-controlling interests	17,304	12,091	7,529
Total equity	461,341	560,356	540,809
<b>Liabilities</b>			
Loans and borrowings	223,130	230,374	263,497
Trade and other payables	599	-	504
Put option liability	-	42,138	42,436
Non-current liabilities	223,729	272,512	306,437
Loans and borrowings	18,413	33,287	49,296
Trade and other payables	19,546	17,207	20,333
Current liabilities	37,959	50,494	69,629
Total liabilities	261,688	323,006	376,066
Total equity and liabilities	723,029	883,362	916,875



## TOTAL ASSETS

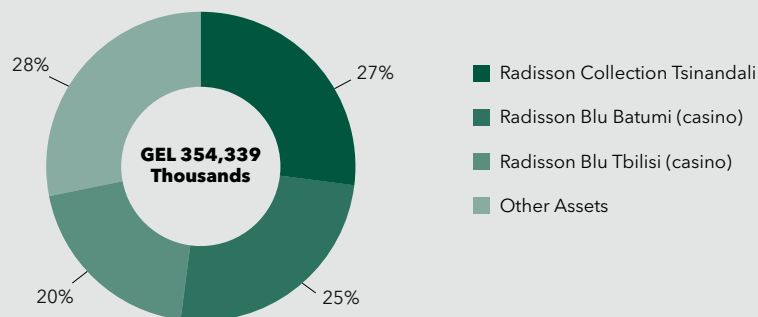
The company's total assets as of December 31, 2023, amount to GEL 723,029 thousand, which represents an 18% decrease compared to December 31, 2022 (31/12/2022: GEL 883,362 thousand). The mentioned change in assets in 2023 is mainly attributable to a 91% decrease in loan receivables. As of 2023, the current and non-current portions of total assets are 10% and 90%, respectively (31/12/2022: 9% and 91%).



## PROPERTY AND EQUIPMENT

Property and equipment consist of the consolidated assets of 38 companies. The main portion of existing properties are hotels, casinos, and the Republic complex. The historical cost of fixed assets is determined by the acquisition cost of the property and equipment, along with any additional expenses that are directly attributable to putting the asset into operation. The lands primarily represent part of the buildings. Additionally, the value of hotels owned by the company, (including Radisson Blu Tbilisi, Radisson Blu Batumi, and Radisson Tsinandali Collection), account for 31% of the total assets. (31/12/2022: 28%).

The management has identified the 5 largest cash-generating units in the company. These are:



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



## INVESTMENT PROPERTY

The group holds investment property in various locations across Georgia, including several plots of land in Tbilisi, Adjara (Batumi and its surrounding areas), Tsinandali, Misaktsieli, and Abastumani.

Investment property refers to property that generates rental income or is held for appreciation or future development. If the group intends to use a property for an indefinite period, it is reclassified as property, plant, and equipment after the development and commencement of its utilization. Some properties held by the group for its own use are classified as investment property based on their immaterial value.

As of 2023, the total value of investment property was 242,890 thousand GEL, which is an increase of 1.7% compared to 2022 (31/12/2022: 238,930 thousand GEL). Investment property accounts for 34% of total assets (31/12/2022: 27%).

The management team regularly monitors changes in the fair value of investment property and, in case of the existence of impairment indicators, performs an impairment test on the property. Investment property is evaluated once a year, at the end of the year. As of 2023, no valuation has been carried out for the company's investment property.

## LOANS RECEIVABLE

Loan receivables are unsecured related party loans. Loans are mainly denominated in GEL and the company issuing them is primarily Silk Real Estate LLC.

In June 2023, related party loans with a book value of 206,846 thousand GEL were transferred by the respective counterparties to the company's parent company, Silk Road Group Holding LLC. As a result, Silk Road Group Holding LLC reduced the Company's capital by 206,846 thousand GEL and covered the obligation to the company arising from the above-mentioned transaction, as a counterbalance to the existing demand for the company, arising from the reduction of capital.

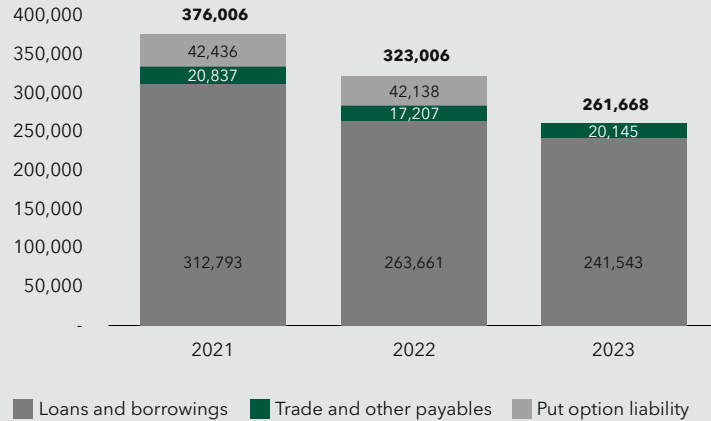
On December 31, 2022, an agreement was signed between the group and a related party to forgive total outstanding loans in the amount of USD 11,632 thousand and GEL 1,003 thousand. The transaction was considered as a transaction with the shareholders acting within the powers of the shareholders and accordingly, 32,435 thousand GEL was recognized directly in the capital.



## TOTAL LIABILITIES

The total liabilities of the company as of December 31, 2023, are 261,688 thousand GEL and have decreased by 19% compared to December 31, 2022 (31/12/2022: 323,006 thousand GEL). Current and long-term parts of total liabilities are 15% and 85% (31/12/2022: 16% and 84%). 92% of total liabilities come from loans

As of December 31, 2023, received long-term loans have decreased by 3% from 230,374 thousand GEL to 223,130 thousand GEL compared to December 31, 2022.





## TRADE AND OTHER PAYABLES

Current trade and other payables include trade payables, payables for the purchase of fixed assets, tax liabilities, consideration payable for the acquisition of a business, liabilities towards employees, and other liabilities.

As of 2023, short-term and long-term trade and other liabilities amounted to 20,145 thousand GEL, which is a 17% increase compared to December 31, 2022 (31/12/2022: 17,207 thousand GEL).

The non-current trade and other payables consist of payables for the purchase of fixed assets.

On July 15, 2021, the group acquired control over Tsinandali Resort LLC by purchasing 51% of the company's share, as well as the voting rights for consideration of USD 784 thousand. This transaction was recorded as a liability in Trade and other payables as of December 31, 2021.

## PUT OPTION LIABILITY

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

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

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

# OVERVIEW OF THE CASH FLOW STATEMENT

Consolidated Cash Flow Statement ('000GEL)	31-Dec-2023 Audited	31-Dec-2022 Audited	31-Dec-2021 Audited
<b>Cash flows from operating activities</b>			
Profit before income tax	12,647	45,134	2,460
Depreciation and amortization	27,566	26,977	29,408
Impairment loss of trade and other receivables and loan receivables	(2,218)	(650)	374
(Gain)/loss on disposal of property and equipment, investment property and intangible assets	136	61	(777)
Modification gain on financial liabilities	(1,575)	-	-
Net finance costs	27,082	12,865	6,828
Cash flows from operating activity before changes in assets and liabilities	63,638	84,387	38,293
Inventories	(1,319)	(1,610)	(1,134)
Trade and other receivables	2,460	(3,036)	7,279
Prepayments and other assets	(2,437)	(1,315)	(1,334)
Trade and other payables	4,005	(523)	8,108
Cash flows from/(used in) operations before income taxes and interest paid	66,347	77,903	51,212
Interest paid	(32,186)	(24,465)	(43,132)
Net cash (used in)/from operating activities	34,161	53,438	8,080
<b>Cash flows from investing activities</b>			
Proceeds from the sale of property and equipment, investment property and intangible assets	-	-	2,987
Issuance of related party loans	(7,340)	(7,141)	(10,186)
Repayments of issued related party loans	1,395	9,655	7,116
Interest received	1,434	307	841
Consideration paid for business acquisition	-	(2,137)	-
Acquisition of non-controlling interests	(44,882)	-	-
Acquisition of property and equipment, intangible assets and investment property	(77,550)	(20,368)	(22,720)
Net cash from/(used in) investing activities	(126,943)	(19,684)	(21,962)
<b>Cash flows from financing activities</b>			
Capital contribution	27,948	-	-
Proceeds from borrowings	145,702	33,968	34,587
Proceeds from other equity transactions with parent entity	74,292	-	-
Transaction costs related to bonds	(1,417)	-	-
Repayment of borrowings	(165,516)	(44,057)	(1,821)
Net cash from/(used in) financing activities	81,009	(10,089)	32,766
Net (decrease)/increase in cash and cash equivalents	(11,773)	23,665	18,884
Cash and cash equivalents at 1 January	53,912	34,413	16,221
Effect of movements in exchange rates on cash and cash equivalents	(1,360)	(4,166)	(692)
Cash and cash equivalents at 31 December	40,779	53,912	34,413



## CASH FROM OPERATING ACTIVITIES

As of 2023, net cash flows from operating activities decreased by 36.1% and amounted to 34,161 thousand GEL (31/12/2022: 53,438 thousand GEL), which was mainly due to increased operating and salary expenses in 2023. In particular, the profit before taxation for the mentioned period was 12,647 thousand GEL, which was reduced by approximately 17 times compared to 2022 (31/12/2022: 45,134 thousand GEL).

In 2022, net cash flows from operating activities amounted to 53,438 thousand GEL. In 2021, the said funds were 8,080 thousand GEL. The difference is largely due to higher profitability. In 2022, net cash from operating activities, before interest payments, was 45,134 thousand GEL, and in 2021 it was 2,460 thousand GEL.

## CASH FROM INVESTING ACTIVITIES

In 2023, cash flows received from investment activities amounted to 126,943 thousand GEL, which compared to the same period of the previous year has increased by 6.5 times (31/12/2022 19,648 thousand GEL). In 2023, such a large increase is mainly caused by the acquisition of a non-controlling share - up to 44,882 thousand GEL. Also, during the same period, the expenses incurred on the purchase of fixed assets and intangible assets increased by 3.8 times - up to 57,182 thousand GEL. The increased cash flows from investment activities in 2023 were mainly caused by the mentioned changes. The large movement in borrowing/repayment of investment activity was mainly caused by the issuance of bonds and subsequent repayment of commercial bank loans with this amount.

## CASH FROM FINANCING ACTIVITIES

In 2023, the parent company's contribution to the company's capital amounted to 27,948 thousand GEL. Also, the company's income from other capital operations with the parent company amounted to 74,292 thousand GEL. As a result, the net funds received in the financial activities of the company amounted to 81,009 thousand GEL, while the net monetary values used by the company in the previous year amounted to 10,089 thousand GEL.

In 2022, the company received 30% less income from loans compared to 2021. Also, a loan in the amount of 23,880 thousand GEL was repaid. As a result, the funds used in the financial activities of the company amounted to 5,650 thousand GEL. In 2022, the income received from loans taken by the company amounted to 33,968 GEL, which was 2% more than the previous year.





