AKİŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	***How our audit addressed the key audit matter***
Valuation of investment properties and significant information disclosed	
As explained in note 2 and 11, the Group recognizes investment properties at their fair values, after initial recognition. As of December 31, 2019, fair value amount of the investment properties disclosed in the consolidated financial statements amounts to TL 5.403.103.276 as determined by independent appraisal firms and details of the valuation have been disclosed in note 2 and 11. Due to the fact that investment properties are a significant part of the Group's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 11. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts in our audit procedures. Due to the high level of judgment in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.

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Inventories	
As of December 31, 2019, in the consolidated financial statements of the Group there has been inventories amounting to TL 454.724.733 in the current assets. Inventories comprise of cost of land that is held to build housing projects for sale in the short-term and construction costs of housing units. Accounting policy regarding to inventories is disclosed in note 2, related inventory amounts are disclosed in note 12. Due to the fact that inventories are a significant part of the Group's assets and matters such as accounting of purchase, conversion-capitalization and other necessary costs which are included to inventories, housing inventories to be sold are considered as a key audit matter to our audit.	Within the scope of our audit procedures performed regarding the subject stated above, we focused on the following; - Testing cost of development additions in the current year by comparing with documents such as invoice and progress payment - Review of borrowing costs capitalized to inventories in the current year and review the capitalization ceiling test - Testing of foreign currency differences capitalized and its verification with borrowing costs - Controlling of net realizable value of the inventories with valuation report and realized sales.

4) 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 TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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5) 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 InAS and the standards on auditing as issued by the Capital Markets Board of Turkey 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 InAS and the standards on auditing as issued by the Capital Markets Board of Turkey, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

- 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.

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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.

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 28, 2020.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer, SMMM
Partner

February 28, 2020
İstanbul, Türkiye

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKİŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

CONTENTS **PAGE**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKİŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2019 AND 2018

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
Current Assets		**799,648,318**	**682,535,082**
Cash and cash equivalents	4	246,302,394	96,124,337
Financial investments	5	10,921,134	24,175,744
Trade receivables	7	77,163,274	80,033,353
- Trade receivables from related parties	*7, 28*	*23,684*	*89,940*
- Trade receivables from third parties		77,139,590	79,943,413
Other receivables		2,113,534	3,505,498
- Other receivables from related parties	*28*	-	*815,594*
- Other receivables from third parties	*8*	*2,113,534*	*2,689,904*
Inventories	12	20,904,892	8,329,745
Inventories under development	12	433,819,841	464,599,191
Prepaid expenses	9	4,316,006	3,661,855
Derivative financial assets held for hedging	10	315,439	-
Derivative financial assets held for trading	10	3,425,449	1,994,452
Other current assets		366,355	110,907
Non-current Assets		**5,499,236,273**	**4,929,181,885**
Investments accounted for using the equity method	13	27,813,159	25,180,202
Trade receivables		564,642	41,824,047
- Trade receivables from third parties	*7*	*564,642*	*41,824,047*
Other receivables		14,185,483	14,504,795
- Other receivables from related parties	*28*	*12,631,530*	*12,878,644*
- Other receivables from third parties	*8*	*1,553,953*	*1,626,151*
Investment properties	11	5,403,103,276	4,790,590,000
Property, plant and equipment	14	29,203,459	30,422,911
Intangible assets		5,842,799	6,422,936
- Goodwill		*707,175*	*707,175*
- Other intangible assets	*15*	*5,135,624*	*5,715,761*
Deferred tax assets		474,453	327,964
Prepaid expenses	9	11,664,258	11,268,874
Derivative financial assets held for trading	10	4,339,918	7,224,784
Other non-current assets	16	2,044,826	1,415,372
Total Assets		**6,298,884,591**	**5,611,716,967**

The consolidated financial statements for the 1 January - 31 December 2019 accounting period have been reviewed by the audit committee and approved by the Board of Directors resolution dated 28 February 2020.

AKİŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2019 AND 2018

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
Current Liabilities		**953,960,198**	**971,116,458**
Short-term borrowings	6	584,781,297	40,670,639
Short-term portion of long-term borrowings	6	299,631,154	881,074,757
Trade payables		13,085,158	13,374,156
- Trade payables to related parties	*7, 28*	*4,274,506*	*1,929,315*
- Trade payables to third parties	*7*	*8,810,652*	*11,444,841*
Employee benefit related liabilities	18	1,669,278	1,722,616
Other payables		6,252,253	6,053,091
- Other payables to third parties	*8*	*6,252,253*	*6,053,091*
Deferred income (Excluding liabilities from customer contracts)	9	8,722,921	9,328,178
Derivative financial liabilities held for trading	10	446,152	-
Derivative financial liabilities held for hedging	10	29,777,760	7,138,489
Short-term provisions	17	9,465,185	11,727,780
- Short-term provisions for employee benefits	*17, 18*	*736,430*	*687,224*
- Other short-term provisions		*8,728,755*	*11,040,556*
Income tax payable		129,040	26,752
Non-current Liabilities		**1,324,473,833**	**1,009,795,092**
Long-term borrowings	6	1,289,652,762	992,687,899
Trade payables		3,125,366	3,210,419
- Trade payables to third parties	*7*	*3,125,366*	*3,210,419*
Deferred income (Excluding liabilities from customer contracts)	9	5,483,069	7,523,123
Derivative financial liabilities held for hedging	10	24,355,539	5,187,501
Long-term provision		1,857,097	1,186,150
- Long term provisions for employee termination benefits	*18*	*1,857,097*	*1,186,150*
Equity		**4,020,450,560**	**3,630,805,417**
Paid-in share capital	26	430,091,850	430,091,850
Adjustment to share capital		121,877,344	121,877,344
Share premium		50,712,389	50,712,389
Combination offset account		870,289,152	870,289,152
Treasury shares		(4,592,411)	(3,860,001)
Other comprehensive income / (expense) not to be reclassified to profit or loss	19	(1,148,542)	(426,037)
- Remeasurement loss arising from defined benefit plan		*(1,148,542)*	*(426,037)*
Other comprehensive income / (expense) to be reclassified to profit or loss	19	(47,332,651)	2,994,773
- Currency translation reserve		*7,370,271*	*2,767,623*
- Investments accounted for using the equity method reclassified to other comprehensive income/loss		*-*	*1,265,254*
- Cash flow hedge gains/(losses)	*10*	*(54,702,922)*	*(1,038,104)*
Effects of business combination of entities under common control		(4,109,167)	(4,109,167)
Other reserves	19	54,696,807	54,696,807
Restricted reserves appropriated from profit	19	116,693,057	107,311,106
Retained earnings	19	1,884,229,243	971,344,594
Net profit/ (loss) for the year		549,043,489	1,029,882,607
Total Liabilities and equity		**6,298,884,591**	**5,611,716,967**

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

AKİŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
PROFIT OR LOSS			
Revenue	20	437,161,617	396,097,827
Cost of sales (-)	20	(107,502,696)	(92,167,020)
Gross profit		**329,658,921**	**303,930,807**
General administrative expenses (-)	21	(29,623,784)	(33,855,300)
Marketing expenses (-)	21	(3,905,773)	(4,447,007)
Other operating income	23	39,772,884	82,090,015
Other operating expenses (-)	23	(39,602,658)	(57,068,257)
Operating profit		**296,299,590**	**290,650,258**
Income from investing activities	24	580,453,447	1,247,739,862
Expenses from investment activities	24	(9,779,099)	(1,892,579)
Share of profit of investment accounted for using the equity method	13	(1,531,678)	(1,513,789)
Operating profit before financial loss		**865,442,260**	**1,534,983,752**
Financial income	25	182,435,677	368,510,172
Financial expenses (-)	25	(498,540,615)	(873,344,506)
Profit before tax from continuing operations		**549,337,322**	**1,030,149,418**
Current tax expense	27	(440,322)	(288,612)
Deferred tax income/expense	27	146,489	21,801
Net profit for the year from continuing operations		**549,043,489**	**1,029,882,607**
NET PROFIT FOR THE YEAR		**549,043,489**	**1,029,882,607**
Total income for the period attributable to:			
Non-controlling interest			-
Equity holders of the parent		549,043,489	1,029,882,607
Earnings per share	**26**	**1.28**	**2.39**
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items not to be reclassified to profit and loss		**(722,505)**	**(673,918)**
Remeasurement loss arising from defined benefit plan	18	(722,505)	(673,918)
Items to be reclassified to profit or loss		**(50,327,424)**	**1,626,032**
Currency translation differences		4,602,648	2,664,136
Other comprehensive income/(expense) related to cash flow hedge	10	(53,664,818)	(1,038,104)
Shares to reclassified in comprehensive income/ (expense) of investments accounted for using the equity method		(1,265,254)	-
OTHER COMPREHENSIVE INCOME		**(51,049,929)**	**952,114**
TOTAL COMPREHENSIVE INCOME		**497,993,560**	**1,030,834,721**
Total comprehensive income attributable to:			
Non-controlling interest		-	-
Equity holders of parent		497,993,560	1,030,834,721

