

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

**CONSOLIDATED FINANCIAL
STATEMENTS AND AUDITOR'S REPORT FOR THE YEAR ENDED AT
31 DECEMBER 2021**

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



**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 2021, 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 2021, 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
<p>Investment properties carried at fair value</p> <p>The Group values its investment properties with the fair value method after the initial recognition, as described in Note 2.</p> <p>As of 31 December 2021, investment properties constitute 86% of the Group's total assets and have a total carrying value of TRY 17,242,942,000.</p> <p>As of 31 December 2021, 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.</p> <p>“Market approach” and “income approach” methods are used in determining the fair value of investment properties.</p> <p>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.</p> <p>The fair values of investment properties have been determined by using the market value that determined by independent valuation experts with professional qualifications.</p> <p>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.</p>	<ul style="list-style-type: none"> - 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, - 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. 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.

5. 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 2021 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 10 March 2022.

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

A handwritten signature in blue ink, appearing to read "B. Özpoyraz", with a small arrow pointing to the top of the letter 'i'.

Burak Özpoyraz, SMMM
Partner

Istanbul, 10 March 2022

CONSOLIDATED FINANCIAL STATEMENTS

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TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020**

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

		<i>(Audited)</i> <i>Current Period</i>	<i>(Audited)</i> <i>Previous Period</i>
	Notes	31 December 2021	31 December 2020
ASSETS			
Current Assets		1,343,874	1,221,606
Cash and Cash Equivalents	4	247,567	143,276
Financial Investments	5	-	29,977
Derivatives	12	171,937	-
Trade Receivables	8	100,825	100,839
<i>Trade Receivables from Related Parties</i>	8, 25	13,226	16,945
<i>Trade Receivables from Third Parties</i>	8	87,599	83,894
Other Receivables		249	132
<i>Other Receivables from Third Parties</i>		249	132
Inventories	10	777,104	923,299
Prepaid Expenses	7	23,730	13,319
Other Current Assets	13	22,462	10,764
Non-Current Assets		18,563,125	12,493,181
Trade Receivables	8	45,355	3,061
<i>Trade Receivables from Third Parties</i>	8	45,355	3,061
Other Receivables		1,525	2,743
<i>Other Receivables from Third Parties</i>		1,525	2,743
Investments Accounted by Equity Method	15	515,842	401,643
Investment Properties	9	17,242,942	11,736,607
Property, Plant and Equipment	11	754,202	346,446
Intangible Assets		2,273	1,713
<i>Other Intangible Assets</i>		2,273	1,713
Prepaid Expenses	7	986	968
Total Assets		19,906,999	13,714,787

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020**

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

	Notes	(Audited) Current Period 31 December 2021	(Audited) Previous Period 31 December 2020
LIABILITIES			
Current Liabilities		2,807,325	2,495,746
Short-Term Borrowings	6	2,290,326	1,647,691
Short-Term Portion of Long-Term Borrowings	6	169,467	532,244
Trade Payables	8	89,362	71,429
<i>Trade Payables to Related Parties</i>	8, 25	41,893	31,639
<i>Trade Payables to Third Parties</i>	8	47,469	39,790
Payables Related to Employee Benefits		2,455	2,265
Other Payables	14	51,005	88,972
<i>Other Payables to Related Parties</i>	25	22,830	67,144
<i>Other Payables to Third Parties</i>	14	28,175	21,828
Derivatives	12	-	55,900
Deferred Income	7	164,871	72,636
Short-Term Provisions	16	24,645	20,205
Other Current Liabilities	13	15,194	4,404
Non-Current Liabilities		2,580,664	2,449,124
Long-Term Borrowings	6	2,578,220	2,447,393
Deferred Income		218	265
Long-Term Provisions	16	2,226	1,466
<i>Long-Term Provisions for Employee Benefits</i>	16	2,226	1,466
EQUITY		14,519,010	8,769,917
Share Capital	18	1,000,000	1,000,000
Treasury Shares		(5,930)	(5,930)
Share Premium		25,770	25,770
Accumulated other comprehensive income			
<i>That will not be reclassified to profit or loss</i>		442,288	-
Restricted Reserves		74,421	74,421
Prior Years' Profits		7,675,656	7,382,655
Net Profit for the Year		5,306,805	293,001
TOTAL LIABILITIES AND EQUITY		19,906,999	13,714,787

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2021**

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

	Notes	(Audited) 1 January - 31 December 2021	(Audited) 1 January - 31 December 2020
Revenue	19	1,483,729	1,105,948
Cost of Sales (-)	19	(308,096)	(430,033)
GROSS PROFIT		1,175,633	675,915
General Administrative Expenses (-)	20	(79,887)	(57,707)
Marketing Expenses (-)	20	(48,619)	(25,645)
Other Income from Operating Activities	22	5,454,729	755,054
Other Expenses from Operating Activities (-)	22	(6,851)	(53,739)
OPERATING PROFIT		6,495,005	1,293,878
Share of the Group on Profit of Investments Accounted by Equity Method	15	143,779	42,767
PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		6,638,784	1,336,645
Finance Income	23	275,447	36,255
Finance Expenses (-)	23	(1,607,426)	(1,079,899)
PROFIT BEFORE TAX		5,306,805	293,001
PROFIT FOR THE YEAR		5,306,805	293,001
Profit per share from continuing operations	24	7.24	0.29
OTHER COMPREHENSIVE INCOME		442,288	-
<i>That will not be reclassified to profit or loss:</i>			
- <i>Revaluation Increases Of Property, Plant And Equipment</i>		437,723	-
- <i>Investments Valued By Equity Method</i>			
- <i>Accumulated other comprehensive income and expense that will not be reclassified to statement of profit or loss</i>		4,565	-
TOTAL COMPREHENSIVE INCOME		5,749,093	293,001

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 2021**

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

	Share Capital	Treasury Shares	Share Premium	Fair Value Gains from Property, Plant and Equipments	Other Comprehensive Income from Investments Valued by Equity Method	Restricted Reserves	Prior Years Profits	Net Profit for the Year	Total Equity
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
Opening balance as of 1 January 2021	1,000,000	(5,930)	25,770	-	-	74,421	7,382,655	293,001	8,769,917
Transfers	-	-	-	-	-	-	293,001	(293,001)	-
Total comprehensive income	-	-	-	437,723	4,565	-	-	5,306,805	5,749,093
Closing balance as of 31 December 2021	1,000,000	(5,930)	25,770	437,723	4,565	74,421	7,675,656	5,306,805	14,519,010

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	Notes	1 January - 31 December 2021	1 January - 31 December 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES		1,130,823	918,827
Profit for the year		5,306,805	293,001
Adjustments Related to Reconciliation of Profit for the Year		(4,373,174)	308,502
Adjustments related to depreciation and amortization expenses		16,992	1,967
Adjustments related to trade receivable impairment	8	(1,544)	1,561
Adjustments related to property, plant and equipment	11.22	-	50,044
Adjustments related to provisions		5,552	6,457
Adjustments related to interest income and expenses	23	513,532	494,750
Adjustments related to unrealized foreign exchange differences		908,885	488,824
Gain on sales of investment properties	15	(143,779)	(42,767)
Adjustments related to derivative instruments	9	(5,448,483)	(743,865)
Adjustments related to undistributed profits of investments accounted for by equity method	12	(227,837)	55,900
Adjustments related to gain on fair value of investment property		3,508	(4,369)
Changes in working capital		197,544	317,572
Decrease/Increase in trade receivables		(126,267)	12,831
Decrease/Increase in other receivables		1,101	6,553
Decrease/(Increase)Financial Investment		29,977	-
Decrease in inventories		146,195	287,267
Decrease/(increase) in prepaid expenses		(10,429)	11,666
Increase/(decrease) in trade payables		17,933	(56,901)
Decrease/(increase)in other payables		(37,967)	66,601
Increase/(decrease) in deferred income		177,719	(11,078)
Decrease/(increase) in other current/non-current assets from operations		(718)	633
Cash generated from operations		1,131,175	919,075
Employment Termination Benefits Payment	16	(352)	(248)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(14,800)	(174,177)
Cash outflows from purchases of property, plant and equipment	5	-	(29,977)
Cash outflows for the acquisition of debt instruments		(8,682)	(23,233)
Payments for acquisition of investment properties	9	(40,263)	(162,811)
Proceeds from disposal of investment properties		-	7,769
Dividends received	15	34,145	34,075
C. CASH FLOWS FROM FINANCING ACTIVITIES		(1,012,950)	(1,335,217)
Proceeds from borrowings	6	1,655,145	1,896,800
Repayment of borrowings	6	(2,246,185)	(2,613,241)
Interest paid		(468,302)	(660,299)
Interest received		46,392	41,523
Net increase /(decrease) in cash and cash equivalents	4	103,073	(590,567)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4	143,005	733,572
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	246,078	143,005

