RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Rönesans Gayrimenkul Yatırım A.Ş.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rönesans Gayrimenkul Yatırım A.Ş. (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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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
Valuation of investment properties	**Procedures:**
The accounting policy adopted by the Group management for the purpose of accounting for such investment properties is explained in detail in Notes 2 and 10. The Group's investment properties amounted to TRY19,523 million is 77% of the total assets. Investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers and these values are evaluated by the Group's Financial Strategic Planning Department. Significant assumptions have been associated with determining the fair value of Group's investment properties Reasons for concentrating on this topic is the significance of the balance in relation to the financial statements as a whole and significant assumptions associated with determining the fair value of investment properties.	**Validation of the controls:** Testing the design and implementation of the control in relation to the Group's Financial Strategic Planning Department's review of the valuation prepared by the Group's Valuer. **Assessment of management's expert:** We assessed the valuer's competence, capability, objectivity and independence. **Assessment of input and assumptions used for the valuation:** We assessed the valuation report prepared by the valuation expert of the Group through involvement of our experts, We assessed the valuation method applied and the appropriateness of the assumptions used through involvement of our experts, We evaluated our findings with the Valuation Expert of the Group along with comparing assumptions used with market data, We assessed whether inputs such as unit sales value that are significant on the property value included within the valuation report are in an acceptable range by comparing the consistency of the inputs with the observable market prices, We tested the inputs used in the valuation reports, which are significant influences on the property value, such as rental income, duration of rental contracts, occupancy rates and expenses, We assessed whether the assumptions used by the valuation experts in valuation such as the real discount rate are within acceptable ranges. **Assessment of financial statement disclosures:** We reviewed compliance of the information in the appraisal report with the disclosures related to the fair value of investment properties in Notes 2 and 10.

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

Burak Özpoyraz, SMMM
Partner

Istanbul, 4 March 2022

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RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

ASSETS	Notes	*(Audited)* **31 December 2021**	*(Audited)* **31 December 2020**
Current Assets		**2,146,522**	**1,082,944**
Cash and cash equivalents	34	1,562,201	843,516
Trade receivables		126,274	105,908
- Trade receivables from related parties	*5-6*	*10,223*	*7,685*
- Trade receivables from third parties	*6*	*116,051*	*98,223*
Other receivables		587	670
- Other receivables from related parties	*5-7*	*299*	*411*
-Other receivables from third parties	*7*	*288*	*259*
Financial investments	29	8,585	*2,838*
Derivative instruments	27	109,716	-
Inventories	8	1,335	10,229
Prepaid expenses	9	11,301	8,672
Current tax assets	24	1,769	1,034
Other current assets	16	169,046	110,077
Assets classified as held for sale	30	155,708	-
Non-Current Assets		**23,261,642**	**16,989,182**
Other receivables		24,759	33,235
- Other receivables from third parties	*7*	*24,759*	*33,235*
Financial investments	*29*	633,119	*200,396*
Investments accounted for using the equity method	3	2,624,682	2,055,437
Investment properties	10	19,522,712	14,187,841
Property, plant and equipment	11	6,510	1,218
Intangible assets		740	906
- Other intangible assets	*12*	*740*	*906*
Prepaid expenses	9	14,711	13,854
Deferred tax assets	24	269,994	198,262
Other non-current assets	16	164,415	298,033
TOTAL ASSETS		**25,408,164**	**18,072,126**

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

LIABILITIES	Notes	*(Audited)* 31 December 2021	*(Audited)* 31 December 2020
Current Liabilities		**748,004**	**1,092,764**
Short term financial debts	28	737	49,477
Short term portion of long term borrowings	28	448,456	778,131
Trade payables		91,554	62,055
- Trade payables to related parties	*5-6*	*38,225*	*24,794*
- Trade payables to third parties	*6*	*53,329*	*37,261*
Other payables		24,128	16,994
- Other payables to related parties	*5-7*	*13,486*	*2,444*
- Other payables to third parties	*7*	*10,642*	*14,550*
Derivative instruments	27	121,472	164,766
Deferred revenue	9	21,713	11,172
Current tax liabilities	24	63	26
Payables related to employee benefits	14	5,580	4,977
Short term provisions		6,753	5,166
- Employee benefits	*14*	*2,664*	*1,672*
-Other short-term provisions	*25*	*4,089*	*3,494*
Liabilities directly associated with assets classified as held for sale	*30*	27,548	-
Non-Current Liabilities		**16,160,134**	**10,259,931**
Long term borrowings	28	12,479,146	7,932,964
Trade payables		40,610	29,130
- Trade payables to related parties	*5-6*	*40,610*	*29,130*
Other payables		1,609,145	1,141,950
- Other payables to related parties	*5-7*	*1,598,610*	*1,135,032*
- Other payables to third parties	*7*	*10,535*	*6,918*
Derivative instruments	26	-	28,652
Deferred revenue	9	3,624	222
Long term provisions		4,755	3,288
- Employee benefits	*14*	*4,755*	*3,288*
Deferred tax liabilities	24	2,022,854	1,123,725
SHAREHOLDERS' EQUITY		**8,500,026**	**6,719,431**
Paid in capital	17	303,717	303,717
Other comprehensive income not to be reclassified to profit or loss		(930)	(1,112)
Loss on remeasurement of defined benefit obligations	23	(930)	(1,112)
Share premium	17	630,844	630,844
Restricted profit reserve	17	66,231	65,992
Retained earnings		5,719,751	6,116,862
Net (loss) / profit for the period		1,780,413	(396,872)
TOTAL LIABILITIES		**25,408,164**	**18,072,126**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	*(Audited)* 1 January - 31 December 2021	*(Audited)* 1 January - 31 December 2020
- Revenue	4-18	993,056	688,261
- Cost of sales (-)	4-18	(312,436)	(239,037)
GROSS PROFIT		**680,620**	**449,224**
- Marketing expenses (-)	19	(17,117)	(6,940)
- General administrative expenses (-)	19	(27,136)	(23,127)
- Other operating income	20	6,953,125	1,984,005
- Other operating expense (-)	20	(444,797)	(185,932)
OPERATING PROFIT		**7,144,695**	**2,217,230**
- Income from investing activities	22	255,494	66,318
- Share on profit of investments valued using equity method	3	759,168	152,835
PROFIT BEFORE FINANCIAL EXPENSES		**8,159,357**	**2,436,383**
- Finance expenses (-)	21	(5,461,400)	(2,848,388)
PROFIT / (LOSS) BEFORE TAXATION		**2,697,957**	**(412,005)**
Tax expenses		**(917,544)**	**15,133**
- Current tax expense	24	(106)	(48)
- Deferred tax (expense)/income	24	(917,438)	15,181
NET INCOME / (LOSS) FOR THE PERIOD		**1,780,413**	**(396,872)**
Income / (Loss) Earning per share			
- Basic and diluted earnings per share	26	5.86	(1.31)

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

CONSOLIDATED STATEMENT OF OTHER COMPHERENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	*(Audited)* 1 January - 31 December 2021	*(Audited)* 1 January - 31 December 2020
PROFIT / (LOSS) FOR THE YEAR		**1,780,413**	**(396,872)**
Other comprehensive income / (expense):		**182**	**(372)**
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss			
-Gain / (Loss) on remeasurement of defined benefit obligations	*14*	*228*	*(465)*
-Tax expense based on other comprehensive (loss) / income	*24*	*(46)*	*93*
TOTAL COMPREHENSIVE INCOME / (LOSS)		**1,780,595**	**(397,244)**

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

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

			Accumulated other comprehensive income or loss that will not be reclassified in profit or loss			
	Paid in capital	**Share premium**	**Loss on remeasurement of defined benefit obligations**	**Restricted profit reserve**	**Retained earnings**	**Total**
Opening balance as of 1 January 2020	**303,717**	**630,844**	**(740)**	**66,045**	**6,116,809**	**7,116,675**
<u>Changes in 2020:</u>						
Loss for the year	-	-	-	-	*(396,872)*	***(396,872)***
Other comprehensive loss for the year, net of tax	-	-	***(372)***	-	-	***(372)***
Total comprehensive loss	**-**	**-**	**(372)**	**-**	**- 396,872**	**(397,244)**
Transfer to legal reserves	-	-	-	(53)	53	-
Balance as of 31 December 2020	**303,717**	**630,844**	**(1,112)**	**65,992**	**5,719,990**	**6,719,431**
Opening balance as of 1 January 2021	**303,717**	**630,844**	**(1,112)**	**65,992**	**5,719,990**	**6,719,431**
<u>Changes in 2021:</u>						
Income for the year	-	-	-	-	*1,780,413*	***1,780,413***
Other comprehensive income for the year, net of tax	-	-	***182***	-	-	***182***
Total comprehensive income	**-**	**-**	**182**	**-**	**1,780,413**	**1,780,595**
Transfer to legal reserves	-	-	-	239	(239)	-
Balance as of 31 December 2021	**303,717**	**630,844**	**(930)**	**66,231**	**7,500,164**	**8,500,026**

RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2021

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

	References	*(Audited)* 1 January - 31 December 2021	*(Audited)* 1 January - 31 December 2020
A. Cash Flows From Operating Activities			
(Loss) / Profit for the Period		1,780,413	(396,872)
Adjustments to reconcile net profit			
Adjustments related to depreciation and amortization expense		1,990	581
Adjustments related to doubtful receivables provisions	6	(212)	6,117
Adjustments related to provisions		3,075	3,446
Adjustments related to Group's share on net assets of investments in accounted for using the equity method	3	(759,168)	(152,835)
Adjustments related to interest expense		866,094	539,260
Unrealized foreign exchange losses		4,709,766	2,227,417
Adjustments related to fair value gains	10-20	(5,952,346)	(1,487,248)
Adjustments related to derivative instruments carried at fair value (gain) / loss	21	(417,292)	25,692
Adjustments related to tax expense	24	917,544	(15,133)
Gain on disposal of subsidiary	22	(253,666)	(66,081)
Other adjustments to related to profit and loss		(1,834)	(237)
Movements in Working Capital		**894,364**	**684,107**
Change in trade receivables		(20,154)	(14,458)
Change in other receivables related to operations		(76,595)	(28,255)
Change in inventories	8	8,894	7,690
Change in prepaid expenses		(3,784)	13,257
Change in trade payables		41,370	(108,036)
Change in other payables related to operations		770	6,500
Change in deferred income		13,943	1,653
Cash generated by operating activities		858,808	562,458
Retirement pay paid	14	(705)	(1,716)
Income tax paid		(509)	(262)
Other outflows of cash		(3,898)	-
Net cash generated by operations		853,696	560,480

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

		(Audited) 1 January - 31 December 2021	*(Audited)* 1 January - 31 December 2020
B. Cash Flows From Investing Activities			
Cash flows from sales of subsidiaries and joint venture	22	946,483	262,224
Payments for tangible and intangible assets		(5,285)	(527)
Net cash outflow on acquire of investment property and expenditures		(50,273)	(50,486)
Advances given and receivables from related parties	5	(2,296)	4,883
Interest received		33,932	10,952
Purchase of other financial assets		(196,345)	(177,106)
Change in long term VAT receivables	16	133,618	25,651
Other cash outflow		2,173	(155)
Net cash used in investing activities		862,007	75,436
C. Cash Flows From Financing Activities			
Proceeds from borrowings		1,022,566	1,689,621
Repayment of borrowings		(1,304,324)	(1,683,480)
Change in non-trade payables to related parties		(93,963)	920
Change in non-trade receivables from related parties		2,865	24,599
Cash receipts from future contracts, forward contracts, option contracts and swap contracts		235,630	324,365
Interest paid		(859,634)	(479,435)
Other cash outflow		(158)	(1,077)
Net cash generated by financing activities		(997,018)	(124,487)
Net increase in cash and cash equivalents		718,685	511,429
D. Cash and cash equivalents at the beginning of the year	**34**	**843,516**	**332,087**
Cash and cash equivalents at the end of the year (A+B+C+D)	**34**	**1,562,201**	**843,516**

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

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Rönesans Gayrimenkul Yatırım Anonim Şirketi ("the Company") was founded on 2 June 2006 in Ankara/Turkey. The registered address of the Company is Aziziye Mahallesi Portakal Çiçeği Sok. No: 33 Yukarı Ayrancı Çankaya/Ankara, Turkey. The ultimate controlling party and the major shareholder of the Company is Rönesans Emlak Geliştirme Holding A.Ş. ("Rönesans Emlak Geliştirme Holding"). Ultimate parent of the Company is Rönesans Holding A.Ş.
The details of the Company's shareholders are disclosed in Note 18.

The principal activities of the Company and its subsidiaries ("the Group") consist of developing and management of shopping malls, office buildings and other commercial real estate projects.

As of 9 December 2014, Euro Efes S.a.r.l acquired 9.8% shares of Rönesans Gayrimenkul by capital increase for a total consideration for TRY 278,670. Amounting to TRY 26,047 has been classified as nominal capital increase and the remaining amounting to TRY 252,623 has been classified as share premium.

Euro Efes S.a.r.l is a Company which is under indirect control GIC's real estate department GIC Real Estate Pte. Ltd. of Singapore's government fund. As of 25 February 2015, Euro Efes S.a.r.l acquired 11.6% shares of Rönesans Gayrimenkul by way of capital increase for a total consideration for TRY 417,291. Amounting to TRY 39,070 has been classified as nominal capital increase and the remaining amounting to TRY 378,221 has been classified as share premium (Note 13). As a result of this transaction, partnership ratio of Euro Efes S.a.r.l. has increased from 9.8% to 21.4%.

As at 31 December 2021, the Group has 281 employees (31 December 2020: 269).

The subsidiaries of the Group, place of incorporation, the nature of business together with geographical segments are as follows:

Registered name of subsidiary	Short name	Place of incorporation and operation	Nature of business	Geographic segment
Akaretler Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Akaretler	Turkey, Ankara	Real Estate Development	Turkey
Altunizade Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Altunizade	Turkey, Ankara	Real Estate Development	Turkey
Ayazağa Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Ayazağa	Turkey, Ankara	Real Estate Development	Turkey
Bakırköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Bakırköy	Turkey, Ankara	Real Estate Development	Turkey
Bahariye Gayrimenkul Yatırım İnş. Turizm San. ve Tic. A.Ş.	Bahariye	Turkey, Ankara	Real Estate Development	Turkey
Bostancı Gayrimenkul Yatırım İnşaat Turizm Eğitim Sanayi ve Ticaret A.Ş.	Bostancı	Turkey, Ankara	Real Estate Development	Turkey
Göksu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Göksu	Turkey, Ankara	Real Estate Development	Turkey
Kabataş Gayrimenkul Yatırım İnş Tur. San. ve Tic. A.Ş.	Kabataş	Turkey, Ankara	Real Estate Development	Turkey
Kavacık Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kavacık	Turkey, Ankara	Real Estate Development	Turkey
Kozyatağı Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kozyatağı	Turkey, Ankara	Real Estate Development	Turkey
Mel2 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel2	Turkey, Ankara	Real Estate Development	Turkey
Mel3 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel3	Turkey, Ankara	Real Estate Development	Turkey
Mel4 Gayrimenkul Geliştirme Yatırım İnşaat ve Ticaret A.Ş.	Mel4	Turkey, Ankara	Real Estate Development	Turkey
Nisbetiye Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Nisbetiye	Turkey, Ankara	Real Estate Development	Turkey
Pendik Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Pendik	Turkey, Ankara	Real Estate Development	Turkey
Rönesans Yönetim A.Ş.	ROY	Turkey, Ankara	Asset Management	Turkey
Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Salacak	Turkey, Ankara	Real Estate Development	Turkey
Sancaktepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Sancaktepe	Turkey, Ankara	Real Estate Development	Turkey
Tarabya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Tarabya	Turkey, Ankara	Real Estate Development	Turkey
Salacak Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.- Rönesans Gayrimenkul Yatırım A.Ş İş Ortaklığı	Salacak-RGY	Turkey, Ankara	Real Estate Development	Turkey
Kabataş Gayrimenkul Yatırım İnşaat Turizm San. ve Ticaret A.Ş.- Rönesans Gayrimenkul Yatırım A.Ş. Adi Ortaklığı	Kabataş-RGY	Turkey, Ankara	Real Estate Development	Turkey

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

Joint Ventures:

The Company's joint ventures, center, main business activities and geographic segments is as follows:

Registered name of joint ventures	Short name	Place of incorporation and operation	Nature of business	Geographic segment
Esentepe Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Esentepe	Turkey, Ankara	Real Estate Development	Turkey
Feriköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Feriköy	Turkey, Ankara	Real Estate Development	Turkey
Kandilli Gayrimenkul Yatırımları Yönetim İnşaat ve Ticaret A.Ş.	Kandilli	Turkey, Ankara	Real Estate Development	Turkey
Kurtköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Kurtköy	Turkey, Ankara	Real Estate Development	Turkey

Approval of consolidated financial statements:

These consolidated financial statements have been approved for issue by the Board of Directors on 04 March 2022 and signed on its behalf by Sercan Yüksel, Head of Finance.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Adoption of New and Revised International Financial Reporting Standards

The following new and revised standards and interpretations are presented below.