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

AKİŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

													Accumulated profit		
PRIOR PERIOD	**Paid in capital**	**Adjustments to share capital**	**Share premium**	**Remeasurement gain/(loss) arising from benefit plan (1)**	**Currency translation differences (2)**	**Cash flow hedge gains/(losses)**	**Shares from other comprehensive income of investments accounted for using the equity method (2)**	**Combination/ offsetting account**	**Treasury shares**	**Effect of business combination of entities under common control**	**Other reserves**	**Restricted reserves appropriated from profit**	**Retained earnings**	**Net profit for the year**	**Total equity**
As of 1 January 2018	**430,091,850**	**121,877,344**	**944,975**	**247,881**	**103,487**	**-**	**1,265,254**	**870,289,152**	**(189,440,968)**	**(4,109,167)**	**54,696,807**	**281,542,533**	**441,561,956**	**490,551,211**	**2,499,622,315**
Transfers	-	-	-	-	-	-	-	-	-	-	-	11,349,540	479,201,671	(490,551,211)	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(135,000,000)	-	(135,000,000)
	-	-	49,767,414	-	-	-	-	-	185,580,967	-	-	(185,580,967)	185,580,967	-	235,348,381
Increase/(decrease) resulting from									-						
recovering of shares	-	-	-	(673,918)	2,664,136	(1,038,104)	-	-		-	-			1,029,882,607	1,030,834,721
Total comprehensive income												-	-		
Balance as of 31 December 2018	**430,091,850**	**121,877,344**	**50,712,389**	**(426,037)**	**2,767,623**	**(1,038,104)**	**1,265,254**	**870,289,152**	**(3,860,001)**	**(4,109,167)**	**54,696,807**	**107,311,106**	**971,344,594**	**1,029,882,607**	**3,630,805,417**
CURRENT PERIOD															
As of 1 January 2019	**430,091,850**	**121,877,344**	**50,712,389**	**(426,037)**	**2,767,623**	**(1,038,104)**	**1,265,254**	**870,289,152**	**(3,860,001)**	**(4,109,167)**	**54,696,807**	**107,311,106**	**971,344,594**	**1,029,882,607**	**3,630,805,417**
Transfers	-	-	-	-	-	-	-	-	-	-	-	8,649,541	1,029,882,607	(1,029,882,607)	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(107,616,007)	-	(107,616,007)
Increase/(decrease) resulting from recovering of shares	-	-	-	-	-	-	-	-	(732,410)	-	-	732,410	(732,410)	-	(732,410)
Total comprehensive income	-	-	-	(722.505)	4,602,648	(53,664,818)	(1,265,254)	-	-	-	-	-	-	549,043,489	497,993,560
Balance as of 31 December 2019	**430,091,850**	**121,877,344**	**50,712,389**	**(1,148,542)**	**7,370,271**	**(54,702,922)**	**-**	**870,289,152**	**(4,592,411)**	**(4,109,167)**	**54,696,807**	**116,693,057**	**1,884,229,243**	**549,043,489**	**4,020,450,560**

(1) Items not to be reclassified to other comprehensive income and expenses
(2) Items to be reclassified to other comprehensive income and expenses
(3) Disclosed on Note 19

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKİŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES		**342,192,942**	**289,213,203**
Net profit/(loss) for the period		**549,043,489**	**1,029,882,607**
Adjustments to reconcile net profit/(loss) to net cash provided by operating activities		**(270,624,610)**	**(744,012,741)**
Adjustments related to depreciation and amortization	22	4,105,660	4,725,136
Adjustments related to impairment/(cancellation) on assets		11,740,461	11,122,939
Adjustments related to provisions		2,107,532	2,058,238
Adjustments related to interest income and expenses	25	135,212,087	128,531,484
Adjustments related to unrealized exchange differences		147,744,935	355,015,744
Adjustments related to tax income/expenses		293,833	288,612
Adjustments related to fair value gain, net	11	(570,289,533)	(1,247,739,862)
Adjustments related to undistributed profits of subsidiaries	13	1,531,678	1,513,789
Adjustments for other items that cause cash flow resulting from financing and investing activities	24	(384,815)	-
Other adjustments related to non-cash items		(2,686,448)	471,179
Changes in net working capital		**136,328,435**	**56,858,362**
Increases in inventories		(1,792,708)	(16,750,539)
Decrease in trade receivables		62,274,990	24,841,368
Decrease in trade payables		(623,087)	(827,370)
Decrease (increase) in financial investments		13,254,610	(6,735,748)
Adjustments related to other increases in operating capital		63,214,630	56,330,651
Decrease (increase) in other receivables arising from operating activities		*(7,031,038)*	*2,018,839*
Increase (decrease) in other payables arising from operating activities		*70,245,668*	*54,311,812*
Cash flows from operating activities		**414,747,314**	**342,728,228**
Tax paid		(71,986,281)	(52,707,904)
Other cash proceeds/outflows		(568,091)	(807,121)
B, CASH FLOWS FROM INVESTING ACTIVITIES		**(1,749,863)**	**(34,086,203)**
Cash outflows from affiliates and / or joint ventures share purchase or capital increase share purchase or capital increase	13	-	(24,157,916)
Cash outflows from purchase of property, plant and equipment and intangibles	14, 15	(2,379,310)	(2,614,149)
Cash proceeds from disposal of investment property	11, 24	3,564,815	253,350
Cash outflows from purchase of investment property	11	(2,935,368)	(7,567,488)
Other cash entries			-
C, CASH FLOWS FROM FINANCING ACTIVITIES		**(197,342,884)**	**(284,919,621)**
Cash proceeds arising from borrowings	6	1,350,293,708	195,996,000
Cash outflow arising from repayments of borrowings	6	(1,249,218,968)	(474,783,540)
Cash inflows from derivative instruments		3,530,992	-
Cash outflows from derivative instruments		(16,137,906)	(874,173)
Cash inflows from sale of repurchased shares		-	239,208,382
Dividends paid		(107,616,007)	(135,000,000)
Cash outflows arising from purchasing business's own share and other equity-based derivatives		(732,410)	(3,860,001)
Interest received		11,987,865	18,791,207
Interest paid	6	(189,450,158)	(124,397,496)
Net Decrease in Cash and Cash Equivalents Before Currency Translation Differences		**143,100,195**	**(29,792,621)**
D, Effects of Currency Translation Differences on Cash and Cash Equivalents		**7,077,862**	**37,079,784**
Net Increase (Decrease) in Cash and Cash Equivalents		**150,178,057**	**7,287,163**
E, Cash and Cash Equivalents at the Beginning of the Year	**4**	**96,124,337**	**88,837,174**
Cash and Cash Equivalents at the End of the Year	**4**	**246,302,394**	**96,124,337**

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Akiş GYO" or "the Company") was established on 22 November 2005 with the title of "Akiş Gayrimenkul Yatırımı A.Ş." in Istanbul/Turkey. The Company's legal title was changed to "Akiş Gayrimenkul Yatırım Ortaklığı A.Ş." The mentioned changes in the articles of association has been registered on 18 May 2012 and published on the Trade Register Gazette on 24 May 2012. The company, included in the Akkök Group, is a subsidiary of Akkök Holding A.Ş. which is the dominant partner in the Group.

The Company's main business activity is to engage in objectives and matters written in the regulations concerning the real estate investment trusts of the Capital Markets Board ("CMB"), such as, investment in real estate, real estate based capital market instruments, real estate projects, real estate based rights and capital market instruments.

At the meeting of the Board of Directors held on 17 August 2012, it was decided to merge with Ak-Al Gayrimenkul Geliştirme ve Tekstil Sanayi A.Ş. (Ak-Al), through takeover, in accordance with the article 136 of the Turkish Commercial Code No. 6120 and articles 18,19 and 20 of the Corporate Tax Law, and the merger was to be carried out based on the balance sheets of the entities dated 30 June 2012 prepared in accordance with the related arrangements of the CMB, and through transferring all assets and liabilities of Ak-Al to Akiş GYO and the merger operation was approved at the extraordinary general meeting held on 31 December 2012.

With the Company resolution dated 8 September 2016 and 134th and the following articles of the Turkish Commercial Code (TCC) numbered 6102, 18th, 19th and 20th articles of the Corporate Tax Law Taxes No: 5520 and since both companies are subject to the Capital Markets Law numbered 6362 (SPK.) and their shares are publicly traded and traded in the Borsa İstanbul A.Ş. (Stock Exchange), 23rd and 24th articles of the Capital Market Laws which was published in the Official Gazette dated 28 December 2013 and numbered 28865, that has the title of "Merger and separation" (II-23.2), and the article "Common Principles on Important Qualifications and Separation Articles" (II-23.1) published on Capital Markets Board's (CMB's) Official Gazette dated 24 December 2013 and numbered 28861, and in accordance other relevant legislative provisions; it has been decided to merge with Saf Gayrimenkul Yatırım Ortaklığı A.Ş. ("Saf GYO") within Akiş GYO, including assets and liabilities, as of the balance sheet date 30 June 2016, of Saf GYO to be taken over by Akiş GYO as a whole, within the context of the Extraordinary General Assembly held on 28 December 2016.

The Company is registered in İstanbul Trade Registry Office in Turkey, and the registered address is:
Acıbadem Mahallesi Çeçen Sokak No: 25, 34660 Akasya AVM, Acıbadem / Üsküdar – İstanbul.

Akiş, together with its subsidiaries and joint ventures, is referred to as "the Group".

