RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the consolidated financial statements

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 2019, 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 2019;
- 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 ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 TRY12,892 million is 80% 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:** Assessing the valuer's competence, capability, objectivity and independence. **Assessment of input and assumptions used for the valuation:** Assessing the valuation report prepared by the valuation expert of the Group through involvement of our experts, Assessing the valuation method applied and the appropriateness of the assumptions used through involvement of our experts, Evaluating our findings with the Valuation Expert of the Group along with comparing assumptions used with market data, Assessing 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, Testing 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, Assessing 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:** Reviewing compliance of the information in the appraisal report with the disclosures related to the fair value of investment properties in Notes 2 and 10.

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.

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.

- 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

İstanbul, 4 March 2020

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RÖNESANS GAYRİMENKUL YATIRIM ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

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

ASSETS	**Notes**	***(Audited)*** **31 December 2019**	***(Audited)*** **31 December 2018**
Current Assets		**761,784**	**683,779**
Cash and cash equivalents	34	332,087	316,356
Trade receivables		99,469	88,817
- Trade receivables from related parties	*5-6*	*10,233*	*10,631*
- Trade receivables from third parties	*6*	*89,236*	*78,186*
Other receivables		149	210
- Other receivables from related parties	*5-7*	*8*	*56*
-Other receivables from third parties	*7*	*141*	*154*
Derivative instruments	28	189,290	125,127
Inventories	8	17,919	29,983
Prepaid expenses	9	17,978	38,146
Current tax assets	25	846	1,080
Other current assets	17	104,046	84,060
Non-Current Assets		**15,267,386**	**13,939,947**
Other receivables		11,206	38,123
- Other receivables from related parties	*5-7*	-	*20,131*
- Other receivables from third parties	*7*	*11,206*	*17,992*
Derivative instruments	28	15	*203*
Investments accounted for using the equity method	3	1,901,598	1,814,356
Investment properties	10	12,891,842	11,686,567
Property, plant and equipment	11	1,293	1,734
Intangible assets		649	480
- Other intangible assets	*12*	*649*	*480*
Prepaid expenses	9	18,107	22,634
Deferred tax assets	25	118,992	64,598
Other non-current assets	17	323,684	311,252
TOTAL ASSETS		**16,029,170**	**14,623,726**

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

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

LIABILITIES	**Notes**	*(Audited)* **31 December 2019**	*(Audited)* **31 December 2018**
Current Liabilities		**576,788**	**596,202**
Short term portion of long term borrowings	29	360,729	323,882
Trade payables		191,851	230,968
- Trade payables to related parties	*5-6*	*123,437*	*196,836*
- Trade payables to third parties	*6*	*68,414*	*34,132*
Other payables		10,872	25,205
- Other payables to related parties	*5-7*	*105*	*782*
- Other payables to third parties	*7*	*10,767*	*24,423*
Derivative instruments	28	941	2,598
Deferred revenue	9	4,864	6,941
Current tax liabilities	25	-	284
Payables related to employee benefits	15	3,540	2,761
Short term provisions		3,991	3,563
- Employee benefits	*15*	*1,867*	*1,511*
-Other short-term provisions	*26*	*2,124*	*2,052*
Non-Current Liabilities		**8,335,707**	**7,062,189**
Long term borrowings	29	6,284,399	5,147,411
Trade payables		8,048	-
- Trade payables to related parties	*5-6*	*8,048*	-
Other payables		903,892	853,731
- Other payables to related parties	*5-7*	*897,236*	*544,888*
- Other payables to third parties	*7*	*6,656*	*308,843*
Derivative instruments	28	31,725	24,055
Deferred revenue	9	6,573	-
Long term provisions		2,204	1,636
- Employee benefits	*15*	*2,204*	*1,636*
Deferred tax liabilities	25	1,098,866	1,035,356
SHAREHOLDERS' EQUITY		**7,116,675**	**6,965,335**
Paid in capital	18	303,717	303,717
Other comprehensive income not to be reclassified to profit or loss		(740)	(750)
Loss on remeasurement of defined benefit obligations	24	(740)	(750)
Share premium	18	630,844	630,844
Restricted profit reserve	18	66,045	65,808
Retained earnings		5,965,479	4,656,587
Net profit for the period		151,330	1,309,129
TOTAL LIABILITIES		**16,029,170**	**14,623,726**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	*(Audited)* 1 January - 31 December 2019	*(Audited)* 1 January - 31 December 2018
- Revenue	4-19	786,569	787,091
- Cost of sales (-)	4-19	(239,687)	(326,304)
GROSS PROFIT		**546,882**	**460,787**
- Marketing expenses (-)	20	(20,603)	(13,010)
- General administrative expenses (-)	20	(21,810)	(22,944)
- Other operating income	21	547,568	2,102,199
- Other operating expense (-)	21	(167,295)	(139,646)
OPERATING PROFIT		**884,742**	**2,387,386**
- Income from investing activities	23	46,819	116,980
- Share on profit of investments valued using equity method	3	164,958	456,642
PROFIT BEFORE FINANCIAL EXPENSES		**1,096,519**	**2,961,008**
- Finance expenses (-)	22	(969,839)	(1,449,373)
PROFIT BEFORE TAXATION		**126,680**	**1,511,635**
Tax expenses		**24,650**	**(202,506)**
- Current tax expense	25	(41)	(1,187)
- Deferred tax income/(expense)	25	24,691	(201,319)
NET INCOME FOR THE PERIOD		**151,330**	**1,309,129**
Earnings per share			
- Basic and diluted earnings per share	27	0.50	4.31

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

CONSOLIDATED STATEMENT OF OTHER COMPHERENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	*(Audited)* 1 January - 31 December 2018	*(Audited)* 1 January - 31 December 2019
PROFIT FOR THE YEAR		**151,330**	**1,309,129**
Other comprehensive expense:		**10**	**(72)**
Accumulated other comprehensive income or loss that will not be reclassified in profit or loss			
-Loss on remeasurement of defined benefit obligations	*15*	*13*	*(90)*
-Tax expense based on other comprehensive income	*25*	*(3)*	*18*
TOTAL COMPREHENSIVE INCOME		**151,340**	**1,309,057**

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

(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 2018	**303,717**	**630,844**	**(678)**	**63,926**	**4,658,469**	**5,656,278**
<u>Changes in 2018:</u>						
Income for the year	-	-	-	-	*1,309,129*	***1,309,129***
Other comprehensive loss for the year, net of tax	-	-	***(72)***	-	-	***(72)***
Total comprehensive income	-	-	**(72)**	-	**1,309,129**	**1,309,057**
Transfer to legal reserves	-	-	-	1,882	(1,882)	-
Balance as of 31 December 2018	**303,717**	**630,844**	**(750)**	**65,808**	**5,965,716**	**6,965,335**
Opening balance as of 1 January 2019	**303,717**	**630,844**	**(750)**	**65,808**	**5,965,716**	**6,965,335**
<u>Changes in 2019:</u>						
Income for the year	-	-	-	-	*151,330*	***151,330***
Other comprehensive loss for the year, net of tax	-	-	***10***	-	-	***10***
Total comprehensive income	-	-	**10**	-	**151,330**	**151,340**
Transfer to legal reserves	-	-	-	237	(237)	-
Balance as of 31 December 2019	**303,717**	**630,844**	**(740)**	**66,045**	**6,116,809**	**7,116,675**

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

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

	References	*(Audited)* 1 January - 31 December 2019	*(Audited)* 1 January - 31 December 2018
A. Cash Flows From Operating Activities			
Profit for the Period		151,330	1,309,129
Adjustments to reconcile net profit			
Adjustments related to depreciation and amortization expense		776	1,610
Adjustments related to doubtful receivables provisions	6	9,262	3,896
Adjustments related to provisions		3,165	1,174
Adjustments related to Group's share on net assets of investments in accounted for using the equity method	3	(164,958)	(456,642)
Adjustments related to interest expense / (income)		356,224	182,241
Unrealized foreign exchange losses / (gains)		647,002	1,262,360
Adjustments related to fair value gains	10-21	(360,984)	(1,811,179)
Adjustments related to derivative instruments carried at fair value (gain) / loss	22	(80,451)	(111,156)
Adjustments related to tax expense	25	(24,650)	202,506
Adjustments related to gain on acquisition of subsidiary	23	(46,470)	(116,894)
Other adjustments to related to profit and loss		964	(86)
Movements in Working Capital		**491,210**	**466,959**
Change in trade receivables		6,767	(61,266)
Change in other receivables related to operations		(13,068)	(69,376)
Change in inventories	8	12,064	137,804
Change in prepaid expenses		(3,550)	54,618
Change in trade payables		(55,039)	14,996
Changes in payables related to employee benefits		779	(119)
Change in other payables related to operations		(1,727)	215,961
Change in deferred income		4,370	(117,887)
Cash generated by operating activities		441,805	641,690
Retirement pay paid	15	(2,288)	(2,219)
Income tax paid		(33)	(3,447)
Net cash generated by operations		439,483	636,024

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

		(Audited) 1 January - 31 December 2019	*(Audited)* 1 January - 31 December 2018
B. Cash Flows From Investing Activities			
Net cash outflow on acquire of subsidiary	33	(23,456)	(298,159)
Proceeds on disposal of tangible and intangible assets		356	2
Payments for tangible and intangible assets		(171)	(315)
Net cash outflow on acquire of investment property and expenditures		(539,340)	(1,698,551)
Advances given and receivables from related parties	5	24,585	25,940
Interest received		4,551	12,341
Change in long term VAT receivables	17	(12,432)	(28,826)
Other cash outflow		(2,500)	95
Net cash used in investing activities		(548,407)	(1,987,473)
C. Cash Flows From Financing Activities			
Proceeds from borrowings		500,802	1,760,535
Repayment of borrowings		(316,820)	(702,617)
Change in non-trade payables to related parties		221,555	147,273
Change in non-trade receivables from related parties		5,615	(5,849)
Cash receipts/(payments) from future contracts, forward contracts, option contracts and swap contracts		19,820	420
Interest paid		(306,317)	(225,126)
Net cash generated by financing activities		124,655	974,636
Net increase/(decrease) in cash and cash equivalents		15,731	(376,813)
D. Cash and cash equivalents at the beginning of the year	**34**	**316,356**	**693,169**
Cash and cash equivalents at the end of the year (A+B+C+D)	**34**	**332,087**	**316,356**

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

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 2019, the Group has 308 employees (31 December 2018: 280).

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

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
Akatlar Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Akatlar	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
Balmumcu Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Balmumcu	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
Mecidiyeköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Mecidiyeköy	Turkey, Ankara	Real Estate Development	Turkey
Nakkaştepe Gayrimenkul Yatırım İnş. Yön. ve Tic. A.Ş.	Nakkaştepe	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
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş.	Florya	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 28 February 2020 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 2019:

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, 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.

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

a) Standards, amendments and interpretations applicable as at 31 December 2019: (cont'd)

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

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

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

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

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

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021.

The Group considers to the effect of these standards and will apply starting from application dates.

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

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.

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 2019 and 31 December 2018 as follows:

The exchange rates used for the preparation of consolidated financial statements as at 31 December 2019 1 US Dollars = TRY 5.9402 1 EUR= TRY 6.6506. (31 December 2018 1 US Dollars= TRY 5.2609 1 EUR= TRY 6.028)

Comparative information and reclassification of prior period consolidated financial statements

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.

(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)

Basis of consolidation:

Subsidiaries included in consolidation as at 31 December 2019 and 2018 are as follows:

Subsidiaries	Effective ownership ratio (%)		Voting power held (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Akaretler	100.00	100.00	100.00	100.00
Akatlar	100.00	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
Balmumcu	100.00	100.00	100.00	100.00
Bostancı	100.00	100.00	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
Kuzguncuk (2)	-	100.00	-	100.00
Mecidiyeköy	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(1)	100.00	50.00	100.00	50.00
Nakkaştepe	100.00	100.00	100.00	100.00
Nisbetiye	100.00	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
Tarabya	100.00	100.00	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) After the Group has acquired other 50% of company shares on 10 September 2019, company is accounted as subsidiary.

