JSC Georgia Real Estate

Consolidated financial statements

For the year ended 31 December 2024
with an independent auditor's report

Contents

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Independent auditor's report

To the Shareholder and Supervisory Board of JSC Georgia Real Estate

Opinion

We have audited the consolidated financial statements of JSC Georgia Real Estate and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's 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' (IESBA) 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of inventory property	
Recognition of revenue related to sales of inventory property is a key audit matter due to the significance of revenue to the consolidated financial statements, the degree of management judgment involved in the determination of transition of control to customers as well as the complexity and judgmental nature of estimation process and assumptions used when measuring progress towards satisfaction of performance obligation over time. The disclosures related to the recognition of revenue under IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) are presented in Notes 3 and 5 to the consolidated financial statements.	We obtained an understanding of the estimation and recognition process for revenue from sales of inventory property. We assessed the design of controls over recognition and measurement process of revenue. In relation to sales of inventory properties we inspected, on a sample basis, sales agreements, bank statements and other supporting documents and assessed the effectiveness of controls related to completeness and accuracy of sales contracts and payments databases. We analysed contract terms against revenue recognition requirements set out in IFRS 15. We inspected, on a sample basis, primary documents related to the recognition of revenue from sales of inventory properties. We assessed the calculation of percentage of completion for performance obligations under contracts with customers satisfied over time. We compared, on project by project basis, expected costs of meeting the obligations under the contracts with customers concluded for each project with the economic benefits expected to be received under the project, and evaluated recognition and measurement of provisions for onerous contracts. We assessed the disclosures related to revenue recognition.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property and investment property under construction	
Investment property and investment property under construction include completed assets and those buildings under construction held for earning rental income and land plots with a currently undetermined future use or with a view of future redevelopment. The measurement of investment property and investment property under construction at fair value is a key audit matter because of the significance of the balances of investment property and investment property under construction and respective revaluation results to the consolidated financial statements and the complexity and judgmental nature of estimation processes and assumptions used. Notes 3, 12 and 13 to the consolidated financial statements disclose the information about investment properties and investment property under construction, including the fair valuation and significant assumptions.	We obtained an understanding of internal controls implemented around the estimation process. For a sample of properties, we evaluated, with involvement of our valuation experts, valuation inputs and assumptions used (such as occupancy and average daily rates, discount rate, capitalization rates, and valuation adjustments) by comparing them to available information about listing and transaction prices for comparable properties, market reports and official registry records. We analysed the disclosures in the consolidated financial statements in respect of the fair value of investment property and investment property under construction.

Other information included in the Group's 2024 Management Report

Other information consists of the information included in the Group's 2024 Management Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2024 Management Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon in our report on the audit of the consolidated financial statements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 skepticism 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board 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 the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the Supervisory Board, 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 auditor's 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 partner in charge of the audit resulting in this independent auditor's report is Dmytro Iurgelevych.

Dmytro Iurgelevych (SARAS-A-644274)
On behalf of EY LLC (SARAS-F-855308)
Tbilisi, Georgia
22 April 2025

Consolidated statement of comprehensive income

For the year ended 31 December 2024

(Thousands of Georgian Lari)

	Notes	*2024*	*2023*
Sales of inventory property	5	194,949	231,841
Cost of sales – inventory property	6	(193,633)	(219,018)
Gross profit on sale of inventory property		**1,316**	**12,823**
Rental income		3,473	2,414
Property operating expense		(336)	(689)
Gross profit from rental activities		**3,137**	**1,725**
Revenue from property management	5	2,233	2,214
Cost of property management	6	(2,718)	(2,566)
Gross loss from property management		**(485)**	**(352)**
Net gain (loss) from revaluation and disposal of investment property	12	24,554	(7,387)
Net loss from revaluation and disposal of investment property under construction	13	(587)	(2,958)
Net gain (loss) from revaluation and disposal of investment properties		**23,967**	**(10,345)**
Net loss from disposal of assets held for sale		(205)	–
Other revenue	5	1,010	644
Administrative employee benefits expense	7	(9,231)	(10,503)
Other general and administrative expenses	8	(2,606)	(4,355)
Depreciation and amortization	15, 20	(2,834)	(2,676)
Marketing and advertising expense		(3,603)	(4,165)
Net loss from disposal of property and equipment		(128)	(653)
Loss from disposal of a subsidiary	21	–	(839)
Expected credit loss on trade and other receivables	5	–	(279)
Loss on inventory property carried at net realisable value	14	–	(2,562)
Share-based compensation acceleration costs, management termination costs and other expenses	9	(1,349)	(3,405)
Impairment charge of other assets		(564)	–
Write-off of intangible assets	16	(1,693)	–
Net non-recurring items	10	(445)	–
Operating profit (loss)		**6,287**	**(24,942)**
Finance income		207	599
Finance expense		(26,392)	(23,481)
Net foreign exchange (loss) gain		(7,118)	526
Loss before income tax expense		**(27,016)**	**(47,298)**
Income tax expense	11	–	–
Loss for the year and total comprehensive loss for the year		**(27,016)**	**(47,298)**

Signed and authorised for release on behalf of the management of the Group:

Chief Executive Officer Guram Akhvlediani

Chief Financial Officer Givi Koberidze

22 April 2025

The accompanying notes on pages 5–34 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2024

(Thousands of Georgian Lari)

	Notes	*2024*	*2023*
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Chief Executive Officer Guram Akhvlediani

Chief Financial Officer Givi Koberidze

22 April 2025

The accompanying notes on pages 5–34 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As of 31 December 2024

(Thousands of Georgian Lari)

	Notes	2024	2023
Assets			
Non-current assets			
Investment property	12	74,748	40,356
Investment property under construction	13	6,180	6,812
Inventory property	14	48,942	62,144
Property and equipment	15	3,079	7,656
Right-of-use assets	20	2,269	1,206
Long-term loans issued	17	–	599
Long-term contract assets with customers	5	8,620	28,639
Prepayments and other assets	16	1,517	2,690
Time deposits with credit institutions	17	3,117	3,452
		148,472	**153,554**
Current assets			
Inventory property	14	60,727	62,672
Prepayments and other assets	16	49,844	55,610
Investment securities	17	–	137
Short-term contract assets with customers	5	32,582	39,270
Trade and other receivables	17	513	786
Time deposits with credit institutions	17	17,450	37,107
Restricted cash	17	400	799
Cash at bank	17	21,413	10,016
		182,929	**206,397**
Assets held for sale	12–13	–	7,250
Total assets		**331,401**	**367,201**
Equity	18		
Share capital		8,899	8,249
Share premium		281,035	278,336
Translation and other reserves		5,200	5,200
Accumulated loss		(292,225)	(265,209)
Total equity		**2,909**	**26,576**
Non-current liabilities			
Loans received	17	40,906	23,891
Debt securities issued	17	65,760	–
Deferred revenue	5	43,958	60,546
Lease liabilities	20	1,798	943
Retention payable to general contractor	17	7,847	2,182
Trade and other payables	17	–	2,268
Liability for contractual obligation	12	2,645	–
		162,914	**89,830**
Current liabilities			
Short-term portion of long-term loans received	17	41,520	28,005
Debt securities issued	17	5,964	95,591
Deferred revenue	5	57,649	69,630
Trade and other payables	17	23,559	26,983
Retention payable to general contractor	17	3,376	2,855
Lease liabilities	20	800	525
Accruals for employee compensation		2,884	3,064
Provision for onerous contracts	5	2,793	3,757
Advances received	5	1,972	3,074
Other liabilities	17	17,126	17,311
Liability for contractual obligation	12	7,935	–
		165,578	**250,795**
Total liabilities		**328,492**	**340,625**
Total equity and liabilities		**331,401**	**367,201**

The accompanying notes on pages 5–34 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2024

(Thousands of Georgian Lari)

	Share capital	*Share premium*	*Translation and other reserves*	*Retained earnings*	*Total equity*
At 31 December 2022	**8,249**	**274,486**	**5,200**	**(217,911)**	**70,024**
Loss for the year	–	–	–	(47,298)	**(47,298)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(47,298)**	**(47,298)**
Share-based payments (Note 18)	–	3,850	–	–	**3,850**
At 31 December 2023	**8,249**	**278,336**	**5,200**	**(265,209)**	**26,576**
Loss for the year	–	–	–	(27,016)	**(27,016)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(27,016)**	**(27,016)**
Increase in share capital (Note 18)	650	1,350	–	–	**2,000**
Share-based payments (Note 18)	–	1,349	–	–	**1,349**
At 31 December 2024	**8,899**	**281,035**	**5,200**	**(292,225)**	**2,909**

Consolidated statement of cash flows

For the year ended 31 December 2024

(Thousands of Georgian Lari)

	Notes	*2024*	*2023*
Cash flows from operating activities			
Proceeds from sales of apartments		207,972	207,893
Cash outflows for development of apartments		(202,314)	(224,576)
Net proceeds from lease and property management		5,547	2,690
Cash paid for operating expenses		(16,097)	(19,571)
Interest received		173	538
Non-income taxes paid		(1,933)	(4,570)
Other inflow from operating activities		896	351
Net cash flows used in operating activities		**(5,756)**	**(37,245)**
Cash flows from investing activities			
Proceeds from sale of investment property, investment property under construction and assets held for sale		6,296	76,276
Capital expenditure on investment property		(577)	(3,237)
Proceeds from disposal of a subsidiary, net of cash disposed	22	–	21,492
Purchase of property, plant and equipment and intangible assets		(802)	(766)
Proceeds from sale of property, plant and equipment		2,104	–
Cash outflows for the liability for contractual obligation		(509)	–
Net transfers from time deposits		19,992	9,430
Net transfers from restricted cash		399	3,173
Loans issued		–	(550)
Repayment of loans issued		322	–
Other cash outflows from investing activities		–	(128)
Net cash flows from investing activities		**27,225**	**105,690**
Cash flows from financing activities			
Proceeds from debt securities issued	17	67,525	–
Repayment of debt securities issued	17	(94,855)	–
Proceeds from borrowings	17	79,013	51,552
Repayment of borrowings	17	(50,036)	(112,496)
Interest paid on interest-bearing borrowings and debt securities	17	(14,780)	(16,271)
Repayment of lease liabilities	17	(776)	(454)
Interest paid on lease liabilities	17	(175)	(127)
Proceeds from sale and leaseback transaction		2,258	–
Proceeds from increase in share capital	18	2,000	–
Net cash flows used in financing activities		**(9,826)**	**(77,796)**
Effect of exchange rate changes on cash and cash equivalents		(246)	(3,179)
Net increase (decrease) in cash and cash equivalents		**11,397**	**(12,530)**
Cash and cash equivalents at the beginning of the year		10,016	22,546
Cash and cash equivalents at the end of the year	17	**21,413**	**10,016**

Material non-cash transactions

In 2024, the Group exchanged a land plot with GEL 9,100 carrying value as at 31 December 2023 for another land plot with fair value of GEL 31,424 and assumed GEL 10,580 contractual liability to construct certain social infrastructure objects in connection with this exchange (Note 12).