The Company's shareholder structure as of 31 December 2019 is as follows:

	31 December 2019	
	Share rate (%)	**Share amount**
Raif Ali Dinçkök	16.79	72,210,635
Akkök Holding A.Ş.	14.66	63,065,857
Alize Dinçkök	10.07	43,326,381
Nilüfer Dinçkök Çiftçi	9.21	39,605,909
Emniyet Ticaret A.Ş.	9.13	39,267,011
European Bank For Reconsrtructıon And Development	7.36	31,650,000
Alina Dinçkök	6.53	28,078,910
Other, publicly traded shares included (*)	26.25	112,887,147
Total paid capital	**100.00**	**430,091,850**

(*) As of 31 December 2018, 38.91% of Akiş's shares are traded on Borsa İstanbul A.Ş. ("BIST").

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

The Company's shareholder structure as of 31 December 2018 is as follows:

	31 December 2018	
	Share rate (%)	**Share amount**
Ali Raif Dinçkök Inheritors	24.19	104,022,994
Akkök Holding A.Ş.	14.66	63,065,857
Nilüfer Dinçkök Çiftçi	9.21	39,605,909
Emniyet Ticaret A.Ş.	9.13	39,267,011
European Bank For Reconsrtructıon And Development	7.36	31,650,000
Raif Ali Dinçkök	6.56	28,196,104
Other, publicly traded shares included	28.89	124,283,975
Total paid capital	**100.00**	**430,091,850**

As of 31 December 2019 and 2018, the share groups representing the issued capital consist of group A with 19,422,649 shares equivalent to TRY 19,422,649 while the rest of shares represent group B. The group A are registered shares, and group B are shares to bearer. Transfer of registered shares can't be restricted. Group A shares have the privilege of nominating candidates for the election of Board members. Five members of the Board of Directors are elected by the General Assembly among the candidates nominated by the majority vote of group A shareholders.

As of 31 December 2019, the registered share capital of the Company is TRY 500,000,000 (31 December 2018: TRY 500,000,000). As of 31 December 2019, the paid-in capital of the Company is TRY 430,091,850 and consists of 430,091,850 shares with a nominal value of TRY 1 per each (31 December 2018: TRY 430,091,850 consisting of 430,091,850 shares with a nominal value of TRY 1 per each).

As of 31 December 2019, number of employees of the Group is 288 (31 December 2018: 321).

Subsidiaries

Akiş GYO subsidiaries in Turkey and has operations in Bulgaria, the main business activities are as follows:

Subsidiaries	**Nature of business**
Aksu Real Estate E.A.D. ("Aksu Real Estate")	Real estate investment
Karlıtepe Gayrimenkul Geliştirme ve Yatırım A.Ş. ("Karlıtepe ")	Real estate investment
Akyaşam Yönetim Hizmetleri A.Ş. ("Akyaşam")	Shopping mall and office management
Akasya Çocuk Dünyası A.Ş. ("Akasya Çocuk")	Children entertainment industry

	31 December 2019		31 December 2018	
	Direct and indirect ownership rate (%)	**Effective ownership rate (%)**	**Direct and indirect ownership rate (%)**	**Effective ownership rate (%)**
Aksu Real Estate	100,00	100,00	100,00	100,00
Karlıtepe	100,00	100,00	100,00	100,00
Akyaşam	100,00	100,00	100,00	100,00
Akasya Çocuk	100,00	100,00	100,00	100,00

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Akyaşam

Akyaşam Yönetim Hizmetleri A.Ş. was established on 6 January 2014 with the aim of management of shopping malls and offices. Akiş GYO owns 100% of share capital.

Aksu Real Estate

Aksu Textiles E.A.D was established in Bulgaria on 18 December 2000 and its main business activity is the production of all kinds of textiles and clothing, importation and exportation. Aksu Textiles E.A.D whose all capital belongs to Ak-Al became a subsidiary of Akiş GYO with the merger registered on 4 January 2013.

With the Board of Directors' decision dated 16 August 2013, the title of Aksu Textile EAD was decided to be changed to Aksu Real Estate EAD. With the change of title, the operational activity of the Company was also changed as to perform real estate investment activities both locally and abroad.

Karlıtepe

Karlıtepe Gayrimenkul Geliştirme ve Yatırım A.Ş. was registered on 12 May 2015 and established in İstanbul, and its main operating activities are: purchasing land or miscellaneous real estate in its own name, leasing, dividing up into plots, amalgamate, selling in sections, creating or having reconstruction plan created, acquisition of maps/projects and to make constructions at related land, providing architecture, engineering, technical consultancy and operating services for any kind of building, office, facility, landscape and environmental design and involving commercial activities in this context. On 28 May 2015, it became Akiş GYO's subsidiary. Karlıtepe was purchased in scope of business development process of Beykoz lands.

Akasya Çocuk Dünyası

Akasya Çocuk Dünyası A.Ş. provides children, inside Akasya shopping mall, with the opportunity to play in different roles in the thematic park scaled according to their own interior. The Company is the subsidiary of Akyaşam Yönetim Hizmetleri A.Ş. with the share of 100%.

Joint Ventures

WMG London Developments L.P

In order to make a real estate investment in London/England, an investment has been made to have 51% share of WMG London Developments L.P. ("WMG London") based in Jersey.

Due to the significant influence of Akiş GYO on joint ventures, WMG London is accounted for using the equity method in the financial statements.

Joint Venture	Nature of Business
WMG London	Real estate investments

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

	31 December 2019		31 December 2018	
	Direct and indirect ownership rate (%)	**Effective ownership rate (%)**	**Direct and indirect ownership rate (%)**	**Effective ownership rate (%)**
WMG London Developments L.P	51.00	51.00	51.00	51.00

<u>Joint operations</u>

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A participant of a joint operation is evaluated according to the owned asset, obligation, revenue and cost. Assets, liabilities, equity items, income and expenses and cash flows of the joint operations are consolidated on proportionate basis, the transactions and unrealized profit/losses with the joint operations are eliminated from the financial statements.

The joint ventures of Akiş GYO are operating in Turkey and the nature of their business is as follows:

Joint Venture	Nature of Business	Entrepreneur Partner
Akiş - Mudanya Ordinary Partnership	Real estate investments	Mudanya Gayrimenkul Geliştirme ve Yatırım A.Ş.

	31 December 2019		31 December 2018	
	Direct and indirect ownership rate (%)	**Effective ownership rate (%)**	**Direct and indirect ownership rate (%)**	**Effective ownership rate (%)**
Akiş - Mudanya Ordinary Partnership	50.00	50.00	50.00	50.00

Akiş-Mudanya Ordinary Partnership

Ordinary Partnership has been established on 28 May 2015 with the contract of project partnership signed by Akiş GYO and Mudanya Gayrimenkul Geliştirme ve Yatırım A.Ş. Akiş's share in partnership is 50%. The purpose of the project partnership is the execution of rights and obligations due to the construction in return for flat agreements on project development in İstanbul, Beykoz district, Gümüşsuyu neighbourhood.

Approval of Financial Statements

The consolidated financial statements for the year ended at 31 December 2019 has been approved by the Board of Directors on 28 February 2020.

Accounting policies used for the preparation of consolidated financial statements are presented below. Unless otherwise indicated, these accounting policies are applied to all the periods presented.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Preparation

Accounting Principles Applied

The consolidated financial statements of group have been prepared in accordance with communique No: II, 14.1 “Communique on Financial Reporting Standards in Capital Markets” (“Comminuqeu”) promulgated by CMB, which is published at 13 June 2013 in the official Gazette numbered 28676 and in accordance with the Turkish Accounting Standards (“TAS”), issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS; Turkish Accounting Standards is composed of Turkish Financial Reporting Standards with related additions and interpretations. TAS/TFRS is updated via comminiques in order to be parellel to changes in the International Financial Reporting Standards (IFRS).

In addition, financial statements are presented in accordance with the formats announced by the POA with the announcement dated 15 April 2019.

Preparation of Financial Statements in Hyperinflationary Economies

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

Presentation and functional currency

The reporting currency of the Group is Turkish Lira (TRY) and all financial informations are expressed in TRY unless otherwise is indicated. The financial information expressed in the currencies other TRY is full unless otherwise indicated.

Offsetting

Financial assets and liabilities are clearly shown in cases, necessary legal rights, intention to clearly evaluate related assets and liabilities, or obtaining assets and fulfilment of obligations occurring simultaneously.

Going Concern

The Group’s consolidated financial statements are prepared under the going concern approach.

Periodicity of Activities

There is not any effect on the financial performance of the Group for the 12 months period that ends as of 31 December 2019 that is related to periodicity of activities.

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

2.2 Amendments in accounting policies

2.2.1 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of ’low-value’ assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Standart is applied for annual periods beginning on or after 1 January 2019. The standart did not have a significant impact on the financial position or performance of the Group.

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

2.2. Amendments in accounting policies (Continued)

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

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

2.2. Amendments in accounting policies (Continued)

- TAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

2.2. Amendments in accounting policies (Continued)

ii) ***Standards issued but not yet effective and not early adopted***

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- -clarify the minimum requirements for a business;
- -remove the assessment of whether market participants are capable of replacing any missing elements;
- -add guidance to help entities assess whether an acquired process is substantive;
- -narrow the definitions of a business and of outputs; and
- -introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

2.2. Amendments in accounting policies (Continued)

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement,
- Prospective Assessments,
- Retrospective Assessments,
- Separately identifiable risk components

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted/issued by the POA.