(2) Kuzguncuk has merged into RGY on 26 June 2019.

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 2019	31 December 2018
Esentepe	Real Estate Development	Turkey, Ankara	50.00	50.00
Feriköy	Real Estate Development	Turkey, Ankara	50.00	50.00
Florya	Real Estate Development	Turkey, Ankara	50.00	50.00
Kandilli	Real Estate Development	Turkey, Ankara	50.00	50.00
Kurtköy	Real Estate Development	Turkey, Ankara	50.00	50.00
Mel 4 [1]	Real Estate Development	Turkey, Ankara	-	50.00

[1] After the Group has acquired other 50% of company shares on 10 September 2019, company is accounted as subsidiary.

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.

2.2 Basis of representation (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. Within this scope, 3,007 TRY rent payment was made in the related period.

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

2.2 Basis of representation (cont'd)

First time adoption of IFRS 16 Leases

The Group has applied IFRS 16 "Leases", which replaces IAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying IFRS 16 is accounted in the consolidated financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

With the transition to IFRS 16 "Leases", a "lease liability" is recognized in the consolidated financial statements for the lease contracts which were previously measured under IAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under IFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under IAS 17 before the transition date and the lease liabilities measured under IFRS 16 as of 1 January 2019 is as below:

	1 January 2019
Operating lease commitments	890,425
- Short term leases (-)	(432)
- Low value leases (-)	(982)
- Contracts considered under service (-)	-
- Adjustments for extension or early termination options	-
Total lease liabilities	**889,011**
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	**173,244**
- Short term lease liabilities	3,778
- Long term lease liabilities	169,466

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,

   (iii) Has control or joint control over the reporting entity,
   (iv) Has significant influence over the reporting entity,
   (v) 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.

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

2.3 Significant Accounting Policies (cont'd)

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.

Property 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.

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

2.3 Significant Accounting Policies (cont'd)

Intangible assets

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.

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, 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.

Derivative financial instruments and hedge accounting

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 roperties

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, and the fair value of the investment properties on third and ninth month, the Group makes their own valuation. 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 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.

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

2.3 Significant Accounting Policies (cont'd)

Investment properties (cont'd)

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 annuallay 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.

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.

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

2.3 Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

Deferred tax (cont'd)

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.

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

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.

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 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 entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.
Deferred tax asset amounting to TL404,925 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 vauation is disclosed in Note 10.

2.5 Comparative information and adjustment effect on previous financial statement

The financial statement of the Company include 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. In the current period, Company made reclassification which is detailed as below:

- Advances paid amounting to TRY 29,468 presented under "non trade receivables from related parties" in the consolidated financial statement for the year ended 31 December 2018 is reclassified as "prepaid expense" in the current period.

(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 2019 and 31 December 2018 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 2019	31 December 2018
Joint ventures	1,901,598	1,814,356
	1,901,598	1,814,356

	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 2019	1 January- 31 December 2018
Joint ventures	164,958	456,642
	164,958	456,642

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

Joint venture	Project Name	Place of property	31 December 2019	31 December 2018
Esentepe	Optimum İzmir SHC (1) (3)	İzmir, Turkey	1,365,463	1,293,985
Feriköy	Optimum İstanbul SHC (1) (3)	İstanbul, Turkey	786,225	722,490
Florya	Konak (1)	İzmir, Turkey	188,895	185,535
Kandilli	Ümraniye Tepeüstü (1)	İstanbul, Turkey	87,868	84,940
Kurtköy	Optimum Ankara SHC (1) (3)	Ankara, Turkey	595,864	525,045
Mel 4	Şanlıurfa Piazza SHC (1) (2) (3)	Şanlıurfa, Turkey	-	238,043
			3,024,315	3,050,038

(1) Amount presents the value of the projects multiplied with the Company's share.
(2) After the Group has acquired other 50% of company shares on 10 September 2019, companies are accounted as subsidiary.
(3) Assets are secured with mortgage, pledge, lien or other security interest to secure borrowings.

Investment valued by using equity method movement is as follow;

1 January	**1,814,356**
Shares on net profit/loss of associates	164,958
Transfer from jont venture to subsidiary	(77,716)
31 December	**1,901,598**

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures (cont'd)

31 December 2019	Esentepe	Feriköy	Florya	Kandilli	Kurtköy	Mel4 (1)	Total
Cash	20,430	14,475	87	25	13,955	-	48,972
Other current assets	23,984	9,750	1	77	7,647	-	41,458
Current Assets	**44,414**	**24,225**	**88**	**102**	**21,602**	**-**	**90,430**
Investment properties	2,730,925	1,572,450	377,790	175,735	1,191,730	-	6,048,630
VAT deductible	-	-	6,879	17,063	-	-	23,942
Other non-current assets	584,575	657,083	44	-	164,298	-	1,406,000
Non-Current Assets	**3,315,500**	**2,229,533**	**384,713**	**192,798**	**1,356,028**	**-**	**7,478,572**
Total Assets (*)	**3,359,914**	**2,253,758**	**384,800**	**192,900**	**1,377,630**	**-**	**7,569,002**
Financial debts	31,686	2,737	-	-	15,039	-	49,462
Other current liabilities	15,273	11,138	40	79	7,066	-	33,596
Current Liabilities	**46,959**	**13,875**	**40**	**79**	**22,105**	**-**	**83,058**
Financial debts	1,250,313	864,578	-	-	596,396	-	2,711,287
Deferred tax liabilities	415,439	285,428	50,306	13,525	185,556	-	950,254
Other non-current liabilities	15,869	1,111	-	-	4,228	-	21,208
Non-Current Liabilities	**1,681,621**	**1,151,117**	**50,306**	**13,525**	**786,180**	**-**	**3,682,749**
Total Liabilities (*)	**1,728,580**	**1,164,992**	**50,346**	**13,604**	**808,285**	**-**	**3,765,807**
Net Assets of Joint Ventures	**1,631,334**	**1,088,766**	**334,454**	**179,296**	**569,345**	**-**	**3,803,195**
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	**815,667**	**544,383**	**167,227**	**89,648**	**284,673**	**-**	**1,901,598**
Share of Group on VAT deductible	-	-	3,440	8,532	-	-	11,972
Share of Group on investment properties	1,365,462	786,225	188,895	87,867	595,865	-	3,024,315
Share of Group on total assets	1,679,957	1,126,879	192,400	96,450	688,815	-	3,784,501
Share of Group on deferred tax liabilities	207,720	142,714	25,153	6,763	92,778	-	475,128
Share of Group on total liabilities	864,290	582,496	25,173	6,802	404,143	-	1,882,904

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

(1) After the Group has acquired other 50% of the Company shares on 10 September 2019, Company is reclassed as subsidiary.

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures (cont'd)

31 December 2018	Esentepe	Feriköy	Florya	Kandilli	Kurtköy	Mel4	Total
Cash	30,337	14,129	2	392	18,360	2,080	65,299
VAT deductible	-	-	-	-	-	3,266	3,266
Other current assets	21,999	14,633	56	1,554	9,087	7,287	54,616
Current Assets	**52,336**	**28,762**	**58**	**1,946**	**27,447**	**12,633**	**123,181**
Investment properties	2,587,970	1,444,980	371,070	169,880	1,050,090	476,085	6,100,075
VAT deductible	-	-	6,662	17,041	-	-	23,703
Other non-current assets	423,378	539,259	43	-	132,786	1	1,095,467
Non-Current Assets	**3,011,348**	**1,984,239**	**377,775**	**186,921**	**1,182,876**	**476,086**	**7,219,245**
Total Assets (*)	**3,063,684**	**2,013,001**	**377,833**	**188,867**	**1,210,323**	**488,719**	**7,342,426**
Financial debts	30,038	2,596	-	-	13,502	32,048	78,184
Other current liabilities	17,363	7,636	294	103	6,190	4,277	35,863
Current Liabilities	**47,401**	**10,232**	**294**	**103**	**19,692**	**36,325**	**114,047**
Financial debts	1,157,376	783,640	-	-	540,821	177,501	2,659,338
Deferred tax liabilities	376,406	252,813	49,477	12,407	163,767	32,046	886,916
Other non-current liabilities	8,866	1,284	810	-	1,527	40,926	53,413
Non-Current Liabilities	**1,542,648**	**1,037,737**	**50,287**	**12,407**	**706,115**	**250,473**	**3,599,667**
Total Liabilities (*)	**1,590,049**	**1,047,969**	**50,581**	**12,510**	**725,807**	**286,798**	**3,713,714**
Net Assets of Joint Ventures	**1,473,635**	**965,032**	**327,252**	**176,357**	**484,516**	**201,921**	**3,628,712**
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	**736,817**	**482,516**	**163,626**	**88,178**	**242,258**	**100,961**	**1,814,356**
Share of Group on VAT deductible	-	-	3,331	8,521	-	1,633	13,485
Share of Group on investment properties	1,293,985	722,490	185,535	84,940	525,045	238,043	3,050,038
Share of Group on total assets	1,531,842	1,006,501	188,916	94,433	605,161	244,360	3,671,213
Share of Group on deferred tax liabilities	188,203	126,407	24,739	6,204	81,884	16,023	443,458
Share of Group on total liabilities	795,025	523,985	25,291	6,255	362,904	143,399	1,856,857

(*) 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 2019	**Esentepe**	**Feriköy**	**Florya**	**Kandilli**	**Kurtköy**	**Mel4 [1]**	**Total**
Revenue	199,832	95,863	-	-	75,802	32,280	403,777
Cost	(38,306)	(22,889)	-	-	(21,200)	(11,331)	(93,726)
Operatıng expenses	(8,365)	(4,906)	-	-	(4,542)	(1,520)	(19,333)
Interest income from bank deposit	603	301	7	-	661	-	1,572
Interest expense financial debts	(28,911)	(22,202)	-	-	(26,516)	(7,878)	(85,507)
Income tax expense	(39,031)	(38,671)	(829)	(1,114)	(21,790)	(1,764)	(103,199)
Other	71,878	116,236	4,114	5,551	82,418	(53,865)	226,332
Net income for the year	**157,700**	**123,732**	**3,292**	**4,437**	**84,833**	**(44,078)**	**329,916**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	
Share of Group on revenue	99,916	47,932	-	-	37,901	16,140	201,889
Share of Group on cost	(19,153)	(11,444)	-	-	(10,600)	(5,667)	(46,864)
Share of Group on operating expenses	(4,182)	(2,453)	-	-	(2,272)	(760)	(9,667)
Share of Group on interest income from bank deposit	302	150	4	-	330	-	786
Share of Group on interest expense financial debts	(14,456)	(11,101)	-	-	(13,258)	(3,939)	(42,754)
Share of Group on other income / (expense)	35,939	58,118	2,057	2,776	41,209	(26,932)	113,167
Share of Group on income tax expense	(19,515)	(19,336)	(415)	(557)	(10,895)	(882)	(51,600)
Share of Group on income for the year	**78,851**	**61,866**	**1,646**	**2,219**	**42,416**	**(22,040)**	**164,958**

(1) After the group has acquired 50% of the Companies shares on 10 September 2019, are reclassed as subsidiary.