## CORPORATE GOVERNANCE, ESG, CSR, AND RISK MANAGEMENT

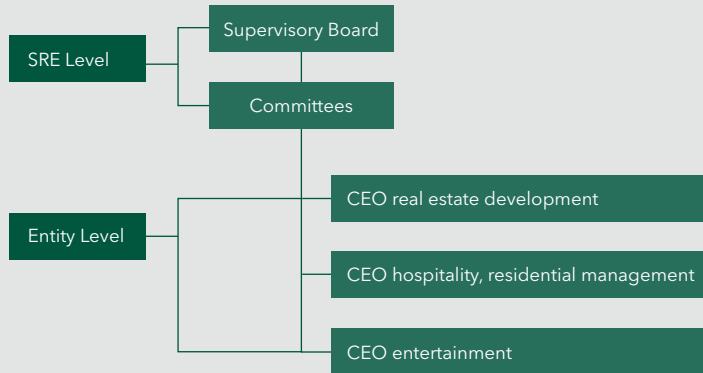
Silk Real Estate (SRE) operates under a rigorous corporate governance framework, overseen by a seasoned Supervisory Board that includes the company's founder, Giorgi Ramishvili. The board is responsible for upholding best practices in governance while ensuring SRE's strong commitment to environmental, social, and governance (ESG) principles, as well as corporate social responsibility (CSR) initiatives. These commitments are central to SRE's long-term strategy, fostering sustainable value creation for stakeholders and making a positive impact on the communities in which it operates.

In alignment with its governance principles, SRE has developed a robust risk management framework, guided by the Risk and Audit Committees. This framework is deeply integrated into both corporate and operational strategies, reinforcing compliance with regulatory and governance standards. SRE employs a risk-based approach to achieving its business objectives, ensuring that risk management remains a core pillar of its decision-making processes. Through its decentralized model, SRE empowers each of its CEOs—overseeing real estate development, hospitality, and entertainment—to manage their respective units while maintaining a strong focus on risk mitigation and strategic resilience.

# SRE CORPORATE ORGANIZATION

Risk management is integrated across all levels of the organization and each business unit maintains its own risk matrix and management tools tailored to its operational environment, while reporting centrally to the Risk and Audit Committee and respectfully to the Supervisory Board. This structure empowers our leaders to take ownership of their risks while ensuring that the broader corporate strategy remains aligned with their day-to-day operations.

## SRE CORPORATE ORGANIZATION







# RISK MANAGEMENT FRAMEWORK:

SRE's approach to risk management is divided into two primary categories:

## 01

### **Compliance Risks**

include regulatory and corporate obligations.

## 02

### **Other Types of Risks**

Operational and Strategic Risks, address broader business and financial risks.

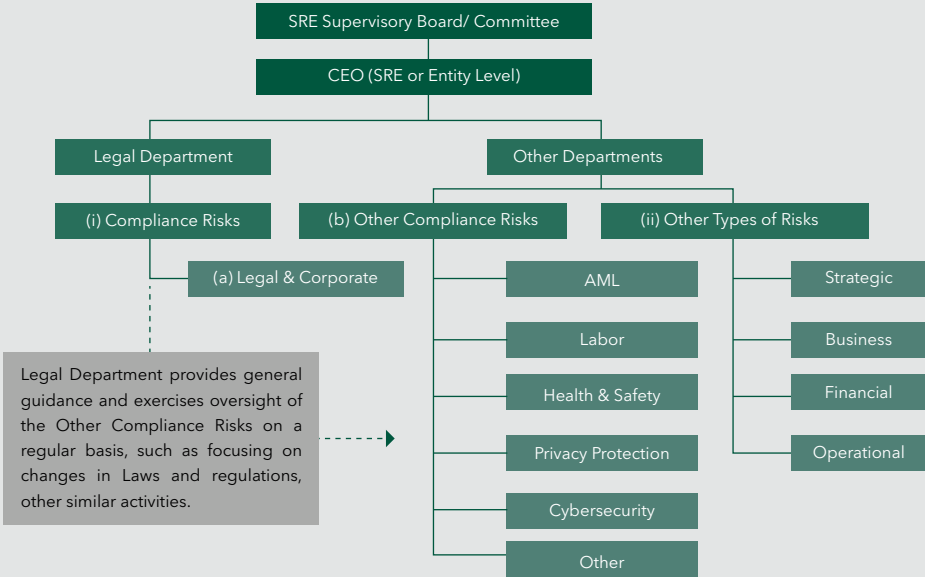
Compliance Risk Management is further segmented into:

- ▶ **Legal and Corporate Compliance:** Focused on risks related to SRE's status as a listed entity and compliance with various permits, licenses, and legal obligations.
- ▶ **Other Compliance Risks:** This includes Anti-Money Laundering (AML), Privacy Protection, Labor compliance, Health and Safety compliance, and other regulatory frameworks.

# RISK OVERSIGHT AND RESPONSIBILITY

The responsibility for managing these risks is shared across different departments depending on the specific risk type, for instance, the Legal Department oversees Corporate Compliance Risks, while other departments manage Other Compliance Risks and Other Types of Risks. Each department head is accountable for identifying and mitigating risks within their scope, with regular line reporting to the entity CEOs.

## RISK MANAGEMENT ORGANIZATION





## REPORTING AND SCALATION PROCEDURES

To ensure transparency and oversight, high-exposure compliance risks are escalated from department heads to the entity CEOs and then reported to the Supervisory Board or relevant Committees. These reporting processes occur on a semi-annual basis and are supplemented by annual reports to provide a comprehensive view of risk management practices across the organization. In cases where necessary, department heads may be asked to report directly to the Supervisory Board on specific compliance risks.

As we continue to grow, the integration of risk management into our business strategy will remain a priority. By delegating responsibility, ensuring proper reporting, and maintaining an unwavering focus on compliance and other strategic risks, we are well-positioned to adapt to emerging challenges and capitalize on new opportunities.

# **SUSTAINABILITY DEVELOPMENT REPORT**

# ENVIRONMENTAL PROTECTION AT THE COUNTRY LEVEL

## SUSTAINABLE DEVELOPMENT GOALS



Georgia's commitment to the **Sustainable Development Goals (SDGs)** directly influences Silk Real Estate's approach to sustainability and development. Key impacts include:

### ► REGULATORY COMPLIANCE:

As Georgia adopts SDG-aligned policies, Silk Real Estate ensures compliance with new environmental and social regulations, such as those related to energy efficiency, waste management, and sustainable construction practices.

### ► ENVIRONMENTAL RESPONSIBILITY:

Silk Real Estate's environmental initiatives, such as the **LEED Gold certification** for the **Telegraph Hotel**, align with Georgia's focus on reducing environmental impacts and mitigating climate change. This compliance not only enhances the company's sustainability but also supports the country's climate action goals.

### ► SUSTAINABLE DEVELOPMENT INVESTMENTS:

Silk Real Estate is increasingly integrating sustainable building practices and renewable energy solutions like the **solar energy plant** and recycling initiatives, which align with the country's SDGs, particularly in relation to **affordable and clean energy** (SDG 7) and **sustainable cities and communities** (SDG 11).

### ► LOCAL COMMUNITY ENGAGEMENT:

Silk Real Estate's CSR and community-oriented projects, such as supporting local culture and tourism, align with SDGs focusing on decent work and economic growth (SDG 8) and reduced inequalities (SDG 10). This also enhances its reputation as a socially responsible entity.

Overall, Georgia's SDG framework encourages Silk Real Estate to drive long-term sustainable growth, ensuring its projects and operations contribute to the national development agenda while maintaining environmental and social responsibility.

## ENVIRONMENTAL PROTECTION AT THE COMPANY LEVEL

Silk Real Estate is deeply committed to sustainability, implementing innovative practices across its operations:

- **LEED Gold Standards:** The Telegraph Hotel construction adheres to this internationally recognized certification, ensuring high environmental performance and energy efficiency.
- **Recycling Programs:** Comprehensive initiatives ensure the recycling of all plastic bottles, contributing to waste reduction.
- **Energy Efficiency:** Energy-efficient bulbs are installed across all properties, significantly reducing energy consumption.
- **Renewable Energy:** A dedicated solar energy plant supports the company's transition to cleaner energy sources.
- **Dedicated Oversight:** The environmental officer ensures compliance with environmental regulations, monitors sustainability efforts, and drives continuous improvement.
- **Innovative Practices:** Plans include green building designs, water conservation systems, and integrating sustainable technologies into new projects.

These initiatives highlight Silk Real Estate's commitment to sustainability and leadership in environmentally conscious development.

## SILK ACADEMY

Silk Academy supports several SDGs through its training and development programs:

- **Decent Work and Economic Growth (SDG 8):** The Academy develops skilled talent, fostering local job creation and economic growth.
- **Reduced Inequalities (SDG 10):** It offers equal training opportunities, promoting diversity and inclusion within the workforce.
- **Quality Education (SDG 4):** The Academy provides high-quality education, ensuring employees stay updated on industry trends and sustainability practices.
- **Responsible Consumption and Production (SDG 12):** Sustainability is integrated into the curriculum, teaching eco-friendly practices aligned with Silk Real Estate's environmental goals.

Silk Academy plays a key role in both employee development and the company's commitment to the SDGs.

## COMMITMENT TO IMPROVING EMPLOYMENT PRACTICES

We continuously refine our employment and compensation policies to enhance employee engagement while aligning with our sustainability goals. Our commitment extends beyond business objectives to fostering a supportive workplace that prioritizes employee well-being and broader societal impact.

To stay connected with our workforce, we conduct annual employee surveys, providing valuable insights into workplace culture, satisfaction, and organizational performance. These findings help us improve policies, enhance HR strategies, and reinforce best practices. In 2023, over 80% of employees reported high engagement, and we aim to increase this further.

Staff training and development remain a priority, ensuring high performance, motivation, and retention. Our updated performance management system identifies training needs and career growth opportunities, while our talent management framework helps recognize and retain top performers.

Leadership development is also central to our strategy, as we invest in building strong leaders who drive organizational success and foster a positive work environment.

## PERFORMANCE MANAGEMENT

Each year, the CEO and all senior managers establish annual Objectives and Key Results (OKRs) for their respective areas of responsibility. The CEO's OKRs are agreed upon with the Supervisory Board, while senior managers' OKRs are aligned with the CEO at the beginning of the calendar year. These OKRs undergo a mid-year review and may be adjusted in the summer. Senior management then communicates the OKRs to mid-level managers and other staff. Each OKR is assigned a weight to reflect its relative priority. At the end of the year, performance evaluations are conducted based on the achievement of these objectives, informing bonus decisions. The bonus plan for each year is approved by the Supervisory Board and serves as the framework for bonus allocation.

To enhance the efficiency of this process, the company plans to introduce performance management software in 2025.

# NUMBER OF EMPLOYEES

As of the current reporting period, the company has a total workforce of more than 2,200 employees. This total includes the staff from both subsidiaries:

**SILK HOSPITALITY:**

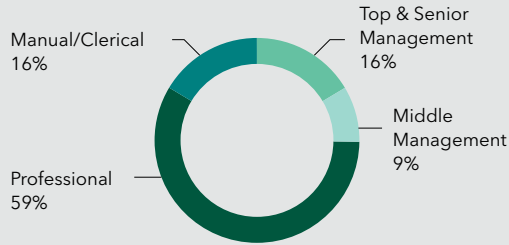
**2,000** + employees'

**SILK DEVELOPMENT**

**200** + employees

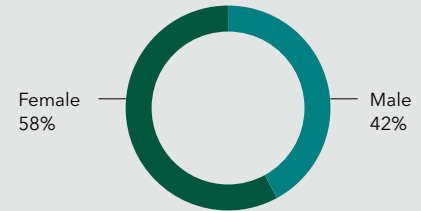
The figures presented reflect the combined employee count across all entities within the company.

## ► POSITION



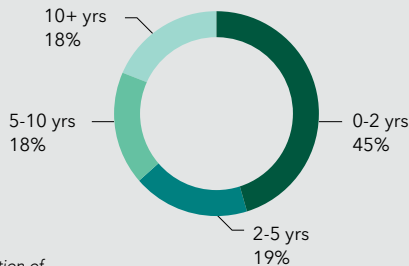
This diagram shows employee distribution across job categories, reflecting our organizational structure.