2.3 Comparative figures and the restatement to the financial statements of the prior period

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented.

As of 31 December 2018, consolidated financial statements are provided comparative with previous period.

As explained in Note 2.1 "Basis of Preperation", the financial statements have been comparatively revised according to the TFRS Taxonomy published on April 15, 2019.

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

2.4 Summary of Significant Accounting Policies

2.4.1 Basis of Consolidation

The consolidated financial statements include the accounts of the parent company, Akiş GYO and its subsidiaries on the basis set out in sections below. The financial statements of the subsidiaries which are included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and the required adjustments and reclassifications have been made in accordance with CMB Financial Reporting Standards and applying uniform accounting policies and presentation.

Subsidiaries

Control is achieved by having control over financial and operational policies in order to benefit from an operator's activities.

Subsidiaries are companies that either (a) are directly or indirectly entitled to exercise more than 50% of the voting rights relating to the shares in the company as a result of their own voting rights, or (b) refers to companies that have the power and power to control their financial and operating policies in the interests of the Company by using the actual dominance effect on the financial and operating policies, without having the authority to use more than 50%.

The existence of potential convertible or usable potential voting rights is also taken into account when evaluating whether the Group controls another company.

Subsidiaries subject to consolidation, their voting rights and effective ownership interests at 31 December 2019 and 2018 are shown in Note 1.

Subsidiaries have started to be consigned to the controlling Group since the date of the control, and the process of consoling is ended with the removal from the controlling Group. The accounting policies applied for the Subsidiaries are changed to ensure consistency with the accounting policies applied by the Group.

The results of subsidiaries purchased or disposed of during the period are included in the comprehensive income statement after the date of purchase or on the date of exclusion.

The financial statements of the subsidiaries and profit or loss and other comprehensive income statements are consolidated using the full consolidation method and the carrying value of the shares held by the Company and its subsidiaries is offset against the related equity. Intra-group transactions and balances between the Company and its subsidiaries are eliminated during consolidation. The carrying value of the shares held by the Company and the dividends arising therefrom have been netted from the related equity and comprehensive income statement accounts.

Minority interests in the net assets of subsidiaries in the Consolidated Subsidiary are separately stated in the equity of the Group. Minority interests consist of the shares in the initial business combinations and minority interests in the changes in equity since the date of the combination. The accumulated loss on a non-consolidated basis of a consolidated subsidiary may exceed the amount of the non-parent equity on that subsidiary. In this case, the cumulative loss and the subsequent current year losses to be deducted from the minority interest are attributable to minority interests.

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

2.4 Summary of Significant Accounting Policies (Continued)

2.4.2 Joint Agreements

Joint operations

The Group applies TFRS 11, "Joint Agreements" standard for its all joint agreements. In accordance with IFRS 11, investments in joint ventures are classified as joint ventures or joint ventures, depending on the investor's rights and obligations to the contract. The Group has assessed the project partnership agreements detailed in Note 1 and determined that it is a joint venture. Project partnerships subject to joint operations are accounted by proportional consolidation method.

Joint operations have been included in the scope since the date that the rights and obligations in the contract were transferred to the Company and were excluded from the scope at the date of completion of joint operation. Where necessary, adjustments have been made to accounting policies in the financial statements of the project partnerships in the scope of joint operations so as to be consistent with the accounting policies followed by the Group.

The financial statements of the joint ventures and the profit or loss tables are included in the financial statements of the Group using proportional consolidation method and the carrying values of the shares in which the project partnerships are held are offset against the related equity. Transactions and balances between the Group and the project partnerships in the scope of the joint operations are proportionately offset during the acquisition of the financial statements. The carrying values of the shares held by the Group and the dividends arising therefrom are eliminated from the related equity and comprehensive income statement.

2.4.3 Business combinations and goodwill

Business combinations are considered as a combination of separate entities or businesses reporting on a single entity. Business combinations are accounted for in accordance with TFRS 3, using method of acquisition. The fact that an entity obtains control of one or more non-business operating entities and the combination of these entities is not considered a business combination. If the entity obtains a group of assets or net assets, these transactions are also not included within the scope of business combinations.

The cost of the purchase of an operating entity is allocated to the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition of the acquiree. The difference between the cost of the acquisition and the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is accounted for in the Consolidated Financial Statements as goodwill. Not included in the financial statements of the acquiree in the business combinations; however, assets, intangible assets and contingent liabilities that can be separated within the goodwill are reflected to the financial statements with their fair values. Goodwill amounts included in the financial statements of the acquiree are not recognized as identifiable assets.

If the acquirer's share of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of the business combination, the difference is recognized in profit or loss. The minority interest of the acquiree for each acquisition is accounted for at the proportionate share of the net assets of the acquired company.

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

2.4 Summary of Significant Accounting Policies (Continued)

The Group allocates the difference between the cost of each identifiable asset and liability and the fair value at the acquisition date for unobservable acquisitions within the business combinations. No such goodwill arises from such transactions.

The Group allocates the difference between the cost of each identifiable asset and liability and the fair value at the acquisition date for unobservable acquisitions within the business combinations. No such goodwill arises from such transactions. Goodwill is reviewed annually for impairment and carried in the balance sheet at fair value after deducting the accumulated impairment loss from cost value. Goodwill is allocated to cash-generating units for impairment testing. Distribution is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination generating the goodwill. The Group performs goodwill impairment tests on December 31 of each year. Provision for impairment on goodwill cannot be reversed. Profits and losses arising from the sale of an entity include the carrying amount of the goodwill on the entity being sold.

2.4.4 Segment Reporting

Segment reporting is designed as to supply consistence on reporting to the competent authority on taking decisions about the activities of the group. The competent authority is responsible for evaluation of the departments' performance and decision taking related to the resources which are to be allocated according to departments.

2.4.5 Related Parties

For the purpose of the consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, associates and joint ventures within the scope of TAS 24 - Related Party Disclosures are considered and referred to as related parties.

2.4.6 Effects of Foreign Currency Translations

Transactions in foreign currencies are translated into TRY at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Turkish Lira at the rate of exchange ruling at the balance sheet date. Exchange differences arising from such transactions are reflected in the comprehensive income statement.

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

2.4 Summary of Significant Accounting Policies (Continued)

2.4.7 Financial instruments

i) Financial assets

Classification

The Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Recognition and Measurement

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables" and "other receivables". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the statement of income.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. The Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under statement of income.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the statement of income.

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

2.4 Summary of Significant Accounting Policies (Continued)

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The Group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Trade receivables

Trade receivables are carried at amortized rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. The Group has preferred to apply "simplified approach" for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, the Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under "Other Operating Income/Expenses" in the statement of income or loss.

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

2.4 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank deposits with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values.

ii) Non-derivative financial liabilities

Financial liabilities

Financial liabilities are recognized at fair value at the date of initial recognition. Financial liabilities are measured at amortized cost using the effective interest rate method, after they are recorded at acquisition costs after deducting transaction costs.

Trade and other payables

Trade payables are the debts arising from the purchase of products and services directly from the suppliers. Trade payables and other liabilities are carried at amortized cost. Trade payables and other liabilities after unaccrued financial expenses are calculated by discounting the amounts payable from the original invoice value in the following periods by using the effective interest method. Short-term payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

iii) Derivative financial instruments

Derivative financial instruments are recognized at their fair value at the contract date and related transaction costs associated with derivatives are recognized in profit or loss on the date that they are incurred. Subsequent to initial recognition, changes are accounted for at fair value and changes are recognized in profit or loss.

Cash flow hedge transactions

At the date of derivate contract signed, hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset of liability or a high probable forecast transaction and could affect profit and loss are designed as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges as effective, are recognised in equity as "Cash flow hedge gains/(losses)". Where the forecasted transaction of firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset of liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedge firm commitment or forecasted transaction affects the consolidated income statement.

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

2.4 Summary of Significant Accounting Policies (Continued)

If the forecasted transaction is no longer expected to occur, the cumulative gain or losses previously -- recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.4.8 Offsetting

Financial assets and liabilities are carried at fair value if the legal right to net settlement exists, the net settlement or collection is possible or the obligation can be realized simultaneously.

2.4.9 Share premium

Share premium represents the difference as a result of its sale of the stocks of the investments which are evaluated through equity method with a higher price than their nominal prices or the stocks of its subsidiaries; or the difference between the nominal and net realizable values of the stocks of its acquired companies.

2.4.10 Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.4.11 Dividends

Dividend income is recognized in the consolidated financial statements by the Group at the date the right to collect the dividend is realized. Dividend payables are recognized as a result of profit distribution in the period they are declared.

2.4.12 Earnings per share

Earnings per share disclosed in the consolidated statement of comprehensive income are determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. For the purpose of earnings per share computations, such "bonus share" issuances are regarded as issued shares for all periods presented. Accordingly, the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares.

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

2.4 Summary of Significant Accounting Policies (Continued)

2.4.13 2.4.13 Events after the reporting period

Events after the reporting period represent the events that occur against or in favour of the Company between the reporting date and the date when reporting was authorized for the issue. There are two types of events after the reporting period:

- Those that provide evidence of conditions that existed as at reporting date (adjusting events after the reporting date); and

- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses events after the reporting period that are not adjusting events but material.