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.

- **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.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Adoption of New and Revised International Financial Reporting Standards (cont’d)

●**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.

o**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.

o**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.

o**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 impact of the new standarts, amendments and improvements on the financial position and performance of the Group is being assessed.

2.2 Basis of representation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Reporting and measurement currency

Reporting currency

For the purpose of the consolidated financial statements, the results and the consolidated financial position of the Group is expressed in TRY.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2Basis of representation (cont'd)

Functional currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in Turkish Lira ("TRY"), which is the functional and presentation currency of the Group.

The exchange rates used for the preparation of consolidated financial statements as of 31 December 2020 and 31 December 2021 as follows:

The exchange rates used for the preparation of consolidated financial statements as at 31 December 2021 1 US Dollars = TRY 13.329 1 EUR= TRY 15.0867. (31 December 2020 1 US Dollars= TRY 7.3405 1 EUR= TRY 9.0079)

<u>Comparative information and reclassification of prior period consolidated financial statements</u>

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statement, comparative information is reclassed and significant changes are disclosed if necessary.

<u>Basis of consolidation:</u>

Subsidiaries included in consolidation as at 31 December 2021 and 2020 are as follows:

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

Subsidiaries	Effective ownership ratio (%)		Voting power held (%)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Akaretler	100.00	100.00	100.00	100.00
Akatlar [(1)]	-	100.00	100.00	100.00
Altunizade	100.00	100.00	100.00	100.00
Ayazağa	100.00	100.00	100.00	100.00
Bahariye	100.00	100.00	100.00	100.00
Bakırköy	100.00	100.00	100.00	100.00
Bostancı	100.00	100.00	100.00	100.00
Cevizli	100.00	-	100.00	-
Göksu	100.00	100.00	100.00	100.00
Kabataş	100.00	100.00	100.00	100.00
Kavacık	100.00	100.00	100.00	100.00
Kozyatağı	100.00	100.00	100.00	100.00
Mel2	100.00	100.00	100.00	100.00
Mel3	100.00	100.00	100.00	100.00
Mel4	100.00	100.00	100.00	100.00
Nakkaştepe [(1)]	-	100.00	-	100.00
Nisbetiye [(1)]	-	100.00	100.00	100.00
Pendik	100.00	100.00	100.00	100.00
Rönesans Yönetim	100.00	100.00	100.00	100.00
Salacak	100.00	100.00	100.00	100.00
Sancaktepe	100.00	100.00	100.00	100.00
Selimiye	100.00	-	100.00	-
Tarabya	100.00	100.00	100.00	100.00
Yakacık	100.00	-	100.00	-
Kabataş-RGY	100.00	100.00	100.00	100.00
Salacak-RGY	100.00	100.00	100.00	100.00

[(1)] Nakkaştepe, Nispetiye and Akatlar were sold on March 12, November 30 and December 10,2021, respectively.

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

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

Basis of consolidation (cont'd):

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

Investments in joint ventures:

			Proportion of ownership interest and voting power held by the Group	
Joint venture	Principle activity	Place of incorporation	31 December 2021	31 December 2020
Esentepe	Real Estate Development	Turkey, Ankara	50.00	50.00
Feriköy	Real Estate Development	Turkey, Ankara	50.00	50.00
Florya [1]	Real Estate Development	Turkey, Ankara	-	50.00
Kandilli	Real Estate Development	Turkey, Ankara	50.00	50.00
Kurtköy	Real Estate Development	Turkey, Ankara	50.00	50.00

[1] Florya was sold on July 9, 2021.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint 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.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of a joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

Gains and losses resulting from transactions between the Group and its joint ventures are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated on consolidation.

The Group has adopted IFRS 16 "Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

Impacts assessment of the first time adoption of IFRS 16 on the consolidated financial statements of the Group are as below:

IFRS 16 "Leases"

The Group - as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

IFRS 16 "Leases" (cont'd)

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

    (i) The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
    (ii) The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) Amount of the initial measurement of the lease liability;
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group; and

The Group re-measure the right of use asset:

a) After netting-off depreciation and reducing impairment losses from right of use asset,
b) Adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies IAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Group depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, The Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.
Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments, including in-substance fixed payments;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
d) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of representation (cont'd)

IFRS 16 "Leases" (cont'd)

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability
b) Reducing the carrying amount to reflect the lease payments made and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

a) There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or
b) There is a change in the assessment of an option to purchase the underlying asset. The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Group remeasure the lease liability by discounting the revised lease payments, if either:

a) There is a change in the amounts expected to be payable under a residual value guarantee. The Group determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
b) There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The Group remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

The Group account for a lease modification as a separate lease if both:

The Group determines its revised lease payments related to the remaining leasing period considering its payments related to the revised agreement. Under these circumstances, the Group uses an unadjusted interest rate.

The Group recognises the restructuring of the lease as a separate leasing if both of the following are met:

a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and
b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

Short term lease agreements with a duration of 12 months or less and the lease agreements for office rent and equipment determined by the Group as low value have been evaluated within the scope of the exemption recognized by the standard and the payments related to these agreements continue to be recorded as expense in the period they occur.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Significant Accounting Policies

Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements (“reporting entity”).

a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,

   (i) Has control or joint control over the reporting entity,
   (ii) Has significant influence over the reporting entity,
   (iii) Is a key management personnel of the reporting entity or a parent company of the reporting entity.

b) An entity is considered related party of the reporting entity when the following criteria are met:

   (i) If the entity and the reporting entity is within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others).
   (ii) If the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
   (iii) If both of the entities are a joint venture of a third party.
   (iv) If one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
   (v) If entity has plans of post employment benefits for employees of reporting entity or a related party of a reporting entity.
   (vi) If the reporting entity has its own plans, sponsor employers are also considered as related parties.
   (vii) If the entity is controlled or jointly controlled by an individual defined in the article (a).
   (viii) If an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity).

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Revenue

Rental income from real estate properties

Rental income generated from real estate development projects is recognized on an accrual basis. Revenue is recognised if it is probable that the economic benefit associated with these transactions will flow to the entity or the amount of revenue can be measured reliably.

Revenue generated from electricity, water and shared area expense reflecting

Electricity, water and shared area expense invoices related to shopping malls and offices owned by the Group, are reflected to the tenants as accrual basis according to the rental agreements between Group companies and tenants.

Revenues generated from sale flats or residential units

The Group sells flats or residential units. Revenue from the sale of these flats or residential units is measured at the fair value of the consideration received or receivable.

Revenue from sale of flats or residential units is recognized when all the following conditions are satisfied in accordance with IFRS 15 Revenue from Contract with Customers.

- The Group has transferred to the buyer the control of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Transfers of control depending on the individual terms of the contract of sale. Revenues from the sale of flats or residential units are recognised when the Group turnover the ownership of the flats or residential units to the buyer and upon acceptance of such by the buyer.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued with weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Housing projects under construction; costs comprise direct costs, attributable direct costs, attributable indirect costs, raw materials related to projects. These inventories are stated at the lower of cost or net realizable value.

Lands to be developed for projects consist of lands for sale of residential real estates.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Property, plant and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets acquired separately

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

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Intangible assets
Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-15 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding 3 years).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Bonds

Bonds are recognized initially at their proceeds net of transaction costs incurred at the date of purchase or issue. Bonds are subsequently stated at amortised cost using the effective yield method in the consolidated financial statements. Any difference between the proceeds and redemption value (net of transaction costs) is recognized in the consolidated income statement over the period of the bonds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The amount of borrowing costs eligible for capitalization for funds borrowed for the purpose of specific qualifying assets is the actual borrowing costs incurred during the period on such borrowed funds less any investment income on any amount of the borrowing that is temporary invested.

All other borrowing costs are recognized in the consolidated statement of income in the period in which they are incurred

Financial instruments

Financial assets

Group has applied IFRS 9 "Financial instruments", which has replaced IAS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effect of transition is accounted based on the simplified approach. In accordance with this method, Group recorded the cumulative effect related to the transition of IFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with IAS 39.

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets except for financial assets:
Impairment

Financial assets of the Group subject to the expected credit loss model is as follows:

- Trade receivables arisen from inventory sales and real estate rentals,
- Receivables from service concession arrangements
- Financial liabilities carried at fair value through profit or loss
- Financial assets carried at fair value through other comprehensive income

The Group, evaluated its impairment methodology for all its asset classes together with the IFRS 9 change and concluded that the amount of expected credit loss is not significant.

Trade and contract receivables

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that do not contain a significant financing component, which is referred as simplified approach.

Trade and contract receivables are grouped in accordance with their similar credit characterisctics and delay days in order to measure expected credit losses. Contract receivables are related to the uninvoiced ongoing projects and has the same risk characteristics with the trade receivables for the same contracts. Therefore, Group has concluded that the expected loss ratio measured for trade receivables converges to the expected loss ratio of contract receivables appropriately.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, Eurobond investments held for trading ,currency swaps and cross currency fixed interest rate swap.

Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. In addition, trade receivables collected from factoring companies due to without recourse factoring activities are classified as financial assets carried at fair value through other comprehensive income since the collection risk of these receivables are transferred to the factoring companies and management's business plan for them is "hold to sell". When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

<u>Derivative financial instruments and hedge accounting</u>

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.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives are included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Financial instruments (cont'd)

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Business combinations (cont'd)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Foreign currency transactions (cont'd)

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

Events after balance sheet date

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) will be explained in the relevant note.

The Group restates its consolidated financial statements if such subsequent events arise.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Segmental reporting

In accordance with IFRS 8 "Operating Segments", an operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The Group's chief operating decision maker ("CODM") receives financial information and reviews assets, liabilities, deferred tax liabilities, value added tax, net operating income, operating expense, interest income from time deposit, interest expense, income tax expense and capital expenditures of its real estate projects on an individual basis for the purpose of determining resources to be allocated to segments and assessing the performance of each segment (Note 4).

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out at that date by valuers independent of the Group generally on sixth and twelfth months. The valuation, which conforms to International Valuation Standards and Capital Market Board Legislation, was arrived at by reference to market evidence of transaction prices for similar properties and discounted cash flows and income capitalization approach. The fair values represent the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Reclassification to or from investment property are only made when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of transfer. If an owner-occupied property is reclassified as investment property, the Group accounts for such property in accordance with the policy stated under Property and Equipment up to the date of the reclassification.

Investment properties under development

Property that is being constructed for future use as investment property is accounted for as investment property under development until construction or development is complete, at which time it is reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

Investment property under construction is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss.

The fair value of the Group's investment properties under development has been arrived at on the basis of a valuation carried out at that date by valuers independent of the Group semi annually and annually. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties and discounted cash flows, income capitalization and comparison approach. The fair values are based on the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in arm's length transaction.
The Group values its investment properties with the discounted cash flow after obtaining the approval of the building permit and construction.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Income Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis according to the tax legislation of the country the entity operates.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee benefits

Termination and retirement benefits

The Group has operated in different countries and the local regulations and practices of the countries in question are applied in determination of defined benefit plan.

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit liability recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses through statement of other comprehensive income.

Statements of Cash Flows

Current period statements of cash flows are categorized and reported as operating, investing and financing.

Capital and Dividends

Common stocks are classified as equity. Dividends paid are recorded at the Board's payment decision date retained earnings balance less the dividend amount paid.

2.4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

2.4.1 Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in note 2.3, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below under notes).

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the Group management has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognized deferred taxes on changes in fair value of investment properties.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

2.4.1 Critical judgments in applying the entity's accounting policies

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies (such as disposal of asset and company) that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets in certain Group because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in the Group. The Group has provided an allowance for deferred tax assets from carry forward tax losses because it is probable that taxable profit will not be available sufficient to recognize deferred tax assets in the Group.Deferred tax asset amounting to TL1,026,047 (2020:741,913) is related to the carry forward tax losses of the Group. The Group concluded that the deferred tax asset will able to be utilized before its expire date by the way of taxable income, based on approved tax plannings and planned asset and company sales. These assets will be expired in a maximum of 5 years to be deducted from the taxable profit that will occur in the coming years.

2.4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Determination of fair values of investment properties and investment properties under development

The fair value of investment property is based on valuations, performed by independent valuers, who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment properties being valued. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique, Market comparison and income capitalization approach for investment properties. Key estimates used in valuation is disclosed in Note 10.

2.5 Comparative information and adjustment effect on previous financial statement

The financial statement of the Company includes comparative financial information to enable determination of financial position and performance. Comparative figures are reclassified where necessary to conform to changes in the presentation in the current period financial statements.

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

3. INTERESTS IN OTHER ENTITIES

The details of Group's associates and joint ventures valued by using equity method as at 31 December 2021 and 31 December 2020 are as follows:

	Group's share on net asset of investments accounted for using the equity method	
Investment accounted for using the equity method	31 December 2021	31 December 2020
Joint ventures	2,624,682	2,055,437
	2,624,682	2,055,437

	Group's share on profit of investments accounted for using the equity method for the period	
Investment accounted for using the equity method	1 January- 31 December 2021	1 January- 31 December 2020
Joint ventures	759,168	152,835
	759,168	152,835

The fair values of investment properties under development and investment property are given below:

Joint venture	Project Name	Place of property	31 December 2021	31 December 2020
Esentepe	Optimum İzmir SHC [(1) (2)]	İzmir, Turkey	2,242,235	1,495,160
Feriköy	Optimum İstanbul SHC [(1) (2)]	İstanbul, Turkey	1,343,565	902,380
Florya	Konak [(1)]	İzmir, Turkey	-	216,643
Kandilli	Ümraniye Tepeüstü [(1)]	İstanbul, Turkey	134,730	93,725
Kurtköy	Optimum Ankara SHC [(1) (2)]	Ankara, Turkey	945,470	690,362
			4,666,000	3,398,270

(1) Amount presents the value of the projects multiplied with the Company's share.
(2) Assets are secured with mortgage, pledge, lien or other security interest to secure borrowings.