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

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint ventures (cont'd)

31 December 2018	**Esentepe**	**Feriköy**	**Florya**	**Kandilli**	**Kurtköy**	**Mel4**	**Kozyatağı [1]**	**Mel2 [1]**	**Mel3 [1]**	**Total**
Revenue	180,919	97,433	-	-	75,280	49,501	2,096	8,318	4,241	417,788
Cost	(33,241)	(20,313)	-	-	(17,923)	(14,097)	(570)	(1,763)	(1,025)	(88,933)
Operatıng expenses	(6,846)	(4,733)	-	-	(3,381)	(1,762)	(644)	(232)	(135)	(17,733)
Interest income from bank deposit	556	253	1	52	506	96	-	22	13	1,500
Interest expense financial debts	(26,307)	(19,767)	-	-	(21,704)	(12,000)	(500)	(1,813)	(1,057)	(83,149)
Income tax expense	(104,923)	(69,871)	(9,815)	(3,573)	(44,402)	(1,917)	(918)	(3,541)	(2,584)	(241,543)
Other	380,149	296,358	49,058	17,806	177,194	(29,007)	2,088	20,814	10,906	925,366
Net income for the year	**390,307**	**279,360**	**39,244**	**14,285**	**165,570**	**(9,186)**	**1,552**	**21,805**	**10,359**	**913,296**
Proportion of the Group's share in the joint ventures	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Share of Group on revenue	90,460	48,717	-	-	37,640	24,751	1,048	4,159	2,120	208,895
Share of Group on cost	(16,621)	(10,157)	-	-	(8,962)	(7,049)	(285)	(882)	(513)	(44,469)
Share of Group on operatıng expenses	(3,423)	(2,367)	-	-	(1,691)	(881)	(322)	(116)	(68)	(8,868)
Share of Group on interest income from bank deposit	278	127	1	26	253	48	-	11	7	751
Share of Group on interest expense financial debts	(13,154)	(9,884)	-	-	(10,852)	(6,000)	(250)	(907)	(529)	(41,576)
Share of Group on other income / (expense)	190,075	148,179	24,529	8,903	88,597	(14,504)	1,044	10,407	5,453	462,683
Share of Group on income tax expense	(52,462)	(34,936)	(4,908)	(1,787)	(22,201)	(959)	(459)	(1,770)	(1,292)	(120,774)
Share of Group on income for the year	**195,153**	**139,679**	**19,622**	**7,142**	**82,784**	**- 4,594**	**776**	**10,902**	**5,178**	**456,642**

[1] After the Group has acquired other 50% of the Company shares on 24 January 2018, Companies are reclassed as subsidiary.

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

a) Total Assets(*)

Company Name	Project Name	31 December 2019	31 December 2018
Balmumcu	Antalya	22,404	21,764
Kabataş Rönesans	Beachtown	223,459	250,287
Nakkaştepe	Bayraklı	323,383	318,596
Nisbetiye	Bursa	116,865	115,607
Tarabya	Hilltown SHC and Office	2,109,347	2,247,707
Pendik	İzmit	19,521	18,163
Mel3	Kahramanmaraş Piazza SHC	671,869	635,068
Altunizade	Hilltown Karşıyaka SHC	1,925,268	1,273,578
Florya	Konak	192,400	188,917
Kozyatağı	Kozzy SHC	332,965	333,012
Bostancı	Küçükyalı Office and School	627,035	645,224
Salacak	Maltepe Piazza	2,159,147	2,142,628
Bakırköy	Maltepe Park	1,433,795	1,418,825
Kavacık	Mamak	80,468	78,449
Kuzguncuk (1)	Optimum Antalya	-	146,488
Göksu	Optimum Adana SHC	1,503,687	1,411,418
Kurtköy	Optimum Ankara SHC	688,815	605,162
Feriköy	Optimum İstanbul SHC	1,126,879	1,006,500
Esentepe	Optimum İzmir SHC	1,679,957	1,531,842
Mecidiyeköy	RönesansBiz Mecidiyeköy	244,787	241,929
Mel2	Samsun Piazza SHC and Hotel	1,398,771	1,312,303
Sancaktepe	Seyrantepe	41,692	41,326
Akatlar	Silivri	37,546	37,539
Mel4	Şanlıurfa Piazza SHC	477,964	244,359
Kandilli	Ümraniye Tepeüstü	96,450	94,433
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	17,886	(148,094)
Rönesans Yönetim	Rönesans Yönetim	1,178	1,298
Other	Other	704	962
	Combined	17,554,243	16,215,290
	Less : Joint ventures (Note 3)	(3,784,501)	(3,671,213)
	Less : Consolidation eliminations and adjustments	2,259,428	2,079,649
	Consolidated	16,029,170	14,623,726

(*) Total Asset includes related party receivables.
(1) Kuzguncuk has merged into RGY on 26 June 2019.

(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 2019	31 December 2018
Balmumcu	Antalya	503	373
Kabataş Rönesans	Beachtown	73,907	96,562
Nakkaştepe	Bayraklı	29,442	28,961
Nisbetiye	Bursa	10,974	13,169
Tarabya	Hilltown SHC and Office	1,103,476	1,268,894
Pendik	İzmit	2,397	2,294
Mel3	Kahramanmaraş Piazza SHC	152,507	236,910
Altunizade	Hilltown Karşıyaka SHC	1,202,170	626,103
Florya	Konak	25,173	25,291
Kozyatağı	Kozzy SHC	187,332	187,159
Bostancı	Küçükyalı Office and School	245,515	287,643
Salacak	Maltepe Piazza	1,357,331	1,409,636
Bakırköy	Maltepe Park	403,033	114,083
Kavacık	Mamak	14,070	13,809
Kuzguncuk [1]	Optimum Antalya	-	14,145
Göksu	Optimum Adana SHC	833,193	793,326
Kurtköy	Optimum Ankara SHC	404,143	362,904
Feriköy	Optimum İstanbul SHC	582,496	523,985
Esentepe	Optimum İzmir SHC	864,290	795,025
Mecidiyeköy	RönesansBiz Mecidiyeköy	42,084	94,549
Mel2	Samsun Piazza SHC and Hotel	582,166	593,058
Sancaktepe	Seyrantepe	2,643	2,396
Akatlar	Silivri	5,327	5,638
Mel4	Şanlıurfa Piazza SHC	293,242	143,399
Kandilli	Ümraniye Tepeüstü	6,802	6,255
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	2,011,986	1,605,487
Rönesans Yönetim	Rönesans Yönetim	384	(1,168)
Other	Other	983	73
	Combined	10,437,569	9,249,959
	Less : Elimination of joint ventures		
	Less : Joint ventures (Note 3)	(1,882,904)	(1,856,857)
	Less : Consolidation eliminations and adjustments	357,829	265,289
	Consolidated	8,912,495	7,658,391

(*) Total Liability includes related party payables.
[1] Kuzguncuk has merged into RGY on 26 June 2019.

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

4. SEGMENTAL REPORTING (cont'd)

c) Deferred Tax Liabilities

Company Name	Project Name	31 December 2019	31 December 2018
Balmumcu	Antalya	469	366
Kabataş Rönesans	Beachtown	32,911	34,097
Nakkaştepe	Bayraklı	29,304	28,424
Nisbetiye	Bursa	10,855	10,654
Tarabya	Hilltown SHC and Office	162,663	180,935
Pendik	İzmit	2,383	2,122
Mel3	Kahramanmaraş Piazza SHC	74,548	63,168
Altunizade	Hilltown Karşıyaka SHC	100,851	82,027
Florya	Konak	25,153	24,739
Kozyatağı	Kozzy SHC	37,542	37,583
Bostancı	Küçükyalı Office and School	82,442	73,983
Salacak	Maltepe Piazza	31,433	49,150
Bakırköy[2]	Maltepe Park	109,413	102,855
Kavacık	Mamak	14,048	13,674
Kuzguncuk [1]	Optimum Antalya	-	5,020
Göksu	Optimum Adana SHC	171,468	164,947
Kurtköy	Optimum Ankara SHC	92,778	81,884
Feriköy	Optimum İstanbul SHC	142,714	126,407
Esentepe	Optimum İzmir SHC	207,720	188,203
Mecidiyeköy	RönesansBiz Mecidiyeköy	34,871	33,175
Mel2	Samsun Piazza SHC and Hotel	166,218	145,504
Sancaktepe	Seyrantepe	2,594	2,347
Akatlar	Silivri	5,319	5,323
Mel4	Şanlıurfa Piazza SHC	29,534	16,023
Kandilli	Ümraniye Tepeüstü	6,763	6,204
	Combined	1,573,994	1,478,814
	Less : Joint ventures (Note 3)	(475,128)	(443,458)
	Consolidated	1,098,866	1,035,356

[1] Kuzguncuk has merged into RGY on 26 June 2019.
[2] Maltepe Park SHC was purchased on 28 June 2018.

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

4. SEGMENTAL REPORTING (cont'd)

d) Value Added Tax ("VAT") Deductible

Company Name	Project Name	31 December 2019	31 December 2018
Balmumcu	Antalya	98	89
Kabataş Rönesans	Beachtown	2,637	2,525
Nakkaştepe	Bayraklı	24,959	24,914
Nisbetiye	Bursa	540	530
Tarabya	Hilltown SHC and Office	77,852	88,240
Pendik	İzmit	88	78
Altunizade	Hilltown Karşıyaka SHC	152,966	88,715
Florya	Konak	3,440	3,331
Bostancı	Küçükyalı Office and School	-	4,298
Salacak	Maltepe Piazza	118,073	125,553
Bakırköy	Maltepe Park	39,630	41,542
Kavacık	Mamak	86	76
Kuzguncuk [(1)]	Optimum Antalya	-	15,484
Mel2	Samsun Piazza SHC and Hotel	-	2,914
Salacak Rönesans	Salacak Rönesans	175	166
Sancaktepe	Seyrantepe	53	7
Akatlar	Silivri	74	67
Mel4	Şanlıurfa Piazza SHC	-	1,633
Kandilli	Ümraniye Tepeüstü	8,532	8,521
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	10,346	-
Other	Other	153	114
	Combined	439,702	408,797
	Less : Joint ventures (Note 3)	(11,972)	(13,485)
	Consolidated	427,730	395,312

(1) Kuzguncuk has merged into RGY on 26 June 2019.

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

4. SEGMENTAL REPORTING (cont'd)

e) Gross Profit

Company Name	Project Name	31 December 2019			31 December 2018		
		Revenue	Cost	Gross Profit	Revenue	Cost	Gross Profit
Tarabya	Hilltown SHC and Office	126,010	(52,282)	73,728	118,808	(41,426)	77,382
Mel3[2]	Kahramanmaraş Piazza SHC	60,905	(18,611)	42,294	55,398	(14,903)	40,495
Altunizade	Hilltown Karşıyaka SHC	28,875	(8,698)	20,177	-	-	-
Kozyatağı[2]	Kozzy SHC	24,973	(10,497)	14,476	24,956	(9,314)	15,642
Bostancı	Küçükyalı Office and School	62,515	(15,206)	47,309	56,784	(13,140)	43,644
Salacak	Maltepe Piazza	112,809	(43,365)	69,444	203,943	(170,247)	33,696
Bakırköy[3]	Maltepe Park	90,166	(21,730)	68,436	69,462	(9,774)	59,688
Göksu	Optimum Adana SHC	98,221	(27,320)	70,901	94,437	(22,696)	71,741
Kurtköy	Optimum Ankara SHC	37,901	(10,600)	27,301	37,640	(8,962)	28,678
Feriköy	Optimum İstanbul SHC	47,932	(11,444)	36,488	48,715	(10,157)	38,558
Esentepe	Optimum İzmir SHC	99,916	(19,153)	80,763	90,460	(16,621)	73,839
Mecidiyeköy	RönesansBiz Mecidiyeköy	15,702	(4,236)	11,466	15,428	(3,494)	11,934
Mel2[2]	Samsun Piazza SHC and Hotel	107,713	(23,156)	84,557	97,149	(20,422)	76,727
Sancaktepe	Seyrantepe	-	-	-	1,600	(3)	1,597
Mel4[1]	Şanlıurfa Piazza SHC	32,889	(11,403)	21,486	24,751	(7,049)	17,702
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	24,983	335	25,318	30,762	(5,450)	25,312
Rönesans Yönetim	Rönesans Yönetim	3,712	(725)	2,987	10,629	(2,051)	8,579
	Combined	975,222	(278,091)	697,131	980,922	(355,709)	625,213
	Less : Joint ventures (Note 3)	(201,889)	46,864	(155,025)	(208,895)	44,469	(164,426)
	Less : Consolidation eliminations and adjustments	13,236	(8,460)	4,776	15,064	(15,064)	-
	Consolidated	786,569	(239,687)	546,882	787,091	(326,304)	460,787

(1) After the group has acquired 50% of the Companies shares on 10 September 2019, are reclassed as subsidiary.
(2) After the Group has acquired other 50% of the Company shares on 24 January 2018, Companies are reclassed as subsidiary.
(3) Maltepe Park SHC was purchased on 28 June 2018.