2.4.14 Provisions, contingent liabilities and contingent assets

A provision is recognized in the consolidated financial statements when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. In case of the mentioned criteria unformed, the Company discloses the related situation in the notes.

If the inflow of economic benefits is probable, contingent assets are disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur, such asset and income statement effect are recognized in the consolidated financial statements at the relevant period that income change effect occurs.

2.4.15 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessee are classified as financial leases. The rest of leases other than finance leases are classified as operating leases.

The Group as the lessor

The operating rental income is recognized on a straight-line basis over the lease term in the consolidated statement of comprehensive income.

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

2.4 Summary of Significant Accounting Policies (Continued)

Finance lease

The assets acquired under finance leases is recognized as property; as for that recognized financial lease payable in the consolidated financial statements. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments and financial costs of leasing are distributed over the lease period with a fixed rate. The property acquired under finance leases is depreciated in accordance with the principles applied for property, plant and equipment.

Liabilities under finance leases, decreased by the payment of principal and interest payments are recorded as expense in the statement of comprehensive income.

2.4.16 2.4.16 Taxation

Corporate tax

According to Article 5/1(d) (4) of the Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts ("REIT") is exempt from corporate income tax. This exemption is also applicable to advance corporate tax.

Since the Company is exempt from corporate income tax in conformity with Article 5 of the Corporate Tax Law, deferred tax is not recognized.

The Company's subsidiaries, Akyaşam, Akasya Çocuk Dünyası and Karlıtepe, have corporate tax obligation.

2.4.17 Employee benefits / provision for employee termination benefits

Provision for the employee termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from retirement of its employees calculated in accordance with Turkish Labour Law. In conformity with the laws regulating the work life in Turkey and the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of amount of TRY 6.380 as of 31 December 2019 (31 December 2019: 5.434TL).

Provision is related to fair value of defined benefit plan calculated with the method of estimated liability. All actuarial profit and losses are accounted under the consolidated comprehensive income statement. TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. The liability for this unfunded plan recognized in the consolidated financial statements is the full present value of the defined benefit obligation at the end of the reporting period, calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows from the retirement of its employees.

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

2.4 Summary of Significant Accounting Policies (Continued)

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans.

Unused vacation rights

Liabilities for unused vacation rights are accrued in the relevant period.

2.4.18 2.4.18 Inventories

Inventories are valued at the lower of cost or net realizable value, Inventories comprise of construction costs of residences (completed and in-progress) and the cost of land used for these residence projects, Land held for future development of real estate are also classified as inventory. Cost elements included in inventory are purchase costs, conversion costs and other costs necessary to prepare the asset for its intended use. Unit costs of the inventories are valued at the lower of cost or net realizable value. Borrowing costs attributable to qualifying assets are capitalized. Lands which are currently used or will be used in near future for real estate construction are evaluated in inventory.

2.4.19 Advances

Advances received consist of amounts received from customers who entered into preliminary sales contracts with the Group for its real estate projects and are classified as short-term and long-term considering the expected delivery date of residences. The advances received for other operational activities are classified as short-term and long-term according to nature and duration of advances. Advances are not subject to discount.

2.4.20 Borrowing costs

General and specific 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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

2.4 Summary of Significant Accounting Policies (Continued)

2.4.21 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment, if any. Any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Depreciation is calculated over of the cost of property, plant and equipment using the straight-line method based on expected useful lives.

Estimated useful lives of property, plants and equipment is as follow;

Tangible assets	Expected useful life (year)
Buildings	50
Land improvements	3-25
Plant, machinery and equipment	5-15
Furniture and fixtures	3-10
Leasehold improvements	5

Subsequent costs incurred for property, plant and equipment for increasing the future benefits from the asset by enhancing its capacity are included in the asset's carrying amount and are amortized for its remaining economic life. The costs except from those are recognized as expense.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for impairment is charged to expense accounts.

Gains and losses on the disposal of property, plant and equipment are determined by deducting the net book value of the property and equipment from its sales and are included in the related income and expense accounts, as appropriate.

2.4.22 Intangible assets

Intangible assets include licenses, computer software and other rights. They are recorded at acquisition cost and from the date of acquisition over the estimated useful lives of 3 to 15 years are amortized using the straight-line method.

Estimated useful life and amortization method are reviewed at the end of each annual reporting period where necessary any changes in the estimate being accounted for on a prospective basis.

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

2.4 Summary of Significant Accounting Policies (Continued)

2.4.23 2.4.23 Impairment of Non-Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that the book value of a non-financial asset or group of non-financial assets is impaired. If the existence of the mentioned objective evidence, the Group estimates the recoverable amount of related non-current asset in order to determine the amount of impairment. In case of the assessment of recoverable amount is not possible, the recoverable amount of the cash generating unit relating that asset is calculated.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use is reduced the present value by using the discount rate before tax which is affected the projected future cash flows, time value of the money and risks in particular to relating non-financial asset.

In case of the recoverable amount of an asset (or a cash generating unit) is less than its book value, the book value of the asset is reduced to its recoverable amount. As a result of that impairment losses are accounted in the statement of income.

2.4.24 Revenue recognition

Rent income from investment properties is recognized on the accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the amount of revenue can be measured reliably and when it is probable that future economic benefits associated with the transaction will flow to the Group. The seasonal rent discounts are netted off from rent revenue as incurred.

Revenue is presented net of discounts and sales taxes after elimination of intra-group sales transactions.

Income obtained from the sales of the real estate is accounted in the statement of comprehensive income when all significant risks and rewards associated property has been transferred to the buyer.

2.4.25 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

2.4.26 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.4.27 Dividend distribution

Dividend distribution to the shareholders of the Company is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

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

2.4 Summary of Significant Accounting Policies (Continued)

2.4.28 Investment properties

Investment properties comprise of operative investment properties and investment properties under construction.

a) Operational investment properties

Property that is held for long-term rental yields or for capital appreciation or both is classified as operative investment property. The operative investment properties of the Group comprise of shopping mall, lands and buildings.

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

Investment properties is measured initially at cost. These cots comprise of the transaction costs and subsequent expenditures or services. The borrowing costs related to qualifying assets is also recognized during the construction of the asset, the mentioned capitalization continues until the completion of the construction. The Group does not include the daily service expenses related to real estate in the book value of the investment property. Those costs are recognized in the profit or loss statement to the extent that they are realized. Daily services costs mainly comprise of the labour and consumables however, it may also include the cost of small pieces. These types of expenditures are classified as the "maintenance expenses" related with the real estates.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as discounted cash flow projections. The Group considers the conditions resulted with the difference in the determination of the fair value of the investment properties in order to make the most reliable estimation.

Gains and losses resulting from changes in fair values of investment property are recognized in the consolidated statement of comprehensive income as incurred. Gains and losses resulting from malfunction or dispose of investment property is a difference between cash proceeds from disposal of investment properties and its book value and is accounted as fair value gain or loss of investment property as incurred (Note 24).

b) Investment properties under construction

The purchase transaction costs and constructions costs of investment properties under construction and the related subsequent expenditures can be capitalized, if, it is enhancing the economic benefits of the mentioned property. The capitalization starts at the beginning date of the incurred expenditures and the mentioned capitalization continues until ready to use of the property. Investment properties under construction that is held for long-term rental yields or for capital appreciation or both is classified as investment property and is measured at fair value.

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

2.4 Summary of Significant Accounting Policies (Continued)

The Group measures the investment property under construction at fair value. Group, investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed.

In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others;

- The stage of completion,
- Comparability of the project in market,
- The level of reliability of cash inflows after completion,
- The development risk specific to the property,
- Past experiences with similar constructions and
- Status of construction permits.

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

Transfers to, or from, investment property shall be made, and only when, there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of owner-occupation, for a transfer from owner-occupied property to investment property; or
- Commencement of an operating lease to another party, for a transfer from inventories to investment property.

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

The treatment of transfers from inventories to investment property that will be carried at fair value is consistent with the treatment of sales of inventories.

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

2.5 Control of compliance with the portfolio limitations

As of 31 December 2019, the information stated in Note "Control of Compliance with the Portfolio Limitations" are the condensed information which comprised of Serial: II. No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated 28 May 2013 numbered 28660 and Capital Markets Board's Communiqué Serial: III. No: 48.1 a "Amendment on Real Estate Investment Company" published in the Official Gazette dated 23 January 2014 numbered 28891.The related information which is stated Note 32 may not be consistent with the information given in the consolidated financial statements.

2.6. Significant accounting judgement, estimations and assumptions

Preparation of consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. Although these estimates rely on the best knowledge and belief of the management, due to their nature accounting estimates may differ from actual results.

As of 31 December 2019 and 2018, the significant estimates and assumptions stated in the consolidated financial statements are as follow;

a) Current ratio balance

As of 31 December 2019, current assets of the Group are amount to TRY 799,648,318 and short term liabilities of the Group are amount to TRY 953,960,198. Short term liabilities exceeded current assets TRY 154,311,880. The Group does not foresee any shortcomings regarding the fulfilment of these short term liabilities.