In 2024, investment property under construction of GEL nil (2023: GEL 6,174) (Note 13) and investment property of GEL nil (2023: GEL 1,076) (Note 12) were transferred to assets held for sale.

(Thousands of Georgian Lari)

1. Background

JSC Georgia Real Estate (the "Company"), prior to the legal name change in 2019 known as JSC m2 Real Estate, is a joint stock company incorporated on 27 September 2006. The current legal address of the Company is 10, Givi Kartozia Street, 0177, Tbilisi, Georgia. The Company together with its subsidiaries is referred to as the Group. The Group's principal activity is development and sales of residential apartments. The Group also has residual investments in investment property management and hospitality businesses.

JSC Georgia Capital is a 100% shareholder of the Company. The Group is ultimately owned and controlled by Georgia Capital PLC ("the GCAP"), a listed company incorporated in the United Kingdom.

The Group includes the following subsidiaries:

Subsidiary	*31-Dec-24*	*31-Dec-23*	*Country*	*Date of establishment*	*Date of acquisition*	*Industry*
LLC m2 at Hippodrome	100%	100%	Georgia	06-Jul-15	n/a	Real estate
LLC M Square Park	100%	100%	Georgia	15-Sep-15	n/a	Real estate
LLC Optima Saburtalo	100%	100%	Georgia	15-Sep-15	n/a	Real estate
LLC M2 **	–	100%	Georgia	12-Feb-14	n/a	Hospitality / Real estate
LLC m2 Group	100%	100%	Georgia	17-Aug-15	n/a	Real estate
LLC Georgia Real Estate Management Group	100%	100%	Georgia	17-Aug-15	n/a	Hospitality / Real estate
LLC Land	100%	100%	Georgia	03-Oct-14	n/a	Real estate
LLC Optima	100%	100%	Georgia	03-Aug-16	n/a	Real estate
LLC m2 Kutaisi *	–	100%	Georgia	17-May-17	n/a	Hospitality
LLC Georgia Property Management Group **	–	100%	Georgia	10-Apr-18	n/a	Property management
LLC Gudauri Lodge **	–	100%	Georgia	24-Apr-18	n/a	Hospitality
LLC m2 at Nutsubidze 2	100%	100%	Georgia	24-Jan-20	24-Jan-20	Real estate
LLC m2 Maintenance	100%	100%	Georgia	20-Jul-21	n/a	Real estate
LLC m2 at Mtatsminda Park	100%	100%	Georgia	31-Dec-21	n/a	Real estate
LLC M square Park 3	100%	100%	Georgia	25-May-22	n/a	Real estate
LLC M square Park 4	100%	100%	Georgia	25-May-22	n/a	Real estate
LLC M square Park X	100%	100%	Georgia	23-Jun-22	n/a	Real estate
LLC M square Park 5*	100%	100%	Georgia	11-Oct-23	n/a	Real estate

* *Changes in the Group's structure over 2024 and 2023, including disposals and newly registered subsidiaries, are explained in Note 22.*

** *In 2024, m2 LLC, Georgia Property Management Group LLC, m2 Kutaisi LLC and Gudauri lodge LLC merged to Georgia Real Estate Management Group LLC.*

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for investment property and investment property under construction, which are carried at fair value.

Going concern

The Group recorded GEL 27,016 loss for the year ended 31 December 2024. At the same time, as of 31 December 2024, the Group's current assets exceeded its current liabilities by GEL 17,351. In 2024, the Group successfully refinanced its USD-denominated bonds maturing in 2024 with a fresh issuance of USD 25 million domestic bonds with carrying value of GEL 71,724 as of 31 December 2024 that mature in August 2026.

Housing development segment enjoyed high sales of apartments in the Group's largest-ever Dighomi project as well as sales on the Sveti project overtaken by the Group from the defaulted developer. In 2024, the Group commenced sales of stage VI in Dighomi project. The Group accumulated GEL 42,380 (2023: GEL 51,374) cash at bank, of which GEL 20,567 (2023: GEL 40,559) relates to restricted cash balances subject to release upon achievement of certain progress of construction. The Group expects that it will obtain access to most of the restricted cash balances over 2025 which will be used to finance ongoing residential development projects. Over the forecast period extending to at least 12 months since the date of approval of these consolidated financial statements, the liquidity outlook of the residential development business is such that allows for servicing the existing debt of the residential development business and covering its running costs as well as the running costs of the holding company. Therefore, the Group has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

(Thousands of Georgian Lari)

2. Basis of preparation (continued)

Going concern (continued)

Strategically, the Group is focused on continuing its core residential development business while divesting and deleveraging, wholly or partially, from hospitality segment. The Group has already achieved major milestone in execution of that strategy by divesting the majority of its commercial investment property portfolio in prior periods, extinguishing their associated debt; further in 2024, the Group disposed of certain additional hospitality assets operationally and legally. The hospitality business retained by the Group includes one operational hotel managed under the brand name “Gudauri Lodge” with its financial liability being the sole bank loan of the hospitality business (approximating GEL 19.7 million as at 31 December 2024), one hotel under construction in Svaneti and two land plots. The fair value of the hospitality investment property (Gudauri Hotel) pledged as a collateral under the hospitality business loan and other investment properties are still sufficiently above the carrying value of respective borrowing, which in any case allows for the full settlement of those liabilities either from proceeds or property sales at their fair value (or even with discount thereto), or through foreclosure.

The management has obtained a letter from the Parent which indicates that the Parent intends to provide the Group with adequate funds to enable the Group to continue normal operations for the period extending to more than 12 months from the date of approval of these consolidated financial statements. The management evaluated that the Parent has sufficient funds to provide the Group with financial support if necessary.

Considering the above actions and plans of the Group the management believes that a going concern basis for preparing these consolidated statements is appropriate.

3. Summary of material accounting policies

Functional, reporting currencies and foreign currency translation

The functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, and the Group’s presentation currency, is the national currency of Georgia, Georgian Lari (“GEL”).

Monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the National Bank of Georgia (“NBG”) at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into entity’s functional currency at year-end official exchange rates of the NBG are recognised in profit or loss.

Differences between the contractual exchange rate of a certain transaction and the National Bank of Georgia (“NBG”) exchange rate on the date of the transaction are included in Net foreign exchange gain/(loss). The official NBG exchange rate on 31 December 2024 and 31 December 2023 were GEL 2.8068 and GEL 2.6894 to 1 USD respectively.

Adoption of new or revised standards and interpretations

The Group applied for the first–time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Following amendments and interpretations apply for the first time in 2024:

- *Lease Liability in a Sale and Leaseback - Amendments to IFRS 16;*
- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1.*

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments have resulted in additional disclosures in Note 17, but have not had an impact on the classification of the Group’s liabilities.

- *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*.

(Thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Adoption of new or revised standards and interpretations (continued)

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The Group is a party to certain supplier finance arrangements with local commercial banks, mostly in relation to trade payables for construction services. The payment terms under the terms of these arrangements are until 30 June 2024 (the original supplier's payment terms: 30 days after receiving invoice). Total carrying value of the liabilities subject to such arrangements as of 31 December 2024 was GEL 9,300 (2023: GEL 11,236), of which GEL nil (2023: GEL 5,451) was refinanced by the banks and presented in loans received in the consolidated statement of financial position as at 31 December 2023 (Note 17).

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- *Amendments to IAS 21: Lack of exchangeability* – (effective from on or after 1 January 2025).

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

- IFRS 18 Presentation and Disclosure in Financial Statements – (effective from 1 January 2027).

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

- IFRS 19 Subsidiaries without Public Accountability: Disclosures – (effective from on or after 1 January 2027).

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The transfer occurs when the customer obtains control. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all of the revenue arrangements, it has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

(Thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Revenue recognition (continued)

Revenue from sales of inventory property

Revenue from sale of developed real estate property is recognised over the time based on the progress towards complete satisfaction of a performance obligation using input method (proportion of costs incurred up to date to total expected project cost) as the Group determined that there is a direct relationship between the costs incurred by the Group and the transfer of the goods to the customer. Percentage of completion calculated based on total costs of the building is applied to apartment selling price (which, for contracts denominated in foreign currency, is revised at each reporting date in respect of consideration not yet collected by applying spot exchange rate as at the end of reporting period) to recognise revenue from apartment sale. Payment arrangements of the sale of developed real estate property usually include advance payment of part of transaction price and progress payments during the construction by the customer, such contract liabilities are recognised as deferred revenue in the consolidated statement of financial position. Significant financing component is recognised, where material, in respect of long-term contract liabilities, and reflected as increase in deferred revenue (with subsequent increase in revenue in profit or loss) and finance costs. When the cumulative revenue recognised under the contract exceed the amounts of advances collected to date, the Group recognises a contract asset.