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

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

NOTE 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 İstanbul since 21 October 2010 and registered to Capital Markets Board ('CMB'). The Company operates in Turkey. As of 31 December 2021, the total number of the Company's employees is 144 (31 December 2020: 103) 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 Çıkmaızı 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 2019. Accordingly, the financial statements are prepared as consolidated as of 31 December 2021. The principal activity of TRN, and the Group's participation rates are as follows:

Firm	Operating country	31 December 2021 Operating sector	31 December 2020 Participation rate %	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 2021 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.

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.

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

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 2019. 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. ('YeniGimat')

Owner of Ankamall Shopping Mall
and Crowne Plaza Hotel

Netsel Turizm Yatırımları A.Ş. ('Netsel')

Management of Marmaris Marina

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

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.

NOTE 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/IFRS.

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/IFRS.

The Group's consolidated financial statements as of 31 December 2021 have been approved by the Board of Directors on 10 March 2022. General assembly has the right to modify the consolidated financial statements

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

NOTE 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/IFRS') 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 2021 and 2020 are detailed as follows:

Firm	Operating country	Operating sector	2021 Participation rate %	2020 Participation rate %
TRN Otel İşletmeciliği ve Yatırımları A.Ş.	Turkey	Hotel Management	100	100

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

2.1. Basis of Preparation (Continued)

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.

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.

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

2.1. Basis of Preparation (Continued)

Joint Ventures

Interests in joint ventures

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.

Interests in Joint Ventures on combined basis are as follows:

TTA

	31 December 2021	31 December 2020
Current assets	5,147	1,789
Non-current assets	264,949	211,857
Total assets	270,096	213,646
Short-term liabilities	56,362	54,707
Long-term liabilities	15,392	15,392
Equity	198,342	143,547
Total liabilities and equity	270,096	213,646
Net profit for the year	54,795	42,215

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.

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

2.1. Basis of Preparation (Continued)

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.

Torunlar REIC's direct and indirect voting rights in the associates as of 31 December 2021 and 2020 are as follows:

	31 December 2021(%)	31 December 2020(%)
Netsel	44.60	44.60
Yeni Gimat	14.83	14.83

Interest in associates on combined basis (*)

	31 December 2021	31 December 2020
Total assets	2,917,355	2,295,084
Total liabilities	97,217	52,217
Net profit for the year	740,428	131,925

(*) 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.

Yeni Gimat

	31 December 2021	31 December 2020
Total assets	2,834,952	2,234,071
Total liabilities	67,176	30,186
Net profit for the year	699,932	110,708

Netsel

	31 December 2021	31 December 2020
Total assets	82,403	61,017
Total liabilities	30,041	22,031
Net profit for the year	40,496	21,217

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

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

2.1. Basis of Preparation (Continued)

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.

Going concern

The Group's consolidated financial statements have been prepared according to the going concern principle. As of 31 December 2021, the Group's short-term liabilities exceeded its short-term assets by TRY1,463,451. 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, 2021, 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 TRY972,000 Shopping Mall rental income and TRY200,000 office rental income in the short term. In addition, the group estimates a revenue of TRY105,000 from hotel operations. The Group anticipates that significant amounts of cash will be generated from these projects.

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 Policies

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.

2.4 New and Revised Turkish Accounting Standards

a) *Standards, amendments and interpretations applicable as at 31 December 2021:*

- **Amendments to IFRS 7, IFRS 4 and IFRS 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. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
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**NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.4 New and Revised Turkish Accounting Standards (Continued)

- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.
- b) *Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:*
 - **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. 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 IFRS 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.
 - **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
 - **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 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 IAS 1 means when it refers to the ‘settlement’ of a liability.
 - **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 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 recognise such sales proceeds and related cost in profit or loss.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

- **Amendments to IAS 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 IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction**; from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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

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.

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

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

2.5 Summary of Significant Accounting Policies (Continued)

- (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 25).

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.

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Classification of financial assets

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.

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).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 DECEMBER 2021**

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

**NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.5 Summary of Significant Accounting Policies (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 (1 short-term), 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.

Since the Company's trade receivables, which are accounted under amortized cost value in the financial statements, do not include an important financing component, the Company uses the response matrix by selecting the simplified application for the impairment calculations. With this application, the Company measures the expected credit loss provision from an amount equal to the expected credit losses of the lifetime when the trade receivables are not impaired due to certain reasons. In the calculation of the expected credit losses, the Company's future forecasts are taken into consideration along with the past loan loss experiences. There is no material ECL as of 31 December 2021.

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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.

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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.

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.

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Current and deferred tax for the period

The Company is exempt from corporate income taxes in accordance with paragraph d-4 of Article 5 of the Corporate Income Tax Law. In accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes, with Council of Ministers decision No, 93/5148, the withholding rate is determined as "0". Therefore, the Company has no tax obligation over its earnings for the related period.

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 2021, 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.

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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.

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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

	Years
Motor Vehicles	5
Furniture and Fixtures	4-5
Building	50
Machinery, plant and equipment	5-15

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.

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.

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

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

2.5 Summary of Significant Accounting Policies (Continued)

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 m² 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 property and cannot be reclassified to fixed assets during the course of development.

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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 2019.

- (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

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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.

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.

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

2.5 Summary of Significant Accounting Policies (Continued)

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).

2.6 Critical Accounting Estimates, Assumptions and Judgements

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:

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

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 2021, 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.

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NOTE 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 2021 and 2020 are as follows:

31 December 2021	Valuation report date	Valuation method	Discount rate	Rent increase rate p.a.	Capitalization rate	Comparable m ² prices in full TRY)
Antalya Deepo Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10-15%	8%	-
Mall of Antalya	7 January 2022	Discounted Cash Flow	20%	10-15%	8%	-
Antalya Kepez Lands	7 January 2022	Sale Comparison	-	-	-	2,889
Bursa Korupark Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10%	7%	-
Torium Shopping Mall and 2 Student Residences	7 January 2022	Discounted Cash Flow	20%	10-15%	8-9%	-
Bursa Zafer Plaza Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10%	7%	-
Mall of İstanbul Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10%	8%	-
Torun Tower	7 January 2022	Sale Comparison	-	-	-	25,493
Paşabahçe project	7 January 2022	Discounted Cash Flow	20%	10-15%	10%	-
İstanbul İkitelli Kayabaşı Land	7 January 2022	Sale Comparison	-	-	-	4,090
Karaköy Hotel project	7 January 2022	Sale Comparison	-	-	-	119,928
Bursa Korupark independent areas	7 January 2022	Sale Comparison	-	-	-	3,629
5.Levent Retail	7 January 2022	Sale Comparison	-	-	-	18,200
Mall of İstanbul residents and offices	7 January 2022	Sale Comparison	-	-	-	14,458
Mall of İstanbul project 2nd Phase High Residence and Hilton Otel	7 January 2022	Discounted Cash Flow	20%	5-8%	7-10%	-
Mall of İstanbul 3rd Phase	7 January 2022	Sale Comparison	-	-	-	9,607
Torun Center	7 January 2022	Sale Comparison	-	-	-	37,831

