CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including International Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. 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. Key audit matters were addressed in the context of our independent 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.

Key Audit Matters	How the key audit matter was addressed in the audit
Investment properties carried at fair value	
The Group values its investment properties with the fair value method after the initial recognition, as described in Note 2. As of 31 December 2020, investment properties constitute 85% of the Group's total assets and have a total carrying value of TRY 11,736,607,000. As of 31 December 2020, the fair values of investment properties determined independent valuation experts have been evaluated by management and these values were used as the fair values of the investment properties in the consolidated financial statements. "Market approach" and "income approach" methods are used in determining the fair value of investment properties. The valuation of the Group's investment properties involves significant areas of judgment and requires subjective assumptions. Important reasoning and assumptions can be directly affected by factors such as capitalization rate, discount rate, occupancy rates of leasable areas, rental income, and comparable sales prices per square meter. The assumptions comprised of the effects of COVID - 19 outbreak. The fair values of investment properties have been determined by using the market value that determined by independent valuation experts with professional qualifications. Valuation of investment properties is determined as a key audit matter, since investment properties constitute a significant portion of consolidated assets and the valuation methods applied include significant estimates and assumptions.	- Design and implementation of the controls conducted by the Group management regarding the valuation reports prepared by independent valuation experts, assigned by the Group were understood, - The competence, capability and objectivity of the independent valuation experts assigned by the Group were evaluated, - Valuation methods applied in the valuation reports were evaluated, - Mathematical accuracy of the calculation tables used in the valuation reports were tested, - Consistency of the estimates regarding cash inflows and cash outflows related to the income models in the valuation reports was evaluated by comparing them with the Group's budget projections for the upcoming years. In addition, the estimates for the previous year were checked retrospectively by comparing with the actual results, - Reasonableness of the important judgments and assumptions used in the valuation reports by independent valuation experts assigned by the Group were evaluated together with the independent appraisers assigned by us as the independent auditors by applying the following procedures, - Suitability of comparable benchmarks used in valuation studies was evaluated, - Values determined by the independent valuation experts were evaluated whether if they have been within a reasonable range considering the effects of COVID - 19 outbreak, - The fair values in the valuation reports were compared to the disclosures, the consistency with the valuation reports and the adequacy in accordance with TFRS were checked with the amounts in the disclosures and financial statements.

4. Other matters

The consolidated financial statements of the Group as of 31 December 2019 were audited by another audit firm whose audit report dated 9 March 2020 expressed an unqualified opinion.

5. Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

6. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.

- Assess the 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 independent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 9 March 2021.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Burak Özpoyraz, SMMM
Partner

Istanbul, 9 March 2021

**TORUNLAR GAYRİMENKUL
YATIRIM ORTAKLIĞI A.Ş. AND
ITS SUBSIDIARY**

**CONSOLIDATED FINANCIAL
STATEMENTS AND AUDITOR'S REPORT FOR THE YEAR ENDED AT
31 DECEMBER 2020**

**(CONVENIENCE TRANSLATION OF
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	***(Audited)*** **31 December 2020**	***(Audited)*** **31 December 2019**
ASSETS			
Current Assets		**1,221,606**	**1,995,089**
Cash and Cash Equivalents	4	143,276	739,111
Financial Investments	5	29,977	-
Trade Receivables	8	100,839	116,289
Trade Receivables from Related Parties	*8,25*	*16,945*	*22,054*
Trade Receivables from Third Parties	*7*	*83,894*	*94,235*
Other Receivables	14	132	137
Other Receivables from Third Parties	*14*	*132*	*137*
Inventories	10	923,299	1,105,159
Prepaid Expenses	7	13,319	22,111
Other Current Assets	13	10,764	12,282
Non-Current Assets		**12,493,181**	**11,724,984**
Trade Receivables	8	3,061	2,003
Trade Receivables from Third Parties	*8*	*3,061*	*2,003*
Other Receivables		2,743	9,290
Other Receivables from Third Parties		*2,743*	*9,290*
Investments Accounted by Equity Method	15	401,643	394,174
Investment Properties	9	11,736,607	11,267,894
Property, Plant and Equipment	11	346,446	46,820
Intangible Assets		1,713	961
Other Intangible Assets		*1,713*	*961*
Prepaid Expenses	7	968	3,842
Total Assets		**13,714,787**	**13,720,073**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	*(Audited)* 31 December 2020	*(Audited)* 31 December 2019
LIABILITIES			
Current Liabilities		**2,495,746**	**2,211,108**
Short-Term Borrowings	6	1,647,691	165,883
Short-Term Portion of Long-Term Borrowings	6	532,244	1,788,539
Trade Payables	8	71,429	128,330
Trade Payables to Related Parties	*8,25*	*31,639*	*54,141*
Trade Payables to Third Parties	*8*	*39,790*	*74,189*
Payables Related to Employee Benefits		2,265	1,560
Other Payables	14	88,972	22,371
Other Payables to Related Parties	*25*	*67,144*	-
Other Payables to Third Parties	*14*	*21,828*	*22,371*
Derivatives		55,900	-
Derivative Instruments	*12*	*55,900*	-
Deferred Income	7	72,636	83,979
Short-Term Provisions	16	20,205	14,578
Other Current Liabilities	13	4,404	5,868
Non-Current Liabilities		**2,449,124**	**3,030,826**
Long-Term Borrowings	6	2,447,393	3,029,817
Deferred Income		265	-
Long-Term Provisions	16	1,466	1,009
Long-Term Provisions for Employee Benefits	*16*	1,466	*1,009*
EQUITY		**8,769,917**	**8,478,139**
Share Capital	18	1,000,000	1,000,000
Treasury Shares		(5,930)	(4,707)
Share Premium		25,770	25,770
Restricted Reserves		74,421	74,255
Prior Years' Profits		7,382,655	6,517,031
Net Profit for the Year		293,001	865,790
TOTAL LIABILITIES AND EQUITY		**13,714,787**	**13,720,073**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	*(Audited)* **1 January - 31 December 2020**	*(Audited)* **1 January - 31 December 2019**
PROFIT OR LOSS			
Revenue	19	1,105,948	991,087
Cost of Sales (-)	19	(430,033)	(308,374)
GROSS PROFIT		**675,915**	**682,713**
General Administrative Expenses (-)	20	(57,707)	(65,312)
Marketing Expenses (-)	20	(25,645)	(12,189)
Other Income from Operating Activities	22	755,054	967,286
Other Expenses from Operating Activities (-)	22	(53,739)	(4,739)
OPERATING PROFIT		**1,293,878**	**1,567,759**
Share of the Group on Profit/Loss of Investments Accounted by Equity Method	15	42,767	76,266
PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**1,336,645**	**1,644,025**
Finance Income	23	36,255	50,095
Finance Expenses (-)	23	(1,079,899)	(828,330)
PROFIT BEFORE TAX		**293,001**	**865,790**
PROFIT FOR THE YEAR		**293,001**	**865,790**
Profit per share from continuing operations	24	0.29	0.87
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		**293,001**	**865,790**

The accompanying notes form an integral part of these consolidated financial statements.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Share Capital	Treasury Shares	Share Premium	Restricted Reserves	Prior Years' Profits	Net Profit for the Year	Total Equity
Opening balance as of 1 January 2019	**1,000,000**	**(3,338)**	**25,770**	**74,255**	**5,229,827**	**1,287,204**	**7,613,718**
Transfers	-	-	-		1,287,204	(1,287,204)	-
Total comprehensive income	-	-	-	-	-	865,790	865,790
Transactions with non-controlling interest owners	-	(1,369)	-	-	-	-	(1,369)
Closing balance as of 31 December 2019	**1,000,000**	**(4,707)**	**25,770**	**74,255**	**6,517,031**	**865,790**	**8,478,139**
Opening balance as of 1 January 2020	**1,000,000**	**(4,707)**	**25,770**	**74,255**	**6,517,031**	**865,790**	**8,478,139**
Transfers	-	-	-	166	865,624	(865,790)	-
Total comprehensive income	-	-	-	-	-	293,001	293,001
Transactions with non-controlling interest owners	-	(1,223)	-	-	-	-	(1,223)
Closing balance as of 31 December 2020	**1,000,000**	**(5,930)**	**25,770**	**74,421**	**7,382,655**	**293,001**	**8,769,917**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	*(Audited)* 1 January - 31 December 2020	*(Audited)* 1 January - 31 December 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		**918,827**	**542,638**
Profit for the year		**293,001**	**865,790**
Adjustments Related to Reconciliation of Profit for the Year		**308,502**	**(304,467)**
Adjustments related to depreciation and amortization expenses		1,967	1,269
Adjustments related to trade receivable impairment	8	1,561	9,093
Adjustments related to property, plant and equipment	11,22	50,044	-
Adjustments related to provisions		6,457	4,598
Adjustments related to interest income and expenses	23	494,750	431,479
Adjustments related to unrealized foreign exchange differences		488,824	279,481
Gain on sales of investment properties		(4,369)	-
Adjustments related to derivative instruments	12	55,900	-
Adjustments related to undistributed profits of investments accounted for by equity method	15	(42,767)	(76,266)
Adjustments related to gain on fair value of investment property	9	(743,865)	(954,121)
Changes in working capital		**317,572**	**(18,427)**
Decrease in trade receivables		12,831	57,427
Decrease in other receivables		6,553	-
Decrease in inventories		287,267	140,611
Decrease/ (increase) in prepaid expenses		11,666	(7,675)
(Decrease)/increase in trade payables		(56,901)	29,084
Increase/(decrease) in other payables		66,601	(6,401)
Decrease in deferred income		(11,078)	(13,605)
Decrease/ (increase) in other current/non-current assets from operations		633	(217,868)
Cash generated from operations		**919,075**	**542,896**
Employment Termination Benefits Payment	16	(248)	(258)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(174,177)**	**(87,108)**
Cash outflows from purchases of property, plant and equipment and intangible assets		(23,233)	(14,410)
Cash outflows for the acquisition of debt instruments	5	(29,977)	-
Cash inflows from the sale of property, plant and equipment and intangible assets			
Payments for acquisition of investment properties	9	(162,811)	(110,739)
Proceeds from disposal of investment properties		7,769	8,893
Dividends received	15	34,075	29,148
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(1,335,217)**	**74,902**
Proceeds from borrowings		1,896,800	3,645,546
Repayment of borrowings		(2,613,241)	(3,312,447)
Interest paid		(660,299)	(303,950)
Interest received		41,523	45,753
Net (decrease)/ increase in cash and cash equivalents	**4**	**(590,567)**	**530,432**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**4**	**733,572**	**203,140**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4**	**143,005**	**733,572**

The accompanying notes form an integral part of these consolidated financial statements

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Torunlar Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Torunlar REIC" or the "Company") and its subsidiary, TRN Otel İşletmeciliği ve Yatırımları A.Ş. ("TRN") referred together as a "Group". The Company was incorporated in 1996 with the trade name of Toray İnşaat Sanayi ve Ticaret A.Ş. in İstanbul, Turkey. With a change in the Articles of Association published on Trade Registry Gazette on 25 January 2008, the Company has been registered with the trade name of Torunlar Gayrimenkul Yatırım Ortaklığı A.Ş. on 21 January 2008. The Company's stocks have been traded at the Borsa Istanbul since 21 October 2010 and registered to Capital Markets Board ("CMB"). The Company operates in Turkey. As of 31 December 2020, the total number of the Company's employees is 103 (31 December 2019: 66) and the main shareholder is the Torun Family (Note 18).

The Company is registered in İstanbul Trade Registry Office in Turkey in the following address: Rüzgarlıbahçe Mahallesi Özalp Çıkmazı No: 4 Beykoz 34805 İstanbul/Turkey.

The Company's principle activity is to engage in the pre-defined objectives and areas stipulated in the Communiqué on real estate investment companies published by the Capital Markets Board of Turkey ("CMB") such as investing in real estate, capital market instruments based on real estate, real estate projects and capital market instruments.

Torunlar REIC purchased 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. as of 12 March 2018. Accordingly, the financial statements are prepared as consolidated as of 31 December 2020. The principal activity of TRN, and the Group's participation rates are as follows:

	Operating country	Operating sector	31 December 2020 Participation rate %	31 December 2019 Participation rate %
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Turkey	Hotel Management	100	100

Joint Ventures

The Joint Ventures of Torunlar REIC operate in Turkey and their principal activities and joint venture partners as of 31 December 2020 are as follows (Note 2):

Joint Venture	Principal activity	Joint venture partner
TTA Gayrimenkul Yatırım Geliştirme ve Yönetim A.Ş. ("TTA")	Shopping mall project	Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

Joint Ventures (Continued)

TTA

TTA Gayrimenkul Yatırım ve Yönetim A.Ş. has been incorporated on 7 January 2010 after winning the tender related to the old cigarette factory and its auxiliary buildings which are located in Samsun, İlkadım district, 205 lot, 2, 8, 9, 10, 11, 12, 13, 14 parcels and 376 lot, 1 parcel and 377 lot, 5 parcel whose ownership is registered to Samsun Metropolitan Municipality. The project includes, by the approval of Samsun Cultural and Natural Heritage Protection Regional Committee; the renovation as shopping mall and/or hotel; constructing two stores underground car park and facilitating the right of operation to Samsun Metropolitan Municipality; operating for 30 years with a limited incorporeal right (permanent and individual usufruct right) on land registry by the same term and providing a certain share of the revenue of shopping mall and/or hotel to Samsun Metropolitan Municipality; delivering the project to Samsun Metropolitan Municipality at the end of the 30 years term.

As a result of winning the tender and the agreement made with Samsun Metropolitan Municipality, the earned right as part of the financial leasing is classified as investment property within the scope of TAS 40 and is measured at fair value.

In August 2011, 450,000 shares which were previously owned by Turkmall Gayrimenkul Geliştirme Yönetim ve Yatırım A.Ş. and valued nominally as TRY450,000 and 50,000 shares which were previously owned by Ahmet Demir and valued nominally as TRY50,000 were transferred to Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. After the transfer, the shareholding structure of TTA is 40% Torunlar REIC, 8% Torunlar Gıda Sanayi Ticaret A.Ş., 1% Aziz Torun, 1% Mehmet Torun and 50% Anaterra Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş. The construction of the TTA Bulvar Samsun Mall project has been started in 2011 and the Mall started to operate in July 2012.

Subsidiary

TRN Otel İşletmeciliği A.Ş.