Significant judgments in respect of the accounting policies for recognition of revenue from sales of inventory properties include determination of whether the contractual terms of the sales agreements are supportive of over the time revenue recognition criteria as opposed to point in time recognition, as well as in determination of total project costs' composition for the purposes of percentage of completion, to which the Group includes, among other components, the cost of land. In making those judgments, the Group carefully considered the contractual terms as well as any legislation or legal precedent and could supplement or override those contractual terms.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms. In case an operating lease agreement is modified so that future lease payments are changed, the modified payments are recognised as rental income in profit or loss on a straight-line basis of the remaining lease term.

Revenue from property management

Revenue from property management (such as maintenance of the completed residential properties) is recognised as services are provided to the customers.

Onerous contracts

The Group evaluates, at each reporting date, whether the unavoidable costs of meeting the obligations under its contracts (normally measured as expected costs to complete the residential development) exceed the economic benefits expected to be received under them (which is usually defined as consideration due under in-force contracts and expected margin from unsold stock under a particular residential development project). In making evaluation as to whether the contract is or becomes onerous and in measurement of the onerous contract provision, the Group considers indirect benefits such as expected margin on additional inventory stock recognized or expected to be recognized to satisfy performance obligation on the in-force contract, which is evaluated on the aggregated project-by-project basis. The Group recognizes movements in provision for onerous contracts in correspondence with cost of sales (Note 6).

Finance income

Finance income on financial assets at amortised cost is recognised as it accrues using the effective interest rate (EIR) method.

(Thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Taxation

The annual profit earned by entities other than banks, insurance companies and microfinance organizations is not taxed in Georgia starting from 1 January 2017 (Note 11). Corporate income tax is paid on dividends is levied on profit distributed as dividends to the shareholders that are individuals or non-residents of Georgia at the rate of 15/85 of net distribution. The corporate income tax arising from the payment of dividends is accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. In certain circumstances, deductions from income tax charge payable are available that are accounted as reduction of income tax expense related to respective distribution. Due to the nature of the Georgian taxation system, no deferred tax assets and liabilities arise for the entities registered in Georgia. Withholding tax payable in respect of dividend distribution to the shareholders of the Company is recognised as deduction from equity.

Georgian tax legislation also provides for charging corporate income tax on certain transactions that are considered deemed profit distributions (for example, transactions at non-market prices, non-business-related expenses or supply of goods and services free of charge). Taxation of such transactions is accounted similar to operating taxes and is reported as operating taxes within other general and administrative expenses in consolidated profit or loss.

Georgia also has various operating taxes that are assessed on the Group’s activities. These taxes are included as a component of general and administrative expenses.

Investment property

Investment property includes buildings held for earning rental income and land plots held for a currently undetermined future use or with a view of future redevelopment for future use as investment property.

Investment property is measured initially at cost including transaction costs. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and borrowing costs.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are charged to profit or loss in the year in which they arise.

Transfers are made to investment property when, and only when, there is a change in use, for example, evidenced by commencement of (or firm commitment to enter) an operating lease. Transfers are made from investment property to inventory property when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.

Investment property under construction

Investment property under construction is measured at fair value, unless (for certain properties at early stages of construction) fair value cannot be determined reliably, in which case it is measured at cost. Gains or losses arising from changes in the fair values are charged to profit or loss.

Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.

(Thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment in value.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50
Furniture and fixtures	5–10
Computers and other office equipment	5
Motor vehicles	5

Costs related to repairs and renewals are charged when incurred and included in general and administrative expenses unless they qualify for capitalization.

Leasehold improvements are amortised over the life of the related leased asset or expected lease term, if lower.

Fair value measurements

The Group measures certain financial instruments such as investment securities, and non-financial assets such as investment property, at fair value at the end of each reporting period.

Fair value is 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.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Inventory property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or future redevelopment, is held as inventory and is measured at the lower of cost and net realisable value. Cost includes:

- Cost of land; when land is reclassified from investment property its fair value as at reclassification date is regarded as its deemed cost;
- Amounts payable for the construction materials, including cost of subcontractors and direct labour costs;
- Borrowing costs incurred until the property is ready for sale, planning and design costs, costs of site preparation, professional fees for legal services, insurance expenses, construction overheads, allocation of administrative overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

(Thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Inventory property (continued)

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size and fair value of the property sold.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Share-based payment transactions

Senior executives of the Group receive share-based remuneration settled in equity instruments of the Group's ultimate parent. Grants are made by the Parent. Grants that the Group does not have a liability to settle are accounted as equity-settled transactions (even if the Group may subsequently recharge the cost of the award to the settling entity, which is recognised as equity deduction at respective payment date).

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised together with the corresponding increase in share premium in capital, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employee is fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Settlements to the Parent for the shares granted to the employees of the Group are accounted as a reduction in share premium.

Share capital

Ordinary shares

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Contribution of assets

The Parent or entities under common control, from time to time, contributes land plots and buildings to the capital of the Group in exchange for the Company's shares. The Group measures the property received and the corresponding increase in equity at the fair value of the land plots and buildings received.

Debt to equity swaps with shareholders

When the Group's financial liabilities are converted to equity in a debt-to-equity swap transaction with the Parent or entities under common control, the Group records the value of resulting equity instruments issued at carrying value of the extinguished financial liability so that no profit or loss is recognised.

Borrowing costs

Borrowing costs comprise interest expense calculated using the effective interest method and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

In respect of inventory properties developed by the Group, borrowing costs are not capitalised, except for the period between commencement of development and start of pre-sales.

As the Group usually borrows funds specifically for the purpose of each development project, amount of borrowing costs eligible for capitalisation is usually determined as the actual borrowing costs incurred on that borrowing during the period of property development phase.

(Thousands of Georgian Lari)

3. Summary of material accounting policies (continued)

Operational cycle

The Group's normal operating cycle is not clearly identifiable therefore it is assumed to be twelve months. Assets and liabilities are classified as current if they are expected to be realised or settled within twelve months after the reporting date. Inventory properties under construction and respective deferred revenue are classified as current if the expected commissioning date for respective project falls within twelve months from the reporting date. All other assets and liabilities are classified as non-current.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements other than estimates

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of property

The Group exercises significant judgment in determination whether a property is classified as investment property, inventory property or property, plant and equipment or assets held for sale:

- Investment property comprises land and buildings (principally hotels) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income, capital appreciation or for future redevelopment before exact details of use are not yet determined;
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction, including land plots acquired with view of residential development;
- Property, plant and equipment comprises owner occupied buildings, office furniture and fixtures, computer equipment, transport and leasehold improvements used to support Group's ordinary business activities.

As part of the strategic reorganization of the Group, the assets of the hospitality business were put for sale.
The management assessed that remaining assets under the classification of investment properties and investment properties under construction do not meet definition of assets held for sale as defined by IFRS 5 as of 31 December 2024, and, accordingly, retained the existing classification of the assets as (predominantly) investment properties. In making that assessment, the management considered that, in respect of hospitality assets, it was not probable that the disposal would occur within one year since the classification date.

In 2024, the Group completed a land swap transaction (Note 12). The Group classified the newly acquired land plot as an investment property (land for undetermined future use), as at the reporting date the Group had not commenced development of that land plot.

Significant judgment was involved in determination of whether hospitality assets met the definition of held for sale and a land plot acquired in a swap transaction as an investment property in these consolidated financial statements.

(Thousands of Georgian Lari)

4. Significant accounting judgements, estimates and assumptions (continued)

Estimates

Measurement of fair value of investment properties and investment properties under construction

The fair value of investment properties and investment properties under construction is determined by the Group's management. Fair value is determined using a combination of the internal capitalization method (also known as discounted future cash flow method) and the sales comparison method. For certain properties, fair values is established with reference to the sales prices if such sales are committed prior to or shortly after the reporting date.

The Group performs valuation of its investment properties and investment properties under construction at the end of each reporting period. Results of this valuation, as well as valuation inputs and techniques are presented in Note 12 and Note 13. While the secondary market in Georgia provides adequate market information for fair value measurements for small and medium sized properties, valuation of large and unique properties involves application of various observable and unobservable inputs to determine adjustments to the available comparable sale prices. These estimates and assumptions are based on the best available information, however, actual results could be different.

Measurement of progress when revenue is recognised over time (sale of inventory property)

For those contracts involving the sale of property under development that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the property. The Group uses the costs incurred method as a measure of progress for its inventory property sales contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. The management prepares and regularly revisits, applying their professional judgment, internal estimates of costs to complete a specific project, based on the actual or expected changes in the contractual arrangements (such as with the general contractor and other suppliers) and other cost-driving factors, including the exchange rates. For details refer to Note 5.

5. Revenue

	2024	*2023*
Revenue from the sale of inventory property	**194,949**	**231,841**
Residential area	171,193	212,558
Commercial space area	17,314	14,486
Parking lot area	6,442	4,797
Revenue from property management	**2,233**	**2,214**
Other revenue	**1,010**	**644**
Total revenue from contracts with customers	**198,192**	**234,699**

The Group recognised GEL 164,955 revenue in the current reporting period (2023: GEL 67,029) that relates to carried-forward contract liabilities included to deferred revenue as at 1 January.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied at the reporting date:

31 December 2024	*In the year ending 31 December 2025*	*In the year ending 31 December 2026*	*In the year ending 31 December 2027*	*In 3 to 5 years*	*Total*
Revenue expected to be recognised on active contracts with customers	135,906	48,743	6,786	–	**191,435**

31 December 2023	*In the year ending 31 December 2024*	*In the year ending 31 December 2025*	*In the year ending 31 December 2026*	*In 3 to 5 years*	*Total*
Revenue expected to be recognised on active contracts with customers	164,955	52,129	18,673	–	**235,757**

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of 1 year or less.