	2021	2020
1 January	**2,055,437**	**1,901,598**
Shares on net profit/loss of joint ventures	759,168	152,835
Changes in capital	617	1,004
Sales of joint venture	(190,540)	-
31 December	**2,624,682**	**2,055,437**

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures (cont'd)

31 December 2021	**Esentepe**	**Feriköy**	**Kandilli**	**Kurtköy**	**Total**
Cash	110,470	55,904	72	44,896	211,342
VAT deductible	-	-	-	-	-
Other current assets	19,772	33,787	5	12,110	65,674
Current Assets	**130,242**	**89,691**	**77**	**57,006**	**277,016**
Investment properties	4,484,470	2,687,130	269,460	1,890,940	9,332,000
VAT deductible	-	-	17,075	-	17,075
Other non-current assets	1,216,802	1,221,471	17	227,177	2,665,467
Non-Current Assets	**5,701,272**	**3,908,601**	**286,552**	**2,118,117**	**12,014,542**
Total Assets (*)	**5,831,514**	**3,998,292**	**286,629**	**2,175,123**	**12,291,558**
Financial debts	2,787,894	38,660	0	35,750	2,862,304
Other current liabilities	22,143	11,956	15	13,505	47,619
Current Liabilities	**2,810,037**	**50,616**	**15**	**49,255**	**2,909,923**
Financial debts	0	1,618,049	0	1,103,631	2,721,680
Deferred tax liabilities	625,257	477,053	32,187	261,677	1,396,174
Other non-current liabilities	8,757	2,186	0	3,474	14,417
Non-Current Liabilities	**634,014**	**2,097,288**	**32,187**	**1,368,782**	**4,132,271**
Total Liabilities (*)	**3,444,051**	**2,147,904**	**32,202**	**1,418,037**	**7,042,194**
Net Assets of Joint Ventures	**2,387,463**	**1,850,388**	**254,427**	**757,086**	**5,249,364**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%
Carriying amount of the Group's interest in joint ventures	**1,193,732**	**925,194**	**127,214**	**378,542**	**2,624,682**
Share of Group on VAT deductible	-	-	8,538	-	8,538
Share of Group on investment properties	2,242,235	1,343,565	134,730	945,470	4,666,000
Share of Group on total assets	2,915,757	1,999,146	143,314	1,087,562	6,145,779
Share of Group on deferred tax liabilities	312,628	238,527	16,093	130,839	698,087
Share of Group on total liabilities	1,722,025	1,073,952	16,101	709,019	3,521,097

(*) Non trade receivables and non-trade payables disclosed in related party notes are shown in total asset and total liability.

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures (cont'd)

31 December 2020	**Esentepe**	**Feriköy**	**Florya**	**Kandilli**	**Kurtköy**	**Total**
Cash	44,416	38,270	38	24	14,504	97,252
Other current assets	26,406	12,782	-	73	9,433	48,694
Current Assets	**70,822**	**51,052**	**38**	**97**	**23,937**	**145,946**
Investment properties	2,990,320	1,804,760	433,285	187,450	1,380,725	6,796,540
VAT deductible	-	-	6,930	17,070	-	24,000
Other non-current assets	768,456	875,101	45	-	194,316	1,837,918
Non-Current Assets	**3,758,776**	**2,679,861**	**440,260**	**204,520**	**1,575,041**	**8,658,458**
Total Assets (*)	**3,829,598**	**2,730,913**	**440,298**	**204,617**	**1,598,978**	**8,804,404**
Financial debts	43,208	1,174,906	-	-	737,434	1,955,548
Other current liabilities	10,089	6,627	73	19	10,392	27,200
Current Liabilities	**53,297**	**1,181,533**	**73**	**19**	**747,826**	**1,982,748**
Financial debts	1,657,454	-	-	-	-	1,657,454
Deferred tax liabilities	425,850	314,725	61,070	15,815	209,342	1,026,802
Other non-current liabilities	17,136	1,440	-	-	7,950	26,526
Non-Current Liabilities	**2,100,440**	**316,165**	**61,070**	**15,815**	**217,292**	**2,710,782**
Total Liabilities (*)	**2,153,737**	**1,497,698**	**61,143**	**15,834**	**965,118**	**4,693,530**
Net Assets of Joint Ventures	**1,675,861**	**1,233,215**	**379,155**	**188,783**	**633,860**	**4,110,874**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%
Carriying amount of the Group's interest in joint ventures	**837,931**	**616,608**	**189,578**	**94,391**	**316,930**	**2,055,437**
Share of Group on VAT deductible	-	-	3,465	8,535	-	12,000
Share of Group on investment properties	1,495,160	902,380	216,643	93,725	690,362	3,398,270
Share of Group on total assets	1,914,799	1,365,456	220,149	102,309	799,489	4,402,202
Share of Group on deferred tax liabilities	212,925	157,363	30,535	7,908	104,671	513,401
Share of Group on total liabilities	1,076,868	748,849	30,572	7,917	482,559	2,346,765

(*) Non-trade receivables and non-trade payables disclosed in related party notes are shown in total asset and total liability.

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures (cont'd)

31 December 2021	**Esentepe**	**Feriköy**	**Florya**	**Kandilli**	**Kurtköy**	**Total**
Revenue	201,620	98,241	-	-	80,594	380,455
Cost	(43,292)	(26,801)	-	-	(24,099)	(94,192)
Operatıng expenses	(7,956)	(4,648)	-	-	(9,921)	(22,525)
Interest income from bank deposit	907	419	-	-	450	1,776
Interest expense financial debts	(46,700)	(33,502)	-	-	(19,794)	(99,996)
Income tax expense	(199,407)	(162,328)	-	(16,355)	(52,335)	(430,425)
Realised gain on derivative instruments carried at fair value through profit and loss, net	(12,952)	-	-	-	(6,865)	(19,817)
Unrealised gain/(loss) on derivative instruments carried at fair value through profit and loss, net	8,539	-	-	-	6,268	14,807
Other	810,840	745,795	1,038	81,658	148,922	1,788,253
Net income for the period	**711,599**	**617,176**	**1,038**	**65,303**	**123,220**	**1,518,336**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%
Share of Group on revenue	100,810	49,120	-	-	40,297	190,227
Share of Group on cost	(21,646)	(13,400)	-	-	(12,050)	(47,096)
Share of Group on operating expenses	(3,978)	(2,324)	-	-	(4,961)	(11,263)
Share of Group on interest income from bank deposit	453	209	-	-	225	887
Share of Group on interest expense financial debts	(23,350)	(16,751)	-	-	(9,897)	(49,998)
Share of Group on income tax expense	(99,703)	(81,164)	-	(8,177)	(26,167)	(215,211)
Share of Group on realised gain on derivative instruments	(6,476)	-	-	-	(3,432)	(9,908)
Share of Group on unrealised gain/(loss) on derivative instruments	4,269	-	-	-	3,134	7,403
Share of Group on other income / (expense)	405,420	372,898	519	40,829	74,461	894,127
Share of Group on income for the period	**355,799**	**308,588**	**519**	**32,652**	**61,610**	**759,168**

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures (cont'd)

31 December 2020	**Esentepe**	**Feriköy**	**Florya**	**Kandilli**	**Kurtköy**	**Total**
Revenue	141,059	67,838	-	-	54,415	263,312
Cost	(31,317)	(19,764)	-	-	(17,157)	(68,238)
Operating expenses	(3,971)	(2,709)	-	-	(2,623)	(9,303)
Interest income from bank deposit	392	185	-	-	260	837
Interest expense financial debts	(36,016)	(28,350)	-	-	(19,905)	(84,271)
Income tax expense	(10,412)	(28,994)	(10,764)	(2,292)	(23,785)	(76,247)
Realised gain on derivative instruments carried at fair value through profit and loss, net	(7,418)	-	-	-	(9,188)	(16,606)
Unrealised gain/(loss) on derivative instruments carried at fair value through profit and loss, net	(1,342)	-	-	-	(3,464)	(4,806)
Other	(6,450)	156,242	53,764	11,472	85,964	300,992
Net profit for the period	**44,525**	**144,448**	**43,000**	**9,180**	**64,517**	**305,670**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%
Share of Group on revenue	70,530	33,919	-	-	27,208	131,657
Share of Group on cost	(15,658)	(9,882)	-	-	(8,579)	(34,119)
Share of Group on operating expenses	(1,985)	(1,355)	-	-	(1,312)	(4,652)
Share of Group on interest income from bank deposit	196	93	-	-	130	419
Share of Group on interest expense financial debts	(18,008)	(14,175)	-	-	(9,953)	(42,136)
Share of Group on income tax expense	(5,206)	(14,497)	(5,382)	(1,146)	(11,893)	(38,124)
Share of Group on realised gain on derivative instruments	(3,709)	-	-	-	(4,594)	(8,303)
Share of Group on unrealised gain/(loss) on derivative instruments	(671)	-	-	-	(1,732)	(2,403)
Share of Group on other income / (expense)	(3,225)	78,121	26,882	5,736	42,982	150,496
Share of Group on profit for the period	**22,264**	**72,224**	**21,500**	**4,590**	**32,257**	**152,835**

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

4. SEGMENTAL REPORTING

The Group identifies and presents segment reporting in accordance with IFRS 8, Operating Segments. The information on operating segments is based on internal reports which are periodically reviewed by the management of the Company.

The management of the Company reviews assets, liabilities, deferred tax liabilities, value added tax, net operating income, operating expense, interest income from time deposit, interest expense, income tax expense and capital expenditures real estate projects for the purpose of determining resources to be allocated to segments and assessing the performance of each segment.

The assets, liabilities, deferred tax assets and liabilities, net operating income, operating expense, value added tax, interest income from time deposit, interest expense, income tax expense, realised derivative and capital expenditures of the Group's real estate projects are as follows:

a) Total Assets (*)

Company Name	Project Name	31 December 2021	31 December 2020
Kabataş Rönesans	Beachtown	336,136	239,044
Nakkaştepe [1]	Bayraklı	-	366,561
Nisbetiye [1]	Bursa	-	130,599
Tarabya	Hilltown SHC and Office	3,243,071	2,288,714
Pendik [2]	İzmit	27,872	24,088
Mel3	Kahramanmaraş Piazza SHC	1,088,476	755,040
Altunizade	Hilltown Karşıyaka SHC	3,116,132	2,197,808
Florya [1]	Konak	-	220,149
Kozyatağı	Kozzy SHC	435,560	353,485
Bostancı	Küçükyalı Office and School	1,088,832	796,344
Salacak	Maltepe Piazza	3,418,183	2,411,071
Bakırköy	Maltepe Park	2,215,507	1,489,753
Kavacık [2]	Mamak	127,836	84,491
Göksu	Optimum Adana SHC	2,070,028	1,446,805
Kurtköy	Optimum Ankara SHC	1,087,562	799,489
Feriköy	Optimum İstanbul SHC	1,999,146	1,365,456
Esentepe	Optimum İzmir SHC	2,915,757	1,914,799
Mel2	Samsun Piazza SHC and Hotel	2,223,455	1,568,843
Sancaktepe	Seyrantepe	67,570	46,057
Akatlar [1]	Silivri	-	45,048
Mel4	Şanlıurfa Piazza SHC	817,835	560,179
Kandilli	Ümraniye Tepeüstü	143,314	102,309
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	1,820,878	744,823
Rönesans Yönetim	Rönesans Yönetim	1,568	1,134
Other	Other	2,353	582
	Combined	28,247,071	19,952,671
	Less : Joint ventures (Note 3)	(6,145,779)	(4,402,202)
	Less : Consolidation eliminations and adjustments	3,306,872	2,521,657
	Consolidated	25,408,164	18,072,126

(*) Total Asset includes related party receivables.
(1) Nakkaştepe, Florya, Nispetiye and Akatlar were sold on respectively March 12, July 9, November 30 and December 10,2021.
(2) Pendik and Kavacık have been classified as asset held for sale.

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

4. SEGMENTAL REPORTING (cont'd)

b) Total Liabilities (*)

Company Name	Project Name	31 December 2021	31 December 2020
Kabataş Rönesans	Beachtown	94,056	71,643
Nakkaştepe [1]	Bayraklı	-	37,987
Nisbetiye [1]	Bursa	-	13,586
Tarabya	Hilltown SHC and Office	1,854,667	1,346,409
Pendik [2]	İzmit	4,365	3,284
Mel3	Kahramanmaraş Piazza SHC	298,032	240,431
Altunizade	Hilltown Karşıyaka SHC	2,615,529	1,512,397
Florya [1]	Konak	-	30,572
Kozyatağı	Kozzy SHC	307,189	219,941
Bostancı	Küçükyalı Office and School	447,970	397,063
Salacak	Maltepe Piazza	2,832,215	1,819,070
Bakırköy	Maltepe Park	723,049	430,894
Kavacık [2]	Mamak	23,183	14,839
Göksu	Optimum Adana SHC	841,841	711,455
Kurtköy	Optimum Ankara SHC	709,019	482,559
Feriköy	Optimum İstanbul SHC	1,073,952	748,849
Esentepe	Optimum İzmir SHC	1,722,025	1,076,868
Mel2	Samsun Piazza SHC and Hotel	854,634	698,982
Sancaktepe	Seyrantepe	7,073	3,425
Akatlar [1]	Silivri	-	6,815
Mel4	Şanlıurfa Piazza SHC	330,470	302,687
Kandilli	Ümraniye Tepeüstü	16,101	7,917
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	4,986,066	3,053,160
Rönesans Yönetim	Rönesans Yönetim	1,647	990
Other	Other	3,962	1,417
	Combined	19,747,045	13,233,240
	Less : Joint ventures (Note 3)	(3,521,097)	(2,346,765)
	Less : Consolidation eliminations and adjustments	682,190	466,220
	Consolidated	16,908,138	11,352,695

(*) Total Liability includes related party payables.
(1) Nakkaştepe, Florya, Nispetiye and Akatlar were sold on respectively March 12, July 9, November 30 and December 10,2021.
(2) Pendik and Kavacık have been classified as asset held for sale.

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

4. SEGMENTAL REPORTING (cont'd)

c) Deferred Tax Assets

Company Name	Project Name	31 December 2021	31 December 2020
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	269,461	197,859
Rönesans Yönetim	Rönesans Yönetim	317	262
Other	Other	225	141
	Combined	270,003	198,262
	Less : Joint ventures	(9)	-
	Consolidated	269,994	198,262

d) Deferred Tax Liabilities

Company Name	Project Name	31 December 2021	31 December 2020
Kabataş Rönesans	Beachtown	52,927	34,521
Nakkaştepe [1]	Bayraklı	-	37,863
Nisbetiye [1]	Bursa	-	13,576
Tarabya	Hilltown SHC and Office	258,972	141,239
Pendik [2]	İzmit	-	3,274
Mel3	Kahramanmaraş Piazza SHC	166,156	94,285
Altunizade	Hilltown Karşıyaka SHC	249,560	92,543
Florya [1]	Konak	-	30,535
Kozyatağı	Kozzy SHC	35,998	34,560
Bostancı	Küçükyalı Office and School	164,154	102,879
Salacak	Maltepe Piazza	123,822	35,769
Bakırköy	Maltepe Park	258,534	116,583
Kavacık [2]	Mamak	-	14,824
Göksu	Optimum Adana SHC	293,093	167,200
Kurtköy	Optimum Ankara SHC	130,839	104,671
Feriköy	Optimum İstanbul SHC	238,527	157,362
Esentepe	Optimum İzmir SHC	312,628	212,925
Mecidiyeköy	RönesansBiz Mecidiyeköy	-	-
Mel2	Samsun Piazza SHC and Hotel	323,411	188,761
Sancaktepe	Seyrantepe	6,918	3,360
Akatlar [1]	Silivri	-	6,769
Mel4	Şanlıurfa Piazza SHC	89,309	35,719
Kandilli	Ümraniye Tepeüstü	16,093	7,908
	Combined	2,720,941	1,637,126
	Less : Joint ventures (Note 3)	(698,087)	(513,401)
	Less : Consolidation eliminations and adjustments	-	-
	Consolidated	2,022,854	1,123,725

(1) Nakkaştepe, Florya, Nispetiye and Akatlar were sold on respectively March 12, July 9, November 30 and December 10,2021.
(2) Pendik and Kavacık have been classified as asset held for sale.