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

4. SEGMENTAL REPORTING (cont'd)

f) Operating Expenses

Company Name	Project Name	31 December 2019	31 December 2018
Tarabya	Hilltown SHC and Office	6,484	7,257
Mel3[(2)]	Kahramanmaraş Piazza SHC	1,180	1,746
Altunizade	Hilltown Karşıyaka SHC	3,010	-
Kozyatağı[(2)]	Kozzy SHC	788	537
Bostancı	Küçükyalı Office and School	188	524
Salacak	Maltepe Piazza	3,666	4,387
Bakırköy[(3)]	Maltepe Park	3,207	3,106
Göksu	Optimum Adana SHC	2,749	1,608
Kurtköy	Optimum Ankara SHC	2,271	1,691
Feriköy	Optimum İstanbul SHC	2,453	2,367
Esentepe	Optimum İzmir SHC	4,183	3,423
Mecidiyeköy	RönesansBiz Mecidiyeköy	93	565
Mel2[(2)]	Samsun Piazza SHC and Hotel	1,805	3,021
Salacak Rönesans	Salacak Rönesans	21	18
Mel4[(1)]	Şanlıurfa Piazza SHC	1,453	881
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	10,262	2,377
Rönesans Yönetim	Rönesans Yönetim	3,453	11,186
Other	Other	39	104
	Combined	47,305	44,798
	Less : Joint ventures (Note 3)	(9,667)	(8,868)
	Less : Consolidation eliminations and adjustments	4,774	24
	Consolidated	42,413	35,954

(1) After the group has acquired 50% of the Companies shares on 10 September 2019, are reclassed as subsidiary.
(2) After the Group has acquired other 50% of the Company shares on 24 January 2018, Companies are reclassed as subsidiary.
(3) Maltepe Park SHC was purchased on 28 June 2018.

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

4. SEGMENTAL REPORTING (cont'd)

g) Interest income from bank deposit

Company Name	Project Name	31 December 2019	31 December 2018
Tarabya	Hilltown SHC and Office	399	330
Mel3[(2)]	Kahramanmaraş Piazza SHC	164	125
Altunizade	Hilltown Karşıyaka SHC	139	129
Florya	Konak	4	1
Kozyatağı[(2)]	Kozzy SHC	89	89
Bostancı	Küçükyalı Office and School	192	197
Salacak	Maltepe Piazza	300	222
Bakırköy	Maltepe Park	299	219
Göksu	Optimum Adana SHC	471	466
Kurtköy	Optimum Ankara SHC	330	253
Feriköy	Optimum İstanbul SHC	150	127
Esentepe	Optimum İzmir SHC	302	278
Mecidiyeköy	RönesansBiz Mecidiyeköy	120	160
Mel2[(2)]	Samsun Piazza SHC and Hotel	367	327
Sancaktepe	Seyrantepe	10	59
Mel4[(1)]	Şanlıurfa Piazza SHC	87	48
Kandilli	Ümraniye Tepeüstü	-	26
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	1,892	4,891
Rönesans Yönetim	Rönesans Yönetim	66	118
Other	Other	-	2
	Combined	5,381	8,067
	Less : Joint ventures (Note 3)	(786)	(751)
	Consolidated	4,595	7,316

(1) After the group has acquired 50% of the Companies shares on 10 September 2019, are reclassed as subsidiary.
(2) After the Group has acquired other 50% of the Company shares on 24 January 2018, Companies are reclassed as subsidiary.
(3) Maltepe Park SHC was purchased on 28 June 2018.

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

4. SEGMENTAL REPORTING (cont'd)

h) Interest expenses of financial debts

Company Name	Project Name	31 December 2019	31 December 2018
Tarabya	Hilltown SHC and Office	44,605	34,163
Mel3[(2)]	Kahramanmaraş Piazza SHC	-	4,661
Altunizade	Hilltown Karşıyaka SHC	9,290	-
Kozyatağı[(2)]	Kozzy SHC	6,183	5,664
Bostancı	Küçükyalı Office and School	-	8,190
Salacak	Maltepe Piazza	65,633	37,782
Göksu	Optimum Adana SHC	31,926	29,960
Kurtköy	Optimum Ankara SHC	13,258	10,852
Feriköy	Optimum İstanbul SHC	11,101	9,884
Esentepe	Optimum İzmir SHC	14,456	13,154
Mecidiyeköy	RönesansBiz Mecidiyeköy	1,152	2,321
Mel2[(2)]	Samsun Piazza SHC and Hotel	18,141	17,627
Mel4[(1)]	Şanlıurfa Piazza SHC	7,570	6,000
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	104,862	55,900
	Combined	328,177	236,158
	Less : Joint ventures (Note 3)	(42,754)	(41,576)
	Consolidated	285,424	194,582

(1) After the group has acquired 50% of the Companies shares on 10 September 2019, are reclassed as subsidiary.
(2) After the Group has acquired other 50% of the Company shares on 24 January 2018, Companies are reclassed as subsidiary.

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

4. SEGMENTAL REPORTING (cont'd)

i) Income tax expense

Company Name	Project Name	31 December 2019	31 December 2018
Balmumcu	Antalya	(101)	(363)
Kabataş Rönesans	Beachtown	1,187	19,685
Nakkaştepe	Bayraklı	(880)	(7,484)
Nisbetiye	Bursa	(201)	(2,277)
Tarabya	Hilltown SHC and Office	18,272	(33,859)
Pendik	İzmit	(260)	(678)
Mel3[(2)]	Kahramanmaraş Piazza SHC	(11,380)	(21,617)
Altunizade	Hilltown Karşıyaka SHC	(18,824)	(23,333)
Florya	Konak	(415)	(4,908)
Kozyatağı[(2)]	Kozzy SHC	41	(5,231)
Bostancı	Küçükyalı Office and School	(8,459)	(16,424)
Salacak	Maltepe Piazza	17,717	44,114
Bakırköy[(3)]	Maltepe Park	(6,558)	(102,860)
Kavacık	Mamak	(374)	(2,836)
Kuzguncuk	Optimum Antalya	123	(4,313)
Göksu	Optimum Adana SHC	(6,521)	(53,674)
Kurtköy	Optimum Ankara SHC	(10,895)	(22,201)
Feriköy	Optimum İstanbul SHC	(19,336)	(34,936)
Esentepe	Optimum İzmir SHC	(19,515)	(52,462)
Mecidiyeköy	RönesansBiz Mecidiyeköy	(1,695)	(5,314)
Mel2[(2)]	Samsun Piazza SHC and Hotel	(20,714)	(50,477)
Salacak Rönesans	Salacak Rönesans	-	(5)
Sancaktepe	Seyrantepe	(247)	(1,391)
Akatlar	Silivri	3	(603)
Mel4[(1)]	Şanlıurfa Piazza SHC	1,628	(959)
Kandilli	Ümraniye Tepeüstü	(557)	(1,785)
Rönesans Gayrimenkul Yatırım	Rönesans Gayrimenkul Yatırım	61,525	63,502
Rönesans Yönetim	Rönesans Yönetim	(512)	(616)
Other	Other	(2)	25
	Combined	(26,950)	(323,280)
	Less : Joint ventures (Note 3)	51,600	120,774
	Consolidated	24,650	(202,506)

(1) After the group has acquired 50% of the Companies shares on 10 September 2019, are reclassed as subsidiary.
(2) After the Group has acquired other 50% of the Company shares on 24 January 2018, Companies are reclassed as subsidiary.

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

4. SEGMENTAL REPORTING (cont'd)

j) Capital Expenditures (*)

Company Name	Project Name	31 December 2019	31 December 2018
Balmumcu	Antalya	20,100	19,952
Kabataş Rönesans	Beachtown	77,847	76,992
Nakkaştepe	Bayraklı	467,667	467,405
Nisbetiye	Bursa	62,086	61,844
Tarabya	Hilltown SHC and Office	799,540	791,373
Pendik	İzmit	7,632	7,576
Mel3	Kahramanmaraş Piazza SHC	201,825	199,741
Altunizade	Hilltown Karşıyaka SHC	1,144,929	647,636
Florya	Konak	63,284	61,984
Kozyatağı	Kozzy SHC	53,458	51,848
Bostancı	Küçükyalı Office and School	232,173	231,666
Salacak	Maltepe Piazza	1,316,837	1,283,515
Bakırköy	Maltepe Park	907,383	886,027
Kavacık	Mamak	10,266	10,100
Kuzguncuk	Optimum Antalya	98,531	97,557
Göksu	Optimum Adana SHC	322,902	319,489
Kurtköy	Optimum Ankara SHC	52,492	50,216
Feriköy	Optimum İstanbul SHC	105,234	100,696
Esentepe	Optimum İzmir SHC	346,996	344,177
Mecidiyeköy	RönesansBiz Mecidiyeköy	64,405	63,584
Mel2	Samsun Piazza SHC and Hotel	648,394	644,479
Sancaktepe	Seyrantepe	28,810	28,380
Akatlar	Silivri	10,892	10,892
Mel4	Şanlıurfa Piazza SHC	203,763	101,388
Kandilli	Ümraniye Tepeüstü	54,726	54,573
	Combined	7,302,172	6,613,090
	Less : Joint ventures	(622,732)	(713,034)
	Consolidated	**6,679,440**	**5,900,056**

(*) "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.

(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 2019								
	Receivables				Payables				Advances
	Current		Non-current		Current		Non-current		Current
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	
Joint ventures									
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Tic. A.Ş.	9	-	-	-	-	-	-	-	-
Kandilli Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş.	41	-	-	-	-	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	2,021	-	-	-	-	-	-	293,887	-
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	1,123	3	-	-	-	-	-	82,410	-
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (1)	5,501	-	-	-	-	-	-	329,899	-
Shareholders									
Euro Efes S.a.r.l. (2)	-	-	-	-	-	-	-	40,872	-
Rönesans Emlak Geliştirme Holding A.Ş. (2)	-	-	-	-	-	-	-	150,168	-
Other companies managed by the parent company									
Rönesans Teknik İnşaat San. ve Tic.A.Ş. (3)	112	-	-	-	109,910	-	8,048	-	3,811
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.	496	-	-	-	-	-	-	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. (4)	-	-	-	-	12,047	-	-	-	1,072
Rönesans Holding A.Ş.	-	-	-	-	1,420	99	-	-	-
Other (5)	930	5	-	-	60	6	-	-	-
	10,233	8	-	-	123,437	105	8,048	897,236	4,883

(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.

(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.

(3) Prepaid expenses are related with the subcontractor advances given for Hilltown Karşıyaka project and the payables are related with construction work.

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

(5) The Group sub-leases to the group companies in accordance with its lease agreement with Allianz Tower.The receivables is related with rental receivables.

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

5. RELATED PARTY DISCLOSURES (cont'd)

	31 December 2018								
	Receivables				Payables				Advances
	Current		Non-current		Current		Non-current		Current
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	
Joint ventures									
Florya Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Tic. A.Ş. (1)	-	-	-	405	-	-	-	-	-
Kandilli Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş. (1)	48	43	-	-	-	750	-	-	-
Mel4 Gayrimenkul Geliştirme Yatırım İnş.ve Tic.A.Ş. (1)	961	-	-	19,726	-	-	-	-	-
Esentepe Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (2)	2,446	-	-	-	-	-	-	212,254	-
Kurtköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (2)	1,089	8	-	-	-	-	-	62,429	-
Feriköy Gayrimenkul Yatırım İnşaat Turizm San.ve Tic.A.Ş. (2)	1,147	-	-	-	-	-	-	270,205	-
Other companies managed by the parent company									
Rönesans Teknik İnşaat San. ve Tic.A.Ş.(3)	64	-	-	-	192,755	-	-	-	29,468
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.	496	-	-	-	-	-	-	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. (4)	-	-	-	-	3,389	-	-	-	-
Other(5)	4,380	5	-	-	692	32	-	-	-
	10,631	56	-	20,131	196,836	782	-	544,888	29,468

(1) Non- trade receivables and non-trade payables relate to funds provided to joint ventures for project financing and interest is charged at certain rates. Related receivables and payables are included in share of Group on asset and liability of joint ventures.