(Thousands of Georgian Lari)

5. Revenue (continued)

Contract assets and liabilities

The Group recognised the following assets and liabilities related to contracts with customers:

	2024	***2023***
Trade and other receivables related to contracts with customers	396	517
Contract assets	41,202	67,909
Deferred revenue	101,607	130,176
Advances received*	1,972	3,074

* *Advances received as of 31 December 2023 relate to proceeds from sale of investment properties classified as assets held for sale (Notes 12-13), control over which was transferred to the buyer after the reporting date.*

Trade and other receivables comprise:

	2024	***2023***
Receivables for property management	396	517
Trade and other receivables from contracts with customers	**396**	**517**
Rent receivables	–	154
Receivables from sale of other assets	41	103
Receivables from services provided	47	–
Other receivables	29	12
Total trade and other receivables	**513**	**786**

Receivables from sale of apartments in respect of the outstanding portion of the contract price are recognised at the moment an apartment legal title is registered on a customer. Prior to that moment, any excess of the cumulative revenue recognised over the consideration received in advance is recognised as a contract asset.

In 2024, the Group wrote off its receivables from property management business in amount of GEL 64.

In 2023, the Group wrote-off its rent receivables in amount of GEL 2,522 against accumulated expected credit losses in connection with disposal of the underlying investment property and recognised additional allowance of GEL 279.

As of 31 December 2024, rent receivables is nil. Ageing of rent receivables by overdue days and respective allowance as of 31 December 2023 was as follows:

31 December 2023	***91–180 days overdue***	***More than 180 days overdue***	***Total***
Gross carrying value	433	–	433
Expected credit loss rate, %	64.43%	–	
Expected credit losses	(279)	–	**(279)**
Net carrying value	**154**	**–**	**154**

Changes in allowance for expected credit losses on trade and other receivables (measured using simplified approach as lifetime ECL) for the year ended 2024 and 2023 were as follows:

	Trade and other receivables from contracts with customers	***Rent receivables***	***Total***
31 December 2022	**189**	**2,522**	**2,711**
Expected credit loss charge for the period	–	279	279
Written off	–	(2,522)	(2,522)
31 December 2023	**189**	**279**	**468**
Expected credit loss charge for the period	–	–	–
31 December 2024	**189**	**279**	**468**

(Thousands of Georgian Lari)

5. Revenue (continued)

Contract assets and liabilities (continued)

Contract assets comprise:

	2024	*2023*
Sales of inventory properties	41,202	67,909
Total contract assets	**41,202**	**67,909**
Non-current	8,620	28,639
Current	32,582	39,270

Contract assets related to sales of inventory properties are denominated in USD and are due within 1 months to 3 years from the reporting date.

Significant changes in contract assets during the period are primarily attributable to the completion of several projects, leading to a reduction in contract assets.

Deferred revenue comprised:

	2024	*2023*
Dighomi stage IV	22,536	8,833
Mirtskhulava	–	43,101
Dighomi stage V	4,301	84
Dighomi stage VI	3,659	–
Mtatsminda Park	13,462	8,528
Non-current deferred revenue	**43,958**	**60,546**
Dighomi stage II	4,292	28,817
Dighomi stage III	4,550	10,096
Nutsubidze	9,731	17,623
Mirtskhulava	32,184	–
Chkondideli	6,892	13,094
Current deferred revenue	**57,649**	**69,630**
Deferred revenue	**101,607**	**130,176**

Deferred revenue of the Group consists of advances received from customers, net of VAT, for purchase of residential property, parking lots and commercial spaces. Significant changes in deferred revenue during the period are mostly attributable to recognition of contract liabilities in relation to advance payments received under contracts to sell inventory properties, as offset by recycling to revenue from sales of inventory properties in the consolidated statement of comprehensive income following satisfaction of performance obligation over time. The Group commenced pre-sales for Dighomi Stage VI in July 2024.

In 2023, following revision of cost to complete estimates for ongoing residential development projects, the Group determined that unavoidable costs to complete one of its projects exceed direct and indirect benefits expected to be received from it (represented by consideration due from in-force contracts and expected margin on unsold inventory stock) and, accordingly, recognized GEL 3,757 as provision for onerous contracts as of 31 December 2023 in correspondence with cost of sales. In 2024, based on a subsequent reassessment of costs and project performance during the period, the provision was reduced by GEL 964, resulting in a revised balance of GEL 2,793 as at 31 December 2024.

(Thousands of Georgian Lari)

6. Cost of sales

	2024	2023
Cost of inventory property*	**193,633**	**219,018**
Residential area cost of sales	170,939	197,171
Commercial space area cost of sales	17,318	14,051
Parking lot cost of sales	6,340	4,039
Onerous contract provision (Note 5)	(964)	3,757
Cost of property management	**2,718**	**2,566**
Salaries	1,098	869
Security	778	845
Utility	404	432
Maintenance	438	420
Cost of operating leases	**336**	**689**
Property tax	313	610
Security	23	75
Utility	–	4
Total cost of sales	**196,687**	**222,273**

* *Included in cost of inventory property was employee benefit expense in amount of GEL 2,150 (2023: GEL2,496).*

7. Salary and employee benefits expenses

	2024	2023
Share-based compensation expense	–	654
Salary and other employee benefits	10,060	11,665
Cash bonus	2,746	2,356
Total employee benefits	**12,806**	**14,675**
Administrative employee benefits expense	9,231	10,503
Employee benefits capitalised to inventory	482	507
Employee benefits recognised in cost of inventory property	1,668	1,989
Employee benefits recognised in cost of property management and operating lease	1,425	1,676
Total employee benefits	**12,806**	**14,675**

8. Other general and administrative expenses

	2024	2023
IT services	503	491
Corporate hospitality	413	417
Legal and other professional services	368	623
Office supplies	230	210
Communication	194	219
Utility	131	229
Transportation expense	109	139
Repair & Maintenance	106	–
Rent	104	191
Operating taxes	82	58
Banking services	58	63
Personnel training and recruitment	54	102
Charity	43	26
Insurance	16	13
Business trip expense	2	59
Write off of tax assets*	–	1,167
Other	193	348
Total other general and administrative expenses	**2,606**	**4,355**

* *In 2023, the Group written-off certain tax assets as the result of Group reorganization resulting in liquidation of some of its subsidiaries through legal merger (Note 22).*

(Thousands of Georgian Lari)

8. Other general and administrative expenses (continued)

Auditor's remuneration

Remuneration of Group's auditor for the years ended 31 December 2024 and 2023 comprises (net of VAT):

	2024	*2023*
Fees for the audit of the Group's annual financial statements for the year ended 31 December	241	229
Audit of the Company's subsidiaries	–	57
Total fees and expenditures	**241**	**286**

Fees payable to the Group's auditor for other professional services amounted to GEL nil (2023: GEL 6).

9. Share-based compensation acceleration, management termination and other expenses

In 2024, the Group recognized GEL of 1,349 (2023: GEL 3,196) share-based compensation acceleration cost (Note 18) and GEL nil of other miscellaneous expenses (2023: GEL 209 of key management personnel's employment contract termination cost).

10. Non-recurring expenses

Non-recuring expenses recognized by the Group in 2024 comprised GEL 297 of loans issued write-off expenses and GEL 148 prepayments write-off expenses.

11. Income tax

In accordance with the Georgian tax regime appliable to the Group, income tax is recognized upon distribution of dividends, to the extent tax offsets are not available. The Group did not distribute dividends in 2024 and 2023 and, accordingly, no income tax was recognized in 2024 and 2023.

Tax-related contingencies

Applicable tax regulations are updated frequently, and not large number of precedents have been established. This creates tax risks in Georgia, which could be more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretative issues.

12. Investment property

The tables below show movements in investment property during 2024 and 2023:

			2024		
	Yielding assets	*Vacant land*	*Hotels*	*Other*	*Total*
At 1 January	**149**	**9,100**	**30,918**	**189**	**40,356**
Disposals	(149)	(8,851)	–	(54)	**(9,054)**
Write-off	–	–	–	(56)	**(56)**
Net gain from revaluation	–	10,704	1,188	8	**11,900**
Additions	–	31,424	–	–	**31,424**
Capital expenditure and other costs	–	6	172	–	**178**
At 31 December	**–**	**42,383**	**32,278**	**87**	**74,748**

			2023		
	Yielding assets	*Vacant land*	*Hotels*	*Other*	*Total*
At 1 January	**416**	**30,273**	**90,515**	**81**	**121,285**
Disposals	(242)	(19,141)	(53,782)	(52)	**(73,217)**
Net loss from revaluation and disposal	(25)	(1,066)	(6,296)	–	**(7,387)**
Additions	–	–	–	160	**160**
Capital expenditure and other costs	–	110	481	–	**591**
Transfer to assets held for sale	–	(1,076)	–	–	**(1,076)**
At 31 December	**149**	**9,100**	**30,918**	**189**	**40,356**

(Thousands of Georgian Lari)

12. Investment property (continued)

In April 2024, the Group exchanged a land plot on Kavtaradze street (Tbilisi), with a carrying value of GEL 9,100 as at 31 December 2024, for a land plot on Nutsubidze street (Tbilisi). The fair value of the Nutsubidze land plot as at 31 December 2024 was determined to be GEL 31,424. As part of the land swap transaction, the Group assumed an obligation to construct certain objects of social infrastructure, which was estimated at GEL 10,580 as at 31 December 2024 (of which GEL 7,935 is expected to be incurred in 2025 and GEL 2,645 beyond 2025, presented as current and non-current Liability for contractual obligation respectively in the consolidated statement of financial position as at 31 December 2024).

In 2024, net gain from revaluation and disposal includes realised gain from sale of yielding assets of GEL 89 (2023: loss of GEL 25). In 2024, gain from land swap transaction total of GEL 23,307 were recognised. In 2024, net gain from revaluation and write-off of investment properties of GEL1,158 (2023: loss of GEL 7,362) were recognised.

Yielding assets represented office, retail, warehouses and other commercial buildings, including underlying land held for rent-generating purposes. Included into other investment properties are the buildings not rented out but held for capital appreciation purposes. All of the Group's investment properties are located in Georgia as of 31 December 2024 and 2023.