The Group management has decided to purchase that 100% of the shares of TRN Otel İşletmeciliği ve Yatırımları A.Ş. with a nominal value of 500,000 nominal amount and nominal value of TRY0.22 that has been valued at 109 as of 12 March 2018. The Group has consolidated TRN Otel İşletmeciliği A.Ş. at the rate of 100% in the consolidated financial statements.

Associates

The Associates of Torunlar REIC are incorporated in Turkey and their primary operations and nature of businesses are stated below:

Associate	**Principal Activity**
Yeni Gimat GYO A.Ş. ("Yeni Gimat")	Owner of Ankamall Shopping Mall and Crowne Plaza Hotel
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Management of Marmaris Marina

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

Associates (Continued)

Yeni Gimat

Yeni Gimat has been incorporated by participation of 1,050 individual shareholders as founding members on 30 July 1999. The Entity owns Ankamall Shopping Mall since 2006 and Ankara Crowne Plaza Hotel since 2007. While the Group owns 14.83% of Yeni Gimat shares and Torun family members also own another 5% of Yeni Gimat, as a result the Group has significant influence on Yeni Gimat and is also represented in the Board of Directors. The investment in Yeni Gimat is accounted by the equity method in the consolidated financial statements.

Netsel

Netsel has been incorporated by Net Turizm Ticaret and Sanayi A.Ş. and Yüksel İnşaat A.Ş. on 6 October 1987. The coastal property operated by Netsel, has been leased from Ministry of Culture and Tourism for 49 years on 22 December 1988. Net Turizm sold its shares to Marmara Bank on 1992 and Yüksel İnşaat sold its shares to Çukurova Group in 1994. Following the liquidation process of Marmara Bank, 44.60% of Netsel was sold to Torunlar REIC in accordance with share transfer agreements on 31 May 2005 and 7 June 2005 respectively and 55% of Netsel was transferred to Tek-Art Kalamış and Fenerbahçe Marmara Turizm Tesisleri A.Ş. (a subsidiary of Koç Holding A.Ş.) in accordance with share transfer agreement on 22 August 2005 as a privatization transaction. It was accounted for by using equity method since the Group has a significant influence in Netsel. The remaining 0.40% belongs to Torun family.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Preparation

Preparation of the consolidated financial statements

The Company and its subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The accompanying financial statements are prepared in TRY based on historical cost method, except for investment properties at fair values. These financial statements are restated based on statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

The Company maintains its books of account and prepares their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The accompanying financial statements are prepared in Turkish Lira based on historical cost method, except for financial assets and liabilities at fair values. These financial statements are restated based on statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

The Group's consolidated financial statements as of 31 December 2020 have been approved by the Board of Directors on 9 March 2021. General assembly has the right to modify the consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

Statement of Compliance in TAS

The accompanying consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying consolidated financial statements are prepared based on the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and their appendices and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué. In addition, the consolidated financial statements and disclosures have been prepared in accordance with the formats of CMB dated 7 June 2013.

Preparation of financial statements in hyperinflationary economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 " Financial Reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

Functional and Presentation Currency

Items included in the financial statements of the company are presented using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional and presentation currency is Turkish Lira ("TRY").

Basis of the Consolidation

Subsidiary

Subsidiaries of the Company as at 31 December 2020 and 2019 are detailed as follows:

	Operating country	Operating sector	2020 Participation rate %	2019 Participation rate %
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Turkey	Hotel Management	100	100

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

Basis of the Consolidation (Continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Joint Ventures

<u>Interests in joint ventures</u>

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

Basis of the Consolidation (Continued)

Interests in Joint Ventures on combined basis are as follows:

	31 December 2020	31 December 2019
Current assets	1,789	1,463
Non-current assets	211,857	177,659
Total assets	**213,646**	**179,122**
Short-term liabilities	54,707	62,387
Long-term liabilities	15,392	15,392
Equity	143,547	101,343
Total liabilities and equity	**213,646**	**179,122**
Net profit for the year	**42,215**	**36,589**

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in its consolidated financial statements in proportion to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the TFRSs applicable to the particular assets, liabilities, revenues and expenses.

Associates

Investments in associates, over which the Group has significant influence, but which it does not control, are accounted for by the equity method of accounting. The Group's share of its associates' post-acquisition profits or losses is recognized under "profit from investments accounted for by using equity method" in the statement of profit or loss. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. The accounting policies of the associates can be modified if required in order to provide integrity with policies accepted by the Group.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Carrying amount in the date of termination of significant influence, presented with fair value if fair value after this date can be measured securely.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

Basis of the Consolidation (Continued)

Torunlar REIC's direct and indirect voting rights in the associates as of 31 December 2020 and 2019 are as follows:

	31 December 2020 (%)	31 December 2019 (%)
Netsel	44.60	44.60
Yeni Gimat	14.83	14.83

Interest in associates on combined basis (*)

	31 December 2020	31 December 2019
Total assets	2,295,084	2,356,859
Total liabilities	52,217	50,381
Net profit for the year	131,925	367,713

(*) These combined figures represent amounts presented in the consolidated financial statements of associates which are accounted by the equity method after their classifications and adjustment entries for the equity method. The above-mentioned figures represent the complete result of operations of these companies.

Interest in Yeni Gimat

	31 December 2020	31 December 2019
Total assets	2,234,071	2,301,985
Total liabilities	30,186	34,423
Net profit for the year	110,708	344,550

Interest in Netsel

	31 December 2020	31 December 2019
Total assets	61,017	54,874
Total liabilities	22,031	15,958
Net profit for the year	21,217	23,163

Offsetting

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

Going concern

The Group's consolidated financial statements have been prepared according to the going concern principle. As of 31 December 2020, the Group's short-term liabilities exceeded its short-term assets by TRY1,274,140. The Group does not anticipate any delay in fulfilling short term liabilities.

The deliveries of residences continue for the Group's 5.Levent, Torun Center and Mall of Istanbul 2nd Stage (High Residence) projects. As of December 31, 2020, the Group's delivery of residence and leasing activities continue. In case of any cash shortage, sales, mortgages or other alternative methods will be evaluated by the Group. The Group estimates TRY629,957 Shopping Mall rental income and TRY120,000 office rental income in the short term. In addition, the group estimates a revenue of TRY41,712 from hotel operations. The Group anticipates that significant amounts of cash will be generated from these projects. In this context, the Group's existing resources for liquidity are sufficient and it is of the opinion that it will not need additional resources for the projected cash flows. The Group obtained a loan of TRY800,000 with a maturity of 5 years from T. İş Bankası A.Ş., based on the decision of the board of directors dated 27 November 2020. The aforementioned amount will be used by the Group management, when deemed necessary, to create a long-term financing source by closing short term debts.

2.2. Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current period but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 New and Revised Turkish Accounting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2020:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:

  i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in TAS 1 about immaterial information.

- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to TFRS 9, TAS 39 and TFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- **Amendment to TFRS 16, 'Leases' – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. As of December 31, 2020, TFRS 16 does not have a significant effect on the financial statements of the Company.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 New and Revised Turkish Accounting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020 (Continued):

- **Amendments to TAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to TAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the 'settlement' of a liability.

- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from Annual periods beginning on or after 1 January 2022.

    - **Amendments to TFRS 3**, 'Business combinations' update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .

    - **Amendments to TAS 16**, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

    - **Amendments to TAS 37**, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

    Annual improvements make minor amendments to TFRS 1, 'First-time Adoption of TFRS', TFRS 9, 'Financial instruments', TAS 41, 'Agriculture' and the Illustrative Examples accompanying TFRS 16, 'Leases'.

- **Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

- **Amendments to TFRS 17 and TFRS 4, 'Insurance contracts', deferral of TFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of TFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in TFRS 4 from applying TFRS 9, Financial Instrument until 1 January 2023.

The possible effects of the said standards, changes and improvements on the financial position and performance of the Group are evaluated.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies

Related parties

A related party is a person or entity that is related to reporting entity, the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

   (i) has control or joint control over the reporting entity;
   (ii) has significant influence over the reporting entity; or
   (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

   (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.
   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   (vi) The entity is controlled or jointly controlled by a person identified in (a).
   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In the consolidated financial statements, shareholders, key management personnel and members of Board of Directors and their families, Torun Family and companies under their control and affiliated companies, subsidiaries and partnerships are considered and stated as related parties (Note 23).

Foreign currency transactions

Transactions in foreign currencies are translated into functional currency at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency TRY at the exchange rate at that date. Gains or losses on translation of foreign currency denominated transactions to functional currency TRY are recognized in statement of comprehensive income.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Financial Instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on the transaction date.

"Financial assets measured at amortized cost" are non-derivative financial assets that are held within the scope of a business model that aims to collect contractual cash flows and that have cash flows that include only the principal and interest payments arising from the principal balance at certain dates in contract terms. Related assets are recorded in the financial statements with their fair values; In subsequent accounts, they are measured over their discounted values using the effective interest rate method. Gains and losses arising from valuation of non-derivative financial assets measured at amortized cost are accounted in the consolidated income statement.

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

If a financial asset is not measured at amortized cost or at FVTPL, the change in fair value is measured at profit or loss.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

At the initial recognition, the Group may irrevocably elect to present changes in fair value of an equity investment that is not held for trade, in other comprehensive income.

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognized in profit or loss and is included in the "finance income – interest income" line item (Note 23).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedging policy).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognized in profit or loss for the period. Other exchange differences are recognized in other comprehensive income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on borrowing instruments, rental receivables, trade receivables, contract assets and expected credit losses related to investments for financial guarantee contracts that are measured at amortised cost and at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables that are not significant financing components and calculates the allowance for impairment at the same amount with the lifetime ECL of the related financial assets. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12- month ECL

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss on default (for example, the size of the loss if there is a default) and the amount at risk in the event of default. Assessment of probability of default and loss in case of default is based on historical data corrected with forward looking information. The amount of financial assets subject to risk in case of default is reflected over the gross book value of the related assets at the reporting date.

The expected credit loss of financial assets is the initial effective interest rate of the difference between all of the cash flows that the Group expects to collect as the contractual maturity of the Group and all the cash flows the Group expects to receive (or the initial effective interest rate (or credit-impairment when purchased or generated). is the present value calculated on the basis of the effective interest rate adjusted according to the credit for the financial assets found.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

The Company classifies its financial liabilities as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognized at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognized in the fair value.

The Company classifies a financial liability subsequently at amortized cost except:

Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognized in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

A contingent consideration recognized in the consolidated financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The entity does not reclassify any financial liability.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Advances

Advances received due to preliminary sales contracts related to residence projects are classified as short-term and long- term regarding the estimated delivery date of the residences. Other advances received due to operational reasons are classified as short-term and long-term regarding the acquisition purpose and term of the advance. Advances denominated in foreign currencies given to suppliers and subcontractors in relation to the projects being developed are not subject to exchange rate valuation. Advances denominated in foreign currencies given to legal entities and real persons in relation to residence and office projects are subject to exchange rate valuation if received from real persons with repayment obligations continuing after the delivery of the residences and offices, however exchange rate valuation is not applied if the advances are received from legal entities with no obligation regarding the repayment of the advance.

Financial liabilities and borrowing cost

Borrowings are recognized initially at the proceeds received; net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method in the consolidated financial statements. For the projects starting after the 1 January 2009, the borrowing costs are capitalized as a part of the qualifying assets which are directly attributable with the construction or production of the regarding assets if it takes significant time to be available for use or sale ("qualifying assets"). In the periods prior to 1 January 2009, borrowing costs were recognized as expense in the scope of the option existed TAS 23.

Provision for employment termination benefits

Severance pay according to the current laws and collective bargaining agreements in Turkey is paid in case of retirement or dismissal. In accordance with the updated TAS 19 Employee Benefits Standard ("TAS 19"), such payments are considered as defined retirement benefit plans.

The defined provision for the present value of the defined benefit obligation is calculated using the prescribed liability method. All actuarial gains and losses are recognized in the statement of comprehensive income. As of 31 December 2020, they are not recognized since their effect on the consolidated financial statements is not significant.

Share capital

Common shares are classified as equity. Costs related to newly issued shares are recognized in equity less tax effect.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Contingent assets or contingent obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial statements and are treated as contingent assets or liabilities.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories consist of the cost of lands which is held for residential construction for sale by the Group and residential construction in process on these lands. Cost of inventories includes all purchase costs, conversion costs and other costs incurred in bringing the inventories to their present state and position. The unit cost of inventories is determined using the lower of cost or net realizable value.

Property, plant and equipment and related depreciation

Hotel and dormitory buildings that are kept in use for the delivery of goods or services or for administrative purposes are expressed with their revalued amounts. The Group bears the cost as the sales offices will be sold or rented in the future. If the book value of the asset has increased as a result of revaluation, the increase is recognized as other comprehensive income and is added to revaluation and measurement gains in equity. However, if there is a decrease in value of the same asset that was previously associated with profit or loss as a result of revaluation, this increase is recognized as income to the extent that it reverses the decrease in value. If the book value of the asset has decreased as a result of revaluation, the decrease is recognized as an expense. However, if there is an increase in value of the same asset that was previously recognized as other comprehensive income as a result of revaluation, this decrease is recognized as other comprehensive income to the extent that this decrease reverses the increase in value.

The increase resulting from the revaluation of the buildings in question is recorded in the revaluation fund in equity. The increase in value resulting from revaluation is recorded in the consolidated statement of profit or loss in the event of a decrease in the value of the property, plant and equipment previously shown in the consolidated statement of profit or loss, in proportion to the said decrease in value. The decrease in the book value resulting from the revaluation of the mentioned buildings is recorded in the consolidated statement of profit or loss if the asset exceeds the balance in the revaluation fund related to the previous revaluation.

Depreciation of revalued buildings is included in the consolidated statement of profit or loss. When the revalued real estate is sold or withdrawn from service, the remaining balance in the revaluation fund is directly transferred to the undistributed profits. Unless the asset is derecognized, no transfer is made from the revaluation fund to undistributed profits.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and related depreciation (Continued)

Assets under construction for leasing or administrative purposes or for other unspecified purposes are shown by deducting the impairment loss, if any, from their cost values. Legal fees are also included in the cost. For assets that need considerable time to be ready for use and sale, borrowing costs are capitalized. Such assets are subject to depreciation when they are ready for use, as in the depreciation method used for other fixed assets.

The buildings consist of the Hotel and Dorm buildings where the Group carries out tourism hotel management and dormitory services. Property, plant and equipment other than buildings are shown at cost, less accumulated depreciation and accumulated impairment losses.