The Group anticipates that approximately TRY 446,1 million of rental income from Akbatı AVM and Akasya AVM will be collected in the following year.

b) Fair values of investment properties:

Significant evaluations, estimates and assumptions that are used at the time of determining the fair value of the real estates that are classified as investment property in the consolidated financial statements are explained below:

Akbatı Shopping Mall

The Group develops the Akbatı Project on a land piece of 50,838 m² in total that is classified under investment properties as of 31 December 2019 and 2018 and located in Istanbul Province, Esenyurt District, Kapadık Neighborhood, Island 383, and Parcel 3.The Akbatı Project comprises Akbatı Shopping Mall that has a construction area of 185,032 m² and leasable area of 65,496 m².

While determining the fair value of Akbatı Shopping Mall as of 31 December 2019, an expert report numbered 2019/1722 is prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Lotus") on 31 December 2019 and the fair value of Akbatı Shopping Mall is determined as TRY 1,465,000,000 related to the expert report via discounted cash flows method.

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

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

2.6 Significant accounting judgement, estimations and assumptions (Continued)

While determining the fair value of Akbatı Shopping Mall as of 31 December 2018, an expert report numbered 2018/344 is prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Lotus") on 31 December 2018 and the fair value of Akbatı Shopping Mall is determined as TRY 1,216,000,000 related to the expert report via discounted cash flows method.

	Discount rate	**Annual rent increase rate**	**Capitalization Rate**
31 December 2019	Average 14.60%	Average 8%	%7

Akasya Shopping Mall

The Group's Akasya Shopping Mall, classified under investment properties as of 31 December 2019 and 2018, stands on a total of 41,357 m² land located in İstanbul Province, Üsküdar District, Bulgurlu Neighbourhood, Island 1083, and Parcel 38. At Akasya Project, there is Akasya Shopping Mall with 412,882 m² construction and 88,862 m² leasable area.

While determining the fair value of Akasya Shopping Mall as of 31 December 2019, the expert report prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Lotus") and dated 31 December 2019 with No. 2019/1719 was taken into account and the related expert report set the fair value of Akasya Shopping Mall at TRY 3,650,000,000 via discounted cash flows method.

While determining the fair value of Akasya Shopping Mall as of 31 December 2018, the expert report prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Lotus") and dated 31 December 2018 with No. 2018/341 was taken into account and the related expert report set the fair value of Akasya Shopping Mall at TRY 3,331,000,000 via discounted cash flows method.

	Discount rate	**Annual rent increase rate**	**Capitalization Rate**
31 December 2019	Average 14.60%	Average 8%	%7

Uşaklıgil

The Group completed Uşaklıgil Project at Istanbul City, Kadiköy District, Bostancı Street, Bağdat Avenue No: 481 located on City Block No 3206, Parcel No 14 and 1,437 m2 area with 3,432 m2 rentable area.

While determining the fair value of Uşaklıgil project as of 31 December 2019, the expert report prepared by Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş. ("Epos") and dated 31 December 2019 with No. AKGYO-2019-00004 was taken into account and the related expert report set the fair value of Uşaklıgil project at TRY 228,369,000 via discounted cash flows method.

While determining the fair value of Uşaklıgil project as of 31 December 2018, the expert report prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Terra") and dated 31 December 2018 with No. 2018/004 was taken into account and the related expert report set the fair value of Uşaklıgil project at TRY 214,380,000 via market approach method.

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

2.6 Significant accounting judgement, estimations and assumptions (Continued)

Mecidiyeköy

The Group has 6 bureaus in the province of Istanbul, Şişli, Mecidiyeköy, Şehit Ahmet Sokak, Mecidiyekoy Business Center 2014, numbered 124-125-126-127-128 and 129 in the parcel number 85.

On February 19, 2019, in the portfolio of the Group, in the province of Istanbul, Şişli, Mecidiyeköy and T.C. Independent sections numbered 124, 125, 126, 127, 128 and 129 located in the main immovable registered in 2013 Island and 85 Parcels at the Şişli Land Registry Office, with a total of TRY 3.564.814,82 + VAT, was sold to Öztem Temizlik Hizmetleri Gıda San. Tic. Ltd. Şti in cash.

While determining the fair value of the investment property as of 31 December 2018, the expert report prepared by A Gayrimenkul Değerleme A.Ş. ("A Gayrimenkul") and dated 27 December 2018 with No. 2018/002 was taken into account and the related expert report set the fair value at TRY 3,180,000 via equivalent comparison method.

Social facility

Akasya Social Facility is located in Istanbul, Üsküdar, Bulgurlu Mahallesi, 73 sections, 1341 islands and 64 parcels.

While determining the fair value of the Group's Akasya Social Facility as of 31 December 2019, the expert report prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Lotus") and dated 31 December 2018 with No. 2019/1920 was taken into account and the related expert report set the fair value at TRY 21,850,000 via equivalent comparison method.

While determining the fair value of the Group's Akasya Social Facility as of 31 December 2018, the expert report prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Lotus") and dated 31 December 2018 with No. 2018/342 was taken into account and the related expert report set the fair value at TRY 20,835,000 via equivalent comparison method.

Ak Apartment

Group has completed Ak Apartment Project located in Istanbul Province, Kadıköy District, Bostancı Mahallesi, 65 layouts, 315 island and 3 plots, "Block A with 8 floors of reinforced concrete offices and workplaces, and Block B with 10 floors of reinforced concrete residences, offices and workplaces", consisting of 12 independent sections. As of 31 December 2019, this real estate, which is under the investment properties under development account, is classified to the investment properties (non-residential areas).

While determining the fair value of the Group's Ak Apartment Project as of 31 December 2019, the expert report prepared by Epos and dated 2 December 2019 with No.AKGY-201900003 was taken into account and the related expert report set the fair value at TRY 50,015,000 via market approach method. The amount classified under the investment properties account is TRY 32,259,675.

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

2.6 Significant accounting judgement, estimations and assumptions (Continued)

Three Independent Units in Üsküdar

The Group has 3 independent sections located in Gayret apartment numbered 22 in Istanbul, Üsküdar, Bulgurlu Mahallesi, Gayretli Sokak, 474 island, parcel no 4.

While determining the fair value of the the Group's 3 independent sections as of 31 December 2019, the expert report prepared by A Gayrimenkul Değerleme A.Ş. ("A Gayrimenkul") and dated 31 December 2019 with No.2019-AKIS-001 was taken into account and the related expert report set the fair value at TRY 1,550,000 via equivalent comparison method.

While determining the fair value of the the Group's 3 independent sections as of 31 December 2018, the expert report prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Lotus") and dated 27 December 2018 with No. 2018/001 was taken into account and the related expert report set the fair value at TRY 1,550,000 via equivalent comparison method.

Building and lands in Bulgaria

The Group owns 22 pieces of land with an area of 110,580 m2 in total that are classified under in investment properties as of 31 December 2019 and 2018 located in Bulgaria, Silistre Province, Industrial Zone, 1, 23, 24, 25, 26, 27 and 28 Island. Regarding the use of land the Group has not made any decision yet and currently holds it in order to increase value for capital appreciation.

While determining the fair value of these lands as of 31 December 2018, the expert report prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Terra") and dated 31 December 2018 numbered 2018/006 was taken into consideration and the related expert reports set the total fair value of the Bulgaria building and lands as TRY 3,645,000.

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

NOTE 3 - SEGMENT REPORTING

The Group's operating segments are determined based on strategic decisions reports reviewed by the Board of Directors.

The Group management has set operating segments as of "Akbatı Project", "Akasya Project" and "Other". The segment of "Akbatı Project" consists of Akbatı Shopping Mall and Akbatı Residences located in Esenyurt. The segment of "Akasya Project" consists of Akasya Shopping Mall and Akasya Residences located in Acıbadem. "Other" operating segment consists of lands of the Group that are located in the several places of Turkey, real estates that have been included to the portfolio within the scope of urban transformation and investment properties generating rental income excluding Akasya and Akbatı projects.

1 January - 31 December 2019	Akbatı Project	Akasya Project	Other	Undistributed	Total
External revenues	117,253,258	301,992,823	17,915,536	-	437,161,617
Cost of sales (-)	(29,624,222)	(77,672,215)	(206,259)	-	(107,502,696)
Gross profit	**87,629,036**	**224,320,608**	**17,709,277**	**-**	**329,658,921**
Marketing expenses (-)	(557,682)	(3,348,091)	-	-	(3,905,773)
General administrative expenses (-)	(431,266)	(8,627,318)	(1,740,699)	(18,824,501)	(29,623,784)
Other operating income	6,426,083	17,592,636	11,031,044	4,723,121	39,772,884
Other operating expenses (-)	(3,024,278)	(9,320,627)	(24,742,722)	(2,515,031)	(39,602,658)
Operating profit/(loss)	**90,041,893**	**220,617,208**	**2,256,900**	**(16,616,411)**	**296,299,590**
Income from investment activities	248,988,632	316,460,815	15,004,000	-	580,453,447
Expenses from investment activities (-)	-	-	(9,779,099)	-	(9,779,099)
Share of profit of investment accounted for using the equity method	-	-	-	(1,531,678)	(1,531,678)
Operating profit before financial income/(expense)	**339,030,525**	**537,078,023**	**7,481,801**	**(18,148,089)**	**865,442,260**
Financial income	-	97,824,698	21,447,209	63,163,770	182,435,677
Financial expenses (-)	(9,472)	(283,506,404)	(70,796,130)	(144,228,609)	(498,540,615)
Profit before tax	**339,021,053**	**351,396,317**	**(41,867,120)**	**(99,212,928)**	**549,337,322**
Current expense tax (-)	(125,841)	(314,481)	-	-	(440,322)
Deferred tax income	41,865	104,624	-	-	146,489
Net profit/ (loss) for the year	**338,937,077**	**351,186,460**	**(41,867,120)**	**(99,212,928)**	**549,043,489**