## ► GENDER



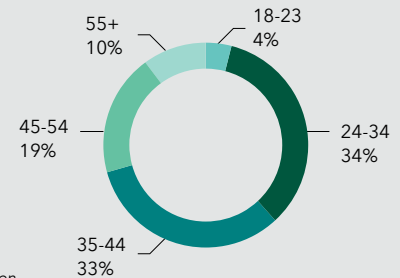
This diagram illustrates the gender distribution within our workforce.

## ► SENIORITY



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

## ► AGE



This diagram shows the distribution of employees by age.

## A CULTURE OF EQUALITY AND INCLUSIVENESS

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

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

## HEALTH AND SAFETY

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

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





# SUPPORTING OUR COMMUNITIES

In addition to providing an integral service to the country through our operations, we acknowledge our responsibility towards the wider community we operate in and take active steps to support its development. Some of our projects in this regard are described below.

## TSINANDALI FESTIVAL

The Tsinandali Festival, Georgia's largest classical music event, is sponsored by Silk Real Estate and Silknet to position the country as a global hub for classical music. The Pan-Caucasian Youth Orchestra was created in 2019, it is a full symphony orchestra led by Music Director Gianandrea Noseda. The festival brings together young participants from different countries each year, who participate in master classes and perform alongside with the renowned artists.

Attracting top performers, conductors, composers, music scholars, and artists from around the world, the festival offers young musicians from the Caucasus and neighboring regions the chance to explore music deeply and advance their education through professional seminars and masterclasses led by leading figures in classical music.

The founders of the Tsinandali Festival include George Ramishvili (Chairman of the Silk Road Group), Martin Engstroem (founder of the Verbier Festival), and Avi Shoshani (Secretary-General of the Israel Philharmonic Orchestra). Their vision has shaped the festival since its launch on September 8, 2019, and it was recently ranked among the 30 best classical music festivals in Europe for 2024.



## WINE SYMPOSIUM

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

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

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

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



## TSINANDALI MUSEUM AND PARK

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



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

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

## BATUMI PARK

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

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

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



## MELIK AZARYANTS - ARCHITECTURAL HERITAGE

The Melik-Azaryants building, located in the heart of Tbilisi, is a prime example of architectural heritage, blending European and Eastern design elements. Built in the early 20th century by Armenian architect Melik-Azaryants, the building is known for its ornate facades, intricate woodwork, and grand balconies. Originally a residential structure, it evolved into a key historical and cultural landmark in Tbilisi.

As part of Silk Road Group's commitment to preserving Georgia's rich cultural heritage, the Melik-Azaryants building is included in our portfolio of historical preservation projects. We have invested in its restoration and conservation to maintain its architectural significance and ensure its continued presence as an important part of Tbilisi's urban landscape. This project reflects our dedication to safeguarding cultural landmarks while fostering responsible urban development.

# POWERFUL SHAREHOLDERS

We are a proud member of Silk Road Group (SRG), a leading private investment group with a strong presence in the Caucasus region and across various sectors of the Georgian economy. As of December 31, 2023, SRG's assets total approximately 2.0 billion GEL.

**The group's diversified portfolio encompasses four main sectors:**

## ► TELECOMMUNICATION SERVICES:



**Silknet** - is a leading telecommunications provider serving over 2 million people, committed to advancing Georgia's digital landscape by simplifying everyday life and driving business success, while continually setting new standards in the telecommunications industry.

## ► FINANCIAL SERVICES:

### Silk

**Silk Bank** - is a digital banking service that brings together essential financial products to meet the diverse needs of its customers. With a focus on user-friendly experiences, Silk Bank offers a range of straightforward and personalized services designed to simplify everyday banking.

## ► ENERGY:



**Silk Road Energy** - is a Georgian investment company specializing in the ownership, operation, and development of hydroelectric plants. While dedicated to renewable energy, Silk Road Energy aims to meet global energy needs through sustainable solutions, contributing to a cleaner and more sustainable future.

## ► REAL ESTATE:



**Silk Real Estate** - is both the owner and operator of hotels, restaurants, and entertainment venues, partnering with leading organizations in the hospitality industry to deliver a world-class experience. The company manages a diverse portfolio of properties for development in Tbilisi and the regions, including Batumi and along the Black Sea coast, while actively preserving and promoting the historical and cultural heritage of the areas in which it operates.

# OUR COMMITMENT TO TRANSPARENCY AND CORPORATE GOVERNANCE

Reliable corporate governance is a cornerstone of our business model. As we have experienced significant growth and development in recent years, our approach to corporate governance has evolved accordingly. We are committed to enhancing our leadership and management systems to align with the best practices. To conclude, we have implemented comprehensive internal regulations designed to foster transparency and accountability, while clearly defining relationships with shareholders, the supervisory board, management, and other stakeholders.

## CONFLICT OF INTEREST

There are no conflicts of interest between the members of the Supervisory Board and executive management, as detailed in the “Governing Body and Management” section of the prospectus registration document. Additionally, there are no familial or other relationships between the members of the Supervisory Board and executive management as outlined in the Prospectus registration document. All members of the Issuer’s supervisory board and executive management are appointed and elected in accordance with Georgian laws and the Issuer’s charter, with no separate agreements or deals influencing their appointments. As of the date of this prospectus, there are no restrictions on the sale of shares in the Issuer’s securities.

## DISCLOSURE AND COMMUNICATION

We believe that timely and transparent disclosure is vital for effective stakeholder communication and constitutes a fundamental aspect of good governance. Accordingly, we regularly produce and distribute communication documents to our investors, including semi-annual updates and presentations, to ensure they are well informed of our activities and progress.







## FIGHT AGAINST CORRUPTION AND BRIBERY

Our company is committed to transparency and accountability, adhering to the Corporate Management Code of Public Securities Issuers as established by the Order of the National President of Georgia N172/04, effective from January 2022. This Code mandates that issuers submit annual reports prepared in compliance with its principles. It follows a “comply or explain and present an alternative” approach, promoting the adoption of best corporate governance practices. Specifically, the Code requires that each enterprise’s governance policy aligns with its profile, scale, and complexity of activities and includes internal policy documents addressing issues such as conflict of interest, abuse of power, corruption, insider trading, money laundering, and other illicit activities. Moreover, regardless of the enterprise’s size or complexity, the supervisory board must comprise at least five members, with a minimum of two meeting the legal criteria for independence.

## RELATED PARTY TRANSACTIONS

Throughout our business operations, we engage in transactions with related parties, including shareholders, management members, subsidiaries, and certain shareholders of these subsidiaries. A related party is defined as one that can control or exert significant influence over another party’s decisions or is under common control. Our articles of association impose specific restrictions on related party transactions. For instance, transactions exceeding 1 million GEL require prior approval from the Supervisory Board. Transactions over 5 million GEL necessitate an independent appraiser’s opinion to ensure they are not detrimental to the group’s financial interests.

In addition to these restrictions, the Supervisory Board has implemented a related party policy to ensure transactions are conducted on market terms, and in compliance with applicable laws, regulations, and IFRS standards. Details of related party transactions are reviewed in note 25 of the 2022 consolidated financial statements. The company’s bonds and other financial instruments are also subject to covenants regarding related party transactions. Transactions with related parties must not be conducted on terms more favorable than fair market value. For transactions involving payments or values exceeding 10% of total assets, a written opinion from an auditing firm or third-party expert is required to confirm that the transaction is conducted at fair market value and is financially sound.

# OWNERSHIP



38.24%

## George Ramishvili

George Ramishvili is the founder and Chairman at Silk Road Group. He is controlling shareholder of Silk Real Estate (SRE). He serves as the Chairman of the Supervisory Boards of Silk Real Estate LLC. With over 25 years of experience in business development, George is also the founder of Silknet JSC, the founder of Tsinandali Classical Music Festival and founder of the National Geographic Georgia.



38.24%

## Yerkin Tatishev

Yerkin Tatishev is one of the main shareholders of Silk Real Estate (SRE) and the founder and Chairman of Kusto Group, an international industrial holding with an annual turnover exceeding 1 billion US dollars. In 2022, Yerkin was recognized as EY's World Entrepreneur of the Year for his achievements in global business leadership.



17.64%

## Alex Topuria

Alex Topuria joined Silk Real Estate (SRE) in the late 1990s and is also a shareholder in the Silk Road Group. He serves as a member of the Supervisory Boards of Silk Real Estate LLC and Silknet JSC and is the beneficial owner of a significant stake in the football club "Locomotive."



5.88%

## David Berger

David Berger became a partner at Silk Real Estate (SRE) in 2005. He holds a degree in Business and Economics from Witten-Herdecke University in Germany and a PhD in Accounting and Finance from the London School of Economics. David is a member of the Supervisory Boards of Silk Real Estate LLC, Silk Bank JSC, and Silknet JSC.

# SUPERVISORY BOARD



## George Ramishvili

Chairman of the Supervisory Board

Giorgi Ramishvili is the founder and controlling shareholder of Silk Road Group. He chairs the supervisory boards of Silk Real Estate LLC and Silknet JSC and boasts over 25 years of experience in business development. Additionally, Mr. Ramishvili is the founder and author of Tsinandali Classical Music and serves as the chairman of the board of National Geographic Georgia. Appointed as chairman of the Supervisory Board of Silk Real Estate LLC on December 5, 2022, for a term of 3 years, his key responsibilities include presiding over board meetings, convening sessions, and setting agendas in accordance with the company's charter.



## Alex Topuria

Member of the Supervisory Board

Alex Topuria has been a part of the Silk Road Group since the late 1990s. He is a shareholder of Silk Road Group, a board member of Silk Real Estate LLC and Silknet JSC, and a major beneficial owner of FC Club Locomotive. Appointed as a member of the Supervisory Board of Silk Real Estate LLC for a 3-year term starting December 5, 2022, his duties involve participating in board sessions and executing functions as outlined by the company's charter.



## David Franz Borger

Member of the Supervisory Board

David Borger joined Silk Road Group as a partner in 2005. He holds a PhD in accounting and finance from the London School of Economics and a business degree from Witten-Herdecke University, Germany. He is a board member of Silk Real Estate LLC and Silknet JSC. Appointed to the Supervisory Board of Silk Real Estate LLC for a 3-year term starting December 5, 2022, his responsibilities include attending board meetings and performing duties specified by the company's charter.



## Wolfgang Mathias Neumann

Independent member of the supervisory board

Wolfgang Neumann is a seasoned senior executive with extensive experience in non-executive and strategic advisory roles across the hospitality, travel, and tourism sectors. Since 2022, he has been serving as a member of the Supervisory Board of Silk Real Estate. Appointed for a 3-year term starting December 26, 2022, his duties include attending board sessions and performing functions as detailed by the company's charter.



## Berna Ulman

Independent member of the Supervisory Board

Berna Ulman is an independent member of the Supervisory Board. She is also a board member of AKis Real Estate Investment Trust, SEV Education, and Health Foundation. Currently residing in Istanbul, Berna Ulman holds a degree in business administration from Bosphorus University and a master's degree in finance from the University of Tennessee. Appointed as a member of the Supervisory Board of Silk Real Estate LLC for a term of 3 years starting December 26, 2022, her primary role involves participating in board meetings and carrying out the functions prescribed by the company's charter.



## Vakhtang Ghonghadze

Member of the Supervisory Board

Vakhtang Ghonghadze joined Silk Road Group in 2003 as a legal advisor, becoming chief lawyer by 2004 and CEO of the energy division in 2012. He holds a law degree from Tbilisi State University, completed a master's in European law through a Tbilisi State University-Robert Bosch Stiftung project, and attended a "Sustainability Leadership" course at London Business School. Mr. Ghonghadze is Chairman of the Supervisory Board of Lemon 2009 LLC, a board member at Bakhvi Hydro Power LLC, and, since December 5, 2022, a board member of Silk Real Estate LLC for a three-year term.