Except for land and ongoing investments, cost or valued amounts of property, plant and equipment are subjected to depreciation using the straight-line depreciation method according to their expected useful lives. The expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates and if there is a change in estimates, they are accounted for prospectively.

The gain or loss resulting from the disposal of property, plant and equipment or decommissioning a property, plant and equipment is determined as the difference between the sales revenue and the asset's book value and is included in the consolidated statement of profit or loss.

The expected useful lives for property, plant and equipment are stated below:

	Years
Motor Vehicles	5
Furniture and Fixtures	4-5
Sales Offices and Hotel Building	50
Dorm Building	40

Intangible Assets

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

Impairment of assets

The Group reviews all assets including tangible assets at each balance sheet date in order to see if there is a sign of impairment on the stated asset. If there is such a sign, carrying amount of the stated asset is projected. Impairment exists if the carrying value of an asset or a cash generating unit including the asset is greater than its net realizable value. Net recoverable value is the higher of the net sales value or value in use. Value in use is the present value of cash flows generated from the use of the asset and the disposal of the asset after its useful life. Impairment losses are recorded in the statement of comprehensive income. Impairment loss for an asset is reversed, if an increase in recoverable amount is related to a subsequent event following the booking of impairment by not exceeding the amount reserved for impairment.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Investment properties

Lands, buildings, hotels, congress centers and malls that are held to acquire rent or appreciation purpose instead of the purpose of using in the production of goods and services or selling for management purposes or in the natural course of the business, are classified as investment properties. Investment properties, after initial recognition, are carried at fair value. Gains and losses resulting from changes in fair values of investment property are recognized in the statement of comprehensive income (Note 9).

An investment property can be accounted as an asset, if and only if, it is probable that economic benefits related to real estate would flow to the entity and the cost of the investment property would be measured reliably.

The profit or loss recognized due to condemnation or disposal of an investment property is the difference between net collection obtained from the disposal of the asset and the book value of the real estate, and it is accounted as net profit or loss from appreciation in investment properties when their use is ended or they are disposed.

Investment property is measured initially at cost. These costs comprise of the costs related to the acquisition of investment properties and costs from subsequent additions, adjustments or service costs for investment properties. The transaction cost and borrowing costs are included to the cost. Borrowing costs related to acquisition, construction or production of qualifying assets are capitalized and this capitalization continues until the completion of the asset. The Group does not include the daily service expenses related to real estate in the book value of the investment property. Those costs are recognized in the statement of profit or loss to the extent that they are realized. "Maintenance and repair" expenses regarding the investment properties are recognized to the income statement in the period they incur.

After initial recognition, investment property is measured at fair value. Fair value is based on active market prices, and it can be adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as discounted cash flow projections.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure.

The Group measures the investment property under construction at fair value. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers factors such as the stage of completion, comparability of the project in market, the level of reliability of cash inflows after completion, the development risk specific to the property, past experiences with similar constructions, status of construction permits, estimated m^2 sales and rental charges and occupancy rates.

The Group transfers its investment properties to inventory or fixed assets if and only if a change occurs in use of the investment property. The aforementioned change in use is to start development for the purpose of sale after the development. If the Group decides on disposal of the investment properties without any development, until the disposal date, it is continued to be classified as investment property. Likewise, if the Company re-develops an existing investment property to be used as an investment property in the future, the classification of the property remained as investment properly and cannot be reclassified to fixed assets during the course of development.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill

Business combinations are considered as a merge of two different legal entities as a single reporting entity. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognized at TFRS 3 fair values on the date of acquisition. Acquired company is included in income statement starting from the date of acquisition.

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are determined temporarily, the Group recognizes the combination on these temporary values if there is a requirement for temporary recognition in the initial recognition of the combination at the end of the period. Temporarily determined business combination accounting has to be completed within twelve months following the combination date and adjustment entries have to be made beginning from combination date.

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the acquired business, at the date of acquisition. Group does not amortize goodwill. Goodwill is reviewed for impairment in the terms and conditions when the value carried is not realized and at least once in a year. There is no business combination in the current period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision- maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors (Note 3).

Revenue

The Group recognizes revenue in the consolidated financial statements within the 5-step model below in accordance with TFRS 15 "Revenue from Contracts with Customers" standard that is effective as of 1 January 2018.

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when each performance obligation is fulfilled

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

Rental income from real estates

Rental income from real estates is recognized on an accrual basis using the straight-line method during the renting period. If the Group provides benefits to its lessees, these benefits are recognized by deducting the rental income during the renting period.

General expense reflection income (Common area expenses)

Invoices for common area expenses billed to Torunlar REIC related to the shopping malls the Group owns are charged to managers of malls and/or lessees in accordance with the agreements.

Hotel revenues

Earnings from room rentals, earnings from food and beverage sales, and earnings from other services provided to in-hotel customers are defined as income. Revenue is recognized when the rooms are kept and the services provided to the rooms are provided.

Sale of residences and offices

Revenue is recognized in the consolidated financial statements when real estates (residence or office) that are committed in accordance with the contract are transferred to the customer and the contractual performance obligation is realized. When the control is obtained to the customer, the real estate is considered as transferred.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Share premiums

Share premium refers to the difference arising from the sale of the Company's subsidiaries or investments accounted for using equity method, on a price higher than nominal amount, or refers to the difference between nominal amount and fair value of shares issued by the Company in relation to the acquired companies.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Treasury shares

The Company's own shares which are purchased by the Company itself from Borsa İstanbul are named as treasury shares and recorded on nominal value in equities. Purchase/sale of treasury stocks is not associated with comprehensive income statement, and recognition is made directly on equity.

Earnings per share

Earnings per share are determined by dividing net comprehensive income by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of their shares "bonus shares" to existing shareholders funded from retained earnings or other reserves. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retrospectively for the effects of these shares, issued without receiving cash or another consideration from shareholders.

Reporting of cash flows

The statement of cash flows includes cash and cash equivalents, cash with original maturity periods of less than three months and bank deposits (Note 4).

Offsetting

Each material class of similar items according to their nature or function is presented separately in the consolidated financial statements. If a line item is not individually material, it is aggregated with other similar items according to their nature or function. If the essence of the transaction and events requires offsetting, presentation of these transactions and events at their net values or following up of the assets at their amounts after the deduction of impairment, is not evaluated as a breach of the non-deductibility rule.

Subsequent events

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Group adjusts its consolidated financial statements if such subsequent events arise which require an adjustment to the consolidated financial statements (Note 28).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Critical Accounting Estimates, Assumptions and Judgements

Impairment of trade receivables

An important part of the doubtful receivables belongs to the tenants, which unexpectedly falls into economic difficulty. Provision for doubtful receivables related to trade receivables is determined based on past default experience. Expected credit loss calculated under TFRS 9 is not a material amount therefore, no provision was made for expected credit losses in the consolidated financial statements.

The preparation of consolidated financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses, which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the management; the actual results might differ from them.

Fair values of investment properties

The fair value of the investment properties has been determined according to valuation carried out by an independent valuation company. The fair value of the investment property is determined according to the income approved and comparable transaction. Estimates and assumptions are determined by comparable or independent valuation experts, based on the income approach using appropriate discount rates, occupancy rates, annual rent increases, terminal value growth rates, etc. Differences between estimates and assumptions and actual results may cause significant impact on the Group's consolidated financial statements.

Principal assumptions found in the income reduction method are disclosed below:

In 2020, fair values of the investment properties are determined by independent valuation expert; Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş which is licensed by CMB. The Group Management assumes that expenditure amount on investment property has an equivalent effect on fair value of related real estate.

In the consolidated financial statements, the following assumptions used by valuation experts; selection of the valuation method, the discount rate, the rent increase per annum terminal value growth rate, the capitalization rate and determination of the market comparable m² values are considered critical and thus disclosed below.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

Significant estimates and assumptions disclosed in the financial statements as of 31 December 2020 and 2019 are as follows:

31 December 2020	Valuation report date	Valuation method	Discount rate	Rent increase rate p.a.	Capitalization rate	Comparable m² prices in full TRY
Antalya Deepo Shopping Mall	7 January 2021	Discounted Cash Flow	%20	%10-15	%8	-
Mall of Antalya	7 January 2021	Discounted Cash Flow	%20	%10-15	%8	-
Antalya Kepez lands	7 January 2021	Sale Comparison	-	-	-	1,139
Bursa Korupark Shopping Mall	7 January 2021	Discounted Cash Flow	%20	%10-15	%7	-
Torium Shopping Mall	7 January 2021	Discounted Cash Flow	%20	%10-15	%9	-
Bursa Zafer Plaza Shopping Mall	7 January 2021	Discounted Cash Flow	%20	%10-15	%7	-
Mall of İstanbul Shopping Mall	7 January 2021	Discounted Cash Flow	%20	%10-15	%8	-
Torun Tower	7 January 2021	Sale Comparison	-	-	-	18,854
Paşabahçe project	7 January 2021	Discounted Cash Flow	%20	%10-15	%8	-
İstanbul İkitelli Kayabaşı land	7 January 2021	Sale Comparison	-	-	-	1,500
İstanbul Beyoğlu Kemankeş building	7 January 2021	Sale Comparison	-	-	-	58,125
Bursa Korupark independent areas	7 January 2021	Sale Comparison	-	-	-	2,205
5.Levent Retail	7 January 2021	Sale Comparison	-	-	-	10,707
Mall of İstanbul residents and offices	7 January 2021	Sale Comparison	-	-	-	8,818
Mall of İstanbul hotel convention center and office project	7 January 2021	Discounted Cash Flow	%20	%5-8	%7-10	-
Mall of Istanbul 3rd Phase	7 January 2021	Sale Comparison	-	-	-	6,965
Torun Center	7 January 2021	Sale Comparison	-	-	-	20,142

31 December 2019	Valuation report date	Valuation method	Discount rate	Rent increase rate p.a.	Capitalization rate	Comparable m² prices in full TRY
Antalya Deepo Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Mall of Antalya	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Antalya Kepez lands	7 January 2020	Sale comparison	-	-	-	301-1,989
Bursa Korupark Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Torium Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Bursa Zafer Plaza Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Mall of İstanbul Shopping Mall	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Torun Tower	7 January 2020	Sale comparison	-	-	-	11,100-22,500
Paşabahçe project	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
İstanbul İkitelli Kayabaşı land	7 January 2020	Sale comparison	-	-	-	1,199-1,480
İstanbul Beyoğlu Kemankeş building	7 January 2020	Sale comparison	-	-	-	50,700
Bursa Korupark independent areas	7 January 2020	Sale comparison	-	-	-	2,931-5,162
Mall of İstanbul residents and offices	7 January 2020	Sale comparison	-	-	-	2,745-10,250
Mall of İstanbul hotel convention center and office project	7 January 2020	Discounted cash flow	13-20%	5-12%	8%	-
Torun Center	7 January 2020	Sale comparison	-	-	-	18,595-30,212

(*) In accordance with the decree no. 32 that is effective as of 16 November 2018, monthly rental fees are denominated in Turkish Lira. Accordingly, in future projections, discount rates are calculated in TRY due to from cash flows denominated in TRY as a result of rental income in TRY.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

If the equivalent m² unit value in the valuations of the real estates with the fair value of TRY3,575,432 (31 December 2019: TRY3,284,809) valued using the market approach as of 31 December 2020 more than %1 and less than %,1 the fair values would have been TRY35,754 lower and TRY35,754 (31 December 2019: TRY32,848 lower, TRY32,848 higher).

i. Antalya Deepo Shopping Mall and growth project (Mall of Antalya), which was established on an area of 84,503.61 m² on the territory of Antalya Province, Merkez District, Koyunlar Village, and which the Group classified under investment properties as of 31 December 2020 and 2019, was opened in April 2017, respectively. Leasing and management of shopping mall is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş..

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, as at 7 January 2021 with the report number 2020-4566 the aforementioned property's fair value is TRY1,080,000 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, as at 7 January 2020 with the report number 2019-1645 the aforementioned property's fair value is TRY1,040,000 as at 31 December 2019).

ii. The Group has 57,680 m² of land in the province of Antalya, Merkez District, Koyunlar Village, which is classified under investment properties as of 31 December 2020 and 2019.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, as at 7 January 2021 with the report number 2020-4552 the aforementioned property's fair value is TRY65,725 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, as at 7 January 2020 with the report number 2019-1628 the aforementioned property's fair value is TRY63,265 as at 31 December 2019).

iii. The Bursa Korupark Shopping Mall, which was established on the area of 53,185.61 m² in Bursa Province, Osmangazi District, Emek Village, which is classified under investment properties as of 31 December 2020 and 2019, has been put into service on May 2007. The management of the shopping mall is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş..

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report with the number 2020-4554, Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021, as of 31 December 2020, the aforementioned property's fair value is TRY1,785,000 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report with the number 2019-1632, Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020, at 31 December 2019, the aforementioned property's fair value is TRY1,710,000).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

iv. The Mall of İstanbul Shopping Mall, which was established on the rentable area of 181,295 m² in İstanbul Province, Başakşehir District, İkitelli - 2 Neighborhood, which is classified under investment properties as of 31 December 2020 and 2019, has been put into service on 23 May 2014. The management of the shopping mall is conducted by Torun Alışveriş Merkezleri Yatırım ve Yönetim A.Ş..

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4557, the aforementioned property's fair value is TRY3,135,000 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1635, the aforementioned property's fair value is TRY3,000,000 as at 31 December 2019).

v. As of 31 December 2020 and 2019, the Group has completed the Torium Shopping Mall project on an area of 44,571 m² in Istanbul Province, Büyükçekmece District, Esenyurt Village which is classified under investment properties. The Torium AVM project has been completed and the shopping mall was opened on 30 October 2010.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4555, the aforementioned property's fair value is TRY630,000 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1633, the aforementioned property's fair value is TRY540,000 as at 31 December 2019).

vi. As of 31 December 2020 and 2019, the Group has an area of 70,644 m² in the Istanbul Province, Beykoz District which is classified as investment property and has 49 years of usage rights for a 3,935 m² pier and dock. It is planned to make a 5-star Hotel and Apart Hotel project on the land.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4565, the aforementioned property's fair value is TRY891,475 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1644, the aforementioned property's fair value is TRY861,500 as at 31 December 2019).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

vii. On the 11,099 m² land located in İstanbul - Şişli 2nd District - which is classified under investment property as of 31 December 2020 and 2019, the Group completed Torun Tower Project in 2014. The project has been completed in 2014 and a rent agreement has been signed with Denizbank A.Ş. for 60,023 m² of area (30 floors) on 6 February 2014.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4558, the aforementioned property's fair value is TRY2,000,000 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1633, the aforementioned property's fair value is TRY1,853,000 as at 31 December 2019).

viii. Bursa Zafer Plaza located on the 9,622 m² land in Bursa - Osmangazi Şehreküstü District - which is classified under investment property as of 31 December 2020 and 2019 has been opened in October 1999. Rental procedures and management of the Mall is conducted by Zafer Plaza İşletmecilik A.Ş..