(2) 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.

(3) Prepaid expenses are related with the subcontractor advances given for Hilltown SHC and office, Maltepe Piazza and Hilltown Karşıyaka projects and the payables are related with construction works.

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

(5) The Group sub-leases to the group companies in accordance with its lease agreement with Allianz Tower.The receivables is related with rental receivables.

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

5. RELATED PARTY DISCLOSURES (cont'd)

	1 January-31 December 2019			
Transactions with related parties	Purchases	Sales	Interest received	Interest given
Associates & Joint ventures [(3)(7)]	-	27,531	279	34,571
Shareholders				
Euro Efes S.a.r.l. [(7)]	-	-	-	8,909
Rönesans Emlak Geliştirme Holding A.Ş. [(7)]	-	-	-	29,382
Other companies				
Rönesans Holding A.Ş. [(1)(4)]	6,977	5,131	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. [(5)]	77,208	-	-	-
Rönesans Teknik İnşaat San. ve Tic. A.Ş. [(2)]	286,818	2	-	-
Rönesans Endüstri Tesisleri İnşaat Sanayi ve Ticaret A.Ş.[(4)]	24	5,016	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[(6)]	-	5,040	-	-
Other	86	1,992	-	-
	371,113	44,712	279	72,862

(1) Purchases from Rönesans Holding A.Ş. are composed of services given by Rönesans Holding A.Ş.

(2) Rönesans Teknik İnşaat Sanayi ve Ticaret 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 Yönetim A.Ş. and 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 received represents accrued interest of shareholder loans provided by Rönesans Gayrimenkul Yatırım A.Ş. to joint ventures. Interest given represents accrued interest of reverse shareholder and shareholder loans received from joint ventures, Euro Efes S.a.r.l. and Rönesans Emlak Geliştirme Holding A.Ş.

	1 January-31 December 2018			
Transactions with related parties	Purchases	Sales	Interest received	Interest given
Joint ventures [(3)(7)]	331	36,591	929	4,487
Other companies				
Rönesans Teknik İnşaat San. ve Tic. A.Ş. [(2)]	467,725	-	-	-
Rönesans Elektrik Enerji Toptan Satış A.Ş. [(5)]	22,311	-	-	-
Rönesans Holding A.Ş. [(1)(4)]	6,448	3,758	-	-
Rönesans Endüstri Tesisleri İnşaat Sanayi ve Ticaret A.Ş.[(4)]	-	3,128	-	-
Rönesans MEA İnşaat A.Ş. [(4)]	-	1,445	-	-
Rönesans Özel Okulları Eğitim Öğretim Hizmetleri A.Ş.[(6)]	-	5,040	-	-
Other[(4)]	143	1,579	-	-
	496,958	51,541	929	4,487

(1) Purchases from Rönesans Holding A.Ş. are composed of services given by Rönesans Holding A.Ş.

(2) Rönesans Teknik İnşaat Sanayi ve Ticaret A.Ş. is the contractor of Karşıyaka Hilltown and Maltepe Piazza projects. Purchases in the year consist of construction services received for these projects.

(3) Sales to joint ventures consist of services provided to investments accounted for using the equity method from Rönesans Yönetim A.Ş. and 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 received represents accrued interest of shareholder loans provided by Rönesans Gayrimenkul Yatırım A.Ş. to joint ventures. Interest given represents accrued interest of reverse shareholder and shareholder loans received from joint ventures.

(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 2019	1 January - 31 December 2018
Salaries and other short term benefits	6,668	6,860

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 2019	31 December 2018
Current trade receivables		
Trade receivables	94,116	77,076
Notes receivables	29,257	20,267
Trade receivables from related parties (Note 5)	10,233	10,631
Expected credit loss (-)	(34,137)	(19,157)
	99,469	88,817

Average maturity for receivables is approximately 30 days (31 December 2018: 30 days).

The movement of the Group's provision for expected credit loss as at 31 December 2019 and 2018 is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Movement of allowance for credit loss		
Balance at beginning of the year	(19,157)	(7,510)
Charge for the period (Note 21)	(16,106)	(4,466)
Transferred from joint venture to subsidiaries	(5,718)	(7,751)
Provision released	6,844	570
Balance at closing of the year	(34,137)	(19,157)

The provision for trade receivables is provided based on estimated irrecoverable amounts from the sale of services, determined by reference to past default experience.

(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 2019	31 December 2018
Current trade payables		
Trade payables	68,414	34,132
Trade payables to related parties (Note 5)	131,485	196,836
	199,899	230,968

Average maturity for payables is approximately 30 days. (31 December 2018: 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 2019	31 December 2018
Other short term receivables		
Non-trade receivables from related parties (Note 5)	8	56
Other receivables	141	154
	149	210

	31 December 2019	31 December 2018
Other long term receivables		
Non-trade receivables from related parties (Note 5)	-	20,131
Deposits and guarantees given	1,204	13,225
Other	10,002	4,767
	11,206	38,123

b) Other payables:

	31 December 2019	31 December 2018
Other short term payables		
Taxes due and payables	8,322	8,706
Rental payable (*) (Note 14)	-	13,628
Deposits and guarantees received	2,430	2,063
Non-trade payables to related parties (Note 5)	105	782
Other	15	26
	10,872	25,205

	31 December 2019	31 December 2018
Other long term payables		
Non-trade payables to related parties (Note 5)	897,236	544,888
Rental payable (*) (Note 14)	-	301,679
Deposits and guarantees received	6,656	7,164
	903,892	853,731

(*) Rental payables are disclosed in financial debts due from IFRS 16.

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

8. INVENTORIES

	31 December 2019	31 December 2018
Residantial units [1]	17,919	29,983
	17,919	29,983

(1) Amount consist of Maltepe Piazza residential units.

9. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2019	31 December 2018
Short term prepaid expenses		
Prepaid expenses	7,554	5,853
Advances given to related parties	4,883	29,468
Order advances given	5,538	2,322
Other	3	503
	17,978	38,146

	31 December 2019	31 December 2018
Long term prepaid expenses		
Prepaid expenses	18,107	22,634
	18,107	22,634

	31 December 2019	31 December 2018
Short term deferred revenue		
Order advances received (*)	11,437	6,941
	11,437	6,941

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

	31 December 2019	31 December 2018
Long term deferred revenue		
Order advances received (*)	6,573	-
	6,573	-

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

10. INVESTMENT PROPERTIES

	31 December 2019	31 December 2018
Investment properties	11,920,329	9,646,458
Investment properties under development	971,513	2,040,109
	12,891,842	11,686,567

a) Investment properties:

	1 January- 31 December 2019	1 January- 31 December 2018
Opening balance at 1 January	9,646,458	3,144,482
Additions through subsequent expenditure [2]	535,507	1,551,330
Transfer from investment property under development [1]	1,058,041	1,548,510
Transferred from joint venture to subsidiaries [3]	447,015	1,706,498
Change in accounting policies [3]	(120,365)	-
Net gain from fair value adjustments (Note 21)	353,673	1,695,638
Closing balance at 31 December	11,920,329	9,646,458

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

10. INVESTMENT PROPERTIES (con't)

(1) Karşıyaka Hilltown SHC was transferred from investment property under development to investment properties in 2019 and Maltepe Piazza SHC was transferred in 2018.
(2) The additions amount includes purchase of Maltepe Park amounting to TRY 835,000 as of 28 June 2018.
(3) After the group has acquired other 50% of the Mel 4 shares on 10 September 2019, the Company is reclassed as subsidiary.
(4) The Group consideres land leasing contracts as non-cancallable contract and accounted in accordance with IFRS 16. Leasing assets arising from these contracts are accounted under investment properties.

The fair value of the Group's investment properties is TRY 11,920,329 as at 31 December 2019 (31 December 2018: TRY 9,646,458).

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 2019	31 December 2018
Currency base	TRY	TRY
Discount rate (%)	16.5-17	14.5-25
Occupancy rate (%)	85-100	92-99
Rent increase rate (%)	5-10.5	8.5-18.5
Capitalization rate (%)	6-9	6-9

The Group mortgages some real estates as collateral of the bank loans. The details of mortgages are disclosed in Note 14.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to TRY 736,980 (31 December 2018: TRY 597,465). (Note 19) Direct operating expenses arising on the investment property in the year include maintenance and repair costs which amounted to TRY 219,994 (31 December 2018: TRY 155,048) (Note 19).

As at 31 December 2019 and 31 December 2018 investment properties and their values are as follows:

Project Name	Company Name	Place of Property	31 December 2019	31 December 2018
Maltepe Piazza	Salacak	İstanbul,Turkey	2,002,920	1,955,250
Hilltown SHC and Office (2)	Tarabya	İstanbul,Turkey	2,006,409	2,133,526
Hilltown SHC Karşıyaka	Altunizade	İzmir,Turkey	1,680,450	-
Samsun Piazza SHC and Hotel	Mel 2	Samsun,Turkey	1,363,105	1,276,025
Adana Optimum SHC	Göksu	Adana,Turkey	1,261,485	1,199,320
Maltepe Park	Bakırköy	İstanbul,Turkey	1,380,565	1,344,140
Küçükyalı Office & Ted Rönesans College (1)	Bostancı	İstanbul,Turkey	623,911	638,519
Kahramanmaraş Piazza SHC	Mel 3	Kahramanmaraş,Turkey	662,620	627,245
Şanlıurfa Piazza SHC (4)	Mel 4	Şanlıurfa,Turkey	468,440	-
Kozzy SHC (3)	Kozyatağı	İstanbul,Turkey	237,474	242,373
RönesansBiz Mecidiyeköy	Mecidiyeköy	İstanbul,Turkey	232,950	230,060
			11,920,329	9,646,458

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

10. INVESTMENT PROPERTIES (con't)

(1) Non cancellable rental payables amount of TRY 24,756 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.

(2) Non cancellable rental payables amount of TRY 108,529 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.

(3) Non cancellable rental payables amount of TRY 8,528 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.

(4) 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 2019	1 January- 31 December 2018
Opening balance at 1 January	2,040,109	3,154,660
Additions through subsequent expenditure (1)	3,833	318,418
Transfer to investment property (2)	(1,058,041)	(1,548,510)
Change in accounting policies (3)	(21,699)	-
Net gain from fair value adjustments (Note 21)	7,311	115,541
Closing balance at 31 December	971,513	2,040,109

(1) Addition to investment properties under development consist of capitalized foreign exchange loss and interest expense related with financial debts respectively amounting to TRY 39,883 and TRY 28,723 (1 January - 31 December 2018: TRY 124,924 foreign exchange loss and TRY 46,273 interest expense).

(2) Maltepe Piazza SHC and Karşıyaka Hilltown SHC was transferred from investment property under development to investment properties respectively in 2018 and 2017.

(3) The Group consideres land leasing contracts as non-cancallable contract and accounted in accordance with IFRS 16. Leasing assets arising from these contracts are accounted under investment properties under development.

The property rental income earned by the Group from its investment property under development, all of which is leased out under operating leases, amounted to nill (31 December 2018: TRY 1,600). (Note 19)

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 2019 and 2018 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 2019	31 December 2018
Currency base	TRY	TRY
Discount rate (%)	16.75	16-27
Occupancy rate (%)	92-98	90-92
Rent increase rate (%)	6.5-10.5	8.5-18.5
Capitalization rate (%)	-	8

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

10. INVESTMENT PROPERTIES (cont'd)

b) Investment properties under development (cont'd)

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 2019	31 December 2018
Market comparable sqm value in TRY	630-24,750	600-24,500

Investment properties under development comprise of the following projects:

Project Name	Company Name	Place of Property	31 December 2019	31 December 2018
Mamak (1)	Kavacık	Ankara, Turkey	80,375	78,365
Silivri (1)	Akatlar	İstanbul, Turkey	37,470	37,470
Antalya (1)	Balmumcu	Antalya, Turkey	22,300	21,655
İzmit (1)	Pendik	İzmit, Turkey	19,415	18,080
Bursa (1)	Nisbetiye	Bursa, Turkey	116,300	115,050
Seyrantepe (1)	Sancaktepe	İstanbul, Turkey	41,610	39,960
Turan (1)(3)	Nakkaştepe	İzmir, Turkey	297,770	293,110
Optimum Antalya (1)	RGY	Antalya, Turkey	135,570	130,900
Beachtown (1)(2)(3)	Kabataş-RGY	Antalya, Turkey	220,703	247,478
Karşıyaka (1)(3)	Altunizade	İzmir, Turkey	-	1,058,041
			971,513	2,040,109

(1) In the consolidated financial statements as of 31 December 2019 and 31 December 2018, 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 31,430 and prepaid expenses amount TRY 2,963 which was deducted to arrive at fair values 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.