31 December 2020	Valuation report date	Valuation method	Discount rate	Rent increase rate p.a.	Capitalization rate	Comparable m ² prices in full TRY
Antalya Deepo Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10-15%	8%	-
Mall of Antalya	7 January 2022	Discounted Cash Flow	20%	10-15%	8%	-
Antalya Kepez lands	7 January 2022	Sale Comparison	-	-	-	1,139
Bursa Korupark Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10-15%	7%	-
Torium Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10-15%	9%	-
Bursa Zafer Plaza Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10-15%	7%	-
Mall of İstanbul Shopping Mall	7 January 2022	Discounted Cash Flow	20%	10-15%	8%	-
Torun Tower	7 January 2022	Sale Comparison	-	-	-	18,854
Paşabahçe project	7 January 2022	Discounted Cash Flow	20%	10-15%	8%	-
İstanbul İkitelli Kayabaşı land	7 January 2022	Sale Comparison	-	-	-	1,500
İstanbul Beyoğlu Kemankeş building	7 January 2022	Sale Comparison	-	-	-	58,125
Bursa Korupark independent areas	7 January 2022	Sale Comparison	-	-	-	2,205
5.Levent Retail	7 January 2022	Sale Comparison	-	-	-	10,707
Mall of İstanbul residents and offices	7 January 2022	Sale Comparison	-	-	-	8,818
Mall of İstanbul hotel convention center and office project	7 January 2022	Discounted Cash Flow	20%	5-8%	7-10%	-
Mall of İstanbul 3 rd Phase	7 January 2022	Sale Comparison	-	-	-	6,965
Torun Center	7 January 2022	Sale Comparison	-	-	-	20,142

(*) In accordance with the decree no. 32 that is effective as of 16 November 2019, 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.

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NOTE 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 TRY7,563,902 (31 December 2020: TRY3,575,432) valued using the market approach as of 31 December 2021 more than % 1 and less than %,1 the fair values would have been lower and TRY75,639 (31 December 2020: TRY35,754 lower, TRY35,754 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 2021 and 2020, was opened in April 2018, 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 2022 with the report number 2021-3983 the aforementioned property's fair value is TRY1,728,585 as at 31 December 2021 (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).

- 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 2021 and 2020.

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 2022 with the report number 2021-3996 the aforementioned property's fair value is TRY98,000 as at 31 December 2021 (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).

- 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 2021 and 2020, 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 2021-3994, Capital Markets Board's Serie: IV No:1 Communiqué, dated 7 January 2022, as of 31 December 2021, the aforementioned property's fair value is TRY2,150,000 (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, at 31 December 2020, the aforementioned property's fair value is TRY1,785,000).

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NOTE 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 2021 and 2020, 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 2022 with the report number 2021-3991, the aforementioned property's fair value is TRY4,800,000 as at 31 December 2021 (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).

- v. As of 31 December 2021 and 2020, the Group has completed the Torium Shopping Mall project on an area of 44,571 m² in İstanbul 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 2022 with the report number 2021-4555, the aforementioned property's fair value is TRY800,000 as at 31 December 2021 (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 TRY674,000 as at 31 December 2020).

- vi. As of 31 December 2021 and 2020, the Group has an area of 70,644 m² in the İstanbul 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 2022 with the report number 2021-3984, the aforementioned property's fair value is TRY1,087,450 as at 31 December 2021 (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).

- vii. On the 11,099 m² land located in İstanbul Şişli 2nd District which is classified under investment property as of 31 December 2021 and 2020, 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.

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

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

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 2022 with the report number 2021-3990, the aforementioned property's fair value is TRY2,700,000 as at 31 December 2021 (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).

- viii. Bursa Zafer Plaza located on the 9,622 m² land in Bursa Osmangazi Şhreküstü District which is classified under investment property as of 31 December 2021 and 2020 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 2022 with the report number 2021-3995, the aforementioned property's fair value is TRY457,000 as at 31 December 2021 (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).

- ix. The Group owns 60,833 m² land located in İstanbul Küçükçekmece Kayabaşı District which is classified under investment property as of 31 December 2021 and 2020. 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 2022 with the report number 2021-3999 the aforementioned property's fair value is TRY248,805 as at 31 December 2021 (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).

- 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 2021 and 2020. 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 2022 with the report number 2021-4569 the aforementioned property's fair value is TRY177,340 as at 31 December 2021 (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).

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

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

- xi. As at 31 December 2021 and 2020 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 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 2022 with the report number 2021-3988 the aforementioned property's fair value is TRY58,917 as at 31 December 2021 (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 2020-4560 the aforementioned property's fair value is TRY35,797 as at 31 December 2020).

- xii. The Mall of Istanbul Hotel Congress Center and Office Project was completed in 2021 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, 2021 and 2020. 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 2022 with the report number 2021-3981 the aforementioned property's fair value is TRY371,750 as at 31 December 2021 (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).

- 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 2021 and 2020.

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 2022 with the report number 2021-3989, the aforementioned property's fair value is TRY81,510 as at 31 December 2021 (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).

- xiv. In 2019, 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 2021 and 2020.

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 2022 with the report number 2021-3985 the aforementioned property's fair value is TRY4,082,780 as at 31 December 2021 (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).

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

2.6 Critical Accounting Estimates, Assumptions and Judgements (Continued)

- 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, 2021 and 2020..

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 2022 with the report number 2021-4567, the aforementioned property's fair value is TRY220,525 as at 31 December 2021 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).

- 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, 2021 and 2020. 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 2022 with the report number 2021-4551, the aforementioned property's fair value is TRY116,550 as at 31 December 2021 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 2020-1629 the aforementioned property's fair value is TRY84,500 as at 31 December 2020).

2.7 Compliance with the portfolio limitations

Information included in the footnote titled 'Control of Compliance with Portfolio Limitations' as of December 3q, 2021; 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, 2021. 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.

NOTE 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.

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NOTE 3 SEGMENT REPORTING (Continued)