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4553, the aforementioned property's fair value is TRY379,200 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1631, the aforementioned property's fair value is TRY366,700 as at 31 December 2019).

ix. The Group owns 60,833 m² land located in İstanbul - Küçükçekmece Kayabaşı District - which is classified under investment property as of 31 December 2020 and 2019. The usage of this land has not been determined by the management as of balance sheet date and the land is retained for capital appreciation.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4549 the aforementioned property's fair value is TRY91,250 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1627the aforementioned property's fair value is TRY74,215 as at 31 December 2019).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

x. The Group owns a building located on 1,501 m² land in İstanbul - Beyoğlu Kemankeş District - which is classified under investment property as of 31 December 2020 and 2019. The building is planned to be renovated as a hotel.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4569 the aforementioned property's fair value is TRY85,950 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1648 the aforementioned property's fair value is TRY74,970 as at 31 December 2019).

xi. As at 31 December 2020 and 2019 separate unit of Bursa Korupark Shopping Mall located in Bursa - Osmangazi Emek district which is classified under investment properties includes a dolphin pool, social recreation areas, office and stores.

Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4560 the aforementioned property's fair value is TRY35,797 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1638 the aforementioned property's fair value is TRY24,093 as at 31 December 2019).

xii. The Mall of Istanbul Hotel Congress Center and Office Project was completed in 2020 on an area of 18,209 m² in Istanbul Province, Başakşehir District, İkitelli - 2 Neighborhood, which the Group classified under investment properties as of December 31, 2020 and 2019. The Group classified the hotel and convention center under tangible fixed assets due to operations of Hotel is done by Group's subsidiary.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4559 the aforementioned property's fair value is TRY238,000 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1647 the aforementioned property's fair value is TRY442,585 as at 31 December 2019).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

xiii. The Group has rented 22 units consisting of 20 offices and 2 residents with a rentable area of 2,177 m² which is located in Istanbul Province, Başakşehir-İkitelli-2 District and is classified under investment properties as of 31 December 2020 and 2019.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No1 Communiqué, dated 7 January 2021 with the report number 2020-4559, the aforementioned property's fair value is TRY15,030 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No1 Communiqué, dated 7 January 2020 with the report number 2019-1629 , the aforementioned property's fair value is TRY12,100 as at 31 December 2019).

xiv. In 2018, The Group leased out the rentable area of 68,673 m² which consists of workplaces, offices and commercial units within the Torun Center project and in the address of İstanbul Province, Şişli-Dikilitaş District, as of 31 December 2020 and 2019.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4564 the aforementioned property's fair value is TRY1,105,400 as at 31 December 2020 (Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1643 the aforementioned property's fair value is TRY1,039,726 as at 31 December 2019).

xv. The Group has 50 workplaces, offices and commercial units with leasable areas in the 5. Levent project in Istanbul Province, Eyüpsultan District, Güzeltepe Mahallesi, classified under investment property as of December 31, 2020 and 2019.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4567, the aforementioned property's fair value is TRY91,780 as at 31 December 2020 Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1646 the aforementioned property's fair value is TRY71,620 as at 31 December 2019).

xvi. The Group has a 12.132 m² land in Istanbul Province, Başakşehir District, Ziya Gökalp District, which is classified under investment properties as of December 31, 2020 and 2019. The Company has not yet made a decision regarding the use of the land, and it is currently holding for value increase.

Based on Invest Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2021 with the report number 2020-4551, the aforementioned property's fair value is TRY84,500 as at 31 December 2020 Based on Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.'s valuation report in accordance with Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2020 with the report number 2019-1629 the aforementioned property's fair value is TRY71,820 as at 31 December 2019).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Significant Changes Regarding the Current Year

Necessary actions have been taken by the Group management in order to minimize the possible effects of COVID-19, which affects the whole world, on the activities and financial status of the Group.

Due to the COVID-19 outbreak, the developments / slowdowns in both the Group's sector and the general economic activity caused the Group to restrict the areas in which it operates. In the second quarter of the year, there has been a significant decrease in the rental income of the investment properties, which are the main field of activity of the Group, due to the very limited operation of the shopping malls. During this period, 99% rent discount was applied to shopping mall tenants. In the third quarter of the year, while the guest ratios were reached in shopping malls close to normal, in the last quarter, it worked in a limited way again due to the effect of the pandemic. Housing sales activities of the Group continued as usual.

While preparing the financial statements dated December 31, 2020, the Group evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, the Group has assessed the possible impairment in the values of the inventories, property, plant and equipments and investment properties included in its consolidated financial statements dated December 31, 2020 and made the necessary adjustments in its financial statements.

2.8 Compliance with the portfolio limitations

Information included in the footnote titled "Control of Compliance with Portfolio Limitations" as of September 30, 2020; CMB Serial: II, No: 14.1 "The Communiqué on Principles Regarding Financial Reporting in the Capital Markets" is a summary information derived from the financial statements and published in the Official Gazette numbered 28660 on 28 May 2013, Serial: III, No: 48.1. "Communiqué on Principles Regarding Investment Trusts", "Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Trusts", Serial: III, No: 48.1a, published in the Official Gazette No. 28891 on January 23, 2014, and the Official Gazette No. 31269 on October 9, 2020. It has been prepared in accordance with the provisions of the Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Trusts, Serial: III, No: 48.1.e, on the control of compliance with portfolio limitations.

3. SEGMENT REPORTING

The reportable segments of Torunlar REIC have been organized by the management as a portfolio on a project-by-project basis and makes decisions about resources to be allocated to the properties on the same basis. Accounting policies applied by each operational segment of Torunlar REIC are the same as those are applied in Torunlar REIC's financial statements which are prepared in accordance with TFRS. The information about each segment is presented below. Management follows and evaluates the performance of its segments in the statement of profit or loss until the operating profit before the financing income/expense. Since all of the loans and deposits which are constituted the financing activities of the Group cannot be matched with the projects and are generally related to mixed projects, the Management does not make an assessment by distributing the financing activities according to the departments. In addition, the Management does not make an assessment by distributing its total assets and liabilities according to the divisions.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

3. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 31 December 2020 is as follows:

	Total revenue from departments	Gross profit	Increase in fair value of investment properties (*)	Operating profit/ (loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investment expenditures (**)
Offices and shopping malls for rent								
Mall of İstanbul Shopping Mall	235,049	177,356	131,953	297,275	-	-	297,275	3,047
Korupark Shopping Mall	111,899	91,131	74,962	164,662	-	-	164,662	38
Torun Tower	100,323	96,795	145,980	240,005	-	-	240,005	1,020
Torium Shopping Mall	43,818	17,958	86,937	101,390	-	-	101,390	3,062
Zafer Plaza Shopping Mall	22,960	18,182	12,500	30,422	-	-	30,422	-
Mall of Antalya Shopping Mall	31,460	24,112	(115,131)	(91,664)	-	-	(91,664)	131
Antalya Deepo Shopping Mall	17,061	1,812	154,589	155,496	-	-	155,496	411
Torun Center	11,830	11,012	68,962	68,452	-	-	68,452	112
Mall of İstanbul 2nd stage office project	380	(145)	90,147	40,665	-	-	40,665	7,728
Mall of İstanbul residents and offices	3,613	2,758	2,930	6,096	-	-	6,096	-
5. Levent Retail	3,482	3,445	18,452	21,617	-	-	21,617	1,708
Torium Student Residences	3,391	1,027	40	(413)	-	-	(413)	161
Korupark independent areas	437	276	11,651	11,880	-	-	11,880	53
Nish Istanbul	188	172	-	166	-	-	166	-
Tourism Income								
Hilton Hotel	3,889	1,683	-	1,683	-	-	1,683	102,826
Subtotal	**589,780**	**447,574**	**683,972**	**1,047,732**	**-**	**-**	**1,047,732**	**120,297**
Residences and office projects								
5.Levent Project	448,729	186,323	-	152,439	-	-	152,439	-
Torun Center	53,786	36,647	-	36,647	-	-	36,647	-
Nish Istanbul Project	9,550	2,948	-	2,672	-	-	2,672	-
Mall of İstanbul	2,308	1,723	-	1,722	-	-	1,722	-
Mall of İstanbul 2nd Phase	1,795	700	-	700	-	-	700	29,277
Subtotal	**516,168**	**228,341**	**-**	**194,180**	**-**	**-**	**194,180**	**29,277**
Projects under construction								
Kemankeş building	-	-	21,620	21,620	-	-	21,620	8,355
Paşabahçe project	-	-	6,098	6,098	-	-	6,098	4,882
Real estates held to develop projects								
Antalya Kepez Lands	-	-	2,460	2,460	-	-	2,460	-
Kayabaşı Land	-	-	17,035	17,035	-	-	17,035	-
Mall of Istanbul 3rd Phase	-	-	12,680	12,680	-	-	12,680	-
Associates								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	16,418	-	16,418	-
Netsel	-	-	-	-	9,463	-	9,463	-
TTA	-	-	-	-	16,886	-	16,886	-
Unallocated	-	-	-	(7,927)	-	(1,043,644)	(1,051,571)	-
Total	**1,105,948**	**675,915**	**743,865**	**1,293,878**	**42,767**	**(1,043,644)**	**293,001**	**162,811**

(*) It comprises of fair value increases / decreases arising from investment properties.

(**) Investment expenditures include investments for items classified as inventory in financial statements and shopping malls classified as investment properties.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

3. SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 31 December 2019 is as follows:

	Total revenue from departments	Gross profit	Increase in fair value of investment properties (*)	Operating profit/ (loss)	Income / (expense) from subsidiaries	Finance expenses, net	Profit/(loss) from operations before tax	Investment expenditures (**)
Offices and shopping malls for rent								
Mall of İstanbul Shopping Mall	288,289	227,299	405,878	620,622	-	-	620,622	4,207
Korupark Shopping Mall	158,358	129,764	166,337	294,652	-	-	294,652	3,790
Torun Tower	87,000	86,934	128,693	216,072	-	-	216,072	307
Torium Shopping Mall	66,189	34,257	45,300	77,097	-	-	77,097	4,708
Zafer Plaza Shopping Mall	34,710	25,896	14,300	39,963	-	-	39,963	-
Antalya Deepo Shopping Mall	45,658	34,559	54,730	88,465	-		88,465	270
Mall of Antalya Shopping Mall	60,918	44,763	82,577	126,969	-	-	126,969	2,423
Mall of İstanbul Residences and Offices	2,023	(5,607)	1,167	(7,057)	-	-	(7,057)	-
Antalya Kepez Lands	-	-	1,030	1,030	-	-	1,030	-
Korupark independent areas	732	535	1,660	2,195	-	-	2,195	-
Torun Center	5,701	7,805	(41,239)	(33,026)	-	-	(33,026)	2,662
5.Levent Retail	2,770	2,884	18,645	21,529	-		21,529	45
Torium Student Residence 1	543	802	(30,860)	(30,058)	-	-	(30,058)	2,387
Torium Student Residence 2	3,549	(1,265)	-	(1,783)	-	-	(1,783)	-
Subtotal	**756,440**	**588,626**	**848,218**	**1,416,670**	**-**	**-**	**1,416,670**	**20,799**
Residences and office projects								
Torun Center	28,717	7,978	-	(3,554)	-	-	(3,554)	-
Korupark 3rd phase residences	1,565	996	-	481	-	-	481	-
Mall of İstanbul	3,192	(3,597)	-	(766)	-	-	(766)	-
Torium residences	-	-	-	(809)	-	-	(809)	-
Nish Istanbul Project	3,736	2,429	-	2,301	-	-	2,301	-
5. Levent Project	197,437	86,281	-	84,941	-	-	84,941	226,479
Subtotal	**234,647**	**94,087**	**-**	**82,594**	**-**	**-**	**82,594**	**226,479**
Projects under construction								
Paşabahçe project	-	-	53,444	53,755	-	-	53,755	6,956
Mall of İstanbul hotel convention center and residence project	-	-	26,993	26,993	-	-	26,993	84,397
Karaköy hotel	-	-	12,336	12,336	-	-	12,336	974
Properties held for new projects								
Antalya Kepez Lands	-	-	-	-	-	-	-	-
Kayabaşı land	-	-	9,430	9,430	-	-	9,430	-
Mall of İstanbul 3rd Phase	-	-	3,700	3,700	-	-	3,700	-
Associates								
Ankamall and Hotel (Yeni Gimat)	-	-	-	-	51,096	-	51,096	-
Netsel	-	-	-	-	10,331	-	10,331	-
TTA	-	-	-	-	14,839	-	14,839	-
Unallocated	-	-	-	(37,719)	-	(778,235)	(815,954)	
Total	**991,087**	**682,713**	**954,121**	**1,567,759**	**76,266**	**(778,235)**	**865,790**	**339.605**

(*) It comprises of fair value increases / decreases arising from investment properties.

(**) Investment expenditures include investments for items classified as inventory in financial statements and shopping malls classified as investment properties.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

4. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash	17	-
Banks	142,437	738,866
Demand deposits	*1,510*	*37,188*
Time deposits	*140,927*	*701,678*
Other cash equivalents	822	245
	143,276	**739,111**

As of 31 December 2020, and 31 December 2019, cash and cash equivalents in the statements of cash flows are as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	143,276	739,111
Less: Interest accrual of time deposits	(271)	(5,539)
Cash and cash equivalents in the statement of cash flows	**143,005**	**733,572**

Maturities of cash and cash equivalents are as follows:

	31 December 2020	31 December 2019
Up to 30 days	110,023	663,968
30 - 90 days	33,253	75,143
	143,276	**739,111**

The breakdown of foreign currency denominated cash and cash equivalents in terms of TRY is as follows:

	31 December 2020		31 December 2019	
	Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
US Dollar	12,405	91,062	12,668	75,250
Euro	243	2,185	10,700	71,161
Other	15	148	1	9
		93,395		**146,420**

Average effective annual interest rates for time deposits are as follows:

	31 December 2020 (%)	31 December 2019 (%)
US Dollar	2.57	2.50
Euro	1.27	0.60
Turkish Lira	12.81	12.75

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

5. FINANCIAL INVESTMENTS

Short term financial investments of the Group are as follows:

	31 December 2020	31 December 2019
Measured at amortized cost	29,977	-
	29,977	**-**

a) Measured at amortized cost

Debt securities:

	31 December 2020	31 December 2019
Eurobond	29,977	-
	29,977	**-**

(*) It consists of Halkbank debt securities with a nominal value of USD 4,000 with a 5% coupon rate on 13 July 2021.