As of 31 December 2024, investment property of GEL 32,278 (2023: GEL 30,928) was pledged as collateral under the loans received from Georgian banks (Note 17).

In 2023, the Group transferred a land plot with carrying value of GEL 1,076, together with investment property under construction with carrying value of GEL 6,174 (Note 13), to assets held for sale, as the result of entering into a binding sale agreement in respect of those properties. The Group measured those properties at their contractual selling prices as of 31 December 2023. The Group disposed of these properties in 2024.

Fair value measurement of investment property

Investment properties are stated at fair value. The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investment property valuation was performed by the management as of 31 December 2024. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13. Investment property valuation belongs to Level 3 of fair value hierarchy.

Market comparison and income approaches were used to value the investment properties.

Market approach

This method is based on the direct comparison of the subject property to another property object with reference to their observable listing prices and prices of past transactions, where such information is available. Adjustments to value are determined based on difference in subject property's condition and location as compared to the reference properties.

Income approach

Income approach is a valuation method that appraisers and real estate investors use to estimate the value of income producing real estate. It is based upon the premise of anticipation i.e., the expectation of future benefits. Under the income approach, the value of property is estimated based on the income that the property can be expected to generate. Income capitalization converts anticipated cash flows into present value by "capitalizing" net operating income by a market derived "capitalization rate". A capitalization rate is a rate of return on investment. It is used by real estate investors as a benchmark for determining how much they should pay for a property.

For the purpose of fair value disclosures, the Group identified four classes of investment properties – yielding assets, vacant land, hotel and other properties. The following tables show descriptions of significant unobservable inputs to valuation as well as sensitivity of the inputs for 2024 and 2023:

Class of investment properties	*Fair value 2024*	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average)*
Vacant land*	42,383	Market approach	Price per square meter, USD	110 – 1,000
Hotels	32,278	Income approach	Average daily rate, USD	70 - 140 (105)
			Discount rate	12.7%
			Capitalization rate	9.3%
			Occupancy rate	40% - 65% (53%)
Other	87	Market approach	Price per square meter, USD	1,200
Total	**74,748**			

(Thousands of Georgian Lari)

12. Investment property (continued)

Fair value measurement of investment property (continued)

Class of investment properties	*Fair value 2023*	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average)*
Yielding assets	149	Income approach	Rent price per square meter, USD	10.1 - 15.7 (12.9)
			Discount rate	12.7%
Vacant land	9,100	Market approach	Price per square meter, USD	440
Hotels	30,918	Income approach	Average daily rate, USD	130 - 136 (133)
			Discount rate	12.7%
			Capitalization rate	8%
			Occupancy rate	40% - 45% (42%)
Other	189	Market approach	Price per square meter, USD	2,544
Total	**40,356**			

Decrease (increase) in the capitalization rate, increase (decrease) in ADR and occupancy rate would result in increase (decrease) in fair value.

13. Investment property under construction

A summary of movement in investment property under construction during 2024:

	Hotels and land plots held for hotel development	***Total***
At 1 January	**6,812**	**6,812**
Disposals	(88)	**(88)**
Net loss from revaluation	(587)	**(587)**
Capital expenditure	43	**43**
At 31 December	**6,180**	**6,180**

In 2024, net loss from revaluation and disposal includes realised loss from sale of hotels and land plots held for hotel development of GEL nil (2023: GEL 99).

In 2023, the Group transferred yielding asset, hotel under construction and land plot held for hotel development with total carrying value of GEL 6,174, together with investment property with carrying value of GEL 1,076 (Note 12), to assets held for sale, as the result of entering into a binding sale agreement in respect of those properties. The Group measured those properties at their contractual selling prices As of 31 December 2023.

As of 31 December 2024, investment property under construction of GEL 3,378 (2023: nil) was pledged as collateral under the guarantees and loans received from Georgian banks (Note 17).

A summary of movement in investment property under construction during 2023:

	Yielding assets under construction	**Hotels and land plots held for hotel development**	***Total***
At 1 January	**1,351**	**34,984**	**36,335**
Disposals	(99)	(992)	**(1,091)**
Disposal of subsidiary (Note 22)	–	(22,815)	**(22,815)**
Net loss from revaluation and disposal	(54)	(2,904)	**(2,958)**
Capital expenditure	–	3,515	**3,515**
Transfer to assets held for sale	(1,198)	(4,976)	**(6,174)**
At 31 December	**–**	**6,812**	**6,812**

(Thousands of Georgian Lari)

13. Investment property under construction (continued)

The following table shows descriptions of significant unobservable inputs to valuation as well as sensitivity of the inputs for 2024:

Class of investment properties	*Fair value 2024*	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average)*
Hotels and land plots held for hotel development	6,180	Income approach	Capitalization rate	9.3%
			Average daily rate (ADR), USD	72 – 99 (86)
			Discount rate	12.7%
			Occupancy rate	40% – 45% (43%)
Total	**6,180**			

The following table shows descriptions of significant unobservable inputs to valuation as well as sensitivity of the inputs for 2023:

Class of investment properties	*Fair value 2023*	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average)*
Hotels and land plots held for hotel development	6,812	Income approach	Capitalization rate	11.1% – 15.5% (13.3%)
			Average daily rate (ADR), USD	99 – 115 (94)
			Discount rare	12.7%
			Occupancy rate	40% – 60% (50%)
Total	**6,812**			

14. Inventory property

The carrying amount of inventory property allocated to each of the Group's projects is as follows:

	2024	*2023*
Dighomi stage IV	25,271	20,220
Dighomi stage V	1,881	7,101
Dighomi stage VI	2,211	–
Mtatsminda park	19,579	14,776
Mirtskhulava	–	20,047
Non-current inventory property	**48,942**	**62,144**
Dighomi stage II	13,205	9,304
Dighomi stage III	17,028	31,306
Chkondideli	7,735	13,201
Nutsubidze	6,584	7,562
Mirtskhulava	15,403	–
Other	772	1,299
Current inventory property	**60,727**	**62,672**
Inventory property	**109,669**	**124,816**

(Thousands of Georgian Lari)

14. Inventory property (continued)

A summary of movement in inventory property is set out below:

	2024	*2023*
Balance at 1 January	**124,816**	**129,651**
Construction costs incurred	177,300	205,724
Transfer of own use parking lots to property plant and equipment	–	(963)
Acquisition of land plot (non-cash) *	–	5,194
Borrowing costs capitalised	–	755
Employee benefits capitalised (Note 7)	2,150	2,496
Disposals recognised in cost of sales	(194,597)	(215,479)
Net realizable value adjustment **	–	(2,562)
Balance at 31 December	**109,669**	**124,816**

* *In 2023, the Group acquired a land plot for residential development purposes partially in exchange of Group's obligation to transfer completed properties in the project to the original landowners, measured at GEL 5,194.*

** *In 2023, the Group recognized GEL 2,562 loss in respect of certain inventory properties, mostly represented by parking properties that remained unsold for a prolonged period of time.*

As of 31 December 2024, the Group had commitments of GEL 238,861 (2023: GEL 331,309) relating to completion of nine (2023: eight) construction projects.

15. Property and equipment

	Buildings	*Furniture and fixture*	*Computers*	*Motor Vehicles*	*Leasehold improvements*	*Total*
Gross book value						
1 January 2023	**5,502**	**2,131**	**1,452**	**1,031**	**6,750**	**16,866**
Additions	188	112	96	218	7	**621**
Transfer from inventory property	963	–	–	–	–	**963**
Disposals	–	–	(6)	(296)	–	**(302)**
31 December 2023	**6,653**	**2,243**	**1,542**	**953**	**6,757**	**18,148**
Additions	20	–	90	67	–	**177**
Transfer from inventory property	–	–	–	–	–	**–**
Disposals	(3,252)	(4)	(154)	(165)	–	**(3,575)**
31 December 2024	**3,421**	**2,239**	**1,478**	**855**	**6,757**	**14,750**
Accumulated depreciation						
1 January 2023	**1,359**	**1,801**	**910**	**413**	**4,580**	**9,063**
Depreciation charge	106	97	137	40	1,103	**1,483**
Disposals	–	–	(2)	(52)	–	**(54)**
31 December 2023	**1,465**	**1,898**	**1,045**	**401**	**5,683**	**10,492**
Depreciation charge	70	102	141	37	1,015	**1,365**
Disposals	(91)	(2)	(74)	(19)	–	**(186)**
31 December 2024	**1,444**	**1,998**	**1,112**	**419**	**6,698**	**11,671**
Net book value						
31 December 2023	**5,188**	**345**	**497**	**552**	**1,074**	**7,656**
31 December 2024	**1,977**	**241**	**366**	**436**	**59**	**3,079**

(Thousands of Georgian Lari)

16. Prepayments and other assets

At 31 December prepayments and other assets comprised of the following:

	2024	*2023*
Intangible assets, net	526	2,690
Prepayments for investment properties	991	–
Prepayments and other assets, non-current	**1,517**	**2,690**
VAT prepayment	12,629	14,223
Prepayments for inventory properties	35,769	39,022
Other current assets	1,446	2,365
Prepayments and other assets, current	**49,844**	**55,610**
Total prepayments and other assets	**51,361**	**58,300**

Amortization charge for intangible assets amounted to GEL 905 in 2024 (2023: GEL 765).

The Group has written off software balance included in prepayments and other assets with a carrying amount of GEL 1,693 during the year ended 31 December 2024.

17. Financial instruments

Financial instruments overview

Investment securities

As of 31 December 2024, included into investment securities are shares of GCAP held for settlement of the Company's cash-settled share-based transactions with fair value of GEL nil (2023: GEL 137). GCAP's shares are categorized within Level 1 of the fair value hierarchy (2023: Level 1).

Time deposits with credit institutions and restricted cash

As of 31 December 2024, amounts due from credit institutions included restricted cash of GEL 400 (2023: GEL 799) and time deposits of GEL 20,567 (2023: GEL 40,559) placed in local commercial banks, expected to be fully redeemed or became available for the use by the Group within 1 to 3 years upon achievement of certain milestones in specified residential development projects. Interest earned on time deposits with credit institutions during the period amounted to GEL 172 (2023: GEL 519).