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

4. SEGMENTAL REPORTING (cont'd)

e) Value Added Tax ("VAT") Deductible

Company Name	Project Name	31 December 2021	31 December 2020
Kabataş Rönesans	Beachtown	4,591	4,435
Nakkaştepe (1)	Bayraklı	-	25,012
Nisbetiye (1)	Bursa	-	543
Tarabya	Hilltown SHC and Office	56,187	70,244
Pendik (2)	İzmit	-	92
Mel3	Kahramanmaraş Piazza SHC	713	605
Altunizade	Hilltown Karşıyaka SHC	135,719	151,319
Florya (1)	Konak	-	3,465
Salacak	Maltepe Piazza	97,293	110,967
Bakırköy	Maltepe Park	29,908	36,522
Kavacık (2)	Mamak	-	90
Salacak Rönesans	Salacak Rönesans	176	184
Sancaktepe	Seyrantepe	158	98
Akatlar (1)	Silivri	-	20
Kandilli	Ümraniye Tepeüstü	8,538	8,535
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	8,340	7,853
Other	Other	376	126
	Combined	341,999	420,110
	Less : Joint ventures (Note 3)	(8,538)	(12,000)
	Consolidated	333,461	408,110

(1) Nakkaştepe, Florya, Nispetiye and Akatlar were sold on respectively March 12, July 9, November 30 and December 10,2021.
(2) Pendik and Kavacık have been classified as asset held for sale.

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

4. SEGMENTAL REPORTING (cont'd)

f) Gross Profit

Company Name	Project Name	31 December 2021			31 December 2020		
		Revenue	Cost	Gross Profit	Revenue	Cost	Gross Profit
Tarabya	Hilltown SHC and Office	140,786	(61,322)	79,464	93,028	(46,528)	46,500
Mel3	Kahramanmaraş Piazza SHC	71,128	(22,582)	48,546	46,227	(16,205)	30,022
Altunizade	Hilltown Karşıyaka SHC	166,587	(42,028)	124,559	104,830	(29,923)	74,907
Kozyatağı	Kozzy SHC	22,249	(12,194)	10,055	16,542	(9,484)	7,058
Bostancı	Küçükyalı Office and School	67,881	(17,740)	50,141	64,761	(15,215)	49,546
Salacak	Maltepe Piazza	141,684	(52,428)	89,256	85,488	(34,601)	50,887
Bakırköy	Maltepe Park	74,319	(23,490)	50,829	54,683	(18,209)	36,474
Göksu	Optimum Adana SHC	105,003	(32,779)	72,224	70,122	(22,273)	47,849
Kurtköy	Optimum Ankara SHC	40,297	(12,049)	28,248	27,208	(8,579)	18,629
Feriköy	Optimum İstanbul SHC	49,120	(13,401)	35,719	33,919	(9,882)	24,037
Esentepe	Optimum İzmir SHC	100,810	(21,646)	79,164	70,530	(15,658)	54,872
Mecidiyeköy [1]	RönesansBiz Mecidiyeköy	-	-	-	12,925	(2,316)	10,609
Mel2	Samsun Piazza SHC and Hotel	115,828	(27,925)	87,903	77,063	(18,483)	58,580
Mel4	Şanlıurfa Piazza SHC	55,221	(20,245)	34,976	37,257	(14,097)	23,160
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	28,713	(421)	28,292	14,272	(4,031)	10,241
Other	Other	-	-	-	590	-	590
	Combined	1,179,626	(360,250)	819,376	809,445	(265,484)	543,961
	Less : Joint ventures (Note 3)	(190,227)	47,096	(143,131)	(131,657)	34,119	(97,538)
	Less : Consolidation eliminations and adjustments	3,657	718	4,375	10,473	(7,672)	2,801
	Consolidated	993,056	(312,436)	680,620	688,261	(239,037)	449,224

[1] Mecidiyeköy has sold on 11 August 2020.

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

4. SEGMENTAL REPORTING (cont'd)

g) Operating Expenses

Company Name	Project Name	31 December 2021	31 December 2020
Tarabya	Hilltown SHC and Office	3,293	1,417
Mel3	Kahramanmaraş Piazza SHC	1,553	733
Altunizade	Hilltown Karşıyaka SHC	11,331	7,494
Kozyatağı	Kozzy SHC	1,225	611
Bostancı	Küçükyalı Office and School	372	312
Salacak	Maltepe Piazza	2,737	1,387
Bakırköy	Maltepe Park	2,531	1,199
Göksu	Optimum Adana SHC	2,889	1,691
Kurtköy	Optimum Ankara SHC	4,961	1,312
Feriköy	Optimum İstanbul SHC	2,324	1,355
Esentepe	Optimum İzmir SHC	3,978	1,985
Mecidiyeköy (1)	RönesansBiz Mecidiyeköy	-	30
Mel2	Samsun Piazza SHC and Hotel	1,787	860
Mel4	Şanlıurfa Piazza SHC	1,730	825
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	10,075	10,583
Other	Other	357	127
	Combined	51,143	31,921
	Less : Joint ventures (Note 3)	(11,263)	(4,652)
	Less : Consolidation eliminations and adjustments	4,373	2,798
	Consolidated	44,253	30,067

(1) Mecidiyeköy has sold on 11 August 2020.

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

4. SEGMENTAL REPORTING (cont'd)

h) Interest income from bank deposit

Company Name	Project Name	31 December 2021	31 December 2020
Tarabya	Hilltown SHC and Office	1,499	269
Mel3	Kahramanmaraş Piazza SHC	513	176
Altunizade	Hilltown Karşıyaka SHC	860	337
Kozyatağı	Kozzy SHC	240	48
Bostancı	Küçükyalı Office and School	2,720	1,301
Salacak	Maltepe Piazza	366	261
Bakırköy	Maltepe Park	794	313
Göksu	Optimum Adana SHC	1,771	404
Kurtköy	Optimum Ankara SHC	225	130
Feriköy	Optimum İstanbul SHC	210	92
Esentepe	Optimum İzmir SHC	453	196
Mecidiyeköy	RönesansBiz Mecidiyeköy	-	60
Mel2	Samsun Piazza SHC and Hotel	665	219
Mel4	Şanlıurfa Piazza SHC	994	198
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	23,383	7,331
Rönesans Yönetim	Rönesans Yönetim	76	20
Other	Other	51	16
	Combined	34,820	11,371
	Less : Joint ventures (Note 3)	(888)	(419)
	Consolidated	33,932	10,952

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

4. SEGMENTAL REPORTING (cont'd)

i) Interest expenses of financial debts

Company Name	Project Name	31 December 2021	31 December 2020
Tarabya	Hilltown SHC and Office	94,251	50,102
Altunizade	Hilltown Karşıyaka SHC	86,255	66,030
Kozyatağı	Kozzy SHC	8,712	7,279
Bostancı	Küçükyalı Office and School	34,412	27,979
Salacak	Maltepe Piazza	100,571	80,963
Göksu	Optimum Adana SHC	97,687	44,879
Kurtköy	Optimum Ankara SHC	9,897	9,953
Feriköy	Optimum İstanbul SHC	16,751	14,175
Esentepe	Optimum İzmir SHC	23,350	18,008
Mel2	Samsun Piazza SHC and Hotel	102,204	21,629
Mel4	Şanlıurfa Piazza SHC	49,313	13,024
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	222,135	165,653
	Combined	845,538	519,674
	Less : Joint ventures (Note 3)	(49,998)	(42,136)
	Consolidated	795,540	477,538

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

4. SEGMENTAL REPORTING (cont'd)

j) Income tax expense

Company Name	Project Name	31 December 2021	31 December 2020
Balmumcu [(3)]	Antalya	-	(11)
Kabataş Rönesans	Beachtown	(18,406)	(1,610)
Nakkaştepe [(1)]	Bayraklı	34	(8,558)
Nisbetiye [(1)]	Bursa	(3,663)	(2,720)
Tarabya	Hilltown SHC and Office	(117,734)	21,424
Pendik [(2)]	İzmit	(626)	(891)
Mel3	Kahramanmaraş Piazza SHC	(71,871)	(19,737)
Altunizade	Hilltown Karşıyaka SHC	(157,017)	8,308
Florya [(1)]	Konak	-	(5,382)
Kozyatağı	Kozzy SHC	(1,439)	2,982
Bostancı	Küçükyalı Office and School	(61,275)	(20,437)
Salacak	Maltepe Piazza	(88,053)	(4,336)
Bakırköy	Maltepe Park	(141,951)	(7,170)
Kavacık [(2)]	Mamak	(8,354)	(776)
Göksu	Optimum Adana SHC	(125,894)	4,268
Kurtköy	Optimum Ankara SHC	(26,167)	(11,893)
Feriköy	Optimum İstanbul SHC	(81,164)	(14,497)
Esentepe	Optimum İzmir SHC	(99,704)	(5,206)
Mecidiyeköy [(4)]	RönesansBiz Mecidiyeköy	-	(3,808)
Mel2	Samsun Piazza SHC and Hotel	(134,651)	(22,542)
Sancaktepe	Seyrantepe	(3,556)	(767)
Akatlar [(1)]	Silivri	(1,108)	(1,499)
Mel4	Şanlıurfa Piazza SHC	(53,590)	(6,185)
Kandilli	Ümraniye Tepeüstü	(8,177)	(1,146)
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	71,556	78,958
Rönesans Yönetim	Rönesans Yönetim	(23)	203
Other	Other	77	37
	Combined	(1,132,756)	(22,991)
	Less : Joint ventures (Note 3)	215,212	38,124
	Consolidated	(917,544)	15,133

(1) Nakkaştepe, Florya, Nispetiye and Akatlar were sold on respectively March 12, July 9, November 30 and December 10,2021.
(2) Pendik and Kavacık have been classified as asset held for sale.
(3) Balmumcu has sold on 23 June 2020.
(4) Mecidiyeköy has sold on 11 August 2020.

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

4. SEGMENTAL REPORTING (cont'd)

k) Realised Derivative

Company Name	Project Name	31 December 2021	31 December 2020
Tarabya	Hilltown SHC and Office	-	(6,851)
Kozyatağı	Kozzy SHC	(1,078)	(800)
Salacak	Maltepe Piazza	(15,186)	(10,601)
Kurtköy	Optimum Ankara SHC	(3,433)	(4,594)
Esentepe	Optimum İzmir SHC	(6,476)	(3,709)
Mel2	Samsun Piazza SHC and Hotel	(3,398)	(2,089)
Mel4	Şanlıurfa Piazza SHC	-	(3,533)
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	249,460	341,878
	Combined	219,889	309,701
	Less : Joint ventures (Note 3)	9,909	8,303
	Consolidated	229,798	318,004

l) Unrealised Derivative

Company Name	Project Name	31 December 2021	31 December 2020
Tarabya	Hilltown SHC and Office	-	5,432
Kozyatağı	Kozzy SHC	799	4
Salacak	Maltepe Piazza	6,153	(4,332)
Göksu	Optimum Adana SHC	-	(15)
Kurtköy	Optimum Ankara SHC	3,134	(1,732)
Esentepe	Optimum İzmir SHC	4,269	(670)
Mel2	Samsun Piazza SHC and Hotel	3,175	136
Mel4	Şanlıurfa Piazza SHC	-	1,835
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	177,367	(346,757)
	Combined	194,897	(346,099)
	Less : Joint ventures (Note 3)	(7,403)	2,403
	Consolidated	187,494	(343,696)

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

4. SEGMENTAL REPORTING (cont'd)

m) Capital Expenditures (*)

Company Name	Project Name	31 December 2021	31 December 2020
Kabataş Rönesans	Beachtown	79,464	78,692
Nakkaştepe (1)	Bayraklı	-	468,014
Nisbetiye (1)	Bursa	-	62,341
Tarabya	Hilltown SHC and Office	805,218	802,215
Pendik (2)	İzmit	7,776	7,776
Mel3	Kahramanmaraş Piazza SHC	205,916	203,598
Altunizade	Karşıyaka	1,172,489	1,162,701
Florya (1)	Konak	-	65,015
Kozyatağı	Kozzy SHC	56,220	54,549
Bostancı	Küçükyalı Office and School	233,843	232,864
Salacak	Maltepe Piazza	1,331,769	1,323,079
Bakırköy	Maltepe Park	923,443	916,258
Kavacık (2)	Mamak	11,997	10,422
Kuzguncuk	Optimum Antalya	100,954	99,162
Göksu	Optimum Adana SHC	329,955	325,012
Kurtköy	Optimum Ankara SHC	55,682	54,372
Feriköy	Optimum İstanbul SHC	114,786	110,733
Esentepe	Optimum İzmir SHC	359,345	351,653
Mel2	Samsun Piazza SHC and Hotel	654,928	650,989
Akatlar (1)	Silivri	-	10,981
Sancaktepe	Seyrantepe	32,965	29,276
Mel4	Şanlıurfa Piazza SHC	208,902	206,626
Kandilli	Ümraniye Tepeüstü	55,315	54,964
	Combined	6,740,967	7,281,292
	Less : Joint ventures	(585,128)	(636,737)
	Consolidated	**6,155,839**	**6,644,555**

(*) "Capital expenditures" include cumulative capital expenditures made for "Investment properties" and acquisition cost of lands to be developed for projects in the accompanying consolidated financial statements.

(1) Nakkaştepe, Florya, Nispetiye and Akatlar were sold on respectively March 12, July 9, November 30 and December 10,2021.

(2) Pendik and Kavacık have been classified as asset held for sale.

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

5. RELATED PARTY DISCLOSURES

The ultimate controlling party of the Group is Rönesans Holding A.Ş. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of balances and transactions between the Group and other related parties are disclosed below:

	31 December 2021						
	Receivables		Payables				Advances
	Current		Current		Non-current		Current
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	
Joint ventures							
Kandilli Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	10	-	-	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	3,680	126	4	1,967	-	614,527	-
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	1,641	87	-	-	-	114,133	-
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	2,223	62	144	11,141	-	614,852	-
Shareholders							
Euro Efes S.a.r.l. (2)	-	-	-	-	-	54,693	-
Rönesans Emlak Geliştirme Holding A.Ş. (2)	-	-	-	-	-	200,405	-
Other companies managed by the parent company							
Rönesans Altyapı Sistemleri A.Ş. (3)	1,523	21	12,034	189	40,610	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.	594	-	-	-	-	-	-
Rönesans Holding A.Ş. (4)	61	-	2,210	189	-	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. (5)	-	-	22,146	-	-	-	2,296
Other	491	3	1,687	-	-	-	-
	10,223	299	38,225	13,486	40,610	1,598,610	2,296

(1) Current trade receivables consist of asset, property management and leasing services provided. Non-trade payables represent the reverse shareholder loans provided by the relevant joint ventures to Rönesans Gayrimenkul Yatırım A.Ş.