(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 2019 and 2018 are as follows:

		Fair value as at 31 December 2019		
	31 December 2019	Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	11,920,329	-	-	11,920,329
Investment properties under development	971,513	-	971,513	-

		Fair value as at 31 December 2018		
	31 December 2018	Level 1 TRY	Level 2 TRY	Level 3 TRY
Investment properties	9,646,458	-	-	9,646,458
Investment properties under development	2,040,109	-	2,040,109	-

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

		Change in fair value as at 31 December 2019	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	850,190	48,500
	decrease 1%	(765,680)	(42,610)
Discount rate			
	increase 1%	(768,660)	(34,500)
	decrease 1%	863,810	39,960
Occupancy rate			
	increase 1%	118,905	4,970
	decrease 1%	(113,910)	(4,950)
1 sq² land price			
	increase 10%	-	75,075
	decrease 10%	-	(75,090)
Capitalization rate			
	increase 1%	(525,590)	-
	decrease 1%	688,610	-

Sensitivity analysis of investment properties and investment properties under development are as follow (cont'd):

		Change in fair value as at 31 December 2018	
		Investment properties	Investment properties under development
Rent increase rate			
	increase 1%	733,115	148,335
	decrease 1%	(749,625)	(134,530)
Discount rate			
	increase 1%	(659,695)	(118,345)
	decrease 1%	731,480	132,290
Occupancy rate			
	increase 1%	87,565	19,040
	decrease 1%	(100,605)	(19,035)
1 sq² land price			
	increase 10%	-	155,432
	decrease 10%	-	(102,696)
Capitalization rate			
	increase 1%	(366,815)	(68,190)
	decrease 1%	458,920	87,680

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

11. PROPERTY, PLANT AND EQUIPMENT

Cost value	Buildings	Motor vehicles	Furniture and fixtures	Total
Opening balance as of 1 January 2019	3,581	1,189	2,636	7,406
Additions	-	-	35	35
Disposals	-	(397)	(6)	(403)
Closing balance as of 31 December 2019	3,581	792	2,665	7,038
Accumulated Depreciation				
Opening balance as of 1 January 2019	(2,624)	(985)	(2,063)	(5,672)
Charge for the year	(39)	(164)	(268)	(471)
Disposals	-	397	1	398
Closing balance as of 31 December 2019	(2,663)	(752)	(2,330)	(5,745)
Net book value as of 31 December 2019	918	40	335	1,293

Cost value	Buildings	Motor vehicles	Furniture and fixtures	Total
Opening balance as of 1 January 2018	3,581	1,277	2,564	7,422
Additions	-	-	72	72
Disposals	-	(88)	-	(88)
Closing balance as of 31 December 2018	3,581	1,189	2,636	7,406
Accumulated Depreciation				
Opening balance as of 1 January 2018	(1,755)	(920)	(1,739)	(4,414)
Charge for the year	(869)	(143)	(324)	(1,336)
Disposals	-	78	-	78
Closing balance as of 31 December 2018	(2,624)	(985)	(2,063)	(5,672)
Net book value as of 31 December 2018	957	204	573	1,734

(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	2019	2018
Opening balance as of 1 January	1,949	1,684
Additions	475	265
Disposals	(20)	-
Closing balance as of 31 December	2,404	1,949
Accumulated Amortization		
Opening balance as of 1 January	(1,469)	(1,195)
Charge for the year	(306)	(274)
Disposals	20	-
Closing balance as of 31 December	(1,755)	(1,469)
Net book value as of 31 December	649	480

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.)

14. COMMITMENTS AND CONTINGENCIES

The Group's guarantee given, pledges and mortgages ("GPM") position as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Mortgage	3,608,049	2,838,217
Letters of guarantees given	89,367	102,128
Surety and guarantees given	1,551,573	1,596,792
	5,248,989	4,537,137

TRY 4,987,685 of total amount in 2019 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 261,304 is for the guarantees provided by the Group for the third or related parties. (31 December 2018: TRY 4,202,176 remaining amount: TRY 334,961).

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 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Within one year	3,778	13,628
After one year but no more than five years	15,111	70,041
More than five years	154,355	231,638
	173,244	315,307

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.)

15. EMPLOYEE BENEFITS

Payables related to employee benefits:

	31 December 2019	31 December 2018
Payables to personnel	2,389	1,903
Social security premiums payables	1,151	858
	3,540	2,761

Short-term provisions for employee benefits:

	31 December 2019	31 December 2018
Unused vacation liability	1,867	1,511
	1,867	1,511

The movement of the Group's liability for unused vacation as at 31 December 2019 and 2018 is as follows:

	2019	2018
Provision at 1 January	1,511	2,284
Charge for the year	1,149	65
Payment (-)	(793)	(838)
Provision at 31 December	1,867	1,511

Long-term provisions for employee benefits:

	31 December 2019	31 December 2018
Retirement pay provision	2,204	1,636
	2,204	1,636

<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 6,379.86 for each period of service at 31 December 2019 (31 December 2018: TRY 5,434.42).

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.)

15. 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 2019, 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 4.67% real discount rate (31 December 2018: 4.50%) calculated by using 7% annual inflation rate and 12% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 8.98% (31 December 2018: 9.46%) 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 6,730.15 which is in effect since 1 January 2020 is used in the calculation of Groups' provision for retirement pay liability (1 January 2019: TRY 6,017.60).

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 247/TRY (300)

- 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 71/TRY (64).

	2019	2018
Provision at 1 January	1,636	1,610
Service cost	2,056	1,242
Interest cost	20	75
Termination benefits paid	(1,495)	(1,381)
Actuarial loss	(13)	90
Provision at 31 December	2,204	1,636

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

16. EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of residence sales (**)	(10,845)	(148,692)
Personnel expenses	(34,216)	(41,100)
Rent expenses (*)	(43,846)	(37,387)
Office expenses	(53,669)	(35,469)
Electricty expense	(84,988)	(51,960)
Maintenance expense	(14,230)	(8,693)
Consultancy expenses	(7,425)	(6,735)
Advertising expenses	(20,603)	(13,010)
Taxes and fees	(2,247)	(3,298)
Insurance expenses	(294)	(646)
Depreciation and amortization expenses	(776)	(1,610)
Lawsuit provision	-	(63)
Other	(8,961)	(13,595)
	(282,100)	(362,258)

(*) Land rental expenses amount to TRY 17,955 is included rent expense and remaining balances consists of rent contracts which are exemption from IFRS 16.

(**) Residence sales are related with Maltepe Piazza.

17. OTHER CURRENT AND NON-CURRENT ASSETS

	31 December 2019	31 December 2018
Other current assets		
VAT deductible	104,046	84,060
	104,046	84,060

	31 December 2019	31 December 2018
Other non current assets		
VAT deductible	323,684	311,252
	323,684	311,252

18. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2019 and 2018 the share capital held is as follows:

	%	31 December 2019	%	31 December 2018
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 2019: 303,717 thousand shares) with a par value of TRY 1 (31 December 2018: per share TRY 1).

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

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

b) Restricted Reserves Appropriated from Profit

	31 December 2019	31 December 2018
Legal reserves	66,045	65,808
	66,045	65,808

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 2019	31 December 2018
Share premium	630,844	630,844
	630,844	630,844

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

19. REVENUE

a) Revenue

	1 January - 31 December 2019	1 January - 31 December 2018
Rental revenue from investment properties [1]	736,980	599,065
Residential sales revenue	7,658	131,572
Management and consulting revenue	26,464	40,115
Other rental revenue	15,467	16,339
	786,569	787,091

[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 2019 above mentioned charged revenues amount to TRY 103,139 (31 December 2018: TRY 73,889)

b) Cost of revenue

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of residence sales	(10,845)	(148,692)
Cost of revenue related to investment properties	(219,994)	(155,048)
Cost of revenue related to management and consulting and other	(8,848)	(22,564)
	(239,687)	(326,304)

	1 January - 31 December 2019	1 January - 31 December 2018
Cost of residence sales	(10,845)	(148,692)
Office management expenses	(53,669)	(35,469)
Rent expense	(41,204)	(33,821)
Employee benefit expenses	(19,769)	(26,940)
Electricity expense	(84,988)	(51,960)
Maintenance expense	(14,230)	(8,693)
Consultancy expenses	(4,319)	(3,775)
Taxes and fees	(1,542)	(2,264)
Depreciation expenses	(695)	(703)
Insurance expenses	(187)	(554)
Other	(8,239)	(13,433)
	(239,687)	(326,304)

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

20. GENERAL ADMINISTRATIVE EXPENSES/MARKETING EXPENSES

	1 Junuary 31 December 2019	1 January - 31 December 2018
Marketing expenses	(20,603)	(13,010)
General administrative expenses	(21,810)	(22,944)
	(42,413)	(35,954)

a) Detail of marketing expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Advertising expenses	(20,603)	(13,010)
	(20,603)	(13,010)

b) Detail of general administrative expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Employee benefit expenses	(14,447)	(14,160)
Rent expenses	(2,642)	(3,566)
Consultancy expenses	(3,106)	(2,960)
Taxes and fees	(705)	(1,034)
Depreciation and amortization expenses	(81)	(907)
Insurance expenses	(107)	(92)
Lawsuit provision	-	(63)
Other	(722)	(162)
	(21,810)	(22,944)

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

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other operating income	1 January - 31 December 2019	1 January - 31 December 2018
Change in fair value of investment properties (Note 10.a)	374,648	1,695,638
Foreign exchange gain from operations	142,734	176,813
Change in fair value of investment properties under development (Note 10.b)	12,891	213,966
Interest income (*)	4,830	12,341
Reversal of provision	6,844	1,750
Other	5,621	1,691
	547,568	2,102,199

(*) Interest income from bank deposit is TRY 4,595 thousand in 2019 and TRY 7,316 thousand in 2018.

Other operating expense	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange loss from operations	(118,155)	(28,206)
Change in fair value of investment properties under development (Note 10.b)	(5,580)	(98,425)
Change in fair value of investment properties (Note 10.b)	(20,975)	-
Provision for doubtful receivables (Note 6)	(16,106)	(4,466)
Other	(6,479)	(8,549)
	(167,295)	(139,646)

22. FINANCE EXPENSES

Finance income/expenses(net)	1 January - 31 December 2019	1 January - 31 December 2018
Interest expense of financial debts	(285,424)	(194,582)
Foreign exchange loss of bank loan, net	(681,399)	(1,330,166)
Commission expenses	(5,541)	(12,132)
Realized gain on derivative instruments carried at fair value through profit and loss, net	19,449	4,606
Unrealized gain/(loss) on derivative instruments carried at fair value through profit and loss, net (1)	61,002	106,550
Other	(77,926)	(23,649)
	(969,839)	(1,449,373)

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

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

23. INCOME FROM INVESTING ACTIVITIES

Income from investing activities	1 January - 31 December 2019	1 January - 31 December 2018
Gain on acquisition of subsidiary (Note 33)	46,470	116,894
Other	349	86
	46,819	116,980

24. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

Loss on remeasurement of defined benefit obligations

	1 January- 31 December 2019	1 January- 31 December 2018
Opening balance	(750)	(678)
-Loss on remeasurement of defined benefit obligations	10	(72)
Closing balance	(740)	(750)

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

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

Current tax assets	31 December 2019	31 December 2018
Prepaid taxes and funds	846	1,080
	846	1,080

	31 December 2019	31 December 2018
Current tax liability		
Current corporate tax provision	41	1,187
Less: prepaid taxes and funds	(41)	(903)
	-	284

Income tax recognized in profit or loss	1 January-31 December 2019	1 January-31 December 2018
Current tax expense	(41)	(1,187)
Deferred tax expense	24,691	(201,319)
	24,650	(202,506)

Income tax recognized in equity

Deferred tax	1 January-31 December 2019	1 January-31 December 2018
Recognized in equity:		
-Loss on remeasurement of defined benefit obligations	(3)	18
Deferred tax recognized in equity	(3)	18

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 2019 is 22% (2018: 22%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22%. (2018: 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.)