Loans issued

As of 31 December 2023, non-current issued loans GEL 599 was measured at amortised cost and was denominated in USD. The loan was issued to related parties (entities under common control) to fund the hotel operational costs. Interest income earned on the loans issued amounted to GEL 33 (2023: GEL 87). In 2024, the Group received GEL 322 in settlement of the loan issued and wrote-off GEL 297 of the outstanding balance, presented in net non-recurring items in the consolidated statement of comprehensive income (Note 10).

Loans and borrowings received

	Currency	*Maturity*	*2024*	*2023*
Borrowings from local commercial banks	EUR	Jun-2033	19,660	22,560
Borrowings from local commercial banks	USD	Jan-2025 Jan-2027	62,766	29,336
Total borrowings			**82,426**	**51,896**
Current portion			41,520	28,005
Non-current portion			40,906	23,891

As of 31 December 2024, investment property and investment property under construction with carrying value of GEL 35,656 (2023: GEL 30,928) were pledged as collateral under borrowings from local commercial banks (Note 12 and Note 13).

As of 31 December 2024, the Group had GEL18,244 undrawn loan commitment (2023: GEL 51,024) from local commercial bank.

(Thousands of Georgian Lari)

17. Financial instruments (continued)

Financial instruments overview (continued)

The Group is a party to certain supply-chain financing arrangements with a local commercial bank. In accordance with the terms of those arrangements, the local bank agreed to pay amounts the Group owes to the Group's suppliers and the Group agreed to pay the bank at a date later than the suppliers are paid, including predetermined interest component. The Group, having exercised significant judgment, concluded that such arrangements result in derecognition of trade payables settled by the bank as at the reporting date and recognition of a borrowing due to the bank. The Group has 2,330 GEL borrowings due to local commercial banks in respect of such arrangements as of 31 December 2024 (2023: 5,451 GEL). Settlement of trade payables by the bank with simultaneous recognition of the borrowing due to the bank was presented as a non-cash transaction in the consolidated statement of cash flows for the year ended 31 December 2023 with subsequent settlement of the borrowings presented within financing cash flows.

Debt securities issued

In August 2024, the Group successfully completed the replacement of USD 25,000 bonds, reducing its debt balance by USD 10,000, from USD 35,000 to USD 25,000. The bonds were issued at par carrying 8.5% coupon rate per annum with semi-annual payments. The bonds are due for repayment in August 2026.

On 31 December 2024, debt securities issued comprised USD denominated 2–year local bonds with total issue size of USD 25,000 (31 December 2023: USD 35,000), registered on the Georgian Stock Exchange issued in August 2024. At 31 December 2024, out of total amount of debt securities, current portion and non-current amounted to GEL 5,964 and GEL 65,760, respectively (2023: GEL 95,591 and GEL nil, respectively).

Changes in liabilities arising from financing activities

	1 January 2024	*Cash inflows*	*Cash outflows (principal)*	*Cash outflows (interest)*	*Foreign exchange movement*	*Finance costs*	*Other changes*	*31 December 2024*
Loans and borrowings	**51,896**	79,013	(50,036)	(6,753)	1,728	6,879	(301)	**82,426**
Debt securities issued	**95,591**	67,525	(94,855)	(8,027)	3,361	8,044	85	**71,724**
Lease liabilities	**1,468**	–	(776)	(175)	126	175	1,780	**2,598**
Total liabilities from financing activities	**148,955**	**146,538**	**(145,667)**	**(14,955)**	**5,215**	**15,098**	**1,564**	**156,748**

Changes in liabilities arising from financing activities (continued)

	1 January 2023	*Cash inflows*	*Cash outflows (principal)*	*Cash outflows (interest)*	*Foreign exchange movement*	*Finance costs*	*Inflows under supply chain financing arrange-ments*	*31 December 2023*
Loans and borrowings	**112,439**	51,552	(112,496)	(8,515)	(2,490)	5,955	5,451	**51,896**
Debt securities issued	**95,638**	–	–	(7,756)	(487)	8,196	–	**95,591**
Lease liabilities	**2,064**	–	(454)	(127)	(142)	127	–	**1,468**
Total liabilities from financing activities	**210,141**	**51,552**	**(112,950)**	**(16,398)**	**(3,119)**	**14,278**	**5,451**	**148,955**

Retention payable to general contractor

Guarantee retention represents 5% of total amount due to a constructor which is retained by the Group and is due in one to two years after the project completion date. It is intended to serve as a guarantee for any subsequent faults identified in the completed project. As of 31 December 2024, current portion of guarantee retention comprised GEL 3,376 (2023: GEL 2,855) and non-current portion comprised GEL 7,847 (2023: GEL 2,182).

(Thousands of Georgian Lari)

17. Financial instruments (continued)

Financial instruments overview (continued)

Trade and other payables

Trade and other payables of the Group are mostly comprised of payables related to marketing and advertising and payables for construction of inventory property. These payables are mostly denominated in GEL and are due from 3 to 6 months from the reporting date. Payables for land plot are maturing up to 31 December 2025.

	2024	*2023*
Payables for construction of inventory property	20,075	22,590
Payables for land plot	3,015	4,655
Payables for marketing and advertising	157	764
Payables for investment property	16	168
Payables on termination of sales contracts	–	164
Other payables	296	910
Trade and other payables	**23,559**	**29,251**
Non-current portion	–	2,268
Current portion	23,559	26,983

Other liabilities

Other liabilities of the Group are mostly comprised of tax liabilities. As of 31 December 2024, the liabilities are denominated in GEL and are due from 1 to 6 months (2023: GEL, from 1 to 3 months) from the reporting date.

	2024	*2023*
Non-income tax payable	17,013	16,958
Audit fee accrual	108	235
Other	5	118
Other liabilities	**17,126**	**17,311**

Risks arising from financial instruments

In the course of its ordinary activity the Group is exposed to currency, interest rate, credit and liquidity risks. The Group's senior management oversees the management of these risks.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

As of 31 December 2024 and 2023, the Group has no other significant financial assets subject to credit risk except for:

Cash at bank, time deposits with credit institutions and restricted cash

As of 31 December 2024, GEL 20,145 (2023: GEL 9,982) was kept with local commercial banks having ratings of "Ba2/Ba3" (LC) from Moody's and "B-/BB/B+" from Fitch Ratings. The remaining GEL 1,268 (2023: GEL 34) was kept with local commercial bank with no available credit ratings. Respective bank accounts do not bear any interest except current accounts on which annual interest up to 1.00% was accrued on USD accounts during 2024 and 2023. The Group's cash at bank is immediately available upon demand. Time deposits and restricted cash with credit institutions of GEL 20,841 (2023: GEL 40,959) were kept with local commercial banks having a rating of "Ba2/Ba3" (LC) from Moody's and "BB-/BB/B+" from Fitch Ratings. The remaining GEL 126 (2023: GEL 399) was kept with local commercial bank with no available credit ratings. No significant increase in credit risk occurred on the Group's cash and other placements with banks.

Trade and other receivables, contract assets and loans issued

Trade and other receivables, contract assets and loans issued do not have internal credit grading. The Group can repossess the properties sold in case the customer defaults on its payment obligations in relation to contract assets related to sales of inventory properties. Other receivables and loans issued are not collateralised.

In 2024, the Group wrote off its receivables from property management business in amount of GEL 64.

In 2023, the Group wrote off its rent receivables in amount of GEL 2,522 against accumulated expected credit losses in connection with disposal of the underlying investment property.

(Thousands of Georgian Lari)

17. Financial instruments (continued)

Risks arising from financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's liquidity risk is analysed and managed by the Group's management.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations:

Financial liabilities ***As of 31 December 2024***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Loans received	10,176	32,216	44,052	11,188	**97,632**
Debt securities issued	3,007	2,958	76,134	–	**82,099**
Lease liabilities	216	584	1,974	316	**3,090**
Trade and other payables	20,752	2,807	–	–	**23,559**
Liability for contractual obligation	–	7,935	2,645	–	**10,580**
Retention payable to general contractor	–	3,376	7,847	–	**11,223**
Other liabilities	17,010	116	–	–	**17,126**
Total	**51,161**	**49,992**	**132,652**	**11,504**	**245,309**

Financial liabilities ***As of 31 December 2023***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Loans received	3,512	27,021	19,124	14,814	**64,471**
Debt securities issued	–	102,086	–	–	**102,086**
Lease liabilities	131	395	1,145	–	**1,671**
Trade and other payables	24,477	2,689	2,689	–	**29,855**
Retention payable to general contractor	–	2,855	2,182	–	**5,037**
Other liabilities	17,311	–	–	–	**17,311**
Total	**45,431**	**135,046**	**25,140**	**14,814**	**220,431**

In managing liquidity risk, the management of the Group considers the Group will be able to settle the liabilities falling due by applying cash proceeds from operations and disposal of investment properties, refinancing and rolling-over of maturing facilities and, if appropriate, renegotiation of financial covenants and obtaining funding from the Parent. The Group has available GEL 18,244 undrawn loan facilities to meets its liquidity needs as of 31 December 2024 (2023: GEL 51,024).

Currency risk

In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2024			**At 31 December 2023**		
	Monetary financial assets	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
US Dollars	11,595	(153,786)	**(142,191)**	14,555	(142,672)	**(128,117)**
Euros	2,628	(19,660)	**(17,032)**	2,030	(22,604)	**(20,574)**
Total	**14,223**	**(173,446)**	**(159,223)**	**16,585**	**(165,276)**	**(148,691)**

The above analysis includes only monetary assets and liabilities. Investments in non-monetary assets are not considered to give rise to any material currency risk.