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

NOTE 3 - SEGMENT REPORTING (Continued)

1 January - 31 December 2018	Akbatı Project	Akasya Project	Other	Undistributed	Total
External revenues	108,370,126	273,126,717	14,600,984	-	396,097,827
Cost of sales (-)	(28,741,646)	(63,403,016)	(22,358)	-	(92,167,020)
Gross profit	**79,628,480**	**209,723,701**	**14,578,626**	**-**	**303,930,807**
Marketing expenses (-)	(715,030)	(3,731,977)	-	-	(4,447,007)
General administrative expenses (-)	(1,658,082)	(9,737,534)	(611,287)	(21,848,397)	(33,855,300)
Other operating income	9,190,385	16,325,283	46,884,417	9,689,930	82,090,015
Other operating expenses (-)	(5,668,502)	(11,827,722)	(37,036,394)	(2,535,639)	(57,068,257)
Operating profit/(loss)	**80,777,251**	**200,751,751**	**23,815,362**	**(14,694,106)**	**290,650,258**
Income from investment activities	300,817,423	918,311,154	28,611,285	-	1,247,739,862
Expenses from investment activities (-)	-	-	-	(1,892,579)	(1,892,579)
Share of profit of investment accounted for using the equity method	-	-	-	(1,513,789)	(1,513,789)
Operating profit before financial income/(expense)	**381,594,674**	**1,119,062,905**	**52,426,647**	**(18,100,474)**	**1,534,983,752**
Financial income	6,848	252,579,960	36,542,415	79,380,949	368,510,172
Financial expenses (-)	(51,401)	(615,448,836)	(173,585,215)	(84,259,054)	(873,344,506)
Profit before tax	**381,550,121**	**756,194,029**	**(84,616,153)**	**(22,978,579)**	**1,030,149,418**
Current expense tax (-)	(64,606)	(224,006)	-	-	(288,612)
Deferred income tax	4,880	16,921	-	-	21,801
Net profit for the year	**381,490,395**	**755,986,944**	**(84,616,153)**	**(22,978,579)**	**1,029,882,607**

As of 31 December 2019 and 2018 segment assets and liabilities:

	31 December 2019		**31 December 2018**	
	Asset	**Liability**	**Asset**	**Liability**
Akasya Project	3,726,070,850	1,043,996,800	3,431,414,854	1,010,501,607
Akbatı Project	1,481,031,169	7,798,802	1,234,251,440	7,190,281
Other	843,362,988	517,585,594	849,161,150	518,032,907
Undistributed	248,419,584	709,052,835	96,889,523	445,186,755
Total	**6,298,884,591**	**2,278,434,031**	**5,611,716,967**	**1,980,911,550**

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

NOTE 3 - SEGMENT REPORTING (Continued)

For the years ended 31 December 2019 and 2018 investment expenditures, depreciation and amortization expenses are as follows:

	31 December 2019		31 December 2018	
	Investment expense	Depreciation expense	Investment expense	Depreciation expense
Other	6,933,302	-	18,268,077	-
Akasya Project	4,472,420	2,093,379	4,747,201	2,847,862
Akbatı Project	478,832	815,942	3,556,123	716,222
Undistributed	681,142	1,196,339	132,249	1,161,052
Total	**12,565,696**	**4,105,660**	**26,703,650**	**4,725,136**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	106,309	155,396
Cash at banks	246,196,085	95,968,941
- Demand deposit	3,686,796	2,017,250
- Time deposit	242,509,289	93,951,691
	246,302,394	**96,124,337**

Maturities of cash and cash equivalents are as follows:

	31 December 2019	31 December 2018
Until 30 days	242,509,289	93,951,691
	242,509,289	**93,951,691**

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

	31 December 2019	31 December 2018
USD	90,564,089	16,739,919
EUR	9,027	20,120
GBP	117	-
Other	88,805	86,489
	90,662,038	**16,846,528**

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

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

Average effective interest rates of time deposits are as follows:

	31 December 2019 (%)	31 December 2018 (%)
USD	1.75 – 1.85	4.00 – 4.50
TRY	9.98 – 11.25	10.80 – 23.50

NOTE 5 – FINANCIAL INVESTMENTS

The Group's short-term financial investments are as follows:

	31 December 2019	31 December 2018
Bank balances with restricted usage (*)	10,921,134	24,175,744
	10,921,134	**24,175,744**

(*)Akasya Shopping Mall rent receivables are assigned to HSBC Bank and 1/3 of Akbatı Shopping Mall rent receivables are assigned to Yapı Kredi Bank. The related balances are TRY 10,307,927 and TRY 613,207 respectively (December 31, 2018: TRY 23,360,105 and TRY 815,639).

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

NOTE 6 - BORROWINGS

Borrowings	31 December 2019	31 December 2018
Bank borrowings	565,555,406	-
Finance lease payable	19,225,891	40,670,639
Short-term borrowings	**584,781,297**	**40,670,639**
Short-term portion of long-term bank borrowings	298,714,435	881,074,757
Bonds issued	916,719	-
Short-term portion of long-term bank borrowings	**299,631,154**	**881,074,757**
Bank borrowings	1,189,652,762	975,711,513
Bonds issued	100,000,000	-
Finance lease payable	-	16,976,386
Long-term borrowings	**1,289,652,762**	**992,687,899**

	2019	**2018**
Total financial liabilities as of 1 January	**1,914,433,295**	**1,722,396,543**
Cash proceeds arising from borrowings	1,350,293,708	195,996,000
Cash outflows related to principal payments	(1,249,218,968)	(474,783,540)
Interest paid	(189,450,158)	(124,397,496)
Accruals	145,684,310	101,026,601
Currency translation difference	202,323,026	494,195,187
Total financial liabilities as of 31 December	**2,174,065,213**	**1,914,433,295**

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

NOTE 6 - BORROWINGS (Continued)

a) Bank Borrowings

	31 December 2019			31 December 2018		
	Weighted average effective interest rate p.a, %	**Original**	**TRY**	**Weighted average effective interest rate p.a, %**	**Original**	**TRY**
Short-term borrowings:						
TRY bank borrowings	25.69	146,043,773	146,043,773	-	-	-
USD denominated bank borrowings	4.77	70,622,476	419,511,633	-	-	-
			565,555,406			**-**
Short-term portion of long-term borrowings:						
USD denominated bank borrowings	6.27	43,320,902	257,334,825	6.19	80,437,347	423,172,840
TRY bank borrowings	13.91	4,424,942	4,424,942	15.42	422,900,112	422,900,112
EUR denominated bank borrowings	4.60	5,556,592	36,954,668	4.65	5,806,536	35,001,805
			298,714,435			**881,074,757**
Long-term borrowings:						
USD denominated bank borrowings	6.45	164,215,669	975,473,916	6.36	145,151,464	763,627,337
EUR denominated bank borrowings	4.60	31,130,647	207,037,482	4.65	35,183,174	212,084,176
TRY bank borrowings	14.06	7,141,364	7,141,364	-	-	-
			1,189,652,762			**975,711,513**

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

NOTE 6 - BORROWINGS (Continued)

Redemption schedule of bank borrowing as of 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Bank loans:		
2020	-	198,521,996
2021	396,409,501	277,703,098
2022	513,943,858	381,992,985
2023	122,434,122	21,043,600
2024	156,865,281	96,449,834
	1,189,652,762	**975,711,513**

Fair values and registered values of credits which are deferred TRY credits and foreign currency credits with fixed and variable interest rate as of 31 December 2019 and 2018 are as follows;

	Carrying value		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Borrowings	2,174,065,213	1,914,433,295	2,172,471,225	1,973,634,857

b) Bonds issued

The details of the bonds issued as of 31 December 2019 are as follows:

					31 December 2019
ISIN CODE	Interest rate(%)	Issued nominal amount(TRY)	Issue date	Call date	Carrying value
TRSAIGY92113	TRLIBOR+3.00	100,000,000	10.09.2019	08.09.2021	100,916,719
					100,916,719

The Company's issued variable interest bonds which it's nominal value is TRY 100,000,000-, have 2-year maturity and 3-month coupon payment, for sales to qualified investors via Ziraat Yatırım Menkul Değerler A.Ş. on September 10, 2019.

c) Finance lease payable

Gross financial leasing liabilities - minimal rent payments:

	31 December 2019	31 December 2018
Up to 1 year	19,557,254	43,356,952
1 - 3 years	-	17,269,855
Unincurred financial expenses	(331,363)	(2,979,782)
Present value of finance lease payables	**19,225,891**	**57,647,025**

NOTE 6 - BORROWINGS (Continued)

The maturity breakdown of finance lease payable as of 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Up to 1 year	19,225,891	40,670,639
1 - 3 years	-	16,976,386
Present value of finance lease payables	**19,225,891**	**57,647,025**

The effective interest rate of the financial lease liabilities which is denominated in USD is 1,72% respectively as of 31 December 2018 (31 December 2018: %5,17).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Short-term trade receivables		
Notes receivables	59,964,676	66,938,170
Trade receivables	33,272,648	29,511,613
Trade receivables from related parties (Note 28)	23,684	89,940
	93,261,008	**96,539,723**
Less: Provisions for doubtful receivables	(14,233,701)	(12,400,032)
Less: Unearned finance income on credit sales	(1,864,033)	(4,106,338)
	77,163,274	**80,033,353**