## Vasil Kenkishvili

Member of the Supervisory Board

Vasil Kenkishvili joined Silk Road Group in 2006 as Chief Legal Counsel and became Director in 2010. He holds a law degree from Tbilisi State University, a master's in international legal studies from American University, and completed Harvard Law School's Negotiation Program. He has served in the Ministry of State Property Management, the Parliament of Georgia, and Georgian Railways, as well as on various group supervisory boards. Since December 5, 2022, he has been a member of the Supervisory Board of Silk Real Estate LLC for a three-year term.



# BOARD COMMITTEES

## RISK AND AUDIT COMMITTEE

The Risk and Audit Committee consists of four members:

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

## THE COMMITTEE IS RESPONSIBLE FOR:

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

## ENVIRONMENTAL PROTECTION, SOCIAL, GOVERNANCE, AND COMPENSATION COMMITTEE

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

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

The committee is composed of five members:

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



Silk Real Estate

# CONSOLIDATED FINANCIAL STATEMENTS

FOR 2023



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# Independent Auditors' Report

## To the Owners of Silk Real Estate LLC

### Opinion

We have audited the consolidated financial statements of Silk Real Estate LLC (formerly SRG Real Estate LLC) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### Basis for Opinion

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

### Key Audit Matters

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

#### 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 146,971 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.	<p>We have performed the following primary audit procedures:</p> <ul style="list-style-type: none"> <li>- Evaluated the design and implementation and tested the operating effectiveness of internal manual controls;</li> </ul>

High volume of manual transactions combined with the presumed inherent risk of the Group intentionally overstating the revenue to present better financial performance may result in the manipulation of revenue recognition from casino operations. Therefore, revenue generated from casino operations represents a key audit matter.

- Performed, on a sample basis, reconciliation of daily revenue as per the accounting records to the properly authorised internal documents;
- Reconciled revenue, considering the movement in cash on hand balances, to the bank payments' register, received directly from banks;
- Observed cash counts as at 31 December 2023 and 2022 and reconciled the cash count results to the accounting records and consolidated financial statements;
- Performed various unpredictability tests over existence of revenue, including scanning the certain revenue and cash transactions for different unusual trends.

### Statement on Management Report

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

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

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

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

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

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

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

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Natia Tevzadze



KPMG Georgia LLC  
Tbilisi, Georgia  
15 May 2024



'000 GEL	Note	31 December 2023	31 December 2022
<b>Assets</b>			
Property and equipment	8	354,339	331,151
Investment property	10	242,890	238,930
Intangible assets	9	6,607	6,700
Prepayments for non-current assets	8(c)	29,630	1,592
Investments in equity accounted investees	22	642	-
Loans receivable	14	14,537	222,123
<b>Non-current assets</b>		<b>648,645</b>	<b>800,496</b>
Inventories		7,802	6,483
Loans receivable	14	5,198	1,886
Trade and other receivables	11	9,106	11,523
Cash and cash equivalents	13	40,779	53,912
Prepayments and other assets	12	11,499	9,062
<b>Current assets</b>		<b>74,384</b>	<b>82,866</b>
<b>Total assets</b>		<b>723,029</b>	<b>883,362</b>
<b>Equity</b>			
Capital		492,242	671,140
Accumulated losses		(48,205)	(122,875)
<b>Equity attributable to owners of the Company</b>		<b>444,037</b>	<b>548,265</b>
Non-controlling interests		17,304	12,091
<b>Total equity</b>	15	<b>461,341</b>	<b>560,356</b>
<b>Liabilities</b>			
Loans and borrowings	17	223,130	230,374
Trade and other payables	18	599	-
Put option liability	16	-	42,138
<b>Non-current liabilities</b>		<b>223,729</b>	<b>272,512</b>
Loans and borrowings	17	18,413	33,287
Trade and other payables	18	19,546	17,207
<b>Current liabilities</b>		<b>37,959</b>	<b>50,494</b>
<b>Total liabilities</b>		<b>261,688</b>	<b>323,006</b>
<b>Total equity and liabilities</b>		<b>723,029</b>	<b>883,362</b>

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.

*Silk Real Estate LLC*  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2023*

'000 GEL	Note	2023	2022
Revenue	5	246,995	246,002
Other income	5	15,433	17,030
Operating costs	6	(97,940)	(88,328)
Wages and other employee benefits		(97,191)	(87,679)
Depreciation and amortisation		(27,566)	(26,977)
Impairment reversal of trade and other receivables and loans receivable	19 (b(ii))	2,218	650
Modification gain on financial liabilities	17(c)	1,575	-
Other expenses		(3,795)	(2,699)
<b>Results from operating activities</b>		<b>39,729</b>	<b>57,999</b>
Interest income		9,103	18,639
Net foreign exchange loss		(9,009)	(5,220)
Interest expense		(27,176)	(26,284)
<b>Net finance costs</b>	7	<b>(27,082)</b>	<b>(12,865)</b>
<b>Profit before income tax</b>		<b>12,647</b>	<b>45,134</b>
Income tax		-	-
<b>Profit and total comprehensive income for the year</b>		<b>12,647</b>	<b>45,134</b>
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		5,201	38,244
Non-controlling interests	16	7,446	6,890

These consolidated financial statements were approved by management on 15 May 2024 and are signed on its behalf by:

\_\_\_\_\_  
 Director  
 Mamuka Shurgain

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.



<b>000 GEL</b>	<b>Note</b>	<b>Capital</b>	<b>Accumulated losses</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
Balance as at 1 January 2022		671,140	(137,860)	533,280	7,529	540,809
<b>Total comprehensive income</b>						
Profit and total comprehensive income for the year		-	38,244	38,244	6,890	45,134
<b>Total transactions with owner, recorded directly in equity</b>						
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		-	(32,435)	(32,435)	355	(32,080)
Dividends declared by the Group entities	16 (b)	-	(1,022)	(1,022)	(2,683)	(3,705)
<b>Balance 31 December 2022</b>		<b>671,140</b>	<b>(122,875)</b>	<b>548,265</b>	<b>12,091</b>	<b>560,356</b>
Balance as at 1 January 2023		671,140	(122,875)	548,265	12,091	560,356
<b>Total comprehensive income</b>						
Profit and total comprehensive income for the year		-	5,201	5,201	7,446	12,647
<b>Total transactions with owner, recorded directly in equity</b>						
Change in the carrying amount of the put option liability	16	-	(245)	(245)	-	(245)
Modification effect on issued related party loans		-	2,155	2,155	-	2,155
Other transactions with the parent entity	15	-	75,866	75,866	-	75,866
Fair value adjustment on received related party loans	17	-	(7,237)	(7,237)	-	(7,237)
Acquisition of non-controlling interests without a change in control	22	-	(1,070)	(1,070)	(787)	(1,857)
Dividends declared by the Group entities	16 (b)	-	-	-	(6,240)	(6,240)
Changes in Group entity's capital	16 (b)	-	-	-	4,794	4,794
Capital contribution		27,948	-	27,948	-	27,948
Decrease in capital		(206,846)	-	(206,846)	-	(206,846)
<b>Balance 31 December 2023</b>		<b>492,242</b>	<b>(48,205)</b>	<b>444,037</b>	<b>17,304</b>	<b>461,341</b>

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	2023	2022
<b>Cash flows from operating activities</b>			
Profit before income tax		12,647	45,134
<i>Adjustments for:</i>			
Depreciation and amortisation		27,566	26,977
Reversal of trade and other receivables and loans receivable		(2,218)	(650)
Loss on disposal/write off of property and equipment, investment property and intangible assets		136	61
Modification gain on financial liabilities		(1,575)	
Net finance costs		27,082	12,865
<i>Changes in:</i>			
Inventories		(1,319)	(1,610)
Trade and other receivables		2,460	(3,036)
Prepayments and other assets		(2,437)	(1,315)
Trade and other payables		4,005	(523)
<b>Cash flows from operations before income taxes and interest paid</b>			
		<b>66,347</b>	<b>77,903</b>
Interest paid	17	(32,186)	(24,465)
<b>Net cash from operating activities</b>			
		<b>34,161</b>	<b>53,438</b>
<b>Cash flows from investing activities</b>			
Issuance of related party loans	23	(7,340)	(7,141)
Repayments of issued related party loans		1,395	9,655
Interest received		1,434	307
Consideration paid for business acquisition		-	(2,137)
Acquisition of non-controlling interests		(44,882)	-
Acquisition of property and equipment, intangible assets and investment property		(77,550)	(20,368)
<b>Net cash used in investing activities</b>			
		<b>(126,943)</b>	<b>(19,684)</b>
<b>Cash flows from financing activities</b>			
Capital contribution	15	27,948	-
Proceeds from borrowings	17	145,702	33,968
Proceeds from other equity transactions with parent entity	15	74,292	-
Transaction costs related to bonds	17	(1,417)	-
Repayment of borrowings	17	(165,516)	(44,057)
<b>Net cash from/ (used in) financing activities</b>			
		<b>81,009</b>	<b>(10,089)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>			
		<b>(11,773)</b>	<b>23,665</b>
Cash and cash equivalents at 1 January		53,912	34,413
Effect of movements in exchange rates on cash and cash equivalents		(1,360)	(4,166)
<b>Cash and cash equivalents at 31 December</b>			
	13	<b>40,779</b>	<b>53,912</b>

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 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.

Georgia's economy was also affected by the mentioned events and is subject to future uncertainties in economy as described; on the other hand, growth of Georgian economy was up to 7% in 2023, driven by higher export and tourism revenues and strong private consumption, and further single digit economic growth is expected in 2024.

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

### **(b) Organisation and operations**

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

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

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

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

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

As at 31 December 2023 Telegraph Building owned by the Group is under construction to redesign and develop as a hotel. The 5 star, 239-room hotel is planned to commence operations in 2025 under the Radisson Collection brand.

In 2023, the Group has issued a USD 40 million bond on the Georgian Stock Exchange (see note 17).

The owners of the Company are as follows:

name	31 December 2023	31 December 2022
Silk Road Group Holding LLC	95%	95%
Amphidon Holding (Malta) Limited	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

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

## 2. Basis of accounting

### (a) Statement of compliance

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

## 3. Functional and presentation currency

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

## 4. Use of estimates and judgements

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

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

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

- Note 8 – assessment of impairment indicators for property and equipment;
- Note 27(h)(iii) – useful lives of property and equipment;
- Notes 14 and 17 – recognition and measurement of related party loans received on preferential terms and write off of issued related party loans through equity.
- Note 15 - recognition of other transactions with the parent entity directly in equity.

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

- Note 10 – valuation of investment property;

### Measurement of fair values

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

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

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

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

Further information about the assumptions made in measuring fair values is included in the following notes:

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

## 5. Revenue and other income

### (a) Revenue

'000 GEL	2023	2022
<b>Revenue from casino operations</b>	<b>146,971</b>	<b>155,096</b>
<i>Revenue from casino live games</i>	<i>83,436</i>	<i>100,702</i>
<i>Revenue from slot machines</i>	<i>63,535</i>	<i>54,394</i>
<b>Revenue from hotels' and Complex Republic operations</b>	<b>89,980</b>	<b>82,665</b>
<i>Food and beverage revenue</i>	<i>47,285</i>	<i>41,491</i>
<i>Room revenue</i>	<i>35,193</i>	<i>34,594</i>
<i>Other hotel revenue</i>	<i>7,502</i>	<i>6,580</i>
<b>Other revenue</b>	<b>10,044</b>	<b>8,241</b>
	<b>246,995</b>	<b>246,002</b>

The Group generates revenue primarily from hotel and casino operations. Hotel revenue stream is mainly attributable to sale of hotel rooms and food and beverages in the hotel restaurant facilities. Revenue from Casino operations is reported net-off customer promotions and bonuses.