25. 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 was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 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 2019	31 December 2018
Change in fair values of investment properties under development	298,706	248,349
Change in fair values of investment properties	1,070,187	959,688
Depreciation / amortization differences of property, plant and equipment and other intangibles	10,871	9,494
Tax losses carried forward	(404,925)	(244,558)
Provision for retirement pay and unused vacation	(895)	(692)
Other temporary differences	5,930	(1,523)
	979,874	970,758

Reflected as:	31 December 2019	31 December 2018
Deferred tax assets	(118,992)	(64,598)
Deferred tax liabilities	1,098,866	1,035,356
Net deferred tax liabilities	979,874	970,758

At the balance sheet date, the Group has unused tax losses of TRY 2,034,146 (31 December 2018: TRY 1,039,801) available for offset against future profits and deferred tax asset have been recognized in respect of TRY 404,925 (31 December 2018: TRY 244,558) of such losses.

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

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

Deferred Tax: (cont'd)

Expiration schedule of carry forward tax losses is as follows:

	31 December 2019	31 December 2018
Expiring in 2019	-	8,474
Expiring in 2020	93,437	99,079
Expiring in 2021	148,160	124,262
Expiring in 2022	200,917	158,583
Expiring in 2023 and later	1,591,632	649,402
	2,034,146	1,039,800

The movement of deferred tax assets for years ended 31 December 2019 and 2018 as follows:

Movement of deferred tax liability:	1 January-31 December 2019	1 January-31 December 2018
Opening balance	970,758	597,035
Charged to statement of profit or loss	(24,691)	201,319
Transferred from joint ventures to subsidiaries (Note 33)	33,804	172,422
Charged to equity	3	(18)
Closing balance	979,874	970,758

Reconciliation of taxation:	1 January-31 December 2019	1 January-31 December 2018
Profit before taxation	126,680	1,511,635
Tax at the domestic income tax rate of 22%	22%	22%
Tax at the domestic income	27,870	332,560
Tax effects of:		
- gain on acquisition	(10,300)	(18,540)
- expenses that are not deductible in determining taxable profit	3,218	76
- share in profit/(losses) of associates	(36,291)	(100,461)
- effect of increase in corporate tax rate in Turkey (from 20% to 22%)	(9,147)	(11,129)
Income tax expense recognised in profit or loss	(24,650)	202,506

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

26. PROVISIONS

	31 December	31 December
Short term provision	2019	2018
Lawsuit provision	2,124	2,052
	2,124	2,052

	2019	2018
Opening	2,052	1,989
Transferred from investment accounted for using equity method to subsidiaries	72	-
Charge for the year (Note 20)	-	63
	2,124	2,052

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 2019.

27. EARNINGS PER SHARE

	1 January - 31 December 2019	1 January - 31 December 2018
Net profit for the year	151,330	1,309,129
Average number of ordinary share outstanding during the year (in full)	303,717	303,717
Earning per share from operations (TRY)	0.50	4.31

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

28. DERIVATIVE INSTRUMENTS

	31 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	15	32,666	203	25,544
Cross currency swap	178,315	-	125,127	-
Forward	10,975	-	-	2,109
	189,305	32,666	125,330	27,653
Short term	189,290	941	125,127	2,598
Long term	15	31,725	203	24,055
	189,305	32,666	125,330	26,653

Interest rate swaps

The Group entered into interest rate swap contracts with total outstanding notional amount of EUR 492,527. The outstanding notional amount and maturity date of interest rate swap contracts for hedging purposes at 31 December 2019 are as follows:

Currency	Outstanding Notional Amount	Maturity
EUR	18,468	8 March 2022
EUR	86,667	24 May 2021
EUR	51,390	11 April 2022
EUR	26,502	23 September 2022
EUR	118,900	31 December 2020
EUR	190,600	14 December 2022
	492,527	

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 300 million due on April, 2023

Forward

The Group has forward currency contracts amounting EUR 73,5 million with maximum 1 year maturity for the probability of arising exchange rates.

	31 December 2019	31 December 2018
Interest rate swap	(32,651)	(24,341)
Cross currency swap	178,315	125,127
Forward	10,974	(2,109)
	156,638	98,677

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

29. FINANCIAL INSTRUMENTS

Financial Debts

	31 December 2019	31 December 2018
Current portion of long-term bank loans	333,452	303,135
Total bank loans - current	333,452	303,135
Short term portion of issued corporate bonds	23,298	20,747
Current portion of long term finance lease	201	-
Current portion of long term operational lease	3,778	-
Total current financial debt	360,729	323,882
Long-term bank loans	4,332,735	3,569,141
Corporate bonds	1,782,060	1,578,270
Long term obligation under operational lease	169,466	-
Long term obligation under finance lease	138	-
Total non-current financial debt	6,284,399	5,147,411
Total current and non current financial debt	6,645,128	5,471,293

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 2019	
Currency Type	Effective interest rate %	Current	Non-current
USD	7,25	23,298	1,782,060
		23,298	1,782,060

		31 December 2018	
Currency Type	Effective interest rate %	Current	Non-current
USD	7,25	20,747	1,578,270
		20,747	1,578,270

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

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Debts (cont'd)

The bank loans are repayable as follows:

	31 December 2019	31 December 2018
Payable within 1 year	333,452	303,135
Payable between 1-2 years	979,284	285,237
Payable between 2-3 years	714,847	818,256
Payable between 3-4 years	1,283,424	431,550
Payable between 4-5 years	216,945	805,785
Payable after 5+ years	1,138,235	1,228,313
	4,666,187	3,872,276

The Group's major bank loans are as follows:

a) Tarabya's loan balance as of 31 December 2019 is EUR 120,028. The maturity of this loan is March 2025.

b) Salacak's loan balance as of 31 December 2019 is EUR 190,600. The maturity of this loan is June 2029.

c) Altunizade's loan balance as of 31 December 2019 is EUR 148,650. Utilization of the loan started on November 2017 and the maturity of this loan is May 2023.

d) Mel2's loan balance as of 31 December 2019 is EUR 60,230. The maturity of this loan is April 2022.

e) Kozyatağı's loan balance as of 31 December 2019 is EUR 20,520. The maturity of this loan is December 2023.

f) Göksu's loan balance as of 31 December 2019 is EUR 96,297. The maturity of this loan is May 2021.

g) Rönesans Gayrimenkul Yatırım's total corporate loan balance as of 31 December 2019 is equivalent of TRY 213,429.The maturity of these loans are February 2021, July 2021 and January 2022 respectively.

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

29. 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 Project, the DSCR falls below 105% and LTV should be below 70%.
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%.

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 2019	Financing cash flows	Foreign exchange Gain/ (loss)	Acquisition of Subsidiary (Note 34)	Other changes	31 December 2019
Bank loans	3,872,276	183,982	416,596	208,857	(15,524)	4,666,187
Non-trade payables to related parties	545,670	301,323	84,919	-	(34,571)	897,341
Non-trade receivables from related parties	20,187	(19,645)	(813)	-	279	8

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

30. 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 29 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 2019, the Group has comply the ratios.

Details of net debt for years ended 31 December 2019 and 2018 as follows:

	31 December 2019	31 December 2018
Financial debts	6,645,128	5,471,293
Less: Cash and cash equivalents and financial investments	(332,087)	(316,356)
Net debt	6,313,041	5,154,937
Total equity	7,116,675	6,965,335
Total capital	13,429,716	12,120,272
Gearing ratio	47%	43%

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.)

30. 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 2019	Related party	Third party	Related party	Third party	deposits	instruments
Maximum credit risk exposure at balance sheet date (A+B+C) [1]	10,233	89,236	8	11,347	332,074	189,305
Secured portion of maximum credit risk by guarantee or etc. [2]	-	74,066	-	-	-	-
A. Net book value of nor due or nor impaired financial assets	10,233	59,799	8	11,347	332,074	189,305
B. Net book value of assets that are due but not impaired	-	29,437	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Over due (gross book value)	-	34,137	-	-	-	-
- Impairment (-)	-	(34,137)	-	-	-	-
- 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, letters of guarantees and mortgages.

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

30. 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 2018	Related party	Third party	Related party	Third party	deposits	instruments
Maximum credit risk exposure at balance sheet date (A+B+C) [1]	10,631	78,186	20,187	18,146	316,350	125,330
Secured portion of maximum credit risk by guarantee or etc. [2]	-	55,261	-	-	-	-
A. Net book value of nor due or nor impaired financial assets	10,631	54,271	20,187	18,146	316,350	125,330
B. Net book value of assets that are due but not impaired	-	23,915	-	-	-	-
	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Over due (gross book value)	-	19,157	-	-	-	-
- Impairment (-)	-	(19,157)	-	-	-	-
- 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, letters of guarantees and mortgages.

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

30. 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 2019	Trade receivables	Total
Overdue by 1-30 days	8,666	8,666
Overdue by 1-3 months	7,166	7,166
Overdue by 3-12 months	7,625	7,625
Overdue by 1-5 years	5,980	5,980
Total overdue receivables	29,437	29,437
Secured portion via guarantee or etc.	29,437	29,437

31 December 2018	Trade receivables	Total
Overdue by 1-30 days	8,114	8,114
Overdue by 1-3 months	10,376	10,376
Overdue by 3-12 months	5,272	5,272
Overdue by 1-5 years	153	153
Total overdue receivables	23,915	23,915
Secured portion via guarantee or etc.	23,915	23,915

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

	31 December 2019	31 December 2018
Guarantee received	74,066	55,261
	74,066	55,261

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

30. 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 2019

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	4,666,187	5,563,078	69,778	475,878	3,735,083	1,282,339
Corporate bond	1,805,358	1,901,975	-	-	1,901,975	-
Trade payables (due to related parties included)	199,899	199,899	199,899	-	-	-
Payables related to employee benefits	3,540	3,540	3,540	-	-	-
Other payables (due to related parties included)	914,764	914,764	1,385	83,318	830,061	-
Total liabilities	7,589,748	8,583,256	274,602	559,196	6,467,119	1,282,339

31 December 2018

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	3,872,276	4,798,080	-	484,517	2,898,698	1,414,865
Corporate bond	1,599,017	2,093,180	-	114,424	1,978,756	-
Trade payables (due to related parties included)	230,968	251,039	251,039	-	-	-
Payables related to employee benefits	2,761	2,761	2,761	-	-	-
Other payables (due to related parties included)	878,936	878,936	-	25,205	853,731	-
Total liabilities	6,583,958	8,023,996	253,800	624,146	5,731,185	1,414,865

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

30. 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 2019						
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	32,666	35,950	3,878	13,309	18,763	-

31 December 2018						
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	26,653	40,587	-	14,519	26,068	-

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.)