6. FINANCIAL LIABILITIES

Financial Liabilities

	31 December 2020	31 December 2019
Bank borrowings	1,647,691	165,883
Short-term financial borrowings	**1,647,691**	**165,883**
Short-term portions of long-term borrowings	487,772	1,756,459
Finance leases	44,472	32,080
Short-term portions of long-term borrowings	**532,244**	**1,788,539**
Bank borrowings	2,440,196	2,995,888
Finance leases	7,197	33,929
Long-term borrowings	**2,447,393**	**3,029,817**
Total borrowings	**4,627,328**	**4,984,239**

As of 31 December 2020, there are mortgages amounting to TRY1,584,360 (31 December 2019: TRY2,113,108) given to the banks regarding the financial liabilities amounting to TRY11,668,983 (31 December 2019: TRY8,577,645) on the investment properties.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

6. FINANCIAL LIABILITIES (Continued)

Bank borrowings

	31 December 2020	31 December 2019
Short-term bank borrowings	1,647,691	165,883
Short-term portions of long-term borrowings	487,772	1,756,459
Long-term bank borrowings	2,440,196	2,995,888
Total borrowings	**4,575,659**	**4,918,230**

31 December 2020	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	11.02	TRY	1,318,903	1,318,903
	3.23	Euro	36,500	328,788
Short-term portion of long-term borrowings	11.12	TRY	438,990	438,990
	6.66	US Dollar	2,811	20,632
	4.17	Euro	3,125	28,150
Long-term bank borrowings	12.96	TRY	1,261,096	1,261,096
	6.01	US Dollar	54,481	399,917
	4.67	Euro	86,500	779,183
Total bank borrowings				**4,575,659**

(*) Weighted average effective interest rates consists of weighted average rate of fixed and floating loans.

31 December 2019	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	20.99	TRY	165,883	165,883
Short-term portion of long-term borrowings	17.56	TRY	929,262	929,262
	6.56	US Dollar	46,056	273,584
	4.23	Euro	83,243	553,613
Long-term bank borrowings	21.56	TRY	1,683,333	1,683,333
	6.06	US Dollar	92,208	547,736
	4.58	Euro	115,000	764,819
Total bank borrowings				**4,918,230**

(*) Weighted average effective interest rates consists of weighted average rate of fixed and floating loans.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

6. FINANCIAL LIABILITIES (Continued)

The repayment schedule for long-term bank borrowings as of 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
2021	-	561,282
2022	1,522,357	1,459,357
2023	465,519	975,249
2024 and beyond	452,320	-
	2,440,196	**2,995,888**

Obligations under finance lease

The maturities of obligations under finance lease is as follows:

	31 December 2020	31 December 2019
Up to 1 year	44,472	32,080
1 years - 5 years	7,197	33,929
	51,669	**66,009**

Finance leases consist of US Dollar and EUR. The Group has a finance leases obligation of 3.56% interest rate with original currency of EUR 5,736 (31 December 2019: US Dollar 272 and EUR 9,682) as of 31 December 2020.

As of 31 December 2020, a significant part of the finance leases consists of financial lease obligations related to the shopping malls which are sold to Ak Finansal Kiralama A.Ş. regarding the sell and leaseback agreement that was made on 27 May 2016 and which are represented as the investment properties. As of 31 December 2020, the interest rate of financial leasing transactions is 3.80% (31 December 2019: 3.80%).

The movements of the Group's financial liabilities during the year are as follows:

	2020	2019
Total financial liabilities as of January 1	**4,984,239**	**4,194,035**
Cash inflows from borrowing	1,896,800	3,645,546
Cash outflows from repayment	(2,613,241)	(3,312,447)
Foreign currency losses	488,824	279,106
Change in interest accruals	(129,294)	177,999
Total financial liabilities as of December 31	**4,627,328**	**4,984,239**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

7. PREPAID EXPENSES AND DEFERRED INCOME

Short-Term Prepaid Expenses	31 December 2020	31 December 2019
Advances given	6,791	15,577
Prepaid expenses	6,528	6,534
	13,319	**22,111**

Long-Term Prepaid Expenses	31 December 2020	31 December 2019
Order advances given	968	970
Prepaid expenses	-	2,872
	968	**3,842**

Short-Term Deferred Income	31 December 2020	31 December 2019
Advances received (*)	65,529	75,224
Deferred income	7,107	8,755
	72,636	**83,979**

(*) As of 31 December 2020, from the sales commitments regarding the offices and residential units that are not delivered consist of advances received amounting to TRY24,760 for 5.Levent Project, TRY19,272 for Mall of İstanbul project, TRY126 for Korupark 3rd Phase, TRY18,339 for Torun Center and remaining TRY 3,032 consist of other advances (31 December 2019: TRY26,819 5.Levent Project, TRY34,427 Mall of İstanbul project, TRY2,822 Korupark 3rd Phase, TRY6,352 Torun Center and remaining TRY4,804 other advances).

8. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	31 December 2020	31 December 2019
Trade receivables	79,316	82,271
Notes receivables (*)	28,994	34,819
Trade receivables from related parties (Note 25)	16,945	22,054
Less: Allowance for doubtful receivables	(24,416)	(22,855)
	100,839	**116,289**

Non-current trade receivables	31 December 2020	31 December 2019
Notes receivables (*)	3,061	2,003
	3,061	**2,003**

(*) As of 31 December 2020, TRY17,806 of long-term and short-term notes receivable are related to 5.Levent project, TRY9,573 related to shopping mall tenants, and the remaining TRY4,676 consist of other notes receivables (31 December 2019: 5.Levent Project TRY32,407, and TRY4,415 other notes receivable).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

8. TRADE RECEIVABLES AND PAYABLES (Continued)

Movement of the provision for the doubtful receivables is as follows:

	31 December 2020	31 December 2019
Opening balance	**(22,855)**	**(13,762)**
Provision provided during the year	(2,919)	(9,248)
Provisions no longer required	1,358	155
Closing balance	**(24,416)**	**(22,855)**

Aging of provision for doubtful receivables is as follows:

	31 December 2020	31 December 2019
3 to 6 months	(2,142)	(62)
Over 6 months	(22,274)	(22,793)
	(24,416)	**(22,855)**

Short-term trade payables

	31 December 2020	31 December 2019
Trade payables	39,790	68,372
Trade payables to related parties (Note 25)	31,639	54,141
Notes payable	-	5,817
	71,429	**128,330**

As of 31 December 2020 and 2019, majority of trade payables consist of payables to subcontractors relating to projects in progress.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

9. INVESTMENT PROPERTIES

Movement schedule of investment properties as of 31 December 2020 and 31 December 2019:

	1 January 2020	Additions	Disposals	Transfers	Change in fair value	31 December 2020
Shopping Malls and Offices						
MOI Shopping Mall	3,000,000	3,047	-	-	131,953	3,135,000
Torun Tower	1,853,000	1,020	-	-	145,980	2,000,000
Bursa Korupark Shopping Mall	1,710,000	38	-	-	74,962	1,785,000
Torun Center	1,039,726	112	(3,400)	-	68,962	1,105,400
Mall of Antalya	575,000	411	-	-	154,589	730,000
Torium Shopping Mall	540,000	3,062	-	-	86,938	630,000
Antalya Deepo Shopping Mall	465,000	131	-	-	(115,131)	350,000
Mall of İstanbul hotel convention center and office project (**)	442,585	139,831	-	(434,563)	90,147	238,000
Bursa Zafer Plaza Shopping Mall	366,700	-	-	-	12,500	379,200
5. Levent Retail	71,620	1,708	-	-	18,452	91,780
Korupark independent areas	24,093	53	-	-	11,651	35,797
Torium Student Residence	22,300	161	-	-	39	22,500
Mall of İstanbul Residences and Offices	12,100	-	-	-	2,930	15,030
Investment properties under construction						
Paşabahçe land (*)	861,500	8,355	-	-	21,620	891,475
Karaköy hotel	74,970	4,882	-	-	6,098	85,950
Properties held for new projects						
Kayabaşı land	74,215	-	-	-	17,035	91,250
Mall of İstanbul 3rd Phase	71,820	-	-	-	12,680	84,500
Antalya Kepez Lands	63,265	-	-	-	2,460	65,725
	11,267,894	**162,811**	**(3,400)**	**(434,563)**	**743,865**	**11,736,607**

(*) The Group has purchased a real estate after a successful tender at a price of TRY355 million from R.T. Prime Ministry Privatization Administration. The aforementioned purchase contains real estates as follows: Block 195, Lot 7 as 54,870 m²; Block 209, Lot 3 as 16,212 m²; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m² and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. A project, which will include a five-star hotel and apart hotel on the land purchased, is planned. The building license for the project was received on 7 September 2017.

(**) The residences completed within the scope of the Mall of Istanbul 2nd Stage project and the Hotel operated by TRN Otel have been transferred to the inventories and property, plant & equipment respectively.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

9. INVESTMENT PROPERTIES (Continued)

	1 January 2019	Additions	Disposals	Transfers	Change in fair value	31 December 2019
Shopping Malls and Offices						
MOI Shopping Mall	2,590,000	4,207	(85)	-	405,878	3,000,000
Torun Tower	1,724,000	307	-	-	128,693	1,853,000
Bursa Korupark Shopping Mall	1,540,000	3,790	(127)	-	166,337	1,710,000
Torun Center	1,086,976	2,662	(8,673)	-	(41,239)	1,039,726
Torium Shopping Mall	490,000	4,708	(8)	-	45,300	540,000
Antalya Deepo Shopping Mall	410,000	270	-	-	54,730	465,000
Mall of Antalya	490,000	2,423	-	-	82,577	575,000
Bursa Zafer Plaza Shopping Mall	352,400	-	-	-	14,300	366,700
Mall of İstanbul		-			-	
Residences and Offices	13,550	-	-	(2,180)	730	12,100
Korupark independent areas	22,433	-	-	-	1,660	24,093
5. Levent (**)	52,930	45	-	-	18,645	71,620
Torium Student Residence (**)	-	-	-	53,160	(30,860)	22,300
Investment properties under construction						
Paşabahçe land (*)	801,100	6,956	-	-	53,444	861,500
Mall of İstanbul hotel, congress center and office Project (***)	313,344	84,397	-	17,414	27,430	442,585
Properties held for new projects						
Antalya Kepez Lands	62,235	-	-	-	1,030	63,265
Kayabaşı land	64,785	-	-	-	9,430	74,215
Mall of İstanbul 3rd Phase	68,120	-	-	-	3,700	71,820
Kemankeş	61,660	974	-	-	12,336	74,970
	10,143,533	**110,739**	**(8,893)**	**68,394**	**954,121**	**11,267,894**

(*) The Group has purchased a real estate after a successful tender at a price of TRY355 million from R.T. Prime Ministry Privatization Administration. The aforementioned purchase contains real estates as follows: Block 195, Lot 7 as 54,870 m²; Block 209, Lot 3 as 16,212 m²; Block 200, lot 3 in Paşabahçe neighborhood, Beykoz district and İstanbul city as 827 m² and buildings on these real estates. Title deed processes of real estates have been completed as of 20 September 2012. A project, which will include a five-star hotel and apart hotel on the land purchased, is planned. The building license for the project was received on 7 September 2017.

(**) The land cost related to the dorm near the Torium Shopping Mall was reclassified from property, plant and equipment to investment properties since it was rented to third parties.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

9. INVESTMENT PROPERTIES (Continued)

As of 31 December 2020 and 31 December 2019, the mortgages on investment properties arising from loans are as follows:

	31 December 2020 Original Amount	31 December 2019 Original Amount	Currency	31 December 2020	31 December 2019
Bursa Korupark Shopping Mall	1,500,000	-	TRY	1,500,000	-
Torun Tower	390,000	390,000	US Dollar	2,862,795	2,316,678
Paşabahçe land	375,000	375,000	US Dollar	2,752,688	2,227,575
Bursa Korupark Shopping Mall	-	225,000	Euro	-	1,496,385
Mall of İstanbul	150,000	150,000	US Dollar	1,101,075	891,030
Mall of Antalya - Deepo	130,000	130,000	Euro	1,171,027	864,578
Mall of İstanbul	1,906,399	406,399	TRY	1,906,399	406,399
Mall of İstanbul 2nd Phase	375,000	375,000	TRY	375,000	375,000
				11,668,984	**8,577,645**

10. INVENTORIES

	31 December 2020	31 December 2019
Residences and office projects		
Completed Projects		
- Torun Center project (1)	472,821	489,960
- 5.Levent project (6)	328,235	590,641
-Mall of Istanbul 2nd Phase (High Residence) (7)	104,312	-
- Mall of İstanbul project (2)	10,146	10,731
- Nish Istanbul (3)	4,647	11,249
- Korupark 3rd phase (4)	2,140	2,140
- Torium (5)	438	438
	922,739	**1,105,159**
Other Inventories		
- Inventories related with tourism activities	560	-
Total inventories	**923,299**	**1,105,159**

10. INVENTORIES (Continued)

Provision for impairment of inventories amounting to TRY67 has been recognized for Torium Residences (31 December 2019: TRY67); TRY519 (31 December 2019: 1,398) for Nish Istanbul total of TRY586 (31 December 2019: TRY1,465) as of 31 December 2020.

(1) The Torun Center Project consists of sellable area with a total of 175,408 m², segregated as 45,776 m² Office Tower, 36,382 m² Flat Office, 77,988 m² Residence and 15,312 m² Commercial Area. The delivery of Office Tower and Flat Office has started as of 31 December 2017. 112 residences, 47 offices and 43 flat offices have been delivered, and in this context, the Group has recognized revenue amounting to TRY647,785 as of 31 December 2020. (31 December 2019: 94 residences, 47 offices and 42 flat offices and in this context the Group has collected revenue TRY593,999). As of 31 December 2020, the Group did not capitalize any financial expense during Torun Center Project (31 December 2019: None).

(2) In the Mall of Istanbul project, 2 residences with 116.44 m^2, 12 flat offices with 3,343.88 m^2 remain in the inventories.