The segment information for the reportable segments as of and for the period ended 31 December 2021 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	353,383	296,332	1,663,414	1,957,615	-	-	1,957,615	1,586
Korupark Shopping Mall	167,790	137,048	364,571	501,132	-	-	501,132	429
Torun Tower	112,512	110,867	700,000	810,867	-	-	810,867	-
Mall of Antalya	69,331	47,890	304,278	351,409	-	-	351,409	787
Torium Shopping Mall	64,555	31,506	117,580	148,217	-	-	148,217	2,420
Antalya Deepo Shopping Mall	55,813	44,166	343,520	387,225	-	-	387,225	-
Zafer Plaza Shopping Mall	33,950	25,424	77,800	103,224	-	-	103,224	-
Torun Center	12,694	10,277	1,044,566	1,054,843	-	-	1,054,843	52
Mall of İstanbul 2nd Phase								
High Residence and Hilton Otel	4,590	3,739	177,000	3,739	-	-	3,739	5,587
5. Levent Retail	4,791	4,772	128,745	132,754	-	-	132,754	-
Torium Student Residences	4,183	4,177	5,955	10,132	-	-	10,132	45
Korupark independent areas	331	122	23,104	23,226	-	-	23,226	16
Nish İstanbul	157	139	-	139	-	-	139	-
Tourism Income								
Hilton Otel	57,566	36,015	-	36,015	-	-	36,015	18,046
Subtotal	941,646	752,474	4,950,533	5,520,537	-	-	5,520,537	28,968
Residences and office projects								
Torun Center	291,601	245,352	-	234,220	-	-	234,220	-
5. Levent Project	181,911	102,525	-	101,762	-	-	101,762	-
Nishistanbul Projesi	10,200	5,553	-	5,387	-	-	5,387	-
Korupark 3 rd Phase Residences	1,630	1,630	-	1,630	-	-	1,630	-
Mall of İstanbul 2nd Phase								
High Residence and Hilton Otel	56,741	39,808	-	39,808	-	-	39,808	-
Subtotal	542,083	394,868	-	382,807	-	-	382,807	-
Projects under construction								
Paşabahçe project	-	-	194,871	194,871	-	-	194,871	1,104
Karaköy Hotel	-	-	81,199	81,199	-	-	81,199	10,191
Real estates held to develop projects								
Antalya Kepez Lands	-	-	32,275	32,275	-	-	32,275	-
Kayabaşı Land	-	-	157,555	157,555	-	-	157,555	-
Mall of İstanbul 3 rd Phase	-	-	32,050	32,050	-	-	32,050	-
Associates								
ANKA mall and Hotel (Yeni Gimat)	-	-	-	-	103,800	-	103,800	-
Netsel	-	-	-	-	18,061	-	18,061	-
TTA	-	-	-	-	21,918	-	21,918	-
Unallocated	-	28,291	-	132,195	-	(1,331,977)	(1,238,268)	-
Total	1,483,729	1,175,633	5,448,483	6,495,003	143,779	(1,331,977)	5,306,805	40,263

(*) 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..

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NOTE 3 SEGMENT REPORTING (Continued)

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

	Income/ Total revenue from departments	Gross profit	Profit/(loss) fair value of investment properties (*)	Operating profit/ (loss)	(expense) from subsidiaries	Increase in Finance expenses, net	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 2 nd 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 İstanbul	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 İstanbul Project	9,550	2,948	-	2,672	-	-	2,672	-
Mall of İstanbul	2,308	1,723	-	1,722	-	-	1,722	-
Mall of İstanbul 2 nd Phase High Resident and Hilton Otel	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 İstanbul 3 rd 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.

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NOTE 4 CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash	345	17
Banks	242,407	142,437
<i>Demand deposits</i>	21,203	1,510
<i>Time deposits</i>	221,204	140,927
Other cash equivalents	4,815	822
	247,567	143,276

As of 31 December 2021, and 31 December 2020, cash and cash equivalents in the statements of cash flows are as follows:

	31 December 2021	31 December 2020
Cash and cash equivalents	247,567	143,276
Less: Interest accrual of time deposits	(1,489)	(271)
Cash and cash equivalents in the statement of cash flows	246,078	143,005

Maturities of cash and cash equivalents are as follows:

	31 December 2021	31 December 2020
Up to 30 days	247,567	110,023
30 90 days	-	33,253
	247,567	143,276

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

	31 December 2021		31 December 2020	
	Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
US Dollar	3,719	49,576	12,405	91,062
Euro	674	10,172	243	2,185
Sterlin	74	1,334	15	148
		61,082		93,395

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

	31 December 2021 (%)	31 December 2020 (%)
US Dollar	1.93	2.57
Euro	1.22	1.27
Turkish Lira	18.38	12.81

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NOTE 5 FINANCIAL INVESTMENTS

a) Measured at amortized cost

Debt securities:

	31 December 2021	31 December 2020
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 2022.

NOTE 6 FINANCIAL LIABILITIES

	31 December 2021	31 December 2020
Financial Liabilities		
Bank borrowings	2,290,326	1,647,691
Short-term financial borrowings	2,290,326	1,647,691
Short-term portions of long-term borrowings	162,339	487,772
Finance leases	7,128	44,472
Short-term portions of long-term borrowings	169,467	532,244
Bank borrowings	2,573,529	2,440,196
Finance leases	4,691	7,197
Long-term borrowings	2,578,220	2,447,393
Total borrowings	5,038,013	4,627,328

As of 31 December 2021, there are mortgages amounting to TRY2,427,532 (31 December 2020: TRY1,584,360) given to the banks regarding the financial liabilities amounting to TRY14,956,826 (31 December 2020: TRY11,668,983) on the investment properties.

Bank borrowings

Short-term bank borrowings	2,290,326	1,647,691
Short-term portions of long-term borrowings	162,339	487,772
Long-term bank borrowings	2,573,529	2,440,196
Total borrowings	5,026,194	4,575,659

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NOTE 6 FINANCIAL LIABILITIES (Continued)

31 December 2021	Weighted avg. effective interest (%) (*)	Currency	Original amount	TRY equivalent
Short-term bank borrowings	12.27	TRY	1,466,575	1,466,575
	4.84	US Dollar	516	6,890
	3.94	Euro	54,047	816,861
Short-term portion of long-term borrowings	11.12	TRY	162,339	162,339
Long-term bank borrowings	12.96	TRY	1,283,714	1,283,714
	6.01	US Dollar	40,000	534,120
	4.67	Euro	50,000	755,695
Total bank borrowings				5,026,194

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

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.

The repayment schedule for long-term bank borrowings as of 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	31 December 2020
2022	-	1,522,357
2023	1,156,629	465,519
2024 and beyond	1,416,900	452,320
	2,573,529	2,440,196

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NOTE 6 FINANCIAL LIABILITIES (Continued)

Obligations under finance lease

The maturities of obligations under finance lease is as follows:

	31 December 2021	31 December 2020
Up to 1 year	7,128	44,472
1 years 5 years	4,691	7,197
	11,819	51,669

Finance leases consist of US Dollar and EUR. The Group has a finance leases obligation of 3.56% interest rate with original currency of EUR782 (31 December 2020: EUR5,736) as of 31 December 2021.

As of 31 December 2021, 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 2017 and which are represented as the investment properties. As of 31 December 2021, the interest rate of financial leasing transactions is 3.80% (31 December 2020: 3.80%).

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

	2021	2020
Total financial liabilities as of January 1	4,627,328	4,984,239
Cash inflows from borrowing	1,655,145	1,896,800
Cash outflows from repayment	(2,246,185)	(2,613,241)
Foreign currency losses	908,885	488,824
Change in interest accruals	92,840	(129,294)
Total financial liabilities as of December 31	5,038,013	4,627,328

TORUNLAR GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
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NOTE 7 PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2021	31 December 2020
Short-Term Prepaid Expenses		
Advances given	18,095	6,791
Prepaid expenses	5,635	6,528
	23,730	13,319
Long-Term Prepaid Expenses		
Order advances given	970	968
Prepaid expenses	16	-
	986	968
Short-Term Deferred Income		
Advances received (*)	158,971	65,529
Deferred income	5,900	7,107
	164,871	72,636

(*) As of 31 December 2021, from the sales commitments regarding the offices and residential units that are not delivered consist of advances received amounting to TRY81,665 for Torun Center Project, TRY36,365 for 5. Levent Project, TRY36,031 for Mall of İstanbul project and remaining TRY4,910 for other advanced received.

NOTE 8 TRADE RECEIVABLES AND PAYABLES

	31 December 2021	31 December 2020
Current trade receivables		
Trade receivables	98,328	79,316
Trade receivables from related parties (Note 25)	13,226	16,945
Notes receivables (*)	12,143	28,994
Less: Allowance for doubtful receivables	(22,872)	(24,416)
	100,825	100,839
Non-current trade receivables		
Notes receivables (*)	45,355	3,061
	45,355	3,061

(*) As of 31 December 2021, TRY15,722 of the short and long-term notes receivable consisted of the 5th Levent project, TRY39,945 from Torun Center project and the remaining TRY1,831 from other notes receivable (31 December 2020: 5. Levent TRY17,806, shopping mall tenants TRY9,573 and TRY4,676 other bills of receivables).