Due to the nature of the hotel and casino business, which is mainly cash-based, the Group does not have any material contract assets and/or contract liabilities. Principal part of other revenue in 2023 (approximately, GEL 8.4 million; 2022: GEL 6.8 million) consists of revenue generated by Complex Republic, through the sale of food and beverage. See note 27 (b) for further details. Approximately 40% of total revenue in 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	2023	2022
Income from casino tips	11,065	11,829
Other	4,368	5,201
	<b>15,433</b>	<b>17,030</b>

**6. Operating costs**

*000 GEL	2023	2022
Casino customer related cost*	16,699	16,914
Consumption of inventories	11,293	11,597
Quarterly permission fee expenses**	11,824	9,433
Utility expenses	7,382	7,221
Hotel supplies	6,551	5,839
Marketing expenses	4,523	5,075
Consulting and professional fees***	5,443	4,050
Lease expenses	4,432	3,041
Bank and other commissions	4,151	3,651
Taxes other than on income tax	4,179	3,594
Repair and maintenance	2,951	2,516
Royalty fees ****	2,286	2,149
Contractor service fees	2,342	2,186
Security expenses	1,720	1,550
Other operating costs	12,164	9,512
	<b>97,940</b>	<b>88,328</b>

\* Customer related cost represents the free of charge services and goods delivered to casino customers, such as: snacks, drinks, cigarettes, food, flight tickets, etc.

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

\*\*\* Professional fee above includes fees paid to the audit firms for the provision of audit services.

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

**7. Net finance costs**

*000 GEL	2023	2022
<b>Recognised in profit or loss</b>		
Interest income on loans receivable	9,103	18,639
<b>Finance income</b>	<b>9,103</b>	<b>18,639</b>
Net foreign exchange loss	(9,009)	(5,220)
Interest expense	(27,176)	(26,284)
<b>Finance costs</b>	<b>(36,185)</b>	<b>(31,504)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(27,082)</b>	<b>(12,865)</b>

## 8. Property and equipment

'000 GEL	Land and buildings	Gaming tables and slot machines	Furniture and fixture	Construction in progress*	Other	Total
<i>Cost</i>						
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
Disposals and write offs	-	-	(78)	-	(242)	(320)
Transfers	406	-	-	(406)	-	-
<b>Balance at 31 December 2022</b>	<b>324,917</b>	<b>13,764</b>	<b>40,179</b>	<b>78,496</b>	<b>24,228</b>	<b>481,584</b>
Balance at 1 January 2023	324,917	13,764	40,179	78,496	24,228	481,584
Additions	665	4,392	4,142	28,843	5,510	43,552
Disposal and write offs	(58)	(635)	(342)	-	(269)	(1,304)
Transfers	376	-	(1,242)	(567)	1,433	-
<b>Balance at 31 December 2023</b>	<b>325,900</b>	<b>17,521</b>	<b>42,737</b>	<b>106,772</b>	<b>30,902</b>	<b>523,832</b>
<i>Depreciation</i>						
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
<b>Balance at 31 December 2022</b>	<b>(97,916)</b>	<b>(8,445)</b>	<b>(29,606)</b>	<b>-</b>	<b>(14,466)</b>	<b>(150,433)</b>
Balance at 1 January 2023	(97,916)	(8,445)	(29,606)	-	(14,466)	(150,433)
Depreciation for the year	(12,274)	(1,971)	(4,807)	-	(767)	(19,819)
Disposals and write offs	24	300	166	-	269	759
<b>Balance at 31 December 2023</b>	<b>(110,166)</b>	<b>(10,116)</b>	<b>(34,247)</b>	<b>-</b>	<b>(14,964)</b>	<b>(169,493)</b>
<i>Carrying amounts</i>						
<b>At 1 January 2022</b>	<b>239,263</b>	<b>5,459</b>	<b>14,339</b>	<b>793</b>	<b>7,339</b>	<b>267,193</b>
<b>At 31 December 2022</b>	<b>227,001</b>	<b>5,319</b>	<b>10,573</b>	<b>78,496</b>	<b>9,762</b>	<b>331,151</b>
<b>At 31 December 2023</b>	<b>215,734</b>	<b>7,405</b>	<b>8,490</b>	<b>106,772</b>	<b>15,938</b>	<b>354,339</b>

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 2023 and carrying value of the respective land plot (see note 10).

**(a) Security**

At 31 December 2023 and 31 December 2022 major part of the Group's property and equipment (approximately 100%) is pledged as a security to the bank loans (see note 17).

**(b) Impairment of property and equipment**

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

- 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 2023 no impairment indicators were identified by the management for cash generating units of the Group.

As at 31 December 2022, the management analyzed impairment indicators (external and internal) according to IAS 36 and concluded that there was 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 was still on a start-up phases of its operations and was 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. Key assumptions used in the estimation of recoverable amount was discount rate of 13.1% and a long-term growth rate of 2.37%. 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.

As at 31 December 2022 no impairment indicators were identified by the management for other cash generating units of the Group.

**(c) Prepayments for non-current assets**

As at 31 December 2023, prepayment for non-current assets amounted GEL 29,630 thousand (31 December 2022: GEL 1,592 thousand) out of which GEL 29,109 thousand is attributable to construction of Telegraph Hotel.



## 9. Intangible assets

*000 GEL	Casino permit	Software for slot machines, licenses and other	Total
	<b>Cost</b>		
Balance at 1 January 2022	3,471	4,598	8,069
Additions	5,550	30	5,580
Disposals	(1,752)	(122)	(1,874)
<b>Balance at 31 December 2022</b>	<b>7,269</b>	<b>4,506</b>	<b>11,775</b>
Balance at 1 January 2023	7,269	4,506	11,775
Additions	5,554	126	5,680
Disposals	(5,632)	-	(5,632)
<b>Balance at 31 December 2023</b>	<b>7,191</b>	<b>4,632</b>	<b>11,823</b>
<b>Amortisation</b>			
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
<b>Balance at 31 December 2022</b>	<b>(4,059)</b>	<b>(1,016)</b>	<b>(5,075)</b>
Balance at 1 January 2023	(4,059)	(1,016)	(5,075)
Amortisation for the year	(5,554)	(150)	(5,704)
Disposals /write-offs	5,563	-	5,563
<b>Balance at 31 December 2023</b>	<b>(4,050)</b>	<b>(1,166)</b>	<b>(5,216)</b>
<b>Carrying amounts</b>			
At 1 January 2022	1,897	3,722	5,619
At 31 December 2022	3,210	3,490	6,700
At 31 December 2023	3,141	3,466	6,607

Significant amount in intangible assets represents casino permit for the operation of the Casino in Tbilisi. Casino permit is obtained annually by payment of GEL 5 million to run casino for 12 months since the payment date. Each year the Company obtains new permit after the old permit expires, hence the continuity table above shows large amounts of additions and disposals in each year. Permit for operating Casino in Batumi costs GEL 250 thousand per annum. Difference in the costs of permit is determined by Georgian legislation and linked to location of casinos' operations.

## 10. Investment property

*000 GEL	Lands	Buildings	Construction in Progress*	Total
	<b>Cost/demeled cost</b>			
Balance at 1 January 2022	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)	-
<b>Balance at 31 December 2022</b>	<b>176,913</b>	<b>57,120</b>	<b>16,694</b>	<b>250,727</b>
Additions	-	3,599	2,578	6,177
Disposals and write offs	-	(68)	(133)	(201)
<b>Balance at 31 December 2023</b>	<b>176,913</b>	<b>60,651</b>	<b>19,139</b>	<b>256,703</b>
<b>Depreciation</b>				
Balance at 1 January 2022	-	(15,423)	-	(15,423)
Charge for the year	-	(1,731)	-	(1,731)
Transfer to property and equipment (note 8)	-	5,357	-	5,357
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>(11,797)</b>	<b>-</b>	<b>(11,797)</b>
Charge for the year	-	(2,043)	-	(2,043)
Disposals and write offs	-	27	-	27
<b>Balance at 31 December 2023</b>	<b>-</b>	<b>(13,813)</b>	<b>-</b>	<b>(13,813)</b>
<b>Carrying amount</b>				
1 January 2022	176,813	117,877	9,058	303,748
31 December 2022	176,913	45,323	16,694	238,930
31 December 2023	176,913	46,838	19,139	242,890

\* Construction in progress mainly includes the capital expenditures incurred during 2023 and 2022 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 immovable properties:

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

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

As at 31 December 2023 and 31 December 2022, 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 2023 or 2022.

**(b) Fair value of investment property**

As at 31 December 2023 and 2022, management of the Group, with an assistance of external independent valuers, has estimated the fair values of the investment properties.

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

'000 GEL	Approach	Fair values		Carrying values	
		2023	2022	2023	2022
Properties 3,4,5,6, 9-15	Recent market transactions and other**	320,491	290,391	194,324	190,417
Property 7*	Market/Income approach	28,096	25,758	13,395	13,632
Properties 1,8	Income approach	79,875	57,553	35,171	34,881
<b>Total</b>		<b>428,462</b>	<b>373,702</b>	<b>242,890</b>	<b>238,930</b>

\*As at 31 December 2023 and 2022, 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.

\*\* As at 31 December 2022, fair values of properties with the carrying amount of GEL 2,333 thousand approximate their 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
<p><i>Income approach:</i></p> <p>Fair value of Properties 1 and 8 was estimated using discounted cash flow techniques based on the expected cash inflows and outflows arising from the operations and rentals.</p>	<p>As at 31 December 2023 and 2022, discount and capitalization rates used in the valuation ranged between 10%-12.8% and 10%-13%, respectively.</p>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>- the reversion rate was (higher) lower</li> </ul>
<p><i>Income/market approach:</i></p> <p>The fair value is attributable to Property 7, which represents a part of multi-functional building with residential, retail and office spaces. Each property is registered under its own cadastral code.</p> <p>Market approach was used in valuation process of residential spaces while retail and office spaces were valued using income approach.</p>	<ul style="list-style-type: none"> <li>- As at 31 December 2023 and 2022, discount and capitalization rates used in the valuation ranged between 10%-12.8% and 10%-13%, respectively.</li> <li>- 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.</li> </ul>	<ul style="list-style-type: none"> <li>- The estimated fair value would increase (decrease) if:</li> <li>- the reversion rate was (higher) lower</li> <li>- the initial investment was (higher) lower</li> <li>- The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).</li> </ul>
<p><i>Recent market transactions:</i></p> <p>The valuation model is based on announced asking prices for similar properties in the similar location and physical condition.</p>	<ul style="list-style-type: none"> <li>- The significant unobservable inputs related to the differences in the characteristics of the lands, such as size, location, access to the property and discount achieved through negotiation, for which the appraiser applied 5% to 35% adjustments to observed asking prices.</li> </ul>	<p>The estimated fair value would increase (decrease) if the announced asking prices were higher (lower).</p>

#### (c) Security

As at 31 December 2023 and 31 December 2022 part of the Group's investment property (approximately 23% and 59%, respectively) is pledged under the Group's secured bank loans (see note 17).