(2) Non trade payables to Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş. represent the shareholder loans provided to Rönesans Gayrimenkul Yatırım A.Ş..

(3) The payables are related with deposits and quarantees remaining balances in relation to construction works.

(4) Rönesans Holding A.Ş. provide services to its group companies. The payables are related with such services rendered to Rönesans Gayrimenkul Yatırım A.Ş.

(5) Rönesans Elektrik Enerji Toptan Satış A.Ş. provides electric energy services to the projects.

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

5. RELATED PARTY DISCLOSURES (cont'd)

	31 December 2020					
	Receivables		Payables			
	Current		Current		Non-current	
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Joint ventures						
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Tic. A.Ş.	10	-	-	-	-	-
Kandilli Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	14	-	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	728	74	125	1,167	-	386,687
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	4,787	9	-	55	-	97,747
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	1,012	-	26	986	-	439,329
Shareholders						
Euro Efes S.a.r.l. (2)	-	-	-	-	-	45,296
Rönesans Emlak Geliştirme Holding A.Ş. (2)	-	-	-	-	-	165,973
Other companies managed by the parent company						
Rönesans Altyapı Sistemleri A.Ş. (3)	501	9	12,167	190	29,130	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.	567	-	-	-	-	-
Rönesans Holding A.Ş. (4)	-	-	5,118	44	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. (5)	-	-	7,328	-	-	-
Other	66	319	30	2	-	-
	7,685	411	24,794	2,444	29,130	1,135,032

(1) Current trade receivables consist of asset, property management and leasing services provided. Non-trade payables represent the reverse shareholder loans provided by the relevant joint ventures to Rönesans Gayrimenkul Yatırım A.Ş.

(2) Non trade payables to Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş. represent the shareholder loans provided to Rönesans Gayrimenkul Yatırım A.Ş..

(3) The payables are related with deposits and quarantees remaining balances in relation to construction works.

(4) Rönesans Holding A.Ş. provide services to its group companies. The payables are related with such services rendered to Rönesans Gayrimenkul Yatırım A.Ş.

(5) Rönesans Elektrik Enerji Toptan Satış A.Ş. provides electric energy services to the projects.

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

5. RELATED PARTY DISCLOSURES (cont'd)

	1 January-31 December 2021			
Transactions with related parties	Purchases	Sales	Interest received	Interest given
Associates & Joint ventures [(3)(6)]	-	27,991	617	60,227
Shareholders				
Euro Efes S.a.r.l. [(7)]	-	-	-	10,440
Rönesans Emlak Geliştirme Holding A.Ş. [(6)]	-	-	-	34,431
Other companies				
Rönesans Holding A.Ş. [(1)]	8,815	617	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. [(4)]	118,209	-	-	-
REC Uluslarası İnşaat Yatırım San. Ve Tic. A.Ş. [(2)]	4,056	-	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[(5)]	-	3,024	-	-
Other	797	1,257	-	-
	131,877	32,889	617	105,098

(1) Rönesans Holding A.Ş. provide services to its group companies. The purchases are related with such services rendered to Rönesans Gayrimenkul Yatırım A.Ş.
(2) Fit out expenses invoices in relation to Maltepe Piazza Office.
(3) Sales to joint ventures consist of services provided to investments accounted for using the equity method from Rönesans Gayrimenkul Yatırım A.Ş.
(4) Purchases from Rönesans Elektrik Enerji Toptan Satış A.Ş. are composed of energy services provided to the Group.
(5) Sales to Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş. are related with rent of Küçükyalı School which is the project of Bostancı Gayrimenkul.
(6) Interest given represents accrued interest of reverse shareholder loans received from joint ventures and shareholder loans received from Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş.

	1 January-31 December 2020			
Transactions with related parties	Purchases	Sales	Interest received	Interest given
Associates & Joint ventures [(3)(7)]	-	20,943	-	43,568
Shareholders				
Euro Efes S.a.r.l. [(7)]	-	-	-	5,625
Rönesans Emlak Geliştirme Holding A.Ş. [(7)]	-	-	-	16,806
Other companies				
Rönesans Altyapı Sistemleri A.Ş. [(2)]	44,818	-	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. [(5)]	73,546	-	-	-
Rönesans Holding A.Ş. [(1)(4)]	7,458	940	72	-
Rönesans Endüstri Tesisleri İnşaat Sanayi ve Ticaret A.Ş.[(4)]	44	1,351	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[(6)]	-	4,305	-	-
Other	55	394	-	-
	125,921	27,933	72	65,999

(1) Rönesans Holding A.Ş. provide services to its group companies. The purchases are related with such services rendered to Rönesans Gayrimenkul Yatırım A.Ş.
(2) Rönesans Altyapı Sistemleri A.Ş. is the contractor of Karşıyaka project. Purchases in the year consist of construction services received for the project.
(3) Sales to joint ventures consist of services provided to investments accounted for using the equity method from Rönesans Gayrimenkul Yatırım A.Ş.
(4) The Group sub-leases to the group companies where has been leased in accordance with the lease agreement with Allianz Tower and sales represent the leasing services provided by Rönesans Gayrimenkul Yatırım A.Ş.
(5) Purchases from Rönesans Elektrik Enerji Toptan Satış A.Ş. are composed of energy services provided to the Group.
(6) Sales to Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş. are related with rent of Küçükyalı School which is the project of Bostancı Gayrimenkul.
(7) Interest given represents accrued interest of reverse shareholder loans received from joint ventures and shareholder loans received from Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş.

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

5. RELATED PARTY DISCLOSURES (cont'd)

Key management personnel consists of members of Board of Directors and other members. The compensation of key management personnel includes salaries, bonus, health insurance, communication and transportation and total amount of compensation is explained below. The remuneration of key management personnel during the year were as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Salaries and other short term benefits	5,664	8,401

6. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

As at balance sheet date, details of trade receivables of the Group are as follows:

	31 December 2021	31 December 2020
Current trade receivables		
Trade receivables	145,045	115,108
Notes receivables	11,048	23,369
Trade receivables from related parties (Note 5)	10,223	7,685
Expected credit loss (-)	(40,042)	(40,254)
	126,274	105,908

Average maturity for receivables is approximately 30 days (31 December 2020: 30 days).

The movement of the Group's provision for expected credit loss as at 31 December 2021 and 2020 is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Movement of allowance for credit loss		
Balance at beginning of the year	(40,254)	(34,137)
Charge for the period (Note 20)	(4,694)	(13,010)
Provision released (Note 20)	4,906	6,893
Balance at closing of the year	(40,042)	(40,254)

The provision for trade receivables is provided based on expected credit loss amounts from the sale of services, determined by reference to past default experience and current financial condition of customers.

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

6. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade payables

As at balance sheet date, details of trade payables of the Group are as follows:

	31 December 2021	31 December 2020
Current trade payables		
Trade payables	53,329	37,261
Trade payables to related parties (Note 5)	38,225	24,794
	91,554	62,055

Average maturity for payables is approximately 30 days. (31 December 2020: 30 days).

Risk characteristics and levels in trade receivables and trade payables have been disclosed in Note 30.

7. OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	31 December 2021	31 December 2020
Other short term receivables		
Non-trade receivables from related parties (Note 5)	299	411
Other receivables	288	259
	587	670

	31 December 2021	31 December 2020
Other long term receivables		
Deposits and guarantees given	18,817	24,559
Other	5,942	8,676
	24,759	33,235

b) Other payables:

	31 December 2021	31 December 2020
Other short term payables		
Taxes due and payables	7,859	3,724
Deposits and guarantees received	2,524	1,797
Non-trade payables to related parties (Note 5)	13,486	2,444
Other	259	9,029
	24,128	16,994

	31 December 2021	31 December 2020
Other long term payables		
Non-trade payables to related parties (Note 5)	1,598,610	1,135,032
Deposits and guarantees received	10,535	6,918
	1,609,145	1,141,950

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

8. INVENTORIES

	31 December 2021	31 December 2020
Residantial units [(1)]	1,335	10,229
	1,335	10,229

(1) Amount consist of Maltepe Piazza residential units.

9. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2021	31 December 2020
Short term prepaid expenses		
Prepaid expenses	6,625	5,930
Advances given to related parties (Note 5)	2,296	-
Order advances given	2,378	2,737
Other	2	5
	11,301	8,672

	31 December 2021	31 December 2020
Long term prepaid expenses		
Prepaid expenses	14,711	13,854
	14,711	13,854

	31 December 2021	31 December 2020
Short term deferred revenue		
Order advances received (*)	21,713	11,172
	21,713	11,172

(*) Advances received from is related with Maltepe Piazza project.

	31 December 2021	31 December 2020
Long term deferred revenue		
Order advances received (*)	3,624	222
	3,624	222

(*) Advances received are related to office rent paid by the tenant in advance.

10. INVESTMENT PROPERTIES

	31 December 2021	31 December 2020
Investment properties	18,889,090	13,118,857
Investment properties under development	633,622	1,068,984
	19,522,712	14,187,841

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

10. INVESTMENT PROPERTIES (con't)

a) Investment properties:

	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance at 1 January	13,118,857	11,920,329
Additions through subsequent expenditure	44,793	47,496
Land rental	19,264	19,556
Disposal [1]	-	(243,960)
Net gain from fair value adjustments (Note 20)	5,706,176	1,375,436
Closing balance at 31 December	18,889,090	13,118,857

(1) Mecidiyeköy has sold on 11 August 2020.

The fair value of the Group's investment properties is TRY 18,889,090 as at 31 December 2021 (31 December 2020: TRY 13,118,857).

The fair values of the Group's investment properties have been arrived at on the basis of a valuation carried out at that date by TSKB Gayrimenkul Değerleme A.Ş. which is independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to discounted cash flows approach, capitalization approach and market approach.

The valuation reports of the investment properties prepared by reference to discounted cash flows approach are primarily based on the following key assumptions:

	31 December 2021	31 December 2020
Currency base	TRY	TRY
Discount rate (%)	18-18.50	15.75-16.25
Occupancy rate (%)	93-100	85-100
Rent increase rate (%)	8.72-28.79	6-10.75
Capitalization rate (%)	7-8	7-9

The Group mortgages some real estates as collateral of the bank loans. The details of mortgages are disclosed in Note 13.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to TRY 938,183 (31 December 2020: TRY 653,855). (Note 18) Direct operating expenses arising on the investment property in the year include maintenance and repair costs which amounted to TRY 289,118 (31 December 2020: TRY 219,100) (Note 18).

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

10. INVESTMENT PROPERTIES (con't)

a) Investment properties (con't)

As at 31 December 2021 and 31 December 2020 investment properties and their values are as follows:

Project Name	Company Name	Place of Property	31 December 2021	31 December 2020
Maltepe Piazza [1]	Salacak	İstanbul,Turkey	3,278,750	2,267,520
Hilltown SHC and Office [1][3]	Tarabya	İstanbul,Turkey	3,149,963	2,191,320
Hilltown SHC Karşıyaka [1]	Altunizade	İzmir,Turkey	2,894,100	2,010,830
Samsun Piazza SHC and Hotel [1]	Mel 2	Samsun,Turkey	2,181,495	1,528,790
Maltepe Park [1]	Bakırköy	İstanbul,Turkey	2,170,995	1,441,405
Adana Optimum SHC [1]	Göksu	Adana,Turkey	2,048,035	1,425,580
Kahramanmaraş Piazza SHC [1]	Mel 3	Kahramanmaraş,Turkey	1,073,875	744,245
Küçükyalı Office & Ted Rönesans College [1][2]	Bostancı	İstanbul,Turkey	999,663	722,107
Şanlıurfa Piazza SHC [1][5]	Mel 4	Şanlıurfa,Turkey	804,940	544,320
Kozzy SHC [1][4]	Kozyatağı	İstanbul,Turkey	287,274	242,740
			18,889,090	13,118,857

(1) In the consolidated financial statements as of 31 December 2021 and 31 December 2020, based on the valuation reports issued by TSKB Gayrimenkul Değerleme A.Ş. an independent accredited valuer licenced by the Capital Market Board of Turkey.

(2) Non-cancellable rental payables amount of TRY 31,663 which was deducted to arrive at fair values were added to the final fair value of Küçükyalı School & Office as it is presented as a liability in the balance sheet.

(3) Non-cancellable rental payables amount of TRY 139,528 which was deducted to arrive at fair values were added to the final fair value of Hilltown SHC and Office as it is presented as a liability in the balance sheet.

(4) Non-cancellable rental payables amount of TRY 9,444 which was deducted to arrive at fair values were added to the final fair value of Kozzy SHC as it is presented as a liability in the balance sheet.

(5) After the group has acquired other 50% of the Mel 4 shares on 10 September 2019, the Company is reclassed as subsidiary.

b) Investment properties under development

	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance at 1 January	1,068,984	971,513
Additions through subsequent expenditure	5,480	2,990
Land rental	4,147	4,969
Disposal [1]	(539,445)	(22,300)
Transfers to assets held for sale (Note 30)	(151,714)	-
Net gain from fair value adjustments (Note 20)	246,170	111,812
Closing balance at 31 December	633,622	1,068,984

(1) Nakkaştepe, Nispetiye and Akatlar were sold during 2021, Balmumcu was sold on 2020.

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

10. INVESTMENT PROPERTIES (con't)

b) Investment properties under development (cont'd)

Investment properties under development consist of two components: land and costs capitalized in connection with the development of the site. Costs capitalized related to development carried out on sites owned or partly owned by the Group or sites to which the Group holds lease titles and which will be acquired on completion of the development. Land and buildings that are being constructed for future use as investment property are classified under investment properties under development account until construction or development is complete, at which time they are reclassified as investment.

As of 31 December 2021 and 2020 the fair value of the Group's investment properties under development has been arrived at on the basis of a valuation carried out at that date by independent valuers not connected with the Group. The valuation, which conforms to Capital Market Board legislation, was arrived at by reference to market evidence of transaction prices for similar properties and discounted cash flows and income capitalization approach. The fair values are based on the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in arm's length transaction.

The fair value of the investment properties under development prepared by reference to discounted cash flow is primarily based on the following key assumptions:

	31 December 2021	31 December 2020
Currency base	TRY	TRY
Discount rate (%)	18.50	16.50-17.50
Occupancy rate (%)	92	92-98
Rent increase rate (%)	8.72-28.79	6-10.75

The fair value of the investment properties under development prepared by reference to sale comparison approach are primarily based on the following key assumptions:

	31 December 2021	31 December 2020
Market comparable sqm value in TRY	7,350-14,250	775-27,000

Investment properties under development comprise of the following projects:

Project Name	Company Name	Place of Property	31 December 2021	31 December 2020
Turan (4)	Nakkaştepe	İzmir, Turkey	-	340,910
Beachtown (1)(2)(3)	Kabataş-RGY	Antalya, Turkey	331,517	234,569
Optimum Antalya (1)	RGY	Antalya, Turkey	230,265	164,620
Ataşehir	RGY	İstanbul, Turkey	4,465	-
Bursa (4)	Nisbetiye	Bursa, Turkey	-	130,055
Mamak (5)	Kavacık	Ankara, Turkey	-	84,390
Seyrantepe (1)	Sancaktepe	İstanbul, Turkey	67,375	45,905
Silivri (4)	Akatlar	İstanbul, Turkey	-	44,545
İzmit (5)	Pendik	İzmit, Turkey	-	23,990
			633,622	1,068,984

(1) In the consolidated financial statements as of 31 December 2021 and 31 December 2020, based on the valuation reports issued by TSKB Gayrimenkul Değerleme A.Ş. an independent accredited valuer licenced by the Capital Market Board of Turkey.