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NOTE 8 TRADE RECEIVABLES AND PAYABLES (Continued)

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

	31 December 2021	31 December 2020
Opening balance	(24,416)	(22,855)
Provision provided during the year	(1,081)	(3,819)
Provisions no longer required	2,625	2,258
Closing balance	(22,872)	(24,416)

Aging of provision for doubtful receivables is as follows:

	31 December 2021	31 December 2020
3 to 6 months	(1,126)	(2,142)
Over 6 months	(21,746)	(22,274)
	(22,872)	(24,416)

Short-term trade payables	31 December 2021	31 December 2020
Trade payables	47,469	39,790
Trade payables to related parties (Note 25)	41,893	31,639
	89,362	71,429

As of 31 December 2021 and 2020, majority of trade payables consist of payables to subcontractors relating to projects in progress.

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NOTE 9 INVESTMENT PROPERTIES

Movement schedule of investment properties as of 31 December 2021 and 31 December 2020:

	1 January 2021	Additions	Disposals	Transfers	Change in fair value	31 December 2021
Shopping Malls and Offices						
MOI Shopping Mall	3,135,000	1,586	-	-	1,663,414	4,800,000
Torun Tower	2,000,000	-	-	-	700,000	2,700,000
Bursa Korupark Shopping Mall	1,785,000	429	-	-	364,571	2,150,000
Torun Center	1,105,400	52	(3,508)	-	1,044,566	2,146,510
Mall of Antalya	730,000	787	-	-	304,278	1,035,065
Torium Shopping Mall	630,000	2,420	-	-	117,580	750,000
Antalya Deepo Shopping Mall	350,000	-	-	-	343,520	693,520
Mall of İstanbul 2nd Phase						
High Residence and Hilton Hotel(**)	238,000	23,633	-	-	110,117	371,750
Bursa Zafer Plaza Shopping Mall	379,200	-	-	-	77,800	457,000
5. Levent Retail	91,780	-	-	-	128,745	220,525
Korupark independent areas	35,797	16	-	-	23,104	58,917
Torium Student Residence 1	22,500	45	-	-	3,455	26,000
Torium Student Residence	-	-	-	21,097	2,903	24,000
Mall of İstanbul						
Residences and Offices	15,030	-	-	-	66,480	81,510
Investment properties under construction						
Paşabahçe land (*)	891,475	1,104	-	-	194,871	1,087,450
Karaköy hotel	85,950	10,191	-	-	81,199	177,340
Properties held for new projects						
Kayabaşı land	91,250	-	-	-	157,555	248,805
Mall of İstanbul						
3re Phase	84,500	-	-	-	32,050	116,550
Antalya Kepez Lands	65,725	-	-	-	32,275	98,000
	11,736,607	40,263	(3,508)	21,097	5,448,483	17,242,942

(*) 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 neighbourhood, 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 2018.

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NOTE 9 INVESTMENT PROPERTIES (Continued)

	1 January 2020	Additions	Disposals	Transfers	Change in fair value	31 January 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 2nd Phase						
High Residence and Hilton Hotel(**)	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 neighbourhood, 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 2018.

(**) Mall of İstanbul 2.Etap projesi kapsamında tamamlanan rezidanslar stoklara ve TRN Otel tarafından işletilen Otel maddi duran varlıklara transfer edilmiştir.

As of 31 December 2021 and 31 December 2020, the mortgages on investment properties arising from loans are as follows:

	31 December 2021	31 December 2020		31 December 2021	31 December 2020
	Original Amount	Original Amount	Currency		
Torun Tower	390,000	390,000	US Dollar	5,207,670	2,862,795
Paşabahçe project	-	375,000	US Dollar	-	2,752,688
Torun Tower	2,000,000	-	TRY	2,000,000	-
Mall of İstanbul	150,000	150,000	US Dollar	2,002,950	1,101,075
Mall of Antalya Deepo	130,000	130,000	Euro	1,964,807	1,171,027
Mall of İstanbul	1,906,399	1,906,399	TRY	1,906,399	1,906,399
Bursa Korupark Shopping Mall	1,500,000	1,500,000	TRY	1,500,000	1,500,000
Mall of İstanbul 2nd Phase	375,000	375,000	TRY	375,000	375,000
				14,956,826	11,668,984

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NOTE 10 INVENTORIES

Residences and office projects

Completed Projects

- Torun Center project (1)	426,572	472,821
- 5.Levent project (6)	248,849	328,235
- Mall of İstanbul 2nd Phase (High Residence) (7)	87,379	104,312
- Mall of İstanbul project (2)	10,146	10,146
- Korupark 3rd phase (4)	2,140	2,140
- Torium (5)	438	438
- Nish İstanbul (3)	-	4,647
	775,524	922,739

Other Inventories

- Inventories related with tourism activities	1,580	560
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Total inventories	777,104	923,299
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- (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 2018. 160 residences, 47 offices and 47 flat offices have been delivered, and in this context, the Group has recognized revenue amounting to TRY939,754 as of 31 December 2021. (31 December 2020: 112 residences, 47 offices and 43 flat offices and in this context the Group has collected revenue TRY647,785). As of 31 December 2021, the Group did not capitalize any financial expense during Torun Center Project (31 December 2020: None).
- (2) In the Mall of İstanbul project, 2 residences with 116.44 m², 12 flat offices with 3,343.88 m² remain in the inventories.
- (3) There are no stores registered in Nish İstanbul project. (December 31, 2020: 5 stores (gross 904 m²)).
- (4) In the context of 3rd phase of the Korupark project, 8 residences with 1,241.16m² remain in the inventories.
- (5) In Torium project, 2 residences with 189 m² remain in the inventories.
- (6) TRY179,230 of final sales revenue was obtained between 1 January 2021 and 31 December 2021. As of December 31, 2021, a final sales revenue of TRY2,275,228 was obtained from the beginning of the project, and 13 residences of 1,913.65 m² remain (31 December 2020: sales revenue of TRY2,095,998 was obtained, 89 residences of 6.708 m² remain.).
- (7) The Mall of İstanbul 2nd Stage project (High Residence) consists of 100 residences of 18,780 m². As of December 31, 2021, 78 residences of 15,568 m² remained, and TRY56,741 revenue was generated during the period. With the completion of the project, the part amounting to TRY58,716 was transferred from investment properties to inventories.

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NOTE 11 PROPERTY, PLANT AND EQUIPMENT

Movements in tangible fixed assets and related accumulated depreciation for the period ending on December 31, 2021 and December 31, 2020 are as follows:

	1 January 2021	Additions	Transfers	Revaluation Fund	31 December 2021	
Underground and overland plants	454	76	-	-	530	
Buildings	307,949	6,729	(21,500)	430,572	723,750	
Machinery, plant and equipment	7,999	-	-	-	7,999	
Vehicles	2,095	-	-	-	2,095	
Fixtures	34,918	1,316	-	-	36,234	
Special costs	242	-	-	-	242	
Cost Value	353,657	8,121	(21,500)	430,572	770,850	
Underground and overland plants	85	21	-	-	106	
Buildings	1,259	6,295	(403)	(7,151)	-	
Machinery, plant and equipment	195	899	-	-	1,094	
Vehicles	1,320	384	-	-	1,704	
Fixtures	4,135	9,372	-	-	13,507	
Special costs	217	20	-	-	237	
Accumulated Depreciation (-)	7,211	16,991	(403)	(7,151)	16,648	
Net Book Value	346,446				754,202	
	1 January 2020	Additions	Impairment	Disposals (-)	Transfers	31 December 2020
Underground and overland plants	454	-	-	-	-	454
Sales offices	6,099	-	-	-	-	6,099
Buildings	22,738	-	(50,044)	-	329,156	301,850
<i>Dorm building</i>	22,738	-	(1,238)	-	-	21,500
<i>Hotel building</i>	-	-	(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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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NOTE 12 DERIVATIVES