(3) There are 5 stores (gross 904 m²) registered in Nish Istanbul project. (December 31, 2019: 1 office (260 m² gross) and 5 stores (gross 1,206 m²)).

(4) In the context of 3rd phase of the Korupark project, 9 residences with 1,371.76 m² remain in the inventories.

(5) In Torium project, 2 residences with 189 m² remain in the inventories.

(6) TRY448,730 of final sales revenue was obtained between 1 January 2020 and 31 December 2020. As of December 31, 2020, a final sales revenue of TRY2,095,998 was obtained from the beginning of the project, and 89 residences of 6.708 m² remain (31 December 2019: 1.759 houses were delivered, in return a sales revenue of TRY1,647,268 was obtained, 327 residences of 50,317.01 m² remain.).

(7) The Mall of Istanbul 2nd Stage project (High Residence) consists of 100 residences of 18,780 m². As of December 31, 2020, 98 residences of 18,584 m² remained, and TRY1,975 revenue was generated during the period. With the completion of the project, the part amounting to 105,407 was transferred from investment properties to inventories.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

11. PROPERTY, PLANT AND EQUIPMENT

Movements in tangible fixed assets and related accumulated depreciation for the period ending on December 31, 2020 and December 31, 2019 are as follows:

	1 January 2020	Additions	Impairment	Disposals (-)	Transfer	31 December 2020
Underground and overland plants	454	-	-	-	-	454
Sales offices	6,099	-	-	-	-	6,099
Buildings	22,738	-	(50,044)	-	329,156	301,850
Dorm building	*22,738*	-	*(1,238)*	-	-	*21,500*
Hotel building	-		*(48,806)*	-	*329,156*	*280,350*
Machinery, plant and equipment	436	7,563	-	-	-	7,999
Vehicles	1,627	468	-	-	-	2,095
Fixtures	20,763	14,155	-	-	-	34,918
Special costs	242	-	-	-	-	242
Cost Value	**52,359**	**22,186**	**(50,044)**	**-**	**329,156**	**353,657**
Underground and overland plants	55	30	-	-	-	85
Buildings	1,136	123	-	-	-	1,259
Machinery, plant and equipment	58	137	-	-	-	195
Vehicles	1,144	176	-	-	-	1,320
Fixtures	2,960	1,175	-	-	-	4,135
Special costs	186	31	-	-	-	217
Accumulated Depreciation (-)	**5,539**	**1,672**	**-**	**-**	**-**	**7,211**
Net Book Value	**46,820**					**346,446**

	1 January 2019	Additions	Impairment	Disposals (-)	Transfer	31 December 2019
Underground and overland plants	454	-	-	-	-	454
Buildings	81,958	39	-	-	(53,160)	28,837
Machinery, plant and equipment	420	16	-	-	-	436
Vehicles	1,182	445	-	-	-	1,627
Fixtures	6,853	13,910	-	-	-	20,763
Special costs	242	-	-	-	-	242
Cost Value	**91,109**	**14,410**	**-**	**-**	**(53,160)**	**52,359**
Underground and overland plants	25	30	-	-	-	55
Buildings	1,013	123	-	-	-	1,136
Machinery, plant and equipment	32	26	-	-	-	58
Vehicles	957	187	-	-	-	1,144
Fixtures	2,191	769	-	-	-	2,960
Special costs	151	35	-	-	-	186
Accumulated Depreciation (-)	**4,369**	**1,170**	**-**	**-**	**-**	**5,539**
Net Book Value	**86,740**					**46,820**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

12. DERIVATIVES

Derivative instruments as of December 31, 2020 are as follows (December 31, 2019: None):

31 December 2020			**Fair Values**	
	Purchase Contract Amount (EUR)	**Sales Contract Amount (TRY)**	**Assets**	**Liabilities**
Derivative instruments for trading				
Forward transactions	45,000	484,915	-	55,900
Short-term derivatives	**45,000**	**484,915**	**-**	**55,900**

The terms of derivative contracts are in the range of 0-6 months.

13. OTHER ASSETS AND OTHER LIABILITIES

Other current assets	**31 December 2020**	**31 December 2019**
Value added tax ("VAT") receivables	9,004	10,823
Personnel advances	529	-
Prepaid taxes and funds	244	1,266
Other	987	193
	10,764	**12,282**

Other short-term liabilities	**31 December 2020**	**31 December 2019**
Prepaid taxes and funds	4,063	5,838
Accrued expenses	341	30
	4,404	**5,868**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

14. OTHER RECEIVABLES AND OTHER PAYABLES

Other receivables

	31 December 2020	31 December 2019
Deposits and guarantees given	46	11
Other receivables	86	126
	132	**137**

Other long-term receivables	31 December 2020	31 December 2019
Deposits and guarantees given	2,743	9,290
	2,743	**9,290**

Other payables

	31 December 2020	31 December 2019
Other payables from related parties (Note 25)	67,144	-
Deposits and guarantees received	21,697	22,265
Other	131	106
	88,972	**22,371**

15. INVESTMENTS ACCOUNTED BY EQUITY METHOD

	31 December 2020		31 December 2019	
	(%)	TRY	(%)	TRY
Yeni Gimat	14.83	326,836	14.83	336,279
TTA	40.00	57,419	40.00	40,538
Netsel	44.60	17,388	44.60	17,357
		401,643		**394,174**

	31 December 2020	31 December 2019
Opening balance	**394,174**	**348,425**
Income and expenses from associates, (net)	25,881	61,427
Dividends received from associates	(34,075)	(29,148)
Treasury shares (*)	(1,223)	(1,369)
Income and expenses from joint ventures, (net)	16,886	14,839
Closing balance	**401,643**	**394,174**

(*) As a result of the repurchase of Yeni Gimat GYO A.Ş., which is the Company's subsidiary, in 2020, the shares of Yeni Gimat GYO A.Ş. amounting to TRY1,223 are classified as treasury shares.

Profit or losses from investments accounted for by the equity method:

	31 December 2020	31 December 2019
Yeni Gimat	16,418	51,096
Netsel	9,463	10,331
TTA	16,886	14,839
Total	**42,767**	**76,266**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

16. PROVISIONS

Short-term provisions	31 December 2020	31 December 2019
Provisions for legal cases (*)	20,205	14,578
	20,205	**14,578**

(*) According to the opinions received from the lawyers of the Group, provision for lawsuits amounted to TRY20.205 as of 31 December 2020 (31 December 2019: TRY14.578). As of 31 December 2020, there are 47 pecuniary and non-pecuniary damages, 115 business lawsuits, 13 claims for receivables, 7 title deed registrations and 11 other miscellaneous lawsuits against the Group. The risk amount arising from the total possible cash outflow is TRY20,205, and the lawsuits are pending. (31 December 2019 consists of 35 pecuniary and non-pecuniary damages cases, 93 business cases and 21 other miscellaneous lawsuits). Based on the opinions received from the group lawyers, it is not expected that there will be any liability other than the provision allocated. There are no lawsuits in which the group partners are a party.

Provisions for employee benefits

Long-term provisions	31 December 2020	31 December 2019
Provisions for employment termination benefits	1,466	1,009
	1,466	**1,009**

Long-term provisions

Provisions for severance pay consist the present value of the future possible liabilities, which occurs from the employees retirements and it is calculated according to the Turkish Labor Law and accounted accrual basis. The calculation of severance payment provision is according to the price ceiling which is determined by the government. As of 1 January 2021, the effective price ceiling is TRY7,638.96 (1 January 2029: TRY6.730,15).

TAS 19 - Employee Benefits standard requires actuarial valuation methods on determining the severance payment liability. The company has classified the actuarial (loss) / gain effect in profit or loss in the financial statements since it does not reach a significant amount.

Movements of provision for employment termination benefits:

	1 January-31 December 2020	1 January-31 December 2019
Provision as of 1 January	1,009	1,182
Service cost	372	37
Interest cost	333	48
Employment termination benefits paid	(248)	(258)
Provision as of 31 December	**1,466**	**1,009**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

17. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities

	31 December 2020	31 December 2019
Collaterals received	110,875	135,272

Collaterals received usually consist of letters of guarantee received from subcontractors for projects which are developed by the Group.

In consideration with the present contract terms, the totals of expected minimum operational lease revenues as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Between 0-1 years	629,957	735,656
Between 1-5 years	4,413,499	4,189,700
Between 5-10 years	7,570,951	6,156,696

The minimum operational lease revenue represents lease revenue from Mall of İstanbul Shopping Mall, Korupark Shopping Mall, Torium Shopping Mall, Zafer Plaza Shopping Mall and Deepo Shopping Mall and the lease revenues from Ankamall and Crowne Plaza Otel that are owned by Yeni Gimat-associate of the Group and Bulvar Samsun shopping mall that is owned by joint ventures are not included in minimum operational lease revenue.

Collaterals, Pledges and Mortgages (“CPM”)

Below are the amounts of collaterals, pledges and mortgages of the Group as of 31 December 2020 and 31 December 2019:

CPM’s given by the Company Collaterals, Pledges, Mortgages (“GPM”)	**31 December 2020**	**31 December 2019**
A.CPM’s Given for Its Own Legal Personality	11,821,623	8,729,842
B.CPM’s Given on Behalf of Fully Consolidated Companies	-	-
C. CPM’s Given for Continuation of its Economic Activities on Behalf of Third Parties	20,386	-
D. Total Amount of Other CPM’s	-	
i) Total Amount of CPM’s Given on Behalf of the Majority Shareholder	-	-
ii) Total Amount of CPM’s Given to on Behalf of Other Group Companies which are not in Scope of B and C	-	-
iii) Total Amount of CPM’s Given on Behalf of Third Parties which are not in Scope of C	-	-
	11,842,009	**8,729,842**

The ratio of other CPM's given by the Group to the Group's equity is 134% as of 31 December 2020 (31 December 2019: 103%).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

17. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2020		31 December 2019	
	Foreign currency	**TRY equivalent**	**Foreign currency**	**TRY equivalent**
US Dollar	915,000	6,716,558	915,000	5,435,283
Euro	130,000	1,171,027	355,000	2,360,963
TRY	3,781,399	3,781,399	781,399	781,399
		11,668,984		**8,577,645**

As of 31 December 2020 mortgages on investment properties of the Group is TRY11,668,984 (31 December 2019: TRY8,577,645) (Note 9). Lease income from Korupark Shopping Mall, Mall of Istanbul Shopping Mall, Mall of Antalya, Antalya Deepo Shopping Mall and Torun Tower is alienated regarding the loans used.

The Group also stands as the guarantor of the borrowings that will be used by the buyers of the residences until the completion of residences and transfer of deeds to the contracting parties in relation to sale of residences through loans.

18. EQUITY

The Group increased its issued capital from TRY176,100,000 to TRY224,000,000 through public offering. A total TRY56,352,942 nominal value of shares were offered to the public, consisting of TRY47,900,000 to be issued from the capital increase and additional shares TRY8,452,942 owned by current shareholders. The compulsory prospectus of the public offering was registered by the İstanbul Trade Registry Office on 7 October 2010 and announced in the Trade Registry no: 7669 on 14 October 2010 pages between 641-735 totally 95 pages. The Group's quoted shares are traded in the İstanbul Stock Exchange as from 21 October 2010.

The board of directors decided in its meeting dated 10 May 2012 to increase its paid-up capital of TRY224,000,000 to TRY500,000,000 within the cap of TRY1,000,000,000 registered capital, through a bonus issue by adding TRY276,000,000 out of a total of TRY301,770,000 share premium, transactions related to capital increase was completed on 16 August 2012.

The Group has increased its capital that is increased to TRY500,004, to TRY1,000,000 by providing all of it from the Extraordinary Shares within TRY1,000,000 registered equity ceiling, with capital increase through bonus issues by TRY499,996 on 22 December 2017.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

18. EQUITY (Continued)

Group's shareholders and capital structure as of 31 December 2020 and 2019 is as follows:

	(%)	Group A (thousand)	Group B (thousand)	Group C (thousand)	31 December 2020	31 December 2019
Aziz Torun	37.41	200,328	-	173,740	374,068	374,068
Mehmet Torun	37.41	-	200,312	173,740	374,052	374,052
Torunlar Gıda San. ve Tic. A.Ş.	0.03	142	142	-	284	284
Mahmut Karabıyık	low than 0.01	-	16	-	16	16
Other shareholders	low than 0.01	-	-	8	8	8
Other (Public quotation)	25.16	-	-	251,572	251,572	251,572
Nominal capital		**200,470**	**200,470**	**599,060**	**1,000,000**	**1,000,000**

The A and B group shares have nomination privilege to the Board of Directors according to Article 13 of association. The members of the Board of Directors are elected by the General Assembly among the two candidates nominated by the shareholders of Group B, two candidates nominated by the shareholders of the Group A and the other three members among the candidates nominated by the general assembly. The nomination and election of the independent board members, the regulations regarding the independent members of the Capital Markets Board are taken as basis.

Companies whose shares are quoted in Borsa İstanbul are subject to profit distribution rules of Capital Market Board as follows:

Dividend is distributed according to Communiqué Serial: IV, No: 27 on "Principles Regarding Distribution of Dividends for the quoted entities subjected to Capital Market Board Law", principles determined in the Articles of Association and dividend distribution policy which is declared by the Companies to the market.

In addition, the decision also allows companies to compute their distributable profit amounts by considering the net profit for the period presented in the publicly disclosed consolidated financial statements prepared in accordance with the Communiqué Serial: XI, No: 29, if such distributable profits could be fully recovered from resources subject to profit distribution in the statutory records.

Resources that may be Involved in the Profit Distribution:

As of the balance sheet date, there is no profit for the period less accumulated losses in the Group's legal records (31 December 2019: None), and the total amount of the other resources that may be involved in the profit distribution is TRY146,185,915 (31 December 2019: TRY278,549,595).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

19. REVENUE AND COST OF SALES

	1 January - 31 December 2020	1 January - 31 December 2019
Residence and office sales income	516,168	234,647
Rent income from shopping malls and offices	476,542	616,198
Common area income	108,058	134,247
Hotel revenue	3,889	-
Other	1,291	5,995
Sales income	**1,105,948**	**991,087**
Cost of residence and office sales	(287,827)	(140,560)
Common area expenses	(127,059)	(141,159)
Rent expenses and management fees of shopping malls	(11,511)	(21,794)
Hotel service costs	(2,206)	-
Other	(1,430)	(4,861)
Cost of sales	**(430,033)**	**(308,374)**
Gross profit	**675,915**	**682,713**

Operational lease revenues mainly consist of rent income from shopping malls and Torun Tower office building. Shopping malls in operation are Mall of İstanbul, Ankara ANKAmall, Bursa Korupark, Bursa Zafer Plaza, Antalya Deepo, Istanbul Torium and Samsun Bulvar Shopping Mall. Bulvar Samsun Shopping Mall started to operate on July 2012. Ankamall is owned by the Group's associate Yeni Gimat; Samsun Bulvar Shopping Mall, is owned by the Group's joint venture TTA. Mall of İstanbul, Istanbul Torium, Bursa Korupark and Antalya Deepo is managed by the related party Torun AVM Yatırım ve Yönetim A.Ş. ("Torun Shopping Mall"), the management of Bursa Zafer Plaza is conducted by Zafer Plaza İşletmeciliği A.Ş. (Note 26).