### 11. Trade and other receivables

'000 GEL	31 December 2023	31 December 2022
Trade receivables	6,284	6,687
Other receivables	8,679	10,443
<b>Trade and other receivables included in loans and receivables category</b>	<b>14,963</b>	<b>17,130</b>
Less: credit loss allowance	(5,857)	(5,607)
	<b>9,106</b>	<b>11,523</b>

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 2023	31 December 2022
Prepayments	8,753	6,285
Tax assets	1,485	1,516
Other	1,261	1,261
	<u>11,499</u>	<u>9,062</u>

## 13. Cash and cash equivalents

'000 GEL	31 December 2023	31 December 2022
Cash on hand	9,520	11,951
Bank balances	31,259	41,961
	<u>40,779</u>	<u>53,912</u>

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 2023	31 December 2022
<b>Non-current assets</b>		
Related party loans	14,586	224,563
<b>Current assets</b>		
Related party loans	5,184	1,949
<b>Total</b>	<u>19,770</u>	<u>226,512</u>
Less: allowance for impairment loss	(35)	(2,503)
	<u>19,735</u>	<u>224,009</u>

### Terms and payment schedule:

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2023		31 December 2022	
				Face value	Carrying amount	Face value	Carrying amount
Related party loan	GEL	10%	2024	5,184	5,149	9,722	9,687
Related party loan	USD	7%	2025	4,272	4,272	5,778	5,778
Related party loan	GEL	13%	2025	7,804	7,804	4,723	4,723
Related party loan	USD	9%	2025	1,526	1,526	1,188	1,188
Related party loan	GEL	14%	2025	984	984	522	522
Related party loan*	USD	11%	2025	-	-	104,672	103,860
Related party loan*	USD	12%	2024	-	-	60,029	59,628
Related party loan*	USD	10%	2025	-	-	19,836	18,646
Related party loan*	USD	10%	2025	-	-	18,711	18,711
Related party loan	USD	14%	2022	-	-	1,053	990
Related party loan	USD	14%	2025	-	-	278	276
<b>Total interest-bearing assets</b>				<u>19,770</u>	<u>19,735</u>	<u>226,512</u>	<u>224,009</u>

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

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) Capital

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

'000 GEL	2023	2022
Balance at the beginning of the period	671,140	671,140
Increase in capital	27,948	-
Decrease in capital (note 14)	(206,846)	-
	492,242	671,140

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

As at 31 December 2023 the Company does not have subscribed capital as defined under the new Georgian legislation.

### (b) Dividends

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

In 2023, the Group entities declared dividends to the minority shareholder in the amount of GEL 6,240 thousand which was fully netted off with the loans receivable from the same counterparty (2022: GEL 3,705 thousand; GEL 2,640 thousand was netted off with the loans receivable from the same counterparty).

### (c) Other transactions with the parent entity

In 2023, the Company signed agreements with the parent entity to receive cash of EUR 15,000 thousand and GEL 43,700 thousand with the following terms: principal and interest repayment at maturity of 31 December 2080; interest rate of 9% and 10%, respectively, and the Company's unconditional right to extend the maturity in every consecutive 50 years. Although the instruments were legally structured through loan agreements, as the Company has unconditional right to defer the payments indefinitely, total transaction value of GEL 75,866 thousand was classified as equity. In 2024, the Company's capital was legally increased by the mentioned amounts. See note 29.

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

**(e) Security**

As at 31 December 2023 and 31 December 2022, the Company's shareholding in Tsinandali Estates LLC (see note 22) is pledged in respect of Partners' Agreement and secured bank loans (see note 16 and note 17). Subsequent to the reporting date pledge in respect of the JSC Development Fund of Georgia (formerly JSC Partnership Fund) was revoked (see note 29).

As at 31 December 2023 and 31 December 2022, the Company's shareholdings in Georgian Hotel Management LLC, Medea Operating company LLC, Limoni 2009 LLC, Limoni Real Estate LLC and New Hotel JSC are pledged in respect of secured bank loans (see note 17).

As at 31 December 2022 the Company's shareholding in Batumi Riviera LLC was pledged in respect of secured third party loans (see note 17), which was fully repaid during 2023.

As at 31 December 2023 and 31 December 2022 the Company's shareholding in Tsinandali Resorts LLC (see note 22) is pledged in respect of secured bank loans (see note 17).

## **16. Non-controlling interests and put option liability**

### **Put option liability**

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

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

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

During 2023 and 2022 the Group has recognised changes in the carrying amounts of put option liabilities of GEL 245 thousand and GEL 298, 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.

As at 31 December 2022 put option liability was recognised as non-current, based on the respective contractual terms.

### **Non-controlling interest**

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

### 31 December 2023

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

### 31 December 2022

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

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

## 17. Loans and borrowings

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

*000 GEL	31 December 2023	31 December 2022
<b>Non-current liabilities</b>		
Bank loans	106,583	170,977
Loans from related parties	9,771	51,253
Loans from third parties	682	8,144
Bonds issued	106,094	-
	<b>223,130</b>	<b>230,374</b>
<b>Current liabilities</b>		
Current portion of bank loans	14,434	20,358
Current portion of third party loans	1,008	12,929
Current portion of related party loans	243	-
Bonds issued	2,728	-
	<b>18,413</b>	<b>33,287</b>

**(a) Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2023		31 December 2022	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	EUR	7.5% + Euribor 6 months	2033	27,009	27,009	32,756	32,756
Secured bank loan	USD	9%+ SOFR	2033	-	-	25,856	25,856
Parent loan #1 (note 17 (b))	USD	4%	2030	-	-	34,934	25,073
Secured bank loan	GEL	5.25% + NBG ref. Rate	2033	14,087	14,087	21,553	21,553
Secured bank loan	GEL	5.25% + NBG ref. Rate	2027	13,587	13,587	18,278	18,278
Secured bank loan	USD	7.85% + SOFR	2033	2,025	2,025	12,696	12,696
Secured third party loan	USD	9%	2023	-	-	11,946	11,946
Secured bank loan	USD	7.85%+ SOFR	2033	-	-	11,284	11,284
Secured bank loan	GEL	5.25% + NBG ref. Rate	2023	10,010	10,010	10,393	10,393
Secured bank loan	GEL	6% + NBG ref. Rate	2027	7,294	7,294	10,215	10,215
Secured bank loan	GEL	3% + Refinancing Rate	2027	6,831	6,831	8,048	8,048
Unsecured third party loan	GEL	14%	2025	-	-	7,530	7,530
Unsecured related party loan	USD	0.75% + 12M Libor	2030	-	-	7,433	7,433
Secured bank loan	EUR	7.5% + 6M Euribor	2023	-	-	6,018	6,018
Secured bank loan	USD	6.5% + SOFR	2028	4,933	4,933	5,884	5,884
Parent Loan	EUR	0.75% + 12M EURIBOR	2025	3,735	3,735	5,251	5,251
Secured bank loan	EUR	7.5% + SOFR	2033	3,932	3,932	5,148	5,148
Secured bank loan	GEL	5.75% + NBG refinance rate	2033	4,468	4,468	4,640	4,640
Secured bank loan	GEL	5.75% + Refinancing Rate	2027	3,898	3,898	4,557	4,557
Secured bank loan	USD	7.85% + SOFR	2033	-	-	3,801	3,801
Unsecured related party loan	USD	0%	2025	-	-	3,308	3,308
Unsecured related party loan	USD	4%	2025	-	-	3,089	3,089
Secured bank loan	GEL	6% + NBG ref. Rate	2027	2,418	2,418	2,820	2,820
Secured bank loan	EUR	7.25% + 6M Euribor	2033	-	-	2,612	2,612
Secured bank loan	USD	9.45%+ SOFR	2033	-	-	2,582	2,582
Secured related party loan	GEL	12%	2035	1,838	1,838	1,935	1,935
Unsecured related party loan	USD	9%	2035	1,763	1,763	1,852	1,852
Unsecured related party loan	USD	4%	2030	1,362	1,362	1,708	1,708
Secured bank loan	USD	12%	2027	-	-	1,200	1,200
Secured bank loan	USD	7.7%+SOFR	2033	-	-	994	994
Unsecured third party loan	GEL	14%	On demand	990	990	920	920
Secured related party loan	USD	12%	2035	846	846	881	881
Unsecured third party loan	USD	15%	2030	376	376	474	347



'000 GEL	Currency	Nominal interest rate	Year of maturity	31 December 2023		31 December 2022	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured related party loan	USD	0.75% + 12M Libor	2030	-	-	359	359
Unsecured third party loan	GEL	16%	2025	206	206	175	175
Unsecured third party loan	EUR	11%	2023	18	18	63	63
Unsecured third party loan	GEL	14%	2025	100	100	92	92
Unsecured related party loan	USD	10%	2025	40	40	41	41
Secured related party loan	EUR	9%	2029	362	362	323	323
Secured bank loan	EUR	7,5% + Euribor 6 months	2033	8,644	8,644	-	-
Secured bank loan	GEL	5.25%+ NBG refinance Rate	2033	6,669	6,669	-	-
Secured bank loan	GEL	5.56% + Refinancing Rate	2027	3,513	3,513	-	-
Secured bank loan	EUR	6m EURIBOR+7.5%	2024	864	864	-	-
Secured bank loan	EUR	10.5%	2024	835	835	-	-
Parent loan #2 (note 17 (b))	USD	0.75% + 6M SOFR	2080	2,882	68	-	-
Bonds issued	USD	9%	2026	54,836	54,155	-	-
Bonds issued	USD	9.25%	2026	55,260	54,667	-	-
<b>Total interest-bearing liabilities</b>				<b>245,631</b>	<b>241,543</b>	<b>273,649</b>	<b>263,661</b>

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

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

**(b) Fair value adjustments on related party loans**

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

**(c) 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 2023	263,661	-	263,661
Proceeds from borrowing	42,649	103,053	145,702
Proceeds from other equity transactions with the parent entity	74,292	-	74,292
Repayment of borrowings	(165,516)	-	(165,516)
<b>Total changes from financing cash flows</b>	<b>(48,575)</b>	<b>103,053</b>	<b>54,478</b>
<b>The effect of changes in foreign exchange rates</b>	<b>(1,440)</b>	<b>4,435</b>	<b>2,995</b>
<b>Other changes</b>			
Other transactions with the parent entity	(75,866)	-	(75,866)
Fair value adjustment on related party loans	7,237	-	7,237
Net-off with receivable from Group entities' non-controlling shareholders	(6,012)	-	(6,012)
Modification gain on financial liabilities	(1,575)	-	(1,575)
Other movements	3,153	-	3,153
Transaction costs	-	(1,417)	(1,417)
Interest expense	21,970	5,105	27,075
Interest paid	(29,832)	(2,354)	(32,186)
<b>Total other changes</b>	<b>(80,925)</b>	<b>1,334</b>	<b>(79,591)</b>
<b>Balance at 31 December 2023</b>	<b>132,721</b>	<b>108,822</b>	<b>241,543</b>
<b>'000 GEL</b>		<b>Loans and borrowings</b>	
Balance at 1 January 2022		312,793	
Proceeds from borrowing		33,968	
Repayment of borrowings		(44,057)	
<b>Total changes from financing cash flows</b>		<b>(10,089)</b>	
<b>The effect of changes in foreign exchange rates</b>		<b>(32,368)</b>	
<b>Other changes</b>			
Fair value adjustment on related party loans		(9,900)	
Other movements		1,406	
Interest expense		26,284	
Interest paid		(24,465)	
<b>Total other changes</b>		<b>(6,675)</b>	
<b>Balance at 31 December 2022</b>		<b>263,661</b>	

**18. Trade and other payables**

'000 GEL	31 December 2023	31 December 2022
<b>Current liabilities</b>		
Trade payables	3,120	5,607
Payables for acquisition of property and equipment	3,400	3,531
Taxes payable	6,786	2,111
Payables to employees	4,139	3,618
Other payables	2,101	2,340
	<b>19,546</b>	<b>17,207</b>
<b>Non-current liabilities</b>		
Payables for acquisition of property and equipment	599	-
	<b>599</b>	<b>-</b>

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 2023, approximately 0.2% and 39% of expected credit loss is charged to the gross carrying amounts of loans receivables and trade and other receivables, depending on comparable credit profile / rating or repayment expectations (31 December 2022: 1% and 33%, respectively).