Derivative instruments as of December 31, 2021 are as follows:

31 December 2021	Fair Values			
	Purchase Contract Amount (EUR)	Sales Contract Amount (TRY)	Assets	Liabilities
<i>Derivative instruments for trading</i>				
Forward transactions	45,000	547,662	171,937	-
Short-term derivatives	45,000	547,662	171,937	-

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

Derivative instruments as of December 31, 2020 are as follows:

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

NOTE 13 OTHER ASSETS AND OTHER LIABILITIES

Other current assets

	31 December 2021	31 December 2020
Value added tax ('VAT') receivables	12,878	9,004
Personnel advances	6,053	529
Prepaid taxes and funds	396	244
Other	3,135	987
	22,462	10,764

Other short-term liabilities

	31 December 2021	31 December 2020
Prepaid taxes and funds	14,282	4,063
Accrued expenses	912	341
	15,194	4,404

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NOTE 14 OTHER RECEIVABLES AND OTHER PAYABLES**Other payables**

	31 December 2021	31 December 2020
Deposits and guarantees received	22,934	21,697
Other payables from related parties (Note 25)	22,830	67,144
Other	5,241	131
	51,005	88,972

NOTE 15 INVESTMENTS ACCOUNTED BY EQUITY METHOD

	<u>31 December 2021</u>		<u>31 December 2020</u>	
	(%)	TL	(%)	TL
Yeni Gimat	14.83	410,461	14.83	326,836
TTA	40.00	79,337	40.00	57,419
Netsel	44.60	26,044	44.60	17,388
		515,842		401,643

	31 December 2021	31 December 2020
Opening balance	401,643	394,174
Income and expenses from associates, (net)	121,861	25,881
Income and expenses from joint ventures, (net)	21,918	16,886
Valuation effects of property, plant and equipment	4,565	-
Treasury shares (*)	-	(1,223)
Dividends received from associates	(34,145)	(34,075)
Closing balance	515,842	401,643

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

	31 December 2021	31 December 2020
Yeni Gimat	103,801	16,418
TTA	21,918	16,886
Netsel	18,060	9,463
Total	143,779	42,767

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NOTE 16 PROVISIONS

Short-term provisions	31 December 2021	31 December 2020
Provisions for legal cases (*)	24,645	20,205
	24,645	20,205

(*) According to the opinions received from the lawyers of the Group, provision for lawsuits amounted to TRY24.645 as of 31 December 2021 (31 December 2020: TRY20.205). As of 31 December 2021, there are 63 pecuniary and non-pecuniary damages, 120 business lawsuits, 21 claims for receivables, 7 title deed registrations and 23 other miscellaneous lawsuits against the Group. The risk amount arising from the total possible cash outflow is TRY24,645, and the lawsuits are pending. (31 December 2020 consists of 47 pecuniary and non-pecuniary damages, 115 business lawsuits, 13 claims for receivables, 7 title deed registrations and 11 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 2021	31 December 2020
Provisions for employment termination benefits	2,226	1,466
	2,226	1,466

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 2022, the effective price ceiling is TRY10,596.74 (1 January 2020: TRY7,638.96).

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 2021	1 January- 31 December 2020
Provision as of 1 January	1,466	1,009
Service cost	662	372
Interest cost	450	333
Employment termination benefits paid	(352)	(248)
Provision as of 31 December	2,226	1,466

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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NOTE 17 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities

31 December 2021 31 December 2020

Collaterals received	102,224	110,875
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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 2021 and 2020 are as follows:

31 December 2021 31 December 2020

Between 0-1 years	1,162,207	629,957
Between 1-5 years	5,814,820	4,413,499
Between 5-10 years	8,722,230	7,570,951

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 2021 and 31 December 2020:

CPM's given by the Company Collaterals, Pledges, Mortgages ('GPM')

31 December 2021 31 December 2020

A.	CPM's Given for Its Own Legal Personality	14,956,826	11,821,623
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 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	-	-
		14,956,826	11,842,009

The ratio of other CPM's given by the Group to the Group's equity is 120% as of 31 December 2021 (31 December 2020: 134%).

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NOTE 17 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2021		31 December 2020	
	Foreign currency	TRY equivalent	Foreign currency	TRY equivalent
US Dollar	540,000	7,210,620	915,000	6,716,558
Euro	130,000	1,964,807	130,000	1,171,027
TRY	5,781,399	5,781,399	3,781,399	3,781,399
		14,956,826		11,668,984

As of 31 December 2021 mortgages on investment properties of the Group is TRY14,956,826 (31 December 2020: TRY11,668,984) (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.

NOTE 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 2018.

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NOTE 18 EQUITY (Continued)

Group's shareholders and capital structure as of 31 December 2021 and 2020 is as follows:

		Group A	Group B	Group C	31 December	31 December
	(%)	(thousand)	(thousand)	(thousand)	2021	2020
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	Less than 0.01	-	16	-	16	16
Other shareholders	Less 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 2020: None), and the total amount of the other resources that may be involved in the profit distribution is TRY132,197,320 (31 December 2020: TRY146,185,915)

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NOTE 19 REVENUE AND COST OF SALES

	1 January- 31 December 2021	1 January- 31 December 2020
Rent income from shopping malls and offices	726,355	476,542
Residence and office sales income	542,083	516,168
Common area income	153,606	108,058
Hotel revenue	57,566	3,889
Other	4,119	1,291
Sales income	1,483,729	1,105,948
Cost of residence and office sales	(147,215)	(287,827)
Common area expenses	(119,129)	(127,059)
Hotel service costs	(21,551)	(2,206)
Rent expenses and management fees of shopping malls	(19,831)	(11,511)
Other	(370)	(1,430)
Cost of sales	(308,096)	(430,033)
Gross profit	1,175,633	675,915

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, İstanbul 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, İstanbul 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.

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**NOTE 20 MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL
ADMINISTRATIVE EXPENSES**

	1 January- 31 December 2021	1 January- 31 December 2020
General administrative expenses		
Taxes, due and fees(*)	(24,036)	(19,242)
Depreciation expenses	(16,864)	(1,672)
Property expenses	(16,643)	(14,326)
Personnel expenses	(10,176)	(8,559)
Provisions for legal cases and doubtful receivables	(6,615)	(10,386)
Donations	(2,360)	(10)
Consultancy expenses	(1,113)	(1,081)
Transportation and travel expenses	(629)	(435)
Borsa İstanbul, CMB and CRA expenses	(359)	(232)
Other	(1,092)	(1,764)
	(79,887)	(57,707)

(*) A substantial part of the taxes and duties consist of estate taxes, and the estate tax is TRY17,338 for 2021 and TRY17,338 for 2020.

	1 January- 31 December 2021	1 January- 31 December 2020
Marketing expenses		
Residence sales marketing expenses (*)	(39,226)	(16,614)
Advertising and promotion expenses	(6,385)	(6,040)
Personnel expenses	(1,693)	(1,809)
Consultancy expenses	(212)	(435)
Depreciation expenses	(127)	(295)
Other	(976)	(452)
	(48,619)	(25,645)

(*) As of December 31, 2021, a significant portion of housing sales marketing expenses consists of commissions paid to intermediary real estate companies for sales to non-residents.