(2) Non-cancellable operating payables amount of TRY 40,547 were added to the final fair value of Antalya Konyaaltı Projects as it is presented as a liability in the balance sheet.

(3) The Group has a building permit for these projects.

(4) Nakkaştepe, Nispetiye and Akatlar were sold during 2021.

(5) Pendik and Kavacık have been classified as asset held for sale.

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

10. INVESTMENT PROPERTIES (cont'd)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2021 and 2020 are as follows:

		Fair value as at 31 December 2021		
	31 December 2021	Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	18,889,090	-	-	18,889,090
Investment properties under development	633,622	-	633,622	-

		Fair value as at 31 December 2020		
	31 December 2020	Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	13,118,857	-	-	13,118,857
Investment properties under development	1,068,984	-	1,068,984	-

Sensitivity analysis of investment properties and investment properties under development are as follow:

		Change in fair value as at 31 December 2021	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	1,394,790	73,340
	decrease 1%	(1,286,250)	(65,180)
Discount rate			
	increase 1%	(1,249,010)	(58,630)
	decrease 1%	1,394,520	67,780
Occupancy rate			
	increase 1%	185,925	8,290
	decrease 1%	(200,395)	(8,280)
1 sq² land price			
	increase 10%	-	44,936
	decrease 10%	-	(44,934)
Capitalization rate			
	increase 1%	(821,030)	-
	decrease 1%	1,074,105	-

		Change in fair value as at 31 December 2020	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	977,890	51,030
	decrease 1%	(901,685)	(45,040)
Discount rate			
	increase 1%	(874,660)	(37,360)
	decrease 1%	976,425	43,420
Occupancy rate			
	increase 1%	128,220	5,210
	decrease 1%	(134,475)	(5,210)
1 sq² land price			
	increase 10%	-	83,440
	decrease 10%	-	(83,440)
Capitalization rate			
	increase 1%	(560,755)	-
	decrease 1%	731,770	-

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

11. PROPERTY, PLANT AND EQUIPMENT

Cost value	Buildings	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Opening balance as of 1 January 2021	3,581	238	2,649	-	-	6,468
Additions	4,606	397	443	373	940	6,759
Disposals	(3,404)	-	(19)	-	-	(3,423)
Closing balance as of 31 December 2021	4,783	635	3,073	373	940	9,804
Accumulated Depreciation						
Opening balance as of 1 January 2021	(2,664)	(169)	(2,417)	-	-	(5,250)
Charge for the year	(777)	(397)	(216)	(74)	-	(1,464)
Disposals	3,403	-	17	-	-	3,420
Closing balance as of 31 December 2021	(38)	(566)	(2,616)	(74)	-	(3,294)
Net book value as of 31 December 2021	4,745	69	457	299	940	6,510

Cost value	Buildings	Motor vehicles	Furniture and fixtures	Total
Opening balance as of 1 January 2020	3,581	792	2,665	7,038
Additions	-	61	-	61
Disposals	-	(615)	(16)	(631)
Closing balance as of 31 December 2020	3,581	238	2,649	6,468
Accumulated Depreciation				
Opening balance as of 1 January 2020	(2,663)	(752)	(2,330)	(5,745)
Charge for the year	(1)	(25)	(90)	(116)
Disposals	-	608	3	611
Closing balance as of 31 December 2020	(2,664)	(169)	(2,417)	(5,250)
Net book value as of 31 December 2020	917	69	232	1,218

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

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The following useful lives are used in the calculation of depreciation:

	Useful life
Buildings	14-50 years
Motor vehicles	5 years
Furniture and fixture	7 years

12. INTANGIBLE ASSETS

Cost value	2021	2020
Opening balance as of 1 January	3,126	2,404
Additions	360	722
Disposals	(21)	-
Closing balance as of 31 December	3,465	3,126
Accumulated Amortization		
Opening balance as of 1 January	(2,220)	(1,755)
Charge for the year	(526)	(465)
Disposals	21	-
Closing balance as of 31 December	(2,725)	(2,220)
Net book value as of 31 December	740	906

Intangible assets consist of computer software.

The following useful lives are used in the calculation of amortization:

	Useful life
Computer Software	3-15 years

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

13. COMMITMENTS AND CONTINGENCIES

The Group's guarantee given, pledges and mortgages ("GPM") position as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Mortgage	6,508,818	4,606,242
Letters of guarantees given	90,512	60,692
Surety and guarantees given	2,782,943	1,952,654
	9,382,273	6,619,588

TRY 9,291,296 of total amount in 2021 is already reflected in the consolidated statement of financial position and related with the guarantees given for the loans utilized by the Group. The remaining TRY 90,977 is for the guarantees provided by the Group for the third or related parties. (31 December 2020: TRY 6,406,991 remaining amount: TRY 212,597).

Lease commitments – Company as lessee

The Group has leasing contracts for the projects of Hilltown SHC and office, Küçükyalı School & Office on land belonging to Atik Valide Sultan Vakfı in İstanbul, Maltepe and the Group has the usage right with a renewal option at the end of the lease period for 49 years. There are no restrictions placed upon the Group by entering into these leases.

The Group has a leasing contract for the projects of Antalya Konyaaltı project on land belonging to Antalya Metropolitan Municipality in Antalya, Konyaaltı. The Group has the usage right with a renewal option at the end of the lease period for 30 years. There are no restrictions placed upon the Group by entering into these leases.

The Group has a leasing contract for the projects of Kozzy SHC on land belonging to İstanbul Metropolitan Municipality in İstanbul, Kozyatağı. The Group has the usage right with a renewal option at the end of the lease period for 30 years. There are no restrictions placed upon the Group by entering into these leases.

The minimum usufruct right rental payables under non-cancellable operating leases at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Within one year	6,618	5,807
After one year but no more than five years	27,477	27,740
More than five years	187,087	164,224
	221,182	197,771

The Group consider these leasing contracts as non-cancellable contract and accounted in accordance with IFRS 16. Leasing assets arising from these contracts are accounted under investment properties.

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

14. EMPLOYEE BENEFITS

Payables related to employee benefits:

	31 December 2021	31 December 2020
Payables to personnel	3,566	3,669
Social security premiums payables	2,014	1,308
	5,580	4,977

Short-term provisions for employee benefits:

	31 December 2021	31 December 2020
Unused vacation liability	2,664	1,672
	2,664	1,672

The movement of the Group's liability for unused vacation as at 31 December 2021 and 2020 is as follows:

	2021	2020
Provision at 1 January	1,672	1,867
Charge for the year	992	-
Payment (-)	-	(195)
Provision at 31 December	2,664	1,672

Long-term provisions for employee benefits:

	31 December 2021	31 December 2020
Retirement pay provision	4,755	3,288
	4,755	3,288

<u>Provision for employment termination benefits for Turkish employees working in Turkey:</u>

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TRY 8,284.51 for each period of service at 31 December 2021 (31 December 2020: TRY 7,117.17).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 *Employee Benefits* stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

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

14. EMPLOYEE BENEFITS (cont'd)

Provision for employment termination benefits for Turkish employees working in Turkey: (cont'd)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2021, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3.70% real discount rate (31 December 2020: 3.21%) calculated by using 15% annual inflation rate and 19.25% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 6.79% (31 December 2020: 6.76%) for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TRY 10,848.59 which is in effect since 1 January 2022 is used in the calculation of Groups' provision for retirement pay liability (1 January 2021: TRY 7,638.96).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

- If the discount rate had been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TRY 764/TRY (623)

- If the anticipated turnover rate had been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TRY 205/TRY (187).

	2021	2020
Provision at 1 January	3,288	2,204
Service cost	2,294	2,037
Interest cost	106	103
Termination benefits paid	(705)	(1,521)
Actuarial gain / (loss)	(228)	465
Provision at 31 December	4,755	3,288

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

15. EXPENSES BY NATURE

	1 January - 31 December 2021	1 January - 31 December 2020
Utilities expense	(130,011)	(83,104)
Personnel expenses	(64,224)	(57,344)
Office expenses	(61,086)	(47,221)
Rent expenses	(24,497)	(28,389)
Maintenance expense	(20,238)	(17,213)
Advertising expenses	(17,117)	(6,940)
Consultancy expenses	(14,552)	(7,154)
Cost of residence sales (*)	(9,213)	(8,234)
Taxes and fees	(4,145)	(2,965)
Depreciation and amortization expenses	(1,990)	(581)
Insurance expenses	(455)	(319)
Other	(9,161)	(9,640)
	(356,689)	(269,104)

(*) Residence sales are related with Maltepe Piazza.

16. OTHER CURRENT AND NON-CURRENT ASSETS

	31 December 2021	31 December 2020
Other current assets		
VAT deductible	169,046	110,077
	169,046	110,077

	31 December 2021	31 December 2020
Other non current assets		
VAT deductible	164,415	298,033
	164,415	298,033

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2021 and 2020 the share capital held is as follows:

	%	31 December 2021	%	31 December 2020
Rönesans Emlak Geliştirme Holding A.Ş	74.24	225,477	74.24	225,477
Euro Efes S.a.r.l	21.44	65,117	21.44	65,117
Kamil Yanıkömeroğlu	2.36	7,158	2.36	7,158
Murat Özgümüş	1.96	5,965	1.96	5,965
Nominal share capital in TRY	100	303,717	100	303,717

The total number of ordinary shares is 303,717 thousand (31 December 2020: 303,717 thousand shares) with a par value of TRY 1 (31 December 2020: per share TRY 1).

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

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

b) Restricted Reserves Appropriated from Profit

	31 December 2021	31 December 2020
Legal reserves	66,231	65,992
	66,231	65,992

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

c) Share premium

	31 December 2021	31 December 2020
Share premium	630,844	630,844
	630,844	630,844

18. REVENUE

a) Revenue

	1 January - 31 December 2021	1 January - 31 December 2020
Rental revenue from investment properties [1]	938,183	653,855
Management and consulting revenue	31,605	25,938
Residential sales revenue	10,030	6,776
Other rental revenue	13,238	1,692
	993,056	688,261

[1] This includes electricity, water and other common utility charges of the shopping malls and offices owned by the Group and charged to the tenants on an accrual basis in accordance with lease agreements. As at 31 December 2021 above mentioned charged revenues amount to TRY 110,179 (31 December 2020: TRY 90,041)

b) Cost of revenue

	1 January - 31 December 2021	1 January - 31 December 2020
Cost of revenue related to investment properties	(289,118)	(219,100)
Cost of residence sales	(9,213)	(8,234)
Cost of revenue related to management and consulting and other	(14,105)	(11,703)
	(312,436)	(239,037)

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

18. REVENUE (cont'd)

	1 January - 31 December 2021	1 January - 31 December 2020
Utilities expense	(130,011)	(83,104)
Office management expenses	(61,086)	(47,221)
Employee benefit expenses	(46,520)	(41,644)
Rent expense	(23,932)	(26,797)
Maintenance expense	(20,238)	(17,213)
Cost of residence sales	(9,213)	(8,234)
Consultancy expenses	(7,684)	(2,910)
Taxes and fees	(2,656)	(1,652)
Depreciation expenses	(1,990)	(579)
Insurance expenses	(407)	(309)
Other	(8,699)	(9,374)
	(312,436)	(239,037)

19. GENERAL ADMINISTRATIVE EXPENSES/MARKETING EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
Marketing expenses	(17,117)	(6,940)
General administrative expenses	(27,136)	(23,127)
	(44,253)	(30,067)

a) Detail of marketing expenses:

	1 January - 31 December 2021	1 January - 31 December 2020
Advertising expenses	(17,117)	(6,940)
	(17,117)	(6,940)

b) Detail of general administrative expenses:

	1 January - 31 December 2021	1 January - 31 December 2020
Employee benefit expenses	(17,704)	(15,700)
Consultancy expenses	(6,868)	(4,244)
Taxes and fees	(1,489)	(1,313)
Rent expenses	(565)	(1,592)
Insurance expenses	(48)	(10)
Depreciation and amortization expenses	-	(2)
Other	(462)	(266)
	(27,136)	(23,127)

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

20. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other operating income	1 January - 31 December 2021	1 January - 31 December 2020
Change in fair value of investment properties (Note 10.a)	5,706,176	1,375,436
Foreign exchange gain from operations	955,603	475,904
Change in fair value of investment properties under development (Note 10.b)	246,337	111,868
Interest income (*)	34,549	11,024
Reversal of provision	4,906	6,893
Other	5,554	2,880
	6,953,125	1,984,005

(*) Interest income from bank deposit is TRY 33,932 in 2021 and TRY 10,952 in 2020.

Other operating expense	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange loss from operations	(437,077)	(164,062)
Change in fair value of investment properties under development (Note 10.b)	(167)	(56)
Provision for doubtful receivables (Note 6)	(4,694)	(13,010)
Other	(2,859)	(8,804)
	(444,797)	(185,932)

21. FINANCE EXPENSES

Finance income/expenses(net)	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange loss of bank loan, net	(4,951,509)	(2,253,457)
Interest expense of financial debts	(795,540)	(477,538)
Commission expenses	(26,541)	(18,956)
Realized gain on derivative instruments carried at fair value through profit and loss, net	229,798	318,004
Unrealized gain/(loss) on derivative instruments carried at fair value through profit and loss, net (1)	187,494	(343,696)
Other	(105,102)	(72,745)
	(5,461,400)	(2,848,388)

(1) The amount represents change in fair value of derivative instruments.

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

22. INCOME FROM INVESTING ACTIVITIES

Income from investing activities	1 January - 31 December 2021	1 January - 31 December 2020
Effect of additional consideration received from sale of subsidiary and joint venture	253,666	66,081
Other	1,828	237
	255,494	66,318

Nakkaştepe has been sold on 12 March 2021.

	12 March 2021
Book value of net assets sold	
Current assets	
Cash and cash equivalents	16
Other receivables and current assets	529
Non-current assets	
Investment property	340,910
Other receivables and non-current assets	25,049
Current liabilities	
Trade payables	(157)
Other short-term liabilities	(5)
Non-current liabilities	
Deferred tax liabilities	(37,828)
Net assets disposed	328,514
Effective ownership disposed	100%
Net assets disposed	328,514
Net consideration received in cash and cash equivalents	
Net gain on sale of subsidiary	67,747
Sales price:	
Price as cash and cash equivalents	396,261
Net cash inflow from sales	396,245
Cash consideration received	396,261
(Less) cash and cash equivalents disposed	(16)

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

22. INCOME FROM INVESTING ACTIVITIES (cont'd)

Florya has been sold on 9 July 2021.

	9 July 2021
Book value of net assets sold	
Current assets	
Cash and cash equivalents	17
Non-current assets	
Investment property	435,505
Other receivables and non-current assets	7,004
Current liabilities	
Trade payables	(111)
Other short-term liabilities	(23)
Non-current liabilities	
Deferred tax liabilities	(61,324)
Net assets disposed	381,068
Effective ownership disposed	50%
Net assets disposed	190,534
Net consideration received in cash and cash equivalents	
Net gain on sale of joint venture	28,805
Sales price:	
Price as cash and cash equivalents	219,339
Net cash inflow from sales	219,338
Cash consideration received	219,347
(Less) cash and cash equivalents disposed	(9)

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

22. INCOME FROM INVESTING ACTIVITIES (cont'd)

Nispetiye has been sold on 30 November 2021.