PD (12-month) for loans receivable was determined as 2.62% by an individual approach by an expert on a rating system based on a scoring questionnaire and represents the rated company's rating (based on Fitch rating agency) in the Silk Real Estate adjusted by the individual risk characteristics of the borrowers from the same group.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, collateral market value and timing of realization of the collateral, if applicable. LGD is calculated on a discounted cash flow basis using effective interest rate as the discounting factor. Derived LGDs to the different exposures varies from 22% to 39% (31 December 2022: 22% to 39%).

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

For material exposures, effective interest rates ranging from 7% to 14% were used in the discounting of expected credit losses to consider time value of money.

*Determining whether credit risk has increased significantly*

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

As at 31 December 2023 total loans receivable is allocated to Stage 1 (31 December 2022: approximately 90% is allocated to Stage 1, the remaining balances are allocated to Stage 2.) as there was no increase in credit risk of the financial instruments since initial recognition.

As at 31 December 2023, approximately 40% (31 December 2022: 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 2023 and 2022 by approximately GEL 1.5 million and GEL 1.7 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 2023 and 2022 by approximately GEL 0.2 million and GEL 2.3 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	2023	2022
<b>Balance at 1 January</b>	(2,503)	(2,707)
Reversal during the year	2,468	204
<b>Balance at 31 December</b>	(35)	(2,503)

**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	2023	2022
<b>Balance at 1 January</b>	(5,607)	(6,053)
Reversal/(increase) during the year	(250)	446
<b>Balance at 31 December</b>	(5,857)	(5,607)

**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 2023 and 2022).

**(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 for 31 December 2022, see below), including estimated interest payments and excluding the impact of netting agreements.

**31 December 2023**

'000 GEL	Carrying amount	Contractual cash flows	On demand	Less than 1 yr	1-2 yrs	2-5 yrs	Over 5 yrs
<b>Non-derivative financial liabilities</b>							
Loans and borrowing	132,721	221,141	990	29,832	32,527	71,048	86,744
Bonds issued	108,822	134,624	-	9,843	9,816	114,965	-
Trade and other payables	20,145	20,304	-	19,605	195	504	-
	<b>261,688</b>	<b>376,069</b>	<b>990</b>	<b>59,280</b>	<b>42,538</b>	<b>186,517</b>	<b>86,744</b>

**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
<b>Non-derivative financial liabilities</b>							
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	-	-	-
	<b>323,006</b>	<b>486,704</b>	<b>920</b>	<b>116,735</b>	<b>36,897</b>	<b>133,135</b>	<b>199,017</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. 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 2023 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	<u>USD-denominated</u> <u>31 December 2023</u>	<u>USD-denominated</u> <u>31 December 2022</u>
Loans receivable	5,798	209,077
Trade and other receivables	625	700
Cash and cash equivalents	21,406	32,145
Loans and borrowings	(11,345)	(120,334)
Bonds issued	(108,822)	
Trade and other payables	(2,383)	(1,896)
Put option liability	-	(42,138)
<b>Net exposure</b>	<b><u>(94,721)</u></b>	<b><u>77,554</u></b>

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

in GEL	<u>Average rate</u>		<u>Reporting date spot rate</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
USD 1	2.6279	2.9156	2.6894	2.702

**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	<u>Strengthening</u>		<u>Weakening</u>	
	<u>Equity</u>	<u>Profit or (loss)</u>	<u>Equity</u>	<u>Profit or (loss)</u>
<b>31 December 2023</b>				
USD (10% movement)	-	9,472	-	(9,472)
<b>31 December 2022</b>				
USD (15% movement)	6,321	(17,954)	(6,321)	17,954

As at 31 December 2023 and 31 December 2022, the Group is also exposed to the currency risk on borrowings received in EUR (see note 17). 15% weakening of GEL against EUR would have decreased the Group's profit or loss by GEL 6.8 million (31 December 2022 – 15%:GEL 7.8 million).

(vi) **Interest rate risk**

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

### *Exposure to interest rate risk*

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

'000 GEL	<b>Carrying amount as at 31 December</b>	
	<b>2023</b>	<b>2022</b>
<b>Fixed rate instruments</b>		
Financial assets	19,735	224,009
Financial liabilities	(117,558)	(65,040)
	<b>(97,823)</b>	<b>158,969</b>
<b>Variable rate instruments</b>		
Financial liabilities	<b>(123,985)</b>	<b>(198,621)</b>

### *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 1,239 thousand (2022: GEL 1,986 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## **20. Commitments**

### **Other commitments**

As at 31 December 2023 and 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.



## 22. Subsidiaries

Entity	Principal Activity	Date of Incorporation	Group's ownership percentage as at 31 December 2023	Group's ownership percentage as at 31 December 2022	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 (note 17)	Operation of Tsinandali Radisson Collection Hotel	27 June 2008	100%	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	100%	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

Entity	Principal Activity	Date of Incorporation	Group's ownership percentage as at 31 December 2023	Group's ownership percentage as at 31 December 2022	Ownership type
Restaurant Tsinandali LLC	Hospitality sector	2 April 2018	50%	50%	Indirect, through Iveria Centre LLC
Hotel Medea + JSC	Real estate development	17 April 2007	100%	100%	Direct
Adjara Investment LLC	Holding entity	30 August 2017	100%	100%	Direct
Adjara Resort JSC	Real estate development	3 January 2006	100%	100%	Indirect, through Adjara Investments LLC
Adjara Real Estate LLC	Real estate development	23 August 2006	100%	100%	Indirect, through Adjara Investments LLC
Bobokvati LLC	Real estate development	23 March 2007	100%	100%	Indirect, through Adjara Real Estate LLC and Adjara Resorts JSC
Kobuleti Resort LLC	Real estate development	17 April 2007	100%	100%	Indirect, through Adjara Resorts JSC
Silk Road Group Travel LLC	Hospitality	4 September 2009	51%	51%	Direct
Telegraph Hotel JSC	Hospitality	5 February 2020	100%	100%	Indirect, through Silk Road Business Centre LLC
Limoni Real Estate LLC	Real estate development	21 April 2017	100%	100%	Direct
Green-cape Botanico LLC	Real estate development	18 August 2020	51%	51%	Joint venture
Silk Hospitality LLC	Hotel management service provider to the Group	26 March 2021	100%	100%	Direct
Tsinandali Resorts LLC	Operation of Park Hotel Tsinandali	1 March 2018	51%	51%	Direct
Unipharm LLC**	Real estate development	10 July 1996	50%	-	Indirect, through Centre Plaza LLC

\* During 2023, the Group acquired 49% of Club Savane LLC from non-controlling shareholder for GEL 1,857 thousand, which was fully settled in cash. As a result, non-controlling interest of GEL 787 thousand was derecognised and the difference between the consideration paid and non-controlling interest was accounting directly in equity.

\*\* On 29 December 2023, the Group acquired 50% of Unipharm LLC for cash consideration of USD 239 thousand, which is recognised as investment in equity accounted investee as at 31 December 2023.

## 23. Related parties

### (a) Parent and ultimate controlling party

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

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

### (b) Key management remuneration

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

'000 GEL	<u>2023</u>	<u>2022</u>
Salaries and other benefits	<u>11,077</u>	<u>9,471</u>

### (c) Related party transactions

The Group's related party transactions are disclosed below.

'000 GEL	<u>Transaction value for</u>		<u>Outstanding balance as</u>	
	<u>the year ended</u>		<u>at 31 December</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Other revenue and income*:</b>				
Entities under common control	6,763	4,646	2,164	2,111
<b>Operating expenses:</b>				
Entities under common control	(733)	(698)	(1,206)	(1,418)
<b>Loans issued:</b>				
Entities under common control	(7,340)	(7,141)	19,735	224,009
Parent company	-	-	-	-
<b>Loans received and other equity transactions:</b>				
Entities under common control	-	-	(4,809)	(19,180)
Parent company	(82,171)	(1,846)	(5,269)	(32,073)

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

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

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

In 2023 interest income of GEL 8,423 thousand (2022: GEL 18,639 thousand) was accrued on loans to related parties. The interest rates and maturities of loans to related parties are disclosed in note 14. In 2023 interest expense of GEL 3,085 thousand (2022: GEL 3,561 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 2023 other revenue with entities under common control mainly includes consulting services of GEL 3,701 thousand (2022: GEL 3,136 thousand) provided to Silknet JSC in relation to strategy development, funding, investment decisions and certain regulatory matters.

## 24. Operating segments

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

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

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

Under "Yellowbox" category fall Group entities, which a) hold assets for further development; and b) does not generate revenues from their core activities (although may generate some incidental income from non-core activities); and c) any other entity or operating segment that is not a "Greenbox".

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

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

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

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

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

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

**Consolidated statement of profit or loss and other comprehensive income for 2023**

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

<b>Consolidated statement of profit or loss and other comprehensive income for 2022</b>	<b>Radisson Blu</b>		<b>Tsinandali</b>								
<b>'000 GEL</b>	<b>Iveria Hotel,</b>	<b>Hotel,</b>	<b>Radisson</b>								
	<b>Tbilisi</b>	<b>Batumi</b>	<b>Collection</b>								
			<b>Hotel</b>	<b>Hotels</b>	<b>Eliminations</b>	<b>Hotels after</b>	<b>Casino</b>	<b>Casino</b>	<b>Casinos</b>	<b>Eliminations</b>	<b>Casinos after</b>
						<b>eliminations</b>	<b>Tbilisi</b>	<b>Batumi</b>			<b>eliminations</b>
<b>Revenue</b>	<b>42,228</b>	<b>19,731</b>	<b>19,876</b>	<b>81,835</b>	<b>(9,596)</b>	<b>72,239</b>	<b>116,896</b>	<b>65,810</b>	<b>182,706</b>	<b>(10)</b>	<b>182,696</b>
<b>Other operating income</b>	<b>-</b>	<b>-</b>	<b>777</b>	<b>777</b>	<b>-</b>	<b>777</b>	<b>118</b>	<b>712</b>	<b>830</b>	<b>-</b>	<b>830</b>
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)
<b>Segment operating profit</b>	<b>7,344</b>	<b>4,695</b>	<b>(4,432)</b>	<b>7,607</b>	<b>(2,191)</b>	<b>5,416</b>	<b>52,809</b>	<b>5,480</b>	<b>58,289</b>	<b>9,684</b>	<b>67,973</b>
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	-	-	-	-	-	-	-	-	-	-	-
<b>Segment profit/loss before tax</b>	<b>5,912</b>	<b>4,504</b>	<b>(3,519)</b>	<b>6,897</b>	<b>(2,074)</b>	<b>4,823</b>	<b>55,253</b>	<b>4,804</b>	<b>60,057</b>	<b>5,573</b>	<b>65,630</b>
Income tax expense	-	-	-	-	-	-	-	-	-	-	-
<b>Segment profit/loss after tax</b>	<b>5,912</b>	<b>4,504</b>	<b>(3,519)</b>	<b>6,897</b>	<b>(2,074)</b>	<b>4,823</b>	<b>55,253</b>	<b>4,804</b>	<b>60,057</b>	<b>5,573</b>	<b>65,630</b>
<b>Net operating profit</b>	<b>17,698</b>	<b>8,454</b>	<b>4,404</b>	<b>30,556</b>	<b>(2,343)</b>	<b>28,213</b>	<b>55,348</b>	<b>6,764</b>	<b>62,112</b>	<b>9,684</b>	<b>71,796</b>
<b>Segment adjusted EBITDA</b>	<b>13,615</b>	<b>6,852</b>	<b>2,652</b>	<b>23,119</b>	<b>(2,191)</b>	<b>20,928</b>	<b>55,161</b>	<b>6,646</b>	<b>61,807</b>	<b>9,684</b>	<b>71,491</b>
CAPEX and other additions	1,864	1,245	712	3,821	-	3,821	7,188	1,245	8,433	-	8,433