(Thousands of Georgian Lari)

17. Financial instruments (continued)

Risks arising from financial instruments (continued)

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative GEL, with all other variables held constant:

Impact on profit (loss)	***2024***
USD strengthening by 18.39%	(26,149)
USD weakening by 7.52%	10,693
EUR strengthening by 19.37%	(3,299)
EUR weakening by 7.34%	1,250

Impact on profit (loss)	***2023***
USD strengthening by 20%	(25,633)
USD weakening by 20%	25,633
EUR strengthening by 20%	(4,106)
EUR weakening by 20%	4,106

Interest rate risk

As of 31 December 2024, the Group has floating rate borrowings linked to Euribor and SOFR totalling to GEL 35,163 (2023: GEL 32,953). Increase in Euribor and SOFR by 3.54% and 4.41% respectively, would result in GEL 1,040 (2023: by 3.16% and 3.82%, respectively, would result in GEL 1,190) increase in finance expense recognised in consolidated profit or loss, with equal opposite movement resulting in equal decrease in finance expense.

18. Equity

As of 31 December 2024, issued share capital comprised 889,878,199 class “A” shares (2023: 824,887,622), and 21,958,370 Class “B” shares (2023: 21,958,370). Class “A” and class “B” shares have a nominal value of GEL 0.01. Class “B” shares were issued for no consideration.

Class “A” shares are common shares that entitle shareholders a right to one vote per one class “A” share at the general meeting of shareholders.

Class “B” shares entitle shareholders to dividends and liquidations proceeds of the Company similar to those of common shares shareholders and provide no voting rights on the annual shareholders meeting.

The share premium stated in the consolidated financial statements represents the surplus generated from the issuance of the Group's shares, which exceeds their nominal value. According to the Law of Georgia "On Entrepreneurs," this surplus is categorized as "reserve capital." Its primary purposes include covering any losses incurred during the last fiscal year of the joint-stock company and facilitating the redemption of the Group's shares, particularly when no other funds are available.

Increase in share capital and share premium

In October 2024, the Group issued 64,990,577 Class “A” shares with par aggregate par value of GEL 650 in exchange of cash consideration of GEL 2,000. GEL 1,350 excess of consideration received over par value of shares issued was recognized as share premium

Dividends

No dividends were announced and paid in 2024 and 2023.

Capital management

The Group’s objectives when managing capital (which it defines as reported net assets in its IFRS consolidated financial statements) are:

- To safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain sufficient size to make the operation of the Group cost-efficient.

To achieve these goals the Group performs a detailed analysis of each potential project setting an individual minimal requirement for internal rate of return considering the cost of borrowed funds and level of own capital available.

(Thousands of Georgian Lari)

18. Equity (continued)

Share-based payments

Senior executives of the Parent, who are also members of the key management personnel of the Group, receive share-based awards in shares of Georgia Capital plc, settled by the Group's parent and recognized as equity-settled awards in the Group's consolidated financial statements. The Group recognizes its proportionate share of the total share-based charges for respective employees in its consolidated financial statements. The awards have graded vesting period ranging from four to five years, with the only vesting condition being continued employment within GCAP Group during such vesting period. The fair value of the awards was determined at the respective grant dates using available market quotations of GCAP shares.

In 2023, the Parent modified the terms of the share-based awards to remove service condition in respect of some awards made earlier to the members of the Group key management personnel. Accordingly, the Group recognized GEL 1,349 share-based charge in its consolidated statement of changes in equity for 2024 (2023: GEL 3,196) as acceleration of share-based compensation in respect of services expected to be provided in future periods that are no longer subject to the service condition, presented as a separate line in the consolidated statement of comprehensive income.

The following table summarises information about financial impact of the Group's share-based arrangements:

	2024	*2023*
Awards in the Parent's shares – equity settled charges:	**1,349**	**3,850**
Expensed in profit or loss (Administrative employee benefits expense)	–	654
Expensed in profit or loss (presented as a separate line in the consolidated statement of comprehensive income) (Note 9)	1,349	3,196

19. Fair value measurements

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy. It also includes a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities carried at cost:

	Level 1	*Level 2*	*Level 3*	*Total fair value 2024*	*Carrying value 2024*	*Unrecognised gain/(loss) 2024*
Assets measured at fair value						
Investment properties	–	–	74,748	**74,748**	74,748	–
Investment property under construction	–	–	6,180	**6,180**	6,180	–
Assets for which fair values are disclosed						
Trade and other receivables	–	513	–	**513**	513	–
Time deposits with credit institutions	–	20,567	–	**20,567**	20,567	–
Cash and cash equivalents	–	21,413	–	**21,413**	21,413	–
Liabilities for which fair values are disclosed						
Loans received	–	–	80,992	**80,992**	82,426	1,434
Debt securities issued	–	72,514	–	**72,514**	71,724	(790)
Trade and other payables	–	23,559	–	**23,559**	23,559	–
Retention payable to general contractor	–	11,223	–	**11,223**	11,223	–

(Thousands of Georgian Lari)

19. Fair value measurements (continued)

	Level 1	*Level 2*	*Level 3*	*Total fair value 2023*	*Carrying value 2023*	*Unrecognised gain/(loss) 2023*
Assets measured at fair value						
Investment properties	–	–	40,356	**40,356**	40,356	–
Investment property under construction	–	–	6,812	**6,812**	6,812	–
Investment securities	137	–	–	**137**	137	–
Assets for which fair values are disclosed						
Trade and other receivables	–	786	–	**786**	786	–
Time deposits with credit institutions	–	40,559	–	**40,559**	40,559	–
Loans issued	–	599	–	**599**	599	–
Cash and cash equivalents	–	10,016	–	**10,016**	10,016	–
Liabilities for which fair values are disclosed						
Loans received	–	–	42,277	**42,277**	51,896	9,619
Debt securities issued	–	94,129	–	**94,129**	95,591	1,462
Trade and other payables	–	29,251	–	**29,251**	29,251	–
Retention payable to general contractor	–	5,037	–	**5,037**	5,037	–

Fair value of financial instruments

For a description of the determination of fair value for investment properties and investment securities please refer to Note 12, Note 13 and Note 17.

Carrying value of cash and cash equivalents As of 31 December 2024 and 2023 approximates its fair value due to short term nature (available on demand).

The following describes the methodologies and assumptions used to determine fair values for those financial instruments that are not already recorded at fair value in the consolidated financial statements:

- *Assets for which fair value approximates carrying value* – for financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to variable rate financial instruments;
- *Fixed rate financial instruments* – the fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments.

20. Leases

Group as a lessee

The Group has lease contracts for various items of commercial properties used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. Some lease contracts include extension and termination options and variable lease payments, which are further discussed below. The Group applies the 'short-term lease' and 'lease of low-value (below GEL 15 thousand when new) assets' recognition exemptions for these leases.

Carrying amounts of right-of-use assets (mostly in relation to leases of office and other real estate premises) recognised and the movements during the period comprise:

	2024	*2023*
At 1 January	**1,206**	**1,644**
Depreciation expense	(564)	(428)
Modifications	1,627	(10)
At 31 December	**2,269**	**1,206**

(Thousands of Georgian Lari)

20. Leases (continued)

Group as a lessee (continued)

Carrying amounts of lease liabilities and the movements during the period comprise:

	2024	*2023*
At 1 January	**1,468**	**2,064**
Additions	1,609	–
Interest expense on lease liabilities	175	127
Payments of lease liabilities	(951)	(515)
Modifications	–	(65)
Other changes	171	–
Foreign exchange rate movements	126	(143)
At 31 December	**2,598**	**1,468**
Non-current	1,798	943
Current	800	525

The following are the amounts recognised in profit or loss:

	2024	*2023*
Depreciation expense of right-of-use assets	564	428
Interest expense on lease liabilities	175	127
Expense relating to short-term leases (included in administrative expenses)	104	191
Total amount recognised in profit or loss	**843**	**746**

In 2024, as part of its cost and liquidity management activities, the Group entered into a sale and leaseback transaction by disposing a building and parking lots with carrying value of GEL 3,653 and entering into a 6-year lease. The Group determined that it lost control of the building and parking lots and recognized GEL 19 as gain on disposal. The associated lease liability and right-of-use assets as at 31 December 2024 amounted to GEL 1,513 and GEL 1,462, respectively.

Group as a lessor

The Group has entered into operating leases of certain investment properties (of which hotels are rented to related parties – entities under common control). Rental income recognised by the Group in 2024 was GEL 3,473 (2023: GEL 2,414). Future minimum rentals receivable under operating leases comprised:

	31 December 2024	***31 December 2023***
	Hotels	***Hotels***
Operating lease commitments, net of VAT (lessor)		
Not later than 1 year	3,568	2,575
From 1 year to 2 years	3,568	2,575
From 2 year to 3 years	3,568	2,575
From 3 year to 4 years	3,568	2,575
From 4 year to 5 years	3,568	2,575
Later than 5 years	14,272	12,877
Total	**32,112**	**25,752**

As of 31 December 2024, most of the Group’s leases are priced in USD and have lease term of 10 years (2023: lease terms were of 10 years).