	30 November 2021
Book value of net assets sold	
Current assets	
Cash and cash equivalents	2
Non-current assets	
Investment property	148,575
Other receivables and non-current assets	551
Current liabilities	
Trade payables	(221)
Other short-term liabilities	(2)
Non-current liabilities	
Deferred tax liabilities	(17,239)
Net assets disposed	131,666
Effective ownership disposed	100%
Net assets disposed	131,666
Net consideration received in cash and cash equivalents	
Net gain on sale of subsidiary	129,245
Sales price:	
Price as cash and cash equivalents	260,911
Net cash inflow from sales	260,909
Cash consideration received	261,121
(Less) cash and cash equivalents disposed	(2)
(Less) payables to shareholder	(210)

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

22. INCOME FROM INVESTING ACTIVITIES (cont'd)

Akatlar has been sold on 10 December 2021.

	10 December 2021
Book value of net assets sold	
Current assets	
Cash and cash equivalents	9
Non-current assets	
Investment property	49,960
Other receivables and non-current assets	14
Non-current liabilities	
Deferred tax liabilities	(7,852)
Net assets disposed	42,131
Effective ownership disposed	100%
Net assets disposed	42,131
Net consideration received in cash and cash equivalents	
Net gain on sale of subsidiary	27,869
Sales price:	
Price as cash and cash equivalents	70,000
Net cash inflow from sales	69,991
Cash consideration received	70,000
(Less) cash and cash equivalents disposed	(9)

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

22. INCOME FROM INVESTING ACTIVITIES (cont'd)

Balmumcu has been sold on 23 June 2020.

	23 June 2020
Book value of net assets sold	
Current assets	
Cash and cash equivalents	-
Trade receivables	-
Other receivables and current assets	50
Non-current assets	
Investment property	22,300
Other receivables and non-current assets	97
Current liabilities	
Trade payables	-
Other short-term liabilities	(49)
Non-current liabilities	
Deferred tax liabilities	(459)
Net assets disposed	21,939
Effective ownership disposed	100%
Net assets disposed	21,939
Net consideration received in cash and cash equivalents	
Net gain on sale of subsidiary	2,561
Sales price:	
Price as cash and cash equivalents	24,500
Net cash inflow from sales	24,500
Net cash consideration received in cash and cash equivalents	24,500
(Less) cash and cash equivalents disposed	-

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

22. INCOME FROM INVESTING ACTIVITIES (cont'd)

Mecidiyeköy has been sold on 11 August 2020.

	11 August 2020
Book value of net assets sold	
Current assets	
Cash and cash equivalents	2,689
Trade receivables	1,903
Other receivables and current assets	262
Non-current assets	
Investment property	243,960
Other receivables and non-current assets	15
Current liabilities	
Trade payables	(576)
Other short-term liabilities	(32,044)
Non-current liabilities	
Deferred tax liabilities	(38,678)
Other long-term liabilities	(638)
Net assets disposed	176,893
Effective ownership disposed	100%
Net assets disposed	176,893
Net consideration received in cash and cash equivalents	
Net gain on sale of subsidiary	63,520
Net Sales price:	
Price as cash and cash equivalents	237,724
Net cash inflow from sales	237,724
Net cash consideration received in cash and cash equivalents	240,413
(Less) cash and cash equivalents disposed	(2,689)

23. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

Loss on remeasurement of defined benefit obligations

	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance	(1,112)	(740)
-Loss on remeasurement of defined benefit obligations	182	(372)
Closing balance	(930)	(1,112)

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

24. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current tax assets	31 December 2021	31 December 2020
Prepaid taxes and funds	1,769	1,034
	1,769	1,034

	31 December 2021	31 December 2020
Current tax liability		
Current corporate tax provision	78	48
Less: prepaid taxes and funds	(15)	(22)
	63	26

Income tax recognized in profit or loss	1 January- 31 December 2021	1 January- 31 December 2020
Current tax expense	(106)	(48)
Deferred tax expense	(917,438)	15,181
	(917,544)	15,133

Income tax recognized in equity

Deferred tax	1 January- 31 December 2021	1 January- 31 December 2020
Recognized in equity:		
-(Loss) / gain on remeasurement of defined benefit obligations	(46)	93
Deferred tax recognized in equity	(46)	93

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2021 is 25% (2020: 22%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2021 is 25%. (2020: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

24. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50% which will have no impact on the Group's consolidated financial statements. This regulation has been effective from 5 December 2017.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

Tax rate used in the calculation of deferred tax assets and liabilities is %23 over temporary timing differences expected to be reversed in 2022 and %20 over temporary timing differences expected to be reversed in 2023 and the following years.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

Deferred tax (assets)/liabilites:	31 December 2021	31 December 2020
Change in fair values of investment properties under development	85,628	455,048
Change in fair values of investment properties	2,721,992	1,211,774
Depreciation / amortization differences of property, plant and equipment and other intangibles	13,495	12,167
Tax losses carried forward	(1,025,859)	(741,913)
Provision for retirement pay and unused vacation	(1,564)	(992)
Adjustments related to FX gain/loss	(50,298)	-
Other temporary differences	9,466	(10,621)
	1,752,860	925,463

Reflected as:	31 December 2021	31 December 2020
Deferred tax assets	(269,994)	(198,262)
Deferred tax liabilities	2,022,854	1,123,725
Net deferred tax liabilities	1,752,860	925,463

At the balance sheet date, the Group has unused tax losses of TRY 5,102,506 (31 December 2020: TRY 3,709,564) available for offset against future profits and deferred tax asset have been recognized in respect of TRY 1,025,859 (31 December 2020: TRY 741,913) of such losses.

The Goup has recognized deferred tax liability of TRY 2,807,620 (31 December 2020: TRY 1,666,822) based upon temporary differences amount to TRY 14,038,100 (31 December 2020: TRY 8,334,110) in change in fair values.

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

24. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax: (cont'd)

Expiration schedule of carry forward tax losses for which deferred tax asset is recognized is as follows:

	31 December 2021	31 December 2020
Expiring in 2022	178,603	141,093
Expiring in 2023	558,728	193,434
Expiring in 2024	299,195	803,663
Expiring in 2025 and later	4,065,980	2,571,374
	5,102,506	3,709,564

Expiration schedule of carry forward tax losses for which deferred tax asset is not recognized is as follows:

	31 December 2021	31 December 2020
Expiring in 2022	7,526	-
Expiring in 2023	254,353	55,558
Expiring in 2024	204,438	207,069
Expiring in 2025 and later	1,369,558	-
	1,835,875	262,627

The movement of deferred tax assets for years ended 31 December 2021 and 2020 as follows:

Movement of deferred tax liability:	1 January-31 December 2021	1 January-31 December 2020
Opening balance	925,463	979,874
Charged to statement of profit or loss	917,438	(15,181)
Deferred tax liabilities for assets held for sale (Note 30)	(27,076)	-
Disposal effect (Note 22)	(62,919)	(39,137)
Charged to equity	(46)	(93)
Closing balance	1,752,860	925,463

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

24. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax: (cont'd)

Reconciliation of taxation:	1 January- 31 December 2021	1 January- 31 December 2020
Profit / (Loss) before taxation	2,697,957	(412,005)
Tax at the domestic income tax rate of 25%,22% respectively	25%	22%
Tax at the domestic income	674,489	(90,641)
Tax effects of:		
- effect of sales of subsidary	(106,742)	(23,298)
- unused tax losses not recognised at defered tax asset	314,646	73,082
- expenses that are not deductible in determining taxable profit	140,649	1,370
- share in profit/(losses) of associates	(189,792)	(30,567)
- effect of increase in corporate tax rate in Turkey (from 20% to 25%)	94,113	54,921
- other	(9,819)	-
Income tax expense recognised in profit or loss	917,544	(15,133)

25. PROVISIONS

Short term provision	31 December 2021	31 December 2020
Lawsuit provision	4,089	3,494
	4,089	3,494

	2021	2020
Opening	3,494	2,124
Disposal	-	(19)
Reversal	(458)	(374)
Unrealized foreign exchange losses	548	88
Charge for the year	505	1,675
	4,089	3,494

This amount represents the provisions set aside for certain lawsuits filed by the employees against the Group. Provision is recognized in the consolidated statement of profit or loss as general administrative expense. According to the Group management, with the adoption of appropriate legal opinions, such lawsuits will not lead to any significant loss beyond 31 December 2021.

26. (LOSS) / EARNING PER SHARE

	1 January - 31 December 2021	1 January - 31 December 2020
Net (loss) / profit for the year	1,780,413	(396,872)
Average number of ordinary share outstanding during the year (in full)	303,717	303,717
(Loss) / Earning per share from operations (TRY)	5.86	(1.31)

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

27. DERIVATIVE INSTRUMENTS

	31 December 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	-	19,530	-	29,932
Cross currency swap	-	44,116	-	138,872
Forward	109,716	57,826	-	24,614
	109,716	121,472	-	193,418
Short term	109,716	121,472	-	164,766
Long term	-	-	-	28,652
	109,716	121,472	-	193,418

Interest rate swaps

The Group entered into interest rate swap contracts with total outstanding notional amount of EUR 183,129. The outstanding notional amount and maturity date of interest rate swap contracts for hedging purposes at 31 December 2021 are as follows:

Currency	Outstanding Notional Amount	Maturity
EUR	15,309	8 March 2022
EUR	167,820	14 December 2022
	183,129	

Cross currency swaps

The Group has cross currency swap contracts in order to hedge exchange rate exposure arising from fixed interest rate usd denominated long-term bond with a total notional amount of USD 175 million due on April, 2023

Forward

The Group has forward currency contracts amounting EUR 149,4 million and USD 8,9 million with maximum 1-year maturity for the probability of arising exchange rates.

	31 December 2021	31 December 2020
Interest rate swap	(19,530)	(29,932)
Cross currency swap	(44,116)	(138,872)
Forward	(57,826)	(24,614)
	(121,472)	(193,418)

(*) The net gain generated from derivative transaction between Investment and Credit Pte. Ltd. and Rönesans Gayrimenkul A.Ş. is USD 1,4 million in 2021 (2020: None).

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

28.FINANCIAL INSTRUMENTS

Financial Debts

	31 December 2021	31 December 2020
Short term bank loans	-	49,477
Short term financial lease	737	-
Current portion of long-term bank loans	376,421	736,000
Total financial debt - current	377,158	785,477
Short term portion of issued corporate bonds	65,707	36,186
Current portion of long term financial lease	-	138
Current portion of long term operational lease	6,328	5,807
Total current financial debt	449,193	827,608
Long-term bank loans	8,263,986	5,538,850
Corporate bonds	3,998,700	2,202,150
Long term obligation under operational lease	214,854	191,964
Long term obligation under financial lease	1,606	-
Total non-current financial debt	12,479,146	7,932,964
Total current and non current financial debt	12,928,339	8,760,572

On 26 April 2018, the Group has issued fixed interest coupon corporate bonds with a nominal amount of USD 300,000 and with a maturity of 5 years. Details of issued corporate bonds are as follows:

		31 December 2021	
Currency Type	Effective interest rate %	Current	Non-current
USD	7,25	65,707	3,998,700
		65,707	3,998,700

		31 December 2020	
Currency Type	Effective interest rate %	Current	Non-current
USD	7,25	36,186	2,202,150
		36,186	2,202,150

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

28. FINANCIAL INSTRUMENTS (cont'd)

Financial Debts (cont'd)

The bank loans are repayable as follows:

	31 December 2021	31 December 2020
Payable within 1 year	376,421	785,477
Payable between 1-2 years	3,141,968	841,317
Payable between 2-3 years	988,306	1,999,778
Payable between 3-4 years	1,417,820	831,276
Payable between 4-5 years	458,048	657,524
Payable after 5+ years	2,257,844	1,208,955
	8,640,407	6,324,327

The Group's major bank loans are as follows:

a) Tarabya's loan balance as of 31 December 2021 is TRY 314,902 and EUR 72,432. The maturity of these loans March 2025.

b) Salacak's loan balance as of 31 December 2021 is EUR 174,860. The maturity of this loan is June 2029.

c) Altunizade's loan balance as of 31 December 2021 is EUR 155,000. The maturity of this loan is May 2023.

d) Mel2's loan balance as of 31 December 2021 is TRY 519,417. The maturity of these loan is December 2028.

e) Mel4's loan balance as of 31 December 2021 is TRY 227,000. The maturity of these loans are June 2022 and December 2028.

f) Kozyatağı's loan balance as of 31 December 2021 is EUR 17,010. The maturity of this loan is December 2023.

g) Göksu's loan balance as of 31 December 2021 is TRY 521,903. The maturity of this loan is February 2024.

h) Bostancı's loan balance as of 31 December 2021 is TRY 247,000. The maturity of this loan is February 2027.

i) Rönesans Gayrimenkul Yatırım's total corporate loan balance as of 31 December 2021 is equivalent of TRY 447,000. The maturity of these loans are September 2022, February 2023, July 2023 and August 2023 respectively.

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

28. FINANCIAL INSTRUMENTS (cont'd)

Covenants:

The Group, in a number of its bank loans, are subject to a number of covenant whereby the Group is required to meet certain key performance indicators. The terms of these loans allows the lender to terminate the loan agreement, unless this circumstance is cured by equity injection which means Debt Service Coverage Ratio ("DSCR") and Loan to Value ("LTV") brought to required level, under the following situations:

a) For the loan drawn by Tarabya for the Hilltown SHC and Office, the DSCR falls below 105%.
b) For the loan drawn by Salacak for the Maltepe Piazza SHC, the DSCR falls below 105%
c) For the loan drawn by Göksu for the Optimum Adana SHC, the DSCR falls below 105% and LTV should below 65%.
d) For the loan drawn by Mel2 for the Samsun Piazza SHC and Hotel, the DSCR falls below 110% and LTV should below 50%.
e) For the loan drawn by Kozyatağı for the Kozzy SHC, the DSCR falls below 115%.
f) For the loan drawn by Bostancı for the Küçükyalı Office&School, the DSCR falls below 100% and LTV should below 60%.
g) For the loan drawn by Mel4 for the Şanlıurfa Piazza SHC, the DSCR falls below 110% and LTV should below 65%.

The risk characteristics and levels in financial debts are disclosed in Note 30.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2021	Financing cash inflows	Financing cash outflows	Foreign exchange Gain/ (loss)	Other changes	31 December 2021
Bank loans	6,324,327	1,022,566	(1,304,324)	2,632,248	(34,410)	8,640,407
Non-trade payables to related parties	1,137,476	920,296	-	(539,385)	93,709	1,612,096
Non-trade receivables from related parties	411	(112)	-	-	-	299

	1 January 2020	Financing cash inflows	Financing cash outflows	Foreign exchange Gain/ (loss)	Other changes	31 December 2020
Bank loans	4,666,187	1,689,621	(1,683,480)	1,736,398	(84,399)	6,324,327
Non-trade payables to related parties	897,341	237,445	-	46,258	(43,568)	1,137,476
Non-trade receivables from related parties	8	403	-	-	-	411

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

29. FINANCIAL INVESTMENTS

	31 December 2021	31 December 2020
Short term financial investments		
Financial assets at fair value through profit or loss (*)	8,585	2,838
	8,585	2,838
Long term financial investments		
Financial assets at fair value through profit or loss (*)	633,119	200,396
	633,119	200,396

(*) Amounts consist of Eurobond investments.