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NOTE 21 EXPENSES BY NATURE

	1 January- 31 December 2021	1 January- 31 December 2020
Cost of residence sales	(147,215)	(287,695)
Common area expenses	(119,129)	(127,059)
Residence sales marketing expenses	(39,226)	(16,614)
Taxes, due and fees	(24,036)	(19,242)
Cost of service sales	(21,551)	(4,411)
Rent expenses and management fees of shopping malls	(19,831)	(11,511)
Depreciation expenses	(16,991)	(1,967)
Property expenses	(16,643)	(14,326)
Personnel expenses	(11,869)	(10,368)
Provision for litigation and doubtful receivable expenses	(6,615)	(10,386)
Advertising expenses	(6,385)	(6,040)
Donations	(2,360)	(10)
Consultancy expenses	(1,325)	(1,516)
Transportation and travel expenses	(629)	(435)
Borsa İstanbul expenses	(359)	(232)
Other	(2,438)	(1,573)
	(436,602)	(513,385)

NOT 22 OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities	1 January- 31 December 2021	1 January- 31 December 2020
Net gain from fair value adjustments on investment properties (Note 9)	5,448,483	743,865
Provisions no longer required (Note 8)	2,625	2,255
Other income from construction site (*)	85	2,522
Foreign exchange income, net	-	3,821
Other	3,536	2,591
	5,454,729	755,054
Other expenses from operating activities	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange income, net	(5,376)	-
Property, plant and equipment impairment (Note 11)	-	(50,044)
Other	(1,475)	(3,695)
	(6,851)	(53,739)

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NOTE 23 FINANCE INCOME/EXPENSES

Finance income	1 January- 31 December 2021	1 January- 31 December 2020
Incomes from derivative instruments	227,837	-
Interest income on time deposits	47,610	36,255
	275,447	36,255
Finance expense	1 January - 31 December 2021	1 January- 31 December 2020
Foreign exchange losses, net (*)	(1,046,284)	(492,994)
Interest expense	(561,142)	(531,005)
Expenses from derivative instruments	-	(55,900)
	(1,607,426)	(1,079,899)

(*) 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.

NOTE 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.

	31 December 2021	31 December 2020
Net profit or loss of shareholders	5,306,805	293,001
Weighted average number of ordinary shares (Full TRY)	1,000,000,000	1,000,000,000
Profit per share (Full TRY)	5.31	0.29

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NOTE 25 RELATED PARTY DISCLOSURES

As of 31 December 2021 and 31 December 2020, the balances with related parties are as follows:

Trade payables to related parties	31 December 2021	31 December 2020
Torun AVM (*)	21,896	6,191
Torun Yapı San. ve Tic. A.Ş. (**)	16,207	25,448
Zafer Plaza İşletmeciliği A.Ş.	2,474	-
Torun Center	1,158	-
Torunlar Gıda	47	-
Other	111	-
	41,893	31,639

Other payables to related parties	31 December 2021	31 December 2020
Torunlar Gıda	22,830	67,144
	22,830	67,144

Receivables from related parties	31 December 2021	31 December 2020
Torun AVM (*)	13,112	11,535
Torunlar Enerji San. Tic. A.Ş.	52	-
Zafer Plaza İşletmeciliği A.Ş.	-	5,361
Other	62	49
	13,226	16,945

(*) 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.

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NOTE 25 RELATED PARTY DISCLOSURES (Continued)

As of 31 December 2021 and 2020, related to sales to related parties and commission paid, service expenses are as follows:

Sales to related parties	1 January - 31 December 2021	1 January - 31 December 2020
Zafer Plaza İşletmeciliği A.Ş.	34,111	22,960
Torun AVM	21,604	11,595
Other	878	857
	56,593	35,412

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 2021 and TRY34,111 for the period ended 31 December 2020. The transactions with Zafer Plaza İşletmeciliği A.S. have been conducted through normal conditions and market prices.

Purchases from related parties	1 January - 31 December 2021	1 January - 31 December 2020
Torun AVM	79,427	56,049
Torun Yapı San. ve Tic. A.Ş. (*)	25,464	131,029
Torunlar Gıda	3,328	1,137
PRN Parakende Mağazacılık ve Tic. A.Ş.	-	2,424
Other	1,353	20
	109,572	190,659

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

As of 31 December 2021 and 2020, the interest income from and interest expenses to the related parties are as follows:

Interest Income	1 January - 31 December 2021	1 January - 31 December 2020
Torun AVM	191	1,068
Other	61	175
	252	1,243

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NOTE 25 RELATED PARTY DISCLOSURES (Continued)

Interest Expenses

	1 January - 31 December 2021	1 January - 31 December 2020
Torunlar Gıda	1,880	781
Torun Yapı	1,451	963
Zafer Plaza	42	334
Torun AVM	-	123
Other	926	-
	4,299	2,201

Benefits Provided to Management

	1 January - 31 December 2021	1 January - 31 December 2020
Salaries and premiums	2,921	2,983

All of the benefits provided to the senior management consist of short-term remuneration and similar benefits and do not include long-term benefits.

NOTE 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.

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NOTE 26 FAIR VALUE DISCLOSURES ON FINANCIAL INSTRUMENTS (Continued)**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.
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data.

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

	Fair Value as of 31 December 2021		
	Level1 TRY	Level2 TRY	Level3 TRY
Financial assets measured at the fair value			
Investment properties	-	5,627,632	9,187,970

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

	Fair Value as of 31 December 2021		
	Level1 TRY	Level2 TRY	Level3 TRY
Financial liabilities			
Derivative instruments	-	171,937	-

	Fair Value as of 31 December 2020		
	Level1 TRY	Level2 TRY	Level3 TRY
Financial liabilities			
Derivative instruments	-	55,900	-

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NOT 26 FAIR VALUE DISCLOSURES ON FINANCIAL INSTRUMENTS (Continued)***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 TRY572,383 less and TRY537,064 more, respectively (31 December 2020: TRY219,425 less and TRY232,935 more). The sensitivity analysis of investment properties calculated using the revenue discount approach as of 31 December 2021 and 2020 is as follows:

31 December 2021	Discount Rate	Sensitivity analysis	Profit effect On the Fair value	Loss effect On the Fair value
Mall of İstanbul Shopping Mall	20%	0.50%	240,000	(240,000)
Korupark Shopping Mall	20%	0.50%	107,500	(107,500)
Mall of İstanbul 2nd Phase Offices	20%	0.50%	54,775	(54,775)
Mall of Antalya Shopping Mall	20%	0.50%	51,753	(51,753)
Torium Shopping Mall	20%	0.50%	40,000	(40,000)
Deepo Shopping Mall	20%	0.50%	34,676	(34,676)
Zafer Plaza Shopping Mall	20%	0.50%	22,850	(22,850)
Paşabahçe	20%	0.50%	21,510	(20,829)

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)

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NOTE 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 2021 and 2020 is as follows:

31 December 2021	Carrying value	Contractual Cash Flow	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Short-term financial liabilities (non-derivative):						
Short-term liabilities	2,290,326	2,502,791	439,175	2,063,616	-	-
Short-term portion of long-term liabilities	169,467	190,261	190,261	-	-	-
Other payables	51,005	51,005	51,005	-	-	-
Trade payables	89,362	89,362	89,251	111	-	-
	2,600,160	2,833,419	769,692	2,063,727	-	-
Long-term financial liabilities (Non-derivative):						
Long-term liabilities	2,578,220	2,697,881	-	-	2,625,777	72,104
	2,578,220	2,697,881	-	-	2,625,777	72,104
Non-derivative financial liabilities, total	5,178,380	5,531,300	769,692	2,063,727	2,625,777	72,104

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

31 December 2020	Carrying value	Contractual Cash Flow	Up to 3 months	3 months to 1 year	1 year to 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

The analysis of the Group's assets and liabilities with respect to their maturities as of 31 December 2021 and 2020 is as follows:

	31 December 2021				Total
	Up to 3 months	3 months to 1 year	More than 1 year	Non-interest bearing	
Cash and cash equivalents	221,204	-	-	26,363	247,567
Trade receivables	-	87,599	45,355	-	132,954
Due from related parties	13,226	-	-	-	13,226
Total assets	234,430	87,599	45,355	26,363	393,747
Financial liabilities	398,462	2,061,331	2,578,220	-	5,038,013
Trade payables	47,469	-	-	-	47,469
Due to related parties	41,893	-	-	-	41,893
Total liabilities and equity	487,824	2,061,331	2,578,220	-	5,127,375
Net repricing position	(253,394)	(1,973,732)	(2,532,865)	26,363	(4,733,628)

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

	31 December 2020				Total
	Up to 3 months	3 months yo 1 year	More than 1 year	Non-interest bearing	
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)

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 2021, 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 TRY22,742 (31 December 2020: TRY10,272).