Hotel revenues represent earnings from room rentals, earnings from sales of food and beverages, and revenue from other services provided to in-hotel customers.

Common area expenses consist of electricity, water, security, cleaning, advertising and other common area expenses of the shopping malls. Common area income consists of expenses charged to tenants related to common areas.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

20. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
General administrative expenses		
Taxes, due and fees	(19,242)	(17,808)
Property expenses	(14,326)	(17,897)
Provisions for legal cases and doubtful receivables	(10,386)	(14,020)
Personnel expenses	(8,559)	(7,382)
Depreciation expenses	(1,672)	(1,269)
Consultancy expenses	(1,081)	(2,146)
Transportation and travel expenses	(435)	(769)
Borsa İstanbul, CMB and CRA expenses	(232)	(357)
Donations	(10)	(1,175)
Other	(1,764)	(2,489)
	(57,707)	**(65,312)**

(*) A substantial part of the taxes and duties consist of estate taxes, and the estate tax is TRY17,338 for 2020 and TRY14,951 for 2019.

	1 January - 31 December 2020	1 January - 31 December 2019
Marketing expenses		
Residence sales marketing expenses (*)	(16,614)	(320)
Advertising and promotion expenses	(6,040)	(6,912)
Personnel expenses	(1,809)	(2,053)
Depreciation expenses	(295)	(725)
Consultancy expenses	(435)	(35)
Other	(452)	(2,144)
	(25,645)	**(12,189)**

(*) As of December 31, 2020, a significant portion of housing sales marketing expenses consists of commissions paid to intermediary real estate companies for sales to non-residents.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

21. EXPENSES BY NATURE

	1 January - 31 December 2020	**1 January - 31 December 2019**
Cost of residence sales	(287,695)	(140,560)
Common area expenses	(127,059)	(141,159)
Taxes, due and fees	(19,242)	(17,808)
Residence sales marketing expenses	(16,614)	(320)
Property expenses	(14,326)	(17,897)
Rent expenses and management fees of shopping malls	(11,511)	(21,794)
Provision for litigation and doubtful receivable expenses	(10,386)	(14,020)
Personnel expenses	(10,368)	(9,435)
Advertising expenses	(6,040)	(6,912)
Depreciation expenses	(1,967)	(1,994)
Consultancy expenses	(1,516)	(2,181)
Transportation and travel expenses	(435)	(769)
Borsa İstanbul expenses	(232)	(357)
Donations	(10)	(1,175)
Other	(5,984)	(9,494)
	(513,385)	**(385,875)**

22. OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities	**1 January - 31 December 2020**	**1 January - 31 December 2019**
Net gain from fair value adjustments on investment properties (Note 9)	743,865	954,121
Other income from construction site (*)	2,522	8,388
Foreign exchange income, net	3,821	3,091
Provisions no longer required (Note 8)	2,255	155
Other	2,591	1,531
	755,054	**967,286**

Other expenses from operating activities	**1 January - 31 December 2020**	**1 January - 31 December 2019**
Property, plant & equipment impairment (Note 11)	(50,044)	-
Other expenses from construction site (*)	(1,594)	(3,055)
Other	(2,101)	(1,684)
	(53,739)	**(4,739)**

(*) As of 31 December 2020, the major part of the construction income/expenses occur from the usage of construction services by the subcontractors of 5.Levent and Torun Center projects (31 December 2019: 5.Levent and Torun Center project) and construction income generated from punishments to subcontractors.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

23. FINANCE INCOME/EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Finance income		
Interest income on time deposits	36,255	50,095
	36,255	**50,095**

	1 January - 31 December 2020	1 January - 31 December 2019
Finance expenses		
Interest expense	(531,005)	(481,574)
Foreign exchange losses, net (*)	(492,994)	(346,756)
Expenses from derivative instruments	(55,900)	-
	(1,079,899)	**(828,330)**

(*) Foreign exchange gains are disclosed after being offset with foreign exchange losses since the Group discloses the foreign exchange gains and losses as net balance.

24. EARNINGS PER SHARE

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share.

Earnings per share disclosed in the income statement is determined by dividing net income attributable to ordinary shareholders by the weighted average number of shares existing during the period concerned.

	1 January - 31 December 2020	1 January - 31 December 2019
Net profit of shareholders	293,001	865,790
Weighted average number of ordinary shares (Full TRY)	1,000,000,000	1,000,000,000
Profit per share (Full TRY)	**0.29**	**0.87**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

25. RELATED PARTY DISCLOSURES

As of 31 December 2020 and 31 December 2019, the balances with related parties are as follows:

Trade payables to related parties	31 December 2020	31 December 2019
Torun Yapı San. ve Tic. A.Ş. (**)	25,448	31,462
Torun AVM (*)	6,191	14,945
Torun Family	-	7,734
	31,639	**54,141**

Other payables to related parties	31 December 2020	31 December 2019
Torunlar Gıda	67,144	-
	67,144	**-**

Receivables from related parties	31 December 2020	31 December 2019
Torun AVM (*)	11,535	17,099
Zafer Plaza İşletmeciliği A.Ş.	5,361	4,837
Prn Perakende Mağ. ve Tic. A.Ş.	-	77
Other	49	41
	16,945	**22,054**

(*) Torun Shopping Mall provides management and administration services to Mall of İstanbul, Mall of Antalya, Deepo Shopping Mall, İstanbul Torium Shopping Mall and Bursa Korupark Shopping Mall which are owned by the Company. In accordance with the management agreement signed for the malls, management fee is paid for malls which is 2% (VAT excluding) of the sum of monthly TRY rent bills charged to tenants. The payable and receivable balances of Torun Shopping Mall are recognized as offset. The transactions with Torun AVM have been conducted through normal market conditions and market prices.

(**) Torun Yapı undertakes the construction works of the Company.

As of 31 December 2020 and 2019, related to sales to related parties and commission paid, service expenses are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Sales to related parties		
Zafer Plaza İşletmeciliği A.Ş. (***)	22,960	35,144
Torun AVM	11,595	30,303
Other	857	6,060
	35,412	**71,507**

(***) Zafer Plaza İşletmeciliği A.Ş. is providing management and administration services to Zafer Plaza Shopping Mall which is owned by the Company. In accordance with the management agreement signed for Zafer Plaza Shopping Mall, Torunlar REIC has a rent income amounting to TRY22,960 for the period ended 31 December 2020 and TRY35,144 for the period ended 31 December 2019. The transactions with Zafer Plaza İşletmeciliği A.S. have been conducted through normal conditions and market prices.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

25. RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
Purchases from related parties		
Torun Yapı San. ve Tic. A.Ş. (*)	131,029	108,209
Torun AVM	56,049	89,515
Torunlar Gıda	1,137	2,366
PRN Perakende Mağazacılık ve Tic. A.Ş.	2,424	209
Other	20	8
	190,659	**200,307**

(*) Torun Yapı undertakes the Group's construction works.

As of 31 December 2020 and 2019, the interest income from and interest expenses to the related parties are as follows:

Interest Income	1 January - 31 December 2020	1 January - 31 December 2019
Torun AVM	1,068	600
Other	175	332
	1,243	**932**

Interest Expenses	1 January - 31 December 2020	1 January 31 December 2019
Torun Yapı	963	868
Torun AVM	123	63
Torunlar Gıda	781	1,237
Zafer Plaza	334	-
	2,201	**2,168**

Benefits Provided to Management	1 January - 31 December 2020	1 January -- 31 December 2019
Salaries and premiums	2,983	3,006

The remuneration of top management consists of short-term salaries and other short-term benefits and free from long-term benefits.

26. FAIR VALUE DISCLOSURES ON FINANCIAL INSTRUMENTS

Financial assets

It is assumed that the carrying values of the cash and cash equivalents approximate their fair values since classified under short term.

Appraiser report values are used to determine the fair values of the investment properties, which are recognized at their fair values in the balance sheet (Note 9).

It is assumed that the registered values of trade receivables reflect the fair value since the receivables are short term.

Financial liabilities

It is assumed that the carrying values of trade payables approximate their fair values since they are classified under short term.

It is assumed that the fair values of liabilities from finance leases approximate their fair values since classified under short term.

Derivative financial instruments are carried at their fair values.

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from directly or indirectly observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

26. FAIR VALUE DISCLOSURES ON FINANCIAL INSTRUMENTS (Continued)

Classifications of the assets and liabilities which are measured at fair values are as follows:

	Fair Value as of 31 December 2020		
Financial assets measured at the fair value	**Level1 TRY**	**Level2 TRY**	**Level3 TRY**
Investment properties	-	3,578,282	8,161,175

	Fair Value as of 31 December 2019		
Financial assets measured at the fair value	**Level1 TRY**	**Level2 TRY**	**Level3 TRY**
Investment properties	-	3,284,809	7,983,085

	Fair Value as of 31 December 2019		
Financial liabilities	**Level1 TRY**	**Level2 TRY**	**Level3 TRY**
Derivative instruments	-	55,900	-

Investment Properties

If there was an increase / decrease of 0.5% in the discount rates of investment properties, the fair value of which was calculated using the income approach method, and all other variables remained constant, the profit would be TRY 219,425 less and TRY232,935 more, respectively (31 December 2019: TRY383,027 less, TRY477,553 more). The sensitivity analysis of investment properties calculated using the revenue discount approach as of 31 December 2020 and 2019 is as follows:

31 December 2020	Discount Rate	Sensitivity Analysis	Profit effect On the Fair value	Loss effect On the Fair value
Mall of İstanbul Shopping Mall	%20	%0.50	89,700	(86,500)
Korupark Shopping Mall	%20	%0.50	52,600	(50,800)
Paşabahçe	%20	%0.50	21,510	(20,829)
Mall of Antalya Shopping Mall	%20	%0.50	21,000	(19,400)
Torium Shopping Mall	%20	%0.50	18,728	(14,924)
Zafer Plaza Shopping Mall	%20	%0.50	11,100	(10,600)
Deepo Shopping Mall	%20	%0.50	10,500	(8,900)
Mall of İstanbul 2nd Phase Offices	%20	%0.50	7,797	(7,472)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

26. FAIR VALUE DISCLOSURES ON FINANCIAL INSTRUMENTS (Continued)

31 December 2019	Discount Rate	Sensitivity Analysis	Profit effect On the Fair value	Loss effect On the Fair value
Mall of İstanbul Shopping Mall	%20	%0.50	203,579	(154,635)
Korupark Shopping Mall	%20	%0.50	110,236	(93,372)
Deepo Shopping Mall	%20	%0.50	28,306	(26,846)
Paşabahçe	%20	%0.50	39,200	(25,800)
Mall of Antalya Shopping Mall	%20	%0.50	37,161	(31,264)
Torium Shopping Mall	%20	%0.50	35,966	(30,707)
Zafer Plaza Shopping Mall	%20	%0.50	23,105	(20,403)

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Liquidity risk

Liquidity risk is the inability of the Group to match the net funding requirements with sufficient liquidity. The Group management tries to avoid liquidity risk from daily operations by trying to keep sufficient levels of cash and to have open credit lines with creditors. Management also tries to align the repayment of borrowings obtained for the construction and acquisition of investment properties with the rental revenue streams from such properties to the extent possible. For the construction of residential units the Group obtains cash advances from customers by engaging in pre-sales agreements to minimize the funding requirement in such projects.

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2020 and 2019 is as follows:

31 Aralık 2020	Carrying value	Contractual Cash Flow	Up to 3 months	3 months to 1 year	1 year yo 5 years	Over 5 years
Short-term financial liabilities (non-derivative):						
Short-term liabilities	1,647,691	1,707,339	518,156	1,189,183	-	-
Short-term portion of long-term liabilities	532,244	551,512	167,377	384,135	-	-
Other payables	88,972	88,972	21,828	67,144	-	-
Trade payables	71,429	71,429	71,429	-	-	-
	2,340,336	**2,419,252**	**778,790**	**1,640,462**	**-**	**-**
Long-term financial liabilities (Non-derivative):						
Long-term liabilities	2,447,393	2,890,125	-	-	2,769,888	120,237
	2,447,393	**2,890,125**	**-**	**-**	**2,769,888**	**120,237**
Non-derivative financial liabilities, total	**4,787,729**	**5,309,377**	**778,790**	**1,640,462**	**2,769,888**	**120,237**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 Aralık 2019	Carrying value	Contractual Cash Flow	Up to 3 months	3 months to 1 year	1 year yo 5 years	Over 5 years
Short-term financial liabilities (Non-derivative):						
Short-term liabilities	165,883	215,425	22,013	193,412	-	-
Short-term portion of long-term liabilities	1,788,539	2,059,940	648,345	1,411,595	-	-
Other payables	22,371	22,371	22,371		-	-
Trade payables	128,330	128,331	128,331	-	-	-
	2,105,123	**2,426,067**	**821,060**	**1,605,007**	**-**	**-**
Long-term financial liabilities (Non-derivative):						
Long term liabilities	3,029,817	3,610,609	-	-	3,431,220	179,389
	3,029,817	**3,610,609**	**-**	**-**	**3,431,220**	**179,389**
Non-derivative financial liabilities, total	**5,134,940**	**6,036,676**	**821,060**	**1,605,007**	**3,431,220**	**179,389**

The analysis of the Group's assets and liabilities with respect to their maturities as of 31 December 2020 and 2019 is as follows:

	31 December 2020				
	Up to 3 months	**3 months yo 1 year**	**More than 1 year**	**Non-interest bearing**	**Total**
Cash and cash equivalents	140,927	-	-	2,349	143,276
Trade receivables	-	83,894	3,061	-	86,955
Due from related parties	16,945	-	-	-	16,945
Other financial assets	-	29,977	-	-	29,977
Total assets	**157,872**	**113,871**	**3,061**	**2,349**	**277,153**
Financial liabilities	701,636	1,478,299	2,447,393	-	4,627,328
Trade payables	39,790	-	-	-	39,790
Due to related parties	31,639	-	-	-	31,639
Total liabilities and equity	**773,065**	**1,478,299**	**2,447,393**	**-**	**4,698,757**
Net repricing position	**(615,193)**	**(1,364,428)**	**(2,444,332)**	**2,349**	**(4,421,604)**

	31 December 2019				
	Up to 3 months	**3 months yo 1 year**	**More than 1 year**	**Non-interest bearing**	**Total**
Cash and cash equivalents	701,678	-	-	37,433	739,111
Trade receivables	-	94,235	2,003	-	96,238
Due from related parties	22,054	-	-	-	22,054
Total assets	**723,732**	**94,235**	**2,003**	**37,433**	**857,403**
Financial liabilities	1,085,397	869,025	3,029,817	-	4,984,239
Trade payables	74,189	-	-	-	74,189
Due to related parties	54,141	-	-	-	54,141
Total liabilities and equity	**1,213,727**	**869,025**	**3,029,817**	**-**	**5,112,569**
Net repricing position	**(489,995)**	**(774,790)**	**(3,027,814)**	**37,433**	**(4,255,166)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary. In this context, matching of not only maturities of receivables and payables but also contractual repricing dates are crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/floating interest", "short-term/long-term", "TRY/foreign currency" balance should be structured consistent within and with assets in the balance sheet.