30. ASSETS CLASSIFIED AS HELD FOR SALE

On 5 January 2022, Rönesans Gayrimenkul Yatırım A.Ş. has signed a Share Transfer Agreement for the sale of its %100 shares in Kavacık Gayrimenkul Yatırım İnş. Turz. San. Ve Tic. A.Ş. Sales amount is 98 million TRY, the amount has been collected in parts up until Februaury 2022. After collecting the whole amount , the share transfer has been completed.

The major classes of assets and liabilities comprising the disposal classified as held for sale are as follows:

	31 December 2021
Cash and cash equivalents	11
Prepaid expenses	-
Investment properties	127,729
Other receivables and non current assets	96
Total assets classifed as held for sale	127,836
Trade payables	5
Deferred tax liabilities	23,178
Total liabilities associated with assets classified as held for sale	23,183
Net assets of disposal	104,653

On 30 December 2021, Rönesans Gayrimenkul Yatırım A.Ş. has signed a Share Transfer Agreement for the sale of its %100 shares in Pendik Gayrimenkul Yatırım İnş. Turz. San. Ve Tic. A.Ş. Sales amount is 27.8 million TRY from which 8 million TRY has been collected by the end of December 2021, the remaining amount has been collected on January 2022. After collecting the whole amount , the share transfer has been completed.

The major classes of assets and liabilities comprising the disposal classified as held for sale are as follows:

	31 December 2021
Cash and cash equivalents	3,886
Prepaid expenses	1
Investment properties	23,985
Other receivables and non current assets	-
Total assets classifed as held for sale	27,872
Trade payables	13
Other payables	454
Deferred tax liabilities	3,898
Total liabilities associated with assets classified as held for sale	4,365
Net assets of disposal	23,507

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management:

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank loans disclosed in Note 28 and equity attributable to equity holders of the parent, premiums in capital stock, restricted profit reserves and retained earnings.

Within the framework of risk management activities, Group defines the undertaken risks, estimates the loss amounts caused by these risks and defines the capital base amount related to these loss amounts. Thus, Group aims to minimize its capital risk.

After the capital base is defined, the steadily management of funding structure is aimed by obtaining new debts, repayment of existing debts, and dividend payments.

The Group has to comply the ratios about bank loans covenant. As of 31 December 2021, the Group has comply the ratios.

Details of net debt for years ended 31 December 2021 and 2020 as follows:

	31 December 2021	31 December 2020
Financial debts	12,928,339	8,760,572
Less: Cash and cash equivalents and financial investments	(1,562,201)	(843,516)
Net debt	11,366,138	7,917,056
Total equity	8,500,026	6,719,431
Total capital	19,866,164	14,636,487
Gearing ratio	57%	54%

b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the management of the Company. Financial risks are identified, evaluated and hedged in close co-operation with the group's operating units. The management of the Company provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.1) Credit risk management

	Trade receivables		Other receivables		Bank	Derivative
31 December 2021	Related party	Third party	Related party	Third party	deposits	instruments
Maximum credit risk exposure at balance sheet date (A+B+C) [1]	10,223	116,051	299	25,047	1,562,182	109,716
Secured portion of maximum credit risk by guarantee or etc. [2]	-	80,233	-	-	-	-
A. Net book value of nor due or nor impaired financial assets	10,223	81,225	299	25,047	1,562,182	109,716
B. Net book value of assets that are due but not impaired	-	34,826	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Over due (gross book value)	-	40,042	-	-	-	-
- Impairment (-)	-	(40,042)	-	-	-	-
- Secured net value via guarentee or etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
(2) Guarantees consist of collateral bills and letters of guarantees.

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.1) Credit risk management (cont'd)

	Trade receivables		Other receivables		Bank	Derivative
31 December 2020	Related party	Third party	Related party	Third party	deposits	instruments
Maximum credit risk exposure at balance sheet date (A+B+C) [1]	7,685	98,223	411	33,494	843,501	-
Secured portion of maximum credit risk by guarantee or etc. [2]	-	78,324	-	-	-	-
A. Net book value of nor due or nor impaired financial assets	7,685	63,608	411	33,494	843,501	-
B. Net book value of assets that are due but not impaired	-	34,615	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Over due (gross book value)	-	40,254	-	-	-	-
- Impairment (-)	-	(40,254)	-	-	-	-
- Secured net value via guarentee or etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
(2) Guarantees consist of collateral bills and letters of guarantees.

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Aging of overdue receivables is as follows:

31 December 2021	Trade receivables	Total
Overdue by 1-30 days	10,560	10,560
Overdue by 1-3 months	12,688	12,688
Overdue by 3-12 months	7,707	7,707
Overdue by 1-5 years	3,871	3,871
Total overdue receivables	34,826	34,826
Secured portion via guarantee or etc.	34,826	34,826

31 December 2020	Trade receivables	Total
Overdue by 1-30 days	4,271	4,271
Overdue by 1-3 months	14,687	14,687
Overdue by 3-12 months	8,749	8,749
Overdue by 1-5 years	6,908	6,908
Total overdue receivables	34,615	34,615
Secured portion via guarantee or etc.	34,615	34,615

Collaterals held for the trade receivables that are past due and impaired as at the balance sheet date are as follows:

	31 December 2021	31 December 2020
Guarantee received	80,233	78,324
	80,233	78,324

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/ (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

31 December 2021

Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Financial liabilities						
Bank loans	8,640,407	11,178,059	259,926	928,254	7,372,623	2,617,256
Corporate bond	4,064,407	4,432,558	-	288,905	4,143,653	-
Trade payables (due to related parties included)	132,164	132,164	-	91,554	40,610	-
Payables related to employee benefits	5,580	5,580	5,580	-	-	-
Other payables (due to related parties included)	1,633,273	1,633,273	-	24,128	1,609,145	-
Total liabilities	14,475,831	17,381,634	265,506	1,332,841	13,166,031	2,617,256

31 December 2020

Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Financial liabilities						
Bank loans	6,324,327	7,922,605	214,307	981,981	5,318,016	1,408,301
Corporate bond	2,238,336	2,601,289	-	159,656	2,441,633	-
Trade payables (due to related parties included)	91,185	91,185	91,185	-	-	-
Payables related to employee benefits	4,977	4,977	4,977	-	-	-
Other payables (due to related parties included)	1,158,944	1,158,944	-	16,994	1,141,950	-
Total liabilities	9,817,769	11,779,000	310,469	1,158,631	8,901,599	1,408,301

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.2) Liquidity risk management (cont'd)

Liquidity Risk Table

31 December 2021

Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Derivative instruments						
Derivative cash outflows	121,472	84,768	5,336	73,881	5,551	-

31 December 2020

Due date on agreement	Carrying value	Cash outflows according to agreements (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 year (IV)
Derivative instruments						
Derivative cash outflows	193,418	136,172	3,399	27,774	104,999	-

b.3) Market risk management

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. The Group is exposed to currency risk (in the form of transaction risk) from receivables, liabilities, cash and cash equivalents and pending transactions other than functional currency of the Group companies concerned in each case. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting period are as follows:

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2021	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	1,309	2	85
2. Monetary financial assets	1,500,339	7,452	92,864
3. Non monetary financial assets (including RP)	15	-	1
4. CURRENT ASSETS	1,501,663	7,454	92,950
5. Monetary financial assets	633,114	47,499	-
6. Non monetary financial assets	21,094	1,320	232
7. NON-CURRENT ASSETS	654,208	48,819	232
8. TOTAL ASSETS	2,155,871	56,273	93,182
9. Trade payables (including RP)	(10,049)	(291)	(409)
10. Financial liabilities	(207,074)	(4,930)	(9,370)
11. Monetary other liabilities	(13,231)	-	(877)
12. Non monetary other liabilities	(51,819)	(11)	(3,425)
13. CURRENT LIABILITIES	(282,173)	(5,232)	(14,081)
14. Trade payables	(45)	-	(3)
15. Financial liabilities	(10,204,629)	(300,000)	(411,351)
16. Monetary other liabilities (including RP)	(1,075,729)	(3,664)	(68,066)
17. Non monetary other liabilities	(5,905)	(151)	(258)
18. NON-CURRENT LIABILITIES	(11,286,308)	(303,815)	(479,678)
19. TOTAL LIABILITIES	(11,568,481)	(309,047)	(493,759)
20. Net foreign currency assets/ (liabilities) position	(9,412,610)	(252,774)	(400,577)
21. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15+16)	(9,375,995)	(253,932)	(397,127)

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2020	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	22	3	-
2. Monetary financial assets	498,058	19,096	39,730
3. Non monetary financial assets	27	-	3
4. CURRENT ASSETS	498,107	19,099	39,733
5. Monetary financial assets	200,396	27,300	-
6. Non monetary financial assets	27,504	3,110	519
7. NON-CURRENT ASSETS	227,900	30,410	519
8. TOTAL ASSETS	726,007	49,509	40,252
9. Trade payables (including RP)	(2,170)	(92)	(166)
10. Financial liabilities	(505,933)	(4,930)	(52,148)
11. Monetary other liabilities	(2,176)	(8)	(235)
12. Non monetary other liabilities	(18,989)	(11)	(2,099)
13. CURRENT LIABILITIES	(529,268)	(5,041)	(54,648)
14. Financial liabilities	(6,445,096)	(300,000)	(471,025)
15. Monetary other liabilities	(712,556)	(11,024)	(70,120)
16. Non monetary other liabilities	(2,712)	(145)	(183)
17. NON-CURRENT LIABILITIES	(7,160,364)	(311,169)	(541,328)
18. TOTAL LIABILITIES	(7,689,632)	(316,210)	(595,976)
19. Net foreign currency assets/ (liabilities) position	(6,963,625)	(266,701)	(555,724)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(6,969,455)	(269,655)	(553,964)

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro.

The following table details the Group's sensitivity to a 20% (2020: %20) increase and decrease in the US Dollars and Euro. 20% (2020: %20) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% (2020: %20) change in foreign currency rates. The sensitivity analysis includes external loans within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.
A positive number indicates an increase in profit or loss.

	31 December 2021 Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 20% appreciated vs TRY	
US Dollars net assets/ (liabilities)	(676,932)	676,932
	If EUR 20% appreciated vs TRY	
Euro net assets/ (liabilities)	(1,198,267)	1,198,267
TOTAL	(1,875,199)	1,875,199

	31 December 2020 Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 20% appreciated vs TRY	
US Dollars net assets/ (liabilities)	(395,881)	395,881
	If EUR 20% appreciated vs TRY	
Euro net assets/ (liabilities)	(998,010)	998,010
TOTAL	(1,393,891)	1,393,891

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

31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

b.3) Market risk management (cont'd)

b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

Interest rate position table

Fixed rate financial instruments	31 December 2021	31 December 2020
Financial liabilities	5,425,727	3,968,533
Floating rate financial instruments	**31 December 2021**	**31 December 2020**
Financial liabilities	7,502,612	4,792,039

At 31 December 2021 if the TRY denominated interest rate had been 50 basis points higher/lower and all other variables held constant, profit before tax and minority interest would decrease/increase by TRY 50,248 / 13,008 (31 December 2020: TRY 1,711 / 2,405).

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate, interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	2021 TRY	2020 TRY	2021 TRY	2020 TRY	2021 TRY	2020 TRY
Less than 1 year	0,24%	-	5,095,387	1,284,588	(19,530)	(1,280)
Between 1-5 years	-	0.30%	-	2,153,068	-	(28,652)
			5,095,387	3,437,656	(19,530)	(29,932)

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

32. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

Categories of financial instruments and fair values

31 December 2021	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortized cost	Carrying value (*)	Notes
Financial assets					
Cash and cash equivalents	1,562,201	-	-	1,562,201	34
Trade receivables (due to related parties included)	126,274	-	-	126,274	5 - 6
Other current and non current receivables (due from related parties included)	25,346	-	-	25,346	7
Financial instruments	-	641,704	-	641,704	29
Derivative instruments	-	109,716	-	109,716	27
Financial liabilities					
Financial debts	-	-	12,928,339	12,928,339	28
Trade payables (due to related parties included)	-	-	132,164	132,164	5 - 6
Payables related to employee benefits	-	-	5,580	5,580	14
Other short and long term payables	-	-	1,633,273	1,633,273	7
Derivative instruments	-	121,472	-	121,472	27

(*) The Group believes that the carrying values of its financial asset and liabilities reflect their fair values.

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

32. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Categories of financial instruments and fair values (cont'd)

31 December 2020	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortized cost	Carrying value (*)	Notes
Financial assets					
Cash and cash equivalents	843,516	-	-	843,516	34
Trade receivables (due to related parties included)	105,908	-	-	105,908	5 - 6
Other current and non current receivables (due from related parties included)	33,905	-	-	33,905	7
Financial instruments	-	203,234	-	203,234	29
Derivative instruments	-	-	-	-	27
Financial liabilities					
Financial debts	-	-	8,760,572	8,760,572	28
Trade payables (due to related parties included)	-	-	91,185	91,185	5 - 6
Payables related to employee benefits	-	-	4,977	4,977	14
Other short and long term payables	-	-	1,158,944	1,158,944	7
Derivative instruments	-	193,418	-	193,418	27

(*) The Group believes that the carrying values of its financial asset and liabilities reflect their fair values.

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

32. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

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 (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

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

Financial Assets / Financial Liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2021	31 December 2020				
Interest rate swap, forward, cross currency	(11,756)	(193,418)	Level 2	Future cash flows estimated by using term interest rate (yield curves observable at the end of the reporting period resulting from interest rate) and contractual interest rates, are discounted by using a rate that reflects the credit risk of various parties.	-	-
Financial Investments	641,704	203,234	Level 1	Observable market price of Eurobonds	-	-

33. EVENTS AFTER THE REPORTING PERIOD

On 30 December 2021, the Group has signed a Share Purchase Agreement for the sale of %100 shares in Pendik Gayrimenkul Yatırım İnş. Turz. San. Ve Tic. A.Ş. and the share sale amount which is 27.8 million TRY is collected on 15 January 2022 and the share transfer is completed as of 15 January 2022. The sale is resulted in a gain of 22.9 million TRY.

On 5 January 2022, the Group has signed a Share Purchase Agreement for the sale of %100 shares in Kavacık Gayrimenkul Yatırım İnş. Turz. San. Ve Tic. A.Ş. and the share sale amount which is 98 million TRY is collected on 18 February 2022 and the share transfer is completed as of 18 February 2022. The sale is resulted in a gain of 74.9 million TRY.

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

34.DISCLOSURES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2021	31 December 2020
Cash on hand	19	15
Demand deposits	1,417,985	332,821
Time deposits	144,197	510,680
	1,562,201	843,516

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 31.

The details of time deposits as at 31 December 2021 and 31 December 2020 are as follows:

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2021
TRY	11-19	January 2022	60,159	60,159
US Dollar	0.1-0.2	January 2022	2,752	36,681
Euro	0.01-0.25	January 2022	3,139	47,357
				144,197

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2020
TRY	16-18.75	January 2021	254,498	254,498
US Dollar	0.1-0.15	January 2021	10,531	77,303
Euro	0.05-0.85	January 2021	19,858	178,879
				510,680

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