Interest Position Table

	31 December 2021	31 December 2020
Fixed Interest Rate Instruments		
Financial Liabilities	2,763,800	3,600,121
Variable Interest Rate Instruments		
Financial Liabilities	2,274,213	1,027,207
Total financial liabilities	5,038,013	4,627,328

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

As of 31 December 2021 and 2020, the repricing details of variable rate financial instruments are as follows:

	31 December 2021	31 December 2020
0-6 month	253,328	416,253
6-12 month	-	610,954
Over 1 year	2,020,885	-
Total	2,274,213	1,027,207

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:

- 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 2021 are as follows:

31 December 2021	<u>Trade receivables</u>		Deposit in banks
	Related party	Other party	
Maximum exposed credit risk as of reporting date	13,226	218,485	242,407
Secured portion of the maximum credit risk by guarantees, etc.	-	102,224	-
A. Net book value of financial assets that are either not due or not impaired	13,226	108,447	242,407
B. Net book value of the expired but not impaired financial assets	-	24,507	-
C. Net book value of impaired assets	-	-	-
- Overdue (Gross book value)	-	22,872	-
- Impairment (-)	-	(22,872)	-
- Not overdue (Gross book value)	-	-	-
- Impairment (-)	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-
D. Off balance sheet items with credit risks	-	-	-

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

31 December 2020	Trade receivables		Deposit in banks
	Related party	Other party	
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	80,123	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	-	-	-

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.

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.

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

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 2021 and 2020.

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

	31 December 2021	31 December 2020
Assets	173,957	127,896
Liabilities	(2,167,559)	(1,726,351)
Net balance sheet position	(1,993,602)	(1,598,455)

The table below summaries foreign currency position risk of the Group as of 31 December 2021. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

	Euro	US Dollar	TRY Amount
Current Assets			
Monetary financial assets	964	5,690	90,392
Other assets	40	91	1,816
Trade receivables	2	6,131	81,749
Total assets	1,006	11,912	173,957
Short-term liabilities			
Trade payables	(219)	(138)	(5,146)
Financial liabilities	(51,562)	-	(779,297)
Other short-term liabilities	(4,620)	(1,727)	(92,889)
Long-term liabilities			
Financial liabilities	(50,025)	(40,000)	(1,290,197)
Other long-term liabilities	(2)	-	(30)
Total liabilities	(106,428)	(41,865)	(2,167,559)
Net balance sheet position	(105,422)	(29,953)	(1,993,602)
Net foreign currency liability position	(105,422)	(29,953)	(1,993,602)
Assets from off balance sheet derivative instruments	45,000	-	678,902
Net foreign currency liability position	(60,422)	(29,953)	(1,314,700)

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**NOTE 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 2020. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

	Euro	US Dollar	TRY Amount
Current Assets			
Monetary financial assets	243	12,405	93,248
Marketable Securities	-	4,084	29,977
Trade receivables	518	-	4,671
Total assets	761	16,489	127,896
Total assets			
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)
Net foreign currency liability 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)

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.

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**NOTE 27- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

Foreign currency sensitivity analysis as of 31 December 2021 and 2020 are as follows:

	Gain/Loss		Equity	
	Appreciation	Depreciation	Appreciation	Depreciation
31 December 2021				
10% fluctuation in USD rate				
USD net asset/liability	(39,996)	39,996	(39,996)	39,996
Secured portion from USD risk	-	-	-	-
USD net effect	(39,996)	39,996	(39,996)	39,996
10% fluctuation in EUR rate				
EUR net asset/liability	(91,321)	91,321	(91,321)	91,321
Secured portion from EUR risk	-	-	-	-
EUR net effect	(91,321)	91,321	(91,321)	91,321
31 December 2020				
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

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.

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

Gearing ratios as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Total liabilities	5,387,989	4,627,328
Cash and cash equivalents	(247,567)	(143,276)
Net liabilities	5,140,422	4,484,052
Equity	14,519,010	8,769,917
Invested capital	1,000,000	1,000,000
Gearing ratio	35%	51%

NOTE 28 SUBSEQUENT EVENTS

None.

NOTE 29 – FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/ AUDITOR'S FIRM

The Company's explanation regarding the fees for services rendered by independent audit firms, which is prepared by the KGK pursuant to the Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which are based on the KGK letter dated August 19, 2021 are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Independent audit fee for the reporting period	543	445
Total	543	445

NOTE 30 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, 2021. 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.

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**NOTE 30 ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS (Continued)**

Financial Statements Main Account Items	Related Regulations	31 December 2021	31 December 2020
A Money and capital markets instruments Series:III, No:48.1, Art.24/(b)	Series:III, No:48.1, Art.24/(b)	241,595	172,700
B Properties, projects based on properties and rights based on properties	Series:III, No:48.1, Art.24/(a)	18,742,216	12,961,196
C Subsidiaries	Series:III, No:48.1, Art.24/(b)	516,326	402,127
Due to related parties (non-trade)	Series:III, No:48.1, Art.23/(f)	-	-
Other Assets		401,362	175,158
D Total assets	Series:III, No:48.1, Art.3/(p)	19,901,499	13,711,181
E Financial liabilities	Series:III, No:48.1, Art.31	5,026,194	4,575,659
F Other financial liabilities	Series:III, No:48.1, Art.31	-	-
G Finance leases	Series:III, No:48.1, Art.31	11,819	51,669
H Due from related parties (non-trade)	Series:III, No:48.1, Art.23(f)	22,830	67,144
I Shareholders Equity	Series:III, No:48.1, Art.31	14,521,558	8,771,457
Other liabilities		319,098	245,252
D Total liabilities	Series:III, No:48.1, Art.3/(p)	19,901,499	13,711,181

Financial Information	Related Regulations	31 December 2021	31 December 2020
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)	241,595	172,700
A2 TRYand foreign currency time and demand deposits	Series:III, No:48.1, Art.24/(b)	241,595	142,723
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	95,580	173,026
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)	219,909	141,783

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NOTE 30 ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (Continued)

Portfolio Restrictions	Related Regulations	31 December 2021	31 December 2020	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:48.1, Art.24/(a),(b)	95%	96%	>50%
3 Money and capital market instruments and affiliates (A+C-A1)/D)	Series:III, No:48.1, Art.24/(b)	2%	3%	<50%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments (A3+B1+C1)/D)	Series:III, No:48.1, Art.24/(d)	0%	0%	<49%
5 Idle lands(B2/D)	Series:III, No:48.1, Art.24/(c)	0%	0%	<20%
6 Investment in affiliated operating companies (C2/D)	Series:III, No:48.1, Art.28/1(a)	0%	0%	<10%
7 Borrowing limit (E+F+G+H+J)/I	Series:III, No:48.1, Art.31	32%	55%	<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(I)	1%	1%	<10%

Associate	Participation rate	Participation amount	
	(%)	31 December 2021	31 December 2020
Yeni Gimat	14.83	410,461	326,836
TTA	40.00	79,337	57,419
Netsel	44.60	26,044	17.388
TRN	99.99	484	484
		516,326	402,127

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 2020. 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.