(Thousands of Georgian Lari)

21. Related party transactions

The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year comprise:

	2024		
	Parent[1]	*Entities under common control*[2]	*Key management personnel*
Balances as of 31 December			
Prepayments and other assets	13	601	–
Trade and other payables	7	197	–
Deferred revenue	–	–	944
Transactions for the year ended 31 December			
Revenue from sale of inventory property	–	–	546
Finance income	–	34	–
Share-based compensation	–	–	1,349
Employee benefits expense	–	–	3,374
Rental income	–	3,468	–
Issued loan write-off	–	297	–
Insurance expense	–	22	–
Corporate hospitality and entertainment	–	7	–
Utility expenses	–	5	–
Marketing and advertising	–	16	–
Office supplies	–	26	–
Transportation expense	–	5	–

	2023		
	Parent[1]	*Entities under common control*[2]	*Key management personnel*
Balances as of 31 December			
Loans issued (Note 17)	–	599	–
Trade and other receivables (including expected credit losses of GEL 279)	–	154	–
Prepayments and other assets	13	381	–
Trade and other payables	7	4	–
Deferred revenue	–	–	772
Transactions for the year ended 31 December			
Revenue from sale of inventory property	–	–	244
Rental income	–	2,405	–
Share-based payment expenses	–	–	3,850
Insurance expense	–	74	–
Corporate hospitality and entertainment	–	78	–
Utility expenses	–	67	–
Marketing and advertising	–	24	–
Office supplies	–	20	–
Transportation expense	–	6	–
Travel expenses	–	5	–
Employee benefits expense	–	–	3,941
Management termination costs	–	–	61
Finance income	–	87	–
Interest expense on borrowings	391	–	–

[1] *As of 31 December 2024 and 2023, the Parent includes balances and transactions with Georgia Capital PLC and Georgia Capital JSC.*

[2] *As of 31 December 2024 and 2023, entities under common control include Georgia Capital PLC's subsidiaries, except those included in the Parent category.*

In 2024 and 2023, total number of key management personnel members receiving employee benefits in 2024 amounted to 8 persons, CEO and 7 deputies while other transactions with key management personnel include above mentioned 8 employees and total 5 members of supervisory board.

(Thousands of Georgian Lari)

21. Related party transactions (continued)

Compensation of key management personnel comprised the following:

	2024	*2023*
Share-based compensation	1,349	3,850
Salary	1,861	2,186
Cash bonus	1,513	1,755
Termination compensation	–	61
Total	**4,723**	**7,852**

22. Changes in the Group structure

Changes in Group structure in 2024

In 2024, Georgia Property Management Group LLC, m2 LLC, m2 Kutaisi LLC and Gudauri lodge LLC, merged to Georgia Real Estate Management Group LLC. The changes have not had any impact on the consolidated financial statements.

Changes in Group structure in 2023

In May 2023, following the strategy to divest the non-core businesses, the Group disposed in full its 100% share in subsidiary, LLC m2 Mtatsminda, for total cash consideration of GEL 21,492. The Group recognised GEL 839 loss on disposal of the subsidiary.

Major categories of assets and liabilities disposed were:

	GEL
Assets	
Investment property under construction	22,815
Prepayments and other current assets	102
Total assets	**22,917**
Liabilities	
Loans received	(15)
Accruals and other current liabilities	(571)
Total liabilities	**(586)**
Net assets disposed	**(22,331)**
Consideration received	21,492
Loss on disposal	**(839)**

In 2023, LLC Caucasus Autohouse, LLC m2 at Melikishvili, LLC Vere Real Estate, LLC m2 Zugdidi, LLC Kakheti Wine and Spa, LLC m2 Resort, LLC m2 Hatsvali, LLC Georgia Commercial Assets, LLC Melikishvili Hotel Property and LLC m2 Hotel Property have merged to LLC Georgia Property Management Group. LLC m2 Svaneti has merged to LLC Georgia Real Estate Management Group. These mergers resulted in tax assets' write-off totalling GEL 1,167 (Note 8).

In 2023, the Group established new subsidiary LLC M Square Park 5.

23. Segment report

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

- Housing development – the segment is engaged in offering customers affordable housing and also includes the maintenance of common areas through providing cleaning, security, etc. services at its own residential developments. Construction management relates to acquired construction arm and offering construction services. The segment also includes certain investment properties (mostly, ground floors under construction that have not yet been transferred to Hospitality and commercial real estate segment, and vacant land);
- Hospitality and commercial real estate – which includes retail properties and hotels rented out by the Group, and entails managing the portfolio of yielding assets consisting of retained commercial spaces (ground floor) at its own residential developments and the ones acquired opportunistically, as well as developing and leasing out hotels.

(Thousands of Georgian Lari)

23. Segment report (continued)

Chief operating decision maker obtains information about segment's performance, assets and liabilities and cash flows to assess performance of their operating segments and allocate resources to them. Accordingly, the Group discloses respective information in its segment reporting. Chief operating decision maker also monitors the amount of investment properties attributable to each segment.

All segments' non-current assets are located in Georgia and all revenues are generated in Georgia. No single customer amounted to more than 10% of the Group's revenue in 2024 and 2023.

Year ended 31 December 2024	***Housing Development***	***Hospitality & Commercial Real Estate***	***Eliminations[1]***	***Total[2]***
Sales of inventory property	194,949	–	–	**194,949**
Cost of sales – inventory property	(193,633)	–	–	**(193,633)**
Gross profit on sale of inventory property	**1,316**	**–**	**–**	**1,316**
Rental income	5	3,468	–	**3,473**
Property operating expense	(2)	(334)	–	**(336)**
Gross profit from rental activities	**3**	**3,134**	**–**	**3,137**
Revenue from property management	2,233	–	–	**2,233**
Cost of property management	(2,718)	(61)	61	**(2,718)**
Gross loss from property management	**(485)**	**(61)**	**61**	**(485)**
Net gain from revaluation and disposal of investment property and investment property under construction	23,413	554	–	**23,967**
Net gain from revaluation	**23,413**	**554**	**–**	**23,967**
Net loss from disposal of assets held for sale	(205)	–	–	**(205)**
Other revenue	944	127	(61)	**1,010**
Administrative employee benefits expense	(9,089)	(142)	–	**(9,231)**
Other general and administrative expenses	(2,474)	(132)	–	**(2,606)**
Depreciation and amortization	(2,816)	(9)	(9)	**(2,834)**
Marketing and advertising expense	(3,603)	–	–	**(3,603)**
Net loss from disposal of property and equipment	(128)	–	–	**(128)**
Impairment charge of other assets	(149)	(415)	–	**(564)**
Net non-recurring expenses	(3,055)	(432)	–	**(3,487)**
Operating profit	**3,672**	**2,624**	**(9)**	**6,287**
Finance income	218	1,209	(1,220)	**207**
Finance expense	(25,955)	(1,657)	1,220	**(26,392)**
Net foreign exchange (loss) gain	(7,298)	180	–	**(7,118)**
(Loss) profit before income tax expense	**(29,363)**	**2,356**	**(9)**	**(27,016)**
Income tax expense	–	–	–	–
(Loss) profit for the year	**(29,363)**	**2,356**	**(9)**	**(27,016)**

31 December 2024	***Housing Development***	***Hospitality & Commercial Real Estate***	***Eliminations[1]***	***Total[2]***
Investment property	42,189	32,559	–	**74,748**
Investment property under construction	–	6,180	–	**6,180**

(Thousands of Georgian Lari)

23. Segment report (continued)

Year ended 31 December 2023	*Housing Development*	*Hospitality & Commercial Real Estate*	*Eliminations[1]*	*Total[2]*
Sales of inventory property	231,841	–	–	231,841
Cost of sales – inventory property	(219,018)	–	–	(219,018)
Gross profit on sale of inventory property	**12,823**	**–**	**–**	**12,823**
Rental income	9	2,405	–	2,414
Property operating expense	–	(689)	–	(689)
Gross profit from rental activities	**9**	**1,716**	**–**	**1,725**
Revenue from property management	2,214	–	–	2,214
Cost of property management	(2,566)	(147)	147	(2,566)
Gross loss from property management	**(352)**	**(147)**	**147**	**(352)**
Net gain (loss) from revaluation and disposal of investment property and investment property under construction	179	(10,524)	–	(10,345)
Net gain (loss) from revaluation	**179**	**(10,524)**	**–**	**(10,345)**
Other revenue	769	168	(293)	644
Administrative employee benefits expense	(10,068)	(435)	–	(10,503)
Other general and administrative expenses	(2,951)	(1,549)	145	(4,355)
Depreciation and amortization	(2,657)	(10)	(9)	(2,676)
Marketing and advertising expense	(4,164)	(1)	–	(4,165)
Net loss from disposal of property and equipment	(653)	–	–	(653)
Loss from disposal of a subsidiary	–	(839)	–	(839)
Expected credit loss charge on trade and other receivables	–	(279)	–	(279)
Loss on inventory property carried at net realisable value	(2,562)	–	–	(2,562)
Share-based compensation acceleration costs, management termination costs and other expenses	(4,044)	639	–	(3,405)
Operating loss	**(13,671)**	**(11,261)**	**(10)**	**(24,942)**
Finance income	628	805	(834)	599
Finance expense	(19,545)	(4,770)	834	(23,481)
Net foreign exchange (loss) gain	(712)	1,238	–	526
Loss before income tax expense	**(33,300)**	**(13,988)**	**(10)**	**(47,298)**
Income tax expense	–	–	–	–
Loss for the year	**(33,300)**	**(13,988)**	**(10)**	**(47,298)**

31 December 2023	*Housing Development*	*Hospitality & Commercial Real Estate*	*Eliminations[1]*	*Total[2]*
Investment property	8,915	31,441	–	**40,356**
Investment property under construction	1,293	5,519	–	**6,812**
Assets held for sale	–	7,250	–	**7,250**

[1] *Inter-segment revenues and expenses are represented by property management costs which are eliminated upon consolidation and reflected in the 'eliminations' column.*

[2] *Total segment income statement differ from consolidated statement of comprehensive income mostly for the assets, liabilities and results of operation of an entity under common control to which the Group leases out its operating hotel properties and which is included to Hospitality & commercial real estate segment for chief operating decision maker's resource allocation and decision-making purposes.*

(Thousands of Georgian Lari)

24. Events after the reporting period

In March 2025, the Parent contributed GEL 4,723 to the Copmany’s capital in exchange of 176,439,553 class A shares issued.

In March 2025, the Company established a new subsidiary Gudauri Lodge, LLC.

In March 2025, the Company contributed GEL 4,373 to its newly established subsidiary.

In March 2025, the Company’s newly established subsidiary acquired a subsidiary, Georgia Hospitality Management Group Gudauri LLC, from a related party under common control for total cash consideration of GEL 4,367. The acquired entity previously leased a hotel property (Gudauri Lodge hotel) from one of the Group’s subsidiaries (Gudauri Lodge, LLC) and successfully operated in the hospitality business.