<b>Consolidated statement of profit or loss and other comprehensive income for 2022</b>	<b>Other unallocated "Greenbox" entities</b>		<b>Other unallocated "Greenbox" entities after eliminations</b>		<b>Total "Greenbox" entities after eliminations</b>		<b>Other unallocated "Yellowbox" entities after eliminations</b>		<b>Total</b>	
<b>'000 GEL</b>	<b>Elimination</b>	<b>Eliminations</b>	<b>Eliminations</b>	<b>Eliminations</b>	<b>Eliminations</b>	<b>Eliminations</b>	<b>Eliminations</b>	<b>Eliminations</b>	<b>Eliminations</b>	<b>Eliminations</b>
<b>Revenue</b>	<b>25,597</b>	<b>(9,960)</b>	<b>15,637</b>	<b>270,572</b>	<b>7,414</b>	<b>(3)</b>	<b>7,411</b>	<b>(4,381)</b>	<b>273,602</b>	
<b>Other operating income</b>	<b>2,069</b>	<b>-</b>	<b>2,069</b>	<b>3,676</b>	<b>3,500</b>	<b>-</b>	<b>3,500</b>	<b>(1,975)</b>	<b>5,201</b>	
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)	
<b>Segment operating profit</b>	<b>(9,108)</b>	<b>(7,493)</b>	<b>(16,601)</b>	<b>56,788</b>	<b>561</b>	<b>-</b>	<b>561</b>	<b>-</b>	<b>57,349</b>	
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	
<b>Segment profit/loss before tax</b>	<b>(27,928)</b>	<b>(3,499)</b>	<b>(31,427)</b>	<b>39,026</b>	<b>6,108</b>	<b>-</b>	<b>6,108</b>	<b>-</b>	<b>45,134</b>	
Income tax expense	-	-	-	-	-	-	-	-	-	
<b>Segment profit/loss after tax</b>	<b>(27,928)</b>	<b>(3,499)</b>	<b>(31,427)</b>	<b>39,026</b>	<b>6,108</b>	<b>-</b>	<b>6,108</b>	<b>-</b>	<b>45,134</b>	
<b>Net operating profit</b>	<b>17,038</b>	<b>(9,119)</b>	<b>7,919</b>	<b>107,928</b>	<b>7,236</b>	<b>-</b>	<b>7,236</b>	<b>(6,272)</b>	<b>108,892</b>	
<b>Segment adjusted EBITDA</b>	<b>(7,909)</b>	<b>(7,493)</b>	<b>(15,402)</b>	<b>77,017</b>	<b>3,072</b>	<b>-</b>	<b>3,072</b>	<b>-</b>	<b>80,089</b>	
CAPEX and other additions	5,897	-	5,897	18,151	3,400	-	3,400	-	21,551	

\*Overhead costs represent fixed costs that can not be avoided or are not directly affected by the scale of operations, which mainly comprises of property tax, remuneration for the management companies for both greenbox and yellowbox entities , insurance costs and audit and other consulting fees.



Reconciliation of reportable segment revenues:

'000 GEL	2023	2022
Total revenue for reportable segments	271,628	273,602
Income from casino tips (Note 5(b))	(11,065)	(11,829)
Customer promotions and bonuses for Casinos	(13,568)	(15,771)
<b>Consolidated revenue</b>	<b>246,995</b>	<b>246,002</b>

Revenues of GEL 8,271 thousand (2022: GEL 7,028 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 3,721 thousand in 2023 (2022: GEL 3,399 thousand) is attributable to the operations of "Park Hotel Tsinandali" which is allocated to revenues from other unallocated "yellowbox" entities for segment reporting purposes.

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

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

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

'000 GEL	31 December 23			
	"Greenbox" entities	"Yellowbox" entities	Eliminations	Consolidated
<b>ASSETS</b>				
Property and equipment	325,589	28,750	-	354,339
Investment property	5,162	237,728	-	242,890
Intangible assets	6,509	98	-	6,607
Prepayments for non-current assets	29,630	-	-	29,630
Investments	237,772	642	(237,772)	642
Loans receivable	10,005	4,532	-	14,537
<b>Total Non-Current Assets</b>	<b>614,667</b>	<b>271,750</b>	<b>(237,772)</b>	<b>648,645</b>
Inventories	7,621	181	-	7,802
Loans receivable	73,028	70,669	(138,499)	5,198
Trade and other receivables	6,873	19,630	(17,397)	9,106
Cash and cash equivalents	38,575	2,204	-	40,779
Prepayments and other assets	9,010	2,489	-	11,499
<b>Total Current Assets</b>	<b>135,107</b>	<b>95,173</b>	<b>(155,896)</b>	<b>74,384</b>
<b>Total Assets</b>	<b>749,774</b>	<b>366,923</b>	<b>(393,668)</b>	<b>723,029</b>
Loans and borrowings	289,143	72,486	(138,499)	223,130
Trade and other payables	-	599	-	599
Put option liability	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>289,143</b>	<b>73,085</b>	<b>(138,499)</b>	<b>223,729</b>
Loans and borrowings	17,161	1,252	-	18,413
Trade and other payables	34,241	2,766	(17,461)	19,546
<b>Total Current Liabilities</b>	<b>51,402</b>	<b>4,018</b>	<b>(17,461)</b>	<b>37,959</b>
<b>Total liabilities</b>	<b>340,545</b>	<b>77,103</b>	<b>(155,960)</b>	<b>261,688</b>
Charter capital	494,242	356,537	(358,537)	492,242
Accumulated losses	(102,317)	(66,717)	120,829	(48,205)
Non-controlling interests	17,304	-	-	17,304
<b>Total Equity</b>	<b>409,229</b>	<b>289,820</b>	<b>(237,708)</b>	<b>461,341</b>
	31 December 2022			
'000 GEL	"Greenbox" entities	"Yellowbox" entities	Eliminations	Consolidated
<b>ASSETS</b>				

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
<b>Total Non-Current Assets</b>	<b>799,933</b>	<b>343,121</b>	<b>(342,558)</b>	<b>800,496</b>
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
<b>Total Current Assets</b>	<b>76,584</b>	<b>16,910</b>	<b>(10,628)</b>	<b>82,866</b>
<b>Total Assets</b>	<b>876,517</b>	<b>360,031</b>	<b>(353,186)</b>	<b>883,362</b>
Loans and borrowings	267,354	72,795	(109,775)	230,374
Put option liability	42,138	-	-	42,138
<b>Total Non-Current Liabilities</b>	<b>309,492</b>	<b>72,795</b>	<b>(109,775)</b>	<b>272,512</b>
Loans and borrowings	20,015	13,704	(432)	33,287
Trade and other payables	26,409	3,061	(12,263)	17,207
<b>Total Current Liabilities</b>	<b>46,424</b>	<b>16,765</b>	<b>(12,695)</b>	<b>50,494</b>
<b>Total liabilities</b>	<b>355,916</b>	<b>89,560</b>	<b>(122,470)</b>	<b>323,006</b>
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
<b>Total Equity</b>	<b>520,601</b>	<b>270,471</b>	<b>(230,716)</b>	<b>560,356</b>

## 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	2023	2022
<b>Profit for the year</b>	12,647	45,134
Depreciation and amortization	27,566	26,977
Amortization of casino permit	(5,711)	(4,237)
Net foreign exchange loss/ (gain)	9,009	5,220
Interest income	(9,103)	(18,639)
Interest expense	27,176	26,284
Specific items*	(2,218)	(650)
<b>Adjusted EBITDA</b>	<b>59,366</b>	<b>80,089</b>

\*Specific items mainly comprise of impairment of loans receivable.

*000 GEL	2023	2022
Consolidated Adjusted EBITDA	59,366	80,089
Consolidated revenue	246,995	246,002
<b>Consolidated Adjusted EBITDA margin %</b>	<b>24%</b>	<b>33%</b>

## 26. Basis of measurement

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

## 27. Material accounting policies

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

In addition, the Group adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances. Management reviewed the accounting policies and made updates to the information disclosed in certain instances in line with the amendments.

**(a) Basis of consolidation**

**(i) Non-controlling interests**

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

**(ii) Non-controlling shareholders holding put options**

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

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

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

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

**(iii) Subsidiaries**

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

**(iv) Acquisitions from entities under common control**

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

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

**(v) Transactions eliminated on consolidation**

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

**(b) Revenue**

**(i) Revenue from Casino Games**

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

**(ii) Revenue from Hotel services**

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

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

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

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

**(c) Finance income and finance costs**

The Group’s finance income and finance costs include:

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

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

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

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

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

**(d) Foreign currency transactions**

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

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

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

Foreign currency differences are generally recognised in profit or loss.

**(e) Employee benefits**

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

**(f) Income tax**

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

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

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

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

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

**(g) Property and equipment**

**(i) Recognition and measurement**

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

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

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

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

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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

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

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

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

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

**(h) Intangible assets**

**(i) Intangible assets**

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

**(ii) Subsequent expenditure**

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

**(iii) Amortisation**

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

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

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

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

**(i) Investment property**

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

**(i) Recognition and measurement**

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

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

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

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

**(ii) Subsequent expenditure**

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



**(iii) Depreciation**

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

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

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

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

**(j) Financial instruments**

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

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

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

**(i) Recognition and initial measurement**

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

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

**(ii) Classification and subsequent measurement**

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

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

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

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

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

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

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

**Financial assets – Business model assessment:**

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

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

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

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

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

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

**Financial liabilities – Classification, subsequent measurement and gains and losses**

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

**(iii) Modification of financial assets and financial liabilities**

**Financial assets**

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

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

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

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

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

#### **Financial liabilities**

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

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

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

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

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

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

**(iv) Derecognition**

**Financial assets**

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

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

**Financial liabilities**

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

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

**(v) Offsetting**

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

**(k) Equity**

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

**(l) Impairment**

**(i) Non-derivative financial assets**

*Financial instruments*

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

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

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

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

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

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

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

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

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

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

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

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

#### *Measurement of ECLs*

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

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

#### *Credit-impaired financial assets*

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### **Presentation of allowance for ECL in the statement of financial position**

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

#### *Write-off*

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

#### **(ii) Non-financial assets**

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

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

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

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

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

## 28. New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*
- *Lack of Exchangeability (Amendments to IAS 21)*

## 29. Subsequent events

### (a) Updates in laws and regulations

In 2023, the Georgian Parliament approved changes in gambling regulations which constituted introduction of new taxes to offline gaming business. The tax changes came into force on 1 January 2024. Following changes will come into force in relation to taxation:

- 15% tax on Revenue from Slot machines as defined by the Tax Code of Georgia;
- 5% tax on withdrawals made by players from Slot machines.

Per the management's estimate, the impact of the above regulations, if the Company's financial results were the same as in 2023, is additional tax expense of approximately GEL 10 million in 2024.

### (b) Other subsequent events

In February 2024, pledge of the Group's shareholding in Tsinandali Estate LLC, under PA agreement, was revoked. (see note 15(e))

Based on the shareholders's resolution, dated 30 April 2024, capital of the Company was increased by GEL 80,902 thousand. (see note 15(c)).