30. 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 2019	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	-	-	-
2. Monetary financial assets	305,806	648	45,403
3. Non monetary financial assets (including RP)	3,817	-	574
4. CURRENT ASSETS	309,623	648	45,977
5. Monetary financial assets	-	-	-
6. Non monetary financial assets	4,463	-	671
7. NON-CURRENT ASSETS	4,463	-	671
8. TOTAL ASSETS	314,086	648	46,648
9. Trade payables (including RP)	(78,812)	(278)	(11,602)
10. Financial liabilities	(264,481)	(3,922)	(36,265)
11. Monetary other liabilities	(6)	(1)	-
12. Non monetary other liabilities	(20,465)	(8)	(3,070)
13. CURRENT LIABILITIES	(363,764)	(4,209)	(50,937)
14. Financial liabilities	(5,999,797)	(300,000)	(634,189)
15. Monetary other liabilities (including RP)	(535,343)	(11,445)	(70,273)
16. Non monetary other liabilities	(4,091)	(242)	(399)
17. NON-CURRENT LIABILITIES	(6,539,231)	(311,687)	(704,861)
18. TOTAL LIABILITIES	(6,902,995)	(315,896)	(755,798)
19. Net foreign currency assets/ (liabilities) position	(6,588,909)	(315,248)	(709,150)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(6,572,633)	(314,998)	(706,926)

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

30. 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 2018	Equivalent of Thousands TRY	Thousands US Dollars	Thousands EUR
1. Trade receivables	21	4	-
2. Monetary financial assets	306,094	3,066	48,103
3. Non monetary financial assets	29,742	34	4,904
4. CURRENT ASSETS	335,857	3,104	53,007
5. Monetary financial assets (including RP)	1,260	-	209
6. Non monetary financial assets	12,311	2,340	-
7. NON-CURRENT ASSETS	13,571	2,340	209
8. TOTAL ASSETS	349,428	5,444	53,216
9. Trade payables (including RP)	(156,300)	(389)	(25,590)
10. Financial liabilities	(323,882)	(2,181)	(51,826)
11. Monetary other liabilities	-	-	-
12. Non monetary other liabilities	(40,085)	(18)	(6,634)
13. CURRENT LIABILITIES	(520,267)	(2,588)	(84,050)
14. Financial liabilities	(5,147,411)	(300,000)	(592,094)
15. Monetary other liabilities	(483,358)	(11,354)	(70,276)
16. Non monetary other liabilities	(4,777)	(306)	(525)
17. NON-CURRENT LIABILITIES	(5,635,546)	(311,660)	(662,895)
18. TOTAL LIABILITIES	(6,155,813)	(314,248)	(746,945)
19. Net foreign currency assets/ (liabilities) position	(5,806,385)	(308,804)	(693,729)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+9+10+11+14+15)	(5,803,576)	(310,854)	(691,474)

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

30. 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% (2018:%20) increase and decrease in the US Dollars and Euro. 20% (2018:%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% (2018:%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 2019 Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 20% appreciated vs TRY	
US Dollars net assets/ (liabilities)	(374,230)	374,230
	If EUR 20% appreciated vs TRY	
Euro net assets/ (liabilities)	(940,296)	940,296
TOTAL	(1,314,526)	1,314,526

	31 December 2018 Profit / (Loss)	
	Appreciation of foreign currencies	Depreciation of foreign currencies
	If US Dollars 20% appreciated vs TRY	
US Dollars net assets/ (liabilities)	(327,075)	327,075
	If EUR 20% appreciated vs TRY	
Euro net assets/ (liabilities)	(833,641)	833,641
TOTAL	(1,160,716)	1,160,716

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

30. 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 2019	31 December 2018
Financial liabilities	1,599,142	1,599,142

Floating rate financial instruments	31 December 2019	31 December 2018
Financial liabilities	5,045,986	3,872,151

At 31 December 2019 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 1,124 / 4,134 (31 December 2018: TRY 42,700 / (34,600)).

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	2019 TRY	2018 TRY	2019 TRY	2018 TRY	2019 TRY	2018 TRY
Less than 1 year	-	-	1,782,060	1,578,270	188,349	122,529
Between 1-5 years	2.38%	0.35%	3,495,562	3,017,623	(31,710)	(23,852)
			5,277,622	4,595,893	156,639	98,677

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

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

Categories of financial instruments and fair values

31 December 2019	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortized cost	Carrying value (*)	Notes
Financial assets					
Cash and cash equivalents	332,087	-	-	332,087	35
Trade receivables (due to related parties included)	99,469	-	-	99,469	5 - 6
Other current and non current receivables (due from related parties included)	11,355	-	-	11,355	7
Derivative instruments	-	189,305	-	189,305	28
Financial liabilities					
Financial debts	-	-	6,645,128	6,645,128	29
Trade payables (due to related parties included)	-	-	191,851	191,851	5 - 6
Payables related to employee benefits	-	-	3,540	3,540	15
Other short and long term payables	-	-	914,764	914,764	7
Derivative instruments	-	32,666	-	32,666	28

(*) 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.)

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

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

31 December 2018	Loans and receivables	Fair value through profit and loss	Financial liabilities at amortized cost	Carrying value (*)	Notes
Financial assets					
Cash and cash equivalents	316,356	-	-	316,356	35
Trade receivables (due to related parties included)	88,817	-	-	88,817	5 - 6
Other current and non current receivables (due from related parties included)	38,333	-	-	38,333	7
Derivative instruments		203		203	28
Financial liabilities					
Financial debts	-	-	5,471,293	5,471,293	29
Trade payables (due to related parties included)	-	-	230,968	230,968	5 - 6
Payables related to employee benefits	-	-	2,761	2,761	15
Other short and long term payables	-	-	878,936	878,936	7
Derivative instruments	-	26,653	-	26,653	28

(*) 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.)

31. 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 2019	31 December 2018				
Interest rate swap	156,639	98,677	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.	-	-

32. EVENTS AFTER THE REPORTING PERIOD

a) Cash amounting to EUR 31.3 Million generated from unwinding of cross currency swap transaction at the end of January 2020.

b) TRY 149 Million corporate loan 3 years bullet, quarterly interest payment is utilised from Yapı ve Kredi Bankası A.Ş. on 14 February 2020. Land plot owned by Nakkaştepe Gayrimenkul Yatırımları İnşaat Yönetim ve Ticaret A.Ş. is mortgaged in favour of Yapı ve Kredi Bankası A.Ş. Mortgage that has been established on Kuzguncuk Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. is removed.

c) TRY 58 Million corporate loan 1,5 years bullet, quarterly interest payment is utilised from T. İş Bankası A.Ş. at 26 February 2020. Prepayment has been made for EUR 8.8 Million corporate loan which was rolled over on July 2019.

d) TRY 50 Million 15-months bullet, quarterly interest payment and TRY 75 Million with 3-month maturity corporate loans are utilized from Alternatifbank A.Ş. on 27 February 2020 and 28 February 2020 respectively.

e) Prepayment has been made on 2 March 2020 for EUR 6 Million corporate loan which was utilized from Turkland Bank A.Ş. on 5 February 2018.

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

33. BUSINESS COMBINATIONS

2019	Principle activity	Date of acquisition	Portion of additioned shares	Consideration paid
Mel4	Real Estate Development	31 August 2019	50.00	32,452

On 10 September 2019, the Group acquired the remaing 50 % of the outstanding issued share capital and control of Mel4 Gayrimenkul Yatırımları İnşaat Turizm San. ve Tic. A.Ş. TRY 32,452, which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2019. The acquisition is resulted in a gain of TRY 46,470 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 10 September 2019. In the preparation of financial statements as of 31 December 2019, the Group accepted the fair values of assets and liabilities and goodwill calculation revised.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	8,996
Trade receivables	7,170
Investment property	447,015
Other current and non-current assets	1,401
Bank loans	(208,858)
Trade payables	(6,307)
Other payables	(54,430)
Deferred tax liabilities	(33,804)
Other short and long-term payables	(3,339)
	157,844
Effective ownership acquired	50%
Net assets acquired	78,922
Fair value of consideration for 50% shares acquired	58,547
Comprising:	
Cash consideration paid	*58,547*
Shareholder loan	(26,095)
Gain on acquisition of subsidiary	46,470
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid	*58,547*
Cash and cash equivalents acquired	*(8,996)*
Net cash outflow arising on acquisition	49,551

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

33. BUSINESS COMBINATIONS (cont'd)

2018	Principle activity	Date of acquisition	Portion of additioned shares	Consideration paid
Kozyatağı	Real Estate Development	26 January 2018	50.00	50,480

On 26 January 2018, the Group acquired the remaing 50 % of the outstanding issued share capital and control of Kozyatağı Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş. TRY 50,480, which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 7,721 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018. In the preparation of financial statements as of 30 June 2018, the Group accepted the fair values of assets and liabilities.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position.

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	4,956
Trade receivables	1,727
Investment property	196,424
Other current and non-current assets	12,057
Other receivables	534
Bank loans	(112,064)
Trade payables	(2,061)
Other payables	(6,449)
Deferred tax liabilities	(32,531)
Other current and non-current liabilities	(943)
	61,650
Effective ownership acquired	50%
Net assets acquired	30,825
Fair value of consideration for 50% shares acquired	23,104
Comprising:	
Cash consideration paid	23,105
Gain on acquisition of subsidiary	7,721
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid	23,105
Cash and cash equivalents acquired	(4,956)
Net cash outflow arising on acquisition	18,149

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

33. BUSINESS COMBINATIONS (cont'd)

2018	Principle activity	Date of acquisition	Portion of additioned shares	Consideration paid
Mel2	Real Estate Development	26 January 2018	50.00	180,652

On 26 January 2018, the Group acquired the remaing 50 % of the outstanding issued share capital and control of Mel2 Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş. TRY 180,652, which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 71,454 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018. In the preparation of financial statements as of 30 June 2018, the Group accepted the fair values of assets and liabilities and goodwill calculation revised.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position.

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	30,371
Trade receivables	6,212
Investment property	992,201
Other current and non-current assets	16,114
Other receivables	28
Bank loans	(375,632)
Trade payables	(2,978)
Other payables	(988)
Deferred tax liabilities	(96,797)
Other current and non-current liabilities	(1,381)
	567,150
Effective ownership acquired	50%
Net assets acquired	283,575
Fair value of consideration for 50% shares acquired	212,121
Comprising:	
Cash consideration paid	212,121
Gain on acquisition of subsidiary	71,454
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid	212,121
Cash and cash equivalents acquired	(30,371)
Net cash outflow arising on acquisition	181,750

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

33. BUSINESS COMBINATIONS (cont'd)

2018	Principle activity	Date of acquisition	Portion of additioned shares	Consideration paid
Mel3	Real Estate Development	26 January 2018	50.00	179,876

On 26 January 2018, the Group acquired the remaing 50 % of the outstanding issued share capital and control of Mel3 Gayrimenkul Yatırım İnşaat Turizm San. ve Tic. A.Ş. TRY 179,876, which is the acquisition value of share.

The Group is aiming to gain control on joint ventures with aquisitons. As a part of this strategy, acquired this company in 2018. The acquisition is resulted in a gain of TRY 37,719 as a consequence of acquiring business from a party considering strategic exit opportunities from the assets.

The acquiree's identifiable assets and liabilities are recognized based on the book value at the acquisition date of 26 January 2018. In the preparation of financial statements as of 30 June 2018, the Group accepted the fair values of assets and liabilities and goodwill calculation revised.

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed, that were recognized in the consolidated statement of financial position.

	Acquiree's Fair value
Net assets acquired:	
Cash and cash equivalents	6,858
Trade receivables	3,609
Investment property	517,873
Other current and non-current assets	4,284
Other receivables	8
Bank loans	(197,391)
Trade payables	(3,154)
Other payables	(628)
Deferred tax liabilities	(43,093)
Other current and non-current liabilities	(2,694)
	285,672
Effective ownership acquired	50%
Net assets acquired	142,836
Fair value of consideration for 50% shares acquired	105,117
Cash consideration paid	*26,842*
Gain on acquisition of subsidiary	37,719
Reconciliation to the consolidated statement of cash flows	
Cash consideration paid as at 26 January 2018	*26,842*
Cash consideration will be paid until 31 December 2018	*78,276*
Cash and cash equivalents acquired	*(6,858)*
Net cash outflow arising on acquisition	98,260

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

34. DISCLOSURES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2019	31 December 2018
Cash on hand	13	6
Demand deposits	270,300	260,880
Time deposits	61,774	55,470
	332,087	316,356

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 30.

The details of time deposits as at 31 December 2019 and 31 December 2018 are as follows:

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2019
TRY	8-10.9	January 2020	8,270	8,270
Euro	0.01-0.40	January 2020	8,045	53,504
				61,774

Currency Type	Range of interest rate %	Maturity date	Currency amount	31 December 2018
TRY	13-21.50	January 2019	2,514	2,514
Euro	0.05-3.00	January 2019	8,785	52,956
				55,470

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