Borrowings with floating interest rate which have been classified as financial liabilities in the Group's balance sheet have been exposed to the interest risk as a result of change in interest rates. As of 31 December 2020, if the interest denominated in US Dollar and Euro is 1% higher/lower while all other variables were held constant, profit before tax would decrease/increase by TRY12,830 (31 December 2019: TRY18,655).

Interest Position Table

	31 December 2020	31 December 2019
Fixed Interest Rate Instruments		
Financial Liabilities	3,600,121	3,118,710
Variable Interest Rate Instruments		
Financial Liabilities	1,027,207	1,865,529
Total financial liabilities	**4,627,328**	**4,984,239**

As of 31 December 2020 and 2019, the repricing details of variable rate financial instruments are as follows:

	31 December 2020	31 December 2019
0-6 month	416,253	746,212
6-12 month	610,954	1,119,317
Total	**1,027,207**	**1,865,529**

Credit risk disclosures

The Group is subject to credit risk arising from trade receivables related to credit sales and deposits at banks.

The Group keeps majority of its deposits with top 10 retail banks established in Turkey, with which the Group had standing relations.

Credit risk mainly consists of receivables from related parties. Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

- Bank guarantees (letter of guarantee, letter of credit, etc.)
- Mortgage on real estate
- Cheques and notes

In credit risk control, the credit quality of each customer is assessed; taking into account its financial position, past experience and other factors, individual risk limits are set in accordance and the utilization of credit limits is regularly monitored.

Credit risk details as of 31 December 2020 are as follows:

	Trade receivables		Deposit
31 December 2020	**Related party**	**Other party**	**in banks**
Maximum exposed credit risk as of reporting date	**16,945**	**86,955**	**142,437**
Secured portion of the maximum credit risk by guarantees, etc.	-	110,875	-
A. Net book value of financial assets that are either not due or not impaired	16,945	104,538	142,437
B. Net book value of the expired but not impaired financial assets	-	6,832	-
C. Net book value of impaired assets			
- Overdue (Gross book value)	-	24,416	-
- Impairment (-)	-	(24,416)	-
- Not overdue (Gross book value)	-	-	-
- Impairment (-)	-	-	-
Secured portion of the net value by guarantees, etc.	-	-	-
D. Off balance sheet items with credit risks	-	-	-

	Trade receivables		Deposit
31 December 2019	**Related party**	**Other party**	**in banks**
Maximum exposed credit risk as of reporting date	**22,054**	**96,238**	**739,111**
Secured portion of the maximum credit risk by guarantees, etc.	-	135,272	-
A. Net book value of financial assets that are either not due or not impaired	22,054	86,595	739,111
B. Net book value of the expired but not impaired financial assets	-	9,643	-
C. Net book value of impaired assets	-	-	-
- Overdue (Gross book value)	-	22,855	-
- Impairment (-)	-	(22,855)	-
- Not overdue (Gross book value)	-	-	-
- Impairment (-)	-	-	-
Secured portion of the net value by guarantees, etc.	-	-	-
D. Off balance sheet items with credit risks	-	-	-

While determining the above-mentioned amounts, the factors that increase the credibility such as guarantees received are not considered. In the financial assets of the Group which are subject to credit risk, no impairment risk has been identified. Additionally, Group does not have off balance sheet items which are subject to credit risk and assets overdue but not impaired assets.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange rate risk through operations it has made in multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against Turkish Lira to total equity amount is aimed to be controlled under certain limits. The Group is exposed to foreign exchange rate risk mainly for EUR and USD.

Foreign currency position

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure. The Group does not have any export or import activity in 31 December 2020 and 2019.

Foreign currency denominated assets and liabilities held by the Group are as follows:

	31 December 2020	31 December 2019
Assets	127,896	149,679
Liabilities	(1,726,351)	(2,176,608)
Net balance sheet position	**(1,598,455)**	**(2,026,929)**

The table below summaries foreign currency position risk of the Group as of 31 December 2020. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

31 December 2020	Euro	US Dollar	TRY Amount
Current Assets			
Monetary financial assets	243	12,405	93,248
Other assets	-	4,084	29,977
Trade receivables	518	-	4,671
Total assets	**761**	**16,489**	**127,896**
Short-term liabilities			
Trade payables	(7,849)	(680)	(75,696)
Financial liabilities	(44,562)	(2,811)	(422,044)
Other short-term liabilities	(3,119)	(956)	(35,116)
Long-term liabilities			
Financial liabilities	(87,299)	(54,481)	(1,186,298)
Other long-term liabilities	(799)	-	(7,197)
Total liabilities	**(143,628)**	**(58,928)**	**(1,726,351)**
Net balance sheet position	**(142,867)**	**(42,439)**	**(1,598,455)**
Assets from off balance sheet derivative instruments	45,000	-	405,356
Net foreign currency liability position	**(97,867)**	**(42,439)**	**(1,193,099)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The table below summaries foreign currency position risk of the Group as of 31 December 2019. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

31 December 2019	**Euro**	**US Dollar**	**TRY Amount**
Current Assets			
Monetary financial assets	10,700	12,668	146,412
Other assets	8	2	65
Trade receivables	-	539	3,202
Total assets	**10,708**	**13,209**	**149,679**
Short-term liabilities			
Trade payables	(987)	(252)	(8,061)
Financial liabilities	(83,243)	(43,792)	(813,749)
Other short-term liabilities	(3,895)	(2,509)	(40,808)
Long-term liabilities			
Financial liabilities	(115,000)	(92,450)	(1,313,990)
Total liabilities	**(203,125)**	**(139,003)**	**(2,176,608)**
Net balance sheet position	**(192,417)**	**(125,794)**	**(2,026,929)**
Assets from off balance sheet derivative instruments	-	-	-
Net foreign currency liability position	**(192,417)**	**(125,794)**	**(2,026,929)**

The table below shows the Group's sensitivity for 10% fluctuation of USD and EUR. These amounts represent the effect on the statement of comprehensive income of 10% fluctuation of USD and EUR against TRY. During this analysis all other variables especially interest rate are assumed to remain constant.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

27. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency sensitivity analysis as of 31 December 2020 and 2019 are as follows:

	Gain/Loss		Equity	
31 December 2020	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
10% fluctuation in USD rate				
USD net asset/liability	(31,153)	31,153	(31,153)	31,153
Secured portion from USD risk	-	-	-	-
USD net effect	**(31,153)**	**31,153**	**(31,153)**	**31,153**
10% fluctuation in EUR rate				
EUR net asset/liability	(128,693)	128,693	(128,693)	128,693
Secured portion from EUR risk	40,536	(40,536)	40,536	(40,536)
EUR net effect	**(88,157)**	**88,157**	**(88,157)**	**88,157**

	Gain/Loss		Equity	
31 December 2019	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
10% fluctuation in USD rate				
USD net asset/liability	(74,724)	74,724	(74,724)	74,724
Secured portion from USD risk	-	-	-	-
USD net effect	**(74,724)**	**74,724**	**(74,724)**	**74,724**
10% fluctuation in EUR rate				
EUR net asset/liability	(127,969)	127,969	(127,969)	127,969
Secured portion from EUR risk	-	-	-	-
EUR net effect	**(127,969)**	**127,969**	**(127,969)**	**127,969**

Capital management

The Group attempts to manage its capital by minimizing the investment risk with portfolio diversification. The Group's objectives are to safeguard the Group's sustainability as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to keep a gearing ratio that is in-line with industry averages.

When the Group manages the capital, it aims to provide returns to shareholders and to reduce cost of capital, to maintain optimal capital structure by protecting the Group's operation ability.

In order to maintain or adjust the capital structure, Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Gearing ratios as of 31 December 2020 and 2019 are as follows:

	31 December 2020	**31 December 2019**
Total liabilities	4,627,328	4,984,239
Cash and cash equivalents	(143,276)	(739,111)
Net liabilities	4,484,052	4,245,128
Equity	8,769,917	8,478,139
Invested capital	1,000,000	1,000,000
Gearing ratio	**51%**	**50%**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

28. SUBSEQUENT EVENTS

None.

29. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

The information contained herein is in nature of summary information derived from the financial statements in accordance with Article 16 of the CMB Serial: II, No: 14.1 "Communiqué on Principles Regarding Financial Reporting in the Capital Markets"; "Communiqué on Principles Regarding Real Estate Investment Trusts" with Serial: III, No: 48.1, published in the Official Gazette No. 28660 on May 28, 2013, and Series III, published in the Official Gazette No. 28891 on January 23, 2014 and No. 31269 on October 9, 2020. No: 48.1.e "Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Trusts" has been prepared in accordance with the provisions regarding the control of compliance with portfolio limitations.

Financial Statements Main Account Items	**Related Regulations**	**31 December 2020**	**31 December 2019**
A Money and capital markets instruments Series:III, No:48.1, Art.24/(b)		172,700	738,885
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	12,961,196	12,395,791
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	402,127	394,658
Due to related parties (non-trade)	Series:III, No:48.1, Art.23/(f)	-	-
Other assets		**175,158**	**184,755**
D Total assets	Series:III, No:48.1, Art.3/(p)	**13,711,181**	**13,714,089**
E Financial liabilities	Series:III, No:48.1, Art.31	4,575,659	4,915,580
F Other financial liabilities	Series:III, No:48.1, Art.31	-	-
G Finance leases	Series:III, No:48.1, Art.31	51,669	66,009
H Due from related parties (non-trade)	Series:III, No:48.1, Art.23(f)	67,144	-
I Shareholders Equity	Series:III, No:48.1, Art.31	8,771,457	8,478,946
Other liabilities		**245,252**	**253,554**
D Total liabilities	Series:III, No:48.1, Art.3/(p)	**13,711,181**	**13,714,089**

Financial Information	**Related Regulations**	**31 December 2020**	**31 December 2019**
A1 The portion of money and capital market instruments held for payment of properties for the following 3 years	Series:III, No:48.1, Art.24/(b)	172,700	738,885
A2 TRYand foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	142,723	738,885
A3 Foreign capital market instruments	Series:III, No:48.1, Art.24/(d)	-	-
B1 Foreign properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(d)	-	-
B2 Idle lands	Series:III, No:48.1, Art.24/(c)	-	-
C1 Foreign affiliates	Series:III, No:48.1, Art.24/(d)	-	-
C2 Investments in affiliated operating companies	Series:III, No:48.1, Art.28/1(a)	-	-
J Non-cash loans	Series:III, No:48.1, Art.31	173,026	152,197
K Mortgage amount on non-owned land to be developed	Series:III, No:48.1, Art.28(e)	-	-
L Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22(I)	141,783	729,818

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

29. ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (Continued)

Portfolio Restrictions	Related Regulations	31 December 2020	31 December 2019	Maximum/ Minimum Rate
1 Mortgage amount on non-owed land to be developed (K/D)	Series:III, No:48.1a, Art.22/(e)	0%	0%	<10%
2 Properties, projects based on properties and rights based on properties (B+A1)/D)	Series:III, No:48.1a, Art.24/(a),(b)	96%	96%	>50%
3 Money and capital market instruments and affiliates (A+C-A1)/D)	Series:III, No:48.1a, Art.24/(b)	3%	3%	<50%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments (A3+B1+C1/D)	Series:III, No:48.1a, Art.24/(d)	0%	0%	<49%
5 Idle lands(B2/D)	Series:III, No:48.1a, Art.24/(c)	0%	0%	<20%
6 Investment in affiliated operating companies (C2/	Series:III, No:48.1a, Art.28/1/(a)	0%	0%	<10%
7 Borrowing limit (E+F+G+H+J)/I	Series:III, No:48.1, Art.31	55%	61%	<500%
8 TRYand foreign currency time and demand deposits (A2-A1)/D	Series:III, No:48.1, Art.24/(b)	0%	0%	<10%
9 Total investments for money and capital market instruments in a single entity	Series:III, No:48.1, Art.22/1(1)	1%	0%	<10%

Associate	Participation rate (%)	Participation amount 31 December 2020	31 December 2019
Yeni Gimat	14.83	326,836	336,279
TTA	40.00	57,419	40,538
Netsel	44.60	17,388	17,357
TRN	99.99	484	484
		402,127	**394,658**

Yeni Gimat, Netsel and TTA which are associates and joint ventures of the Company (all together "Subsidiaries") do not have valuation reports as at 31 December 2019. For the purposes of the control of compliance with the portfolio limitations, net asset values of associates are used. In this respect, Yeni Gimat and TTA's stand-alone financial statements, which are prepared in accordance with financial reporting standards of the Company, are multiplied with the Company's ownership rate in the related subsidiary. Thus, it is assumed that net values which are determined by adding and deducting net receivables/liabilities as of balance sheet date from the investment properties that are owned by associates and followed in stand-alone financial statements with fair values, approximate to the fair value of the associates. Investment properties which are owned by associates are explained in Note 1 in detail. Since, there are no valuation reports of Netsel, net asset values of the subsidiaries based on their stand-alone financial statements are taken into account and they are multiplied with Company's share in these subsidiaries.

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