Movement of the provision for doubtful receivables is as follows:

	2019	2018
Opening Balance, 1 January	**(12,400,032)**	**(11,065,641)**
Current year charge (Note 23)	(3,074,143)	(2,957,842)
Provisions no longer required (Note 23)	1,240,474	1,623,451
Ending Balance, 31 December	**(14,233,701)**	**(12,400,032)**

Long-term trade receivables

	31 December 2019	31 December 2018
Notes receivables	564,642	43,924,389
Less: Unearned finance income on credit sales	-	(2,100,342)
	564,642	**41,824,047**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade payables	**31 December 2019**	**31 December 2018**
Payables to suppliers	8,810,652	11,444,841
Trade payables to related parties (Note 28)	4,274,506	1,929,315
	13,085,158	**13,374,156**

Short-term trade payables	**31 December 2019**	**31 December 2018**
Payables to suppliers	3,125,366	3,210,419
	3,125,366	**3,210,419**

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Short-term other receivables from third parties	**31 December 2019**	**31 December 2018**
Deposits and guaranties given	2,113,534	2,689,904
	2,113,534	**2,689.904**

Long-term other receivables from third parties	**31 December 2019**	**31 December 2018**
Deposits and guaranties given	1,553,953	1,626,151
	1,553,953	**1,626,151**

Short-term other payables due to third parties	**31 December 2019**	**31 December 2018**
Taxes and fund payables	5,753,528	5,575,659
Social security premium payable	472,269	450,085
Other	26,456	27,347
	6,252,253	**6,053,091**

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

NOTE 9 - PREPAID EXPENSES AND DEFFERED INCOME

Short term prepaid expenses	31 December 2019	31 December 2018
Prepaid expenses for insurance	955,764	792,615
Advances given for project	1,153,209	1,645,898
Advances given to suppliers	296,822	175,328
Other	1,910,211	1,048,014
	4,316,006	**3,661,855**

Long term prepaid expenses		
Advances given for project (*)	11,439,782	11,268,874
Other	224,476	-
	11,664,258	**11,268,874**

(*) Advances given for project as of 31 December 2019 represents the long-term advances given to Akiş-Mudanya Ordinary Partnership for the lands in Beykoz

Short-term deferred income	31 December 2019	31 December 2018
Advances received - Akasya Project	5,025,186	3,579,134
Income from contributions (*)	1,607,014	2,534,965
Advances received - Akbatı Project	1,029,383	1,788,457
Sponsorship income (**)	1,061,338	1,425,622
	8,722,921	**9,328,178**

(*) The relevant amount consists of the balances which are taken as promotional contribution shares from the tenants related to Akasya Shopping Mall. Contributions are recorded on the basis of the relevant rental period.

(**) The relevant amount consists of sponsorship income of Akasya Çocuk. Sponsorship revenues are recorded on the basis of the relevant contract term.

Long-term deferred income	31 December 2019	31 December 2018
Income from contributions (*)	5,028,773	6,716,792
Advances received- Akasya project	425,339	806,331
Advances received- Akbatı project	28,957	-
	5,483,069	**7,523,123**

(*) The relevant amount consists of the balances which are taken as promotional contribution shares from the tenants related to Akasya Shopping Mall. Contributions are recorded on the basis of the relevant rental period.

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments subject to hedge accounting

As a result of changes in foreign exchange rates and interest rates, the Company manages the cash flow risk arising from the principal and interest payments of existing loans.

On December 19, 2018, "Participating Cross Currency Swap" transaction has been performed regarding the spot loan with floating libor rate and with maturity of 31 July 2024 for the cash flows through the date of 30 November 2021. The cash inflows and outflows arising from the cross-interest swap and the cash outflows from the loan are matched directly with the floating rate interest payments of the loan and currency risk of the interest. For this reason, the cross-interest swap portion of this transaction is subject to cash flow hedge accounting. Thus, the portion of the loan that is the fair value of the derivative instrument arising from the future interest rate and currency risk is classified under equity until the related payments of the loan are realized.

On March 15, 2019, the loan with variable libor rate and principal and interest payments in USD has been included in hedge accounting as of 30 June 2019 through the foreign currency option contract.

The Company has made option and forward transactions that have maturity until December 2020, as of 30 May 2019, 31 May 2019 and 10 June 2019 for it's loans with principal and interest payments in USD. These derivative transactions have been included in hedge accounting as of 30 June 2019.

On November 27, 2019, a seagull forward transaction was carried out on three different loans with variable libor rate and USD principal and interest payments, from January 2021 to June 2022 and included in hedge accounting.

Derivatives measured at fair value accounted for under the statement of profit loss

On November 1, 2019, USD / EUR Cross Currency Swap transaction has been performed for a loan with 30 September 2024 maturity, variable libor rate and a principal and interest payment in USD. Derivative instruments that are not subject to hedge accounting are measured at their fair value and fair value changes are reflected to profit / loss in the relevant periods.

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

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative instruments and tables showing the fair values are as follows:

31 December 2019				**Current values**	
	Purchase contract amount (USD)	**Sales contract amount (EUR)**	**Sales contract amount (TRY)**	**Assets**	**Liabilities**
Cash flow hedge					
Cross currency interest rate swap transactions	-	-	21,196,000	-	7,117,005
Capped forward	26,950,000	-	181,693,650	-	13,256,262
Forward	21,212,000	-	137,207,310	315,439	9,404,493
Trading					
Right to buy and sell currency	4,000,000	-	-	3,425,449	-
Cross currency interest rate swap transactions	2,592,593	2,324,570	-	-	446,152
Short-term derivatives	**54,754,593**	**2,324,570**	**340,096,960**	**3,740,888**	**30,223,912**
Cash flow hedge					
Cross currency interest rate swap transactions	-	-	160,736,333	-	5,170,295
Capped forward	15,100,000	-	109,970,700	-	8,232,876
Seagull forward	25,050,000	-	188,155,100	-	10,952,368
Trading					
Right to buy and sell currency	30,333,333	-	-	4,339,918	-
Cross currency interest rate swap transactions	17,407,407	15,607,825	-	-	-
Long-term derivatives	**87,890,740**	**15,607,825**	**458,862,133**	**4,339,918**	**24,355,539**
Total derivatives	**142,645,333**	**17,932,395**	**798,959,093**	**8,080,806**	**54,579,451**

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

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

31 December 2018			**Current values**	
	Purchase contract amount (USD)	**Sales contract amount (TRY)**	**Assets**	**Liabilities**
Cash flow hedge				
Cross currency interest rate swap transactions	-	22,962,333	-	7,138,489
Trading				
Right to buy and sell currency	4,333,333	-	1,994,452	-
Short-term derivatives	**4,333,333**	**22,962,333**	**1,994,452**	**7,138,489**
Cash flow hedge				
Cross currency interest rate swap transactions	-	181,932,333	-	5,187,501
Trading				
Right to buy and sell currency	34,333,333	-	7,224,784	-
Long-term derivatives	**34,333,333**	**181,932,333**	**7,224,784**	**5,187,501**
Total derivatives	**38,666,666**	**204,894,666**	**9,219,236**	**12,325,990**

As of 31 December 2019, the movement of the fair value of the derivative financial instruments is as follows:

	2019	**2018**
Opening balance, 1 Ocak	**(3,106,754)**	**-**
Gains/(losses) from derivative financial assets/(liabilities) measured at fair value through profit or loss, net	10,272,927	(2,068,650)
Gains/(losses) from hedging that recognized in other comprehensive income	(53,664,818)	(1,038,104)
Total financial derivatives (liabilities)/assets, net	**(46,498,645)**	**(3,106,754)**

NOTE 11 - INVESTMENT PROPERTIES

	2019	**2018**
Opening balance, 1 January	**4,790,590,000**	**3,535,536,000**
Additions		
- Direct acquisitions	2,935,368	7,567,488
Change in fair value	570,289,533	1,247,739,862
Currency translation adjustments	429,601	-
Transfer	42,038,774	-
Disposal	(3,180,000)	(253,350)
Net book value, 31 December	**5,403,103,276**	**4,790,590,000**

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

NOTE 11 - INVESTMENT PROPERTIES (Continued)

The movement of the investment properties for the years ending 31 December 2019 and 2018 are as follows:

	1 Jan 2019	Currency translation reserve	Addition	Disposal	Transfer	Increase in fair value	31 December 2019
Akasya Shopping Mall	3,331,000,000	-	2,924,000	-	-	316,076,000	3,650,000,000
Akbatı Shopping Mall	1,216,000,000	-	11,368	-	-	248,988,632	1,465,000,000
Uşaklıgil Project	214,380,000	-	-	-	-	13,989,000	228,369,000
Social facility	20,835,000	-	-	-	-	1,015,000	21,850,000
Mecidiyeköy	3,180,000	-	-	(3,180,000)	-	-	-
Ak Apartment(*)	-	-	-	-	42,038,774	(9,779,099)	32,259,675
Üsküdar - 3 Section	1,550,000	-	-	-	-	-	1,550,000
Lands in Bulgaria	3,645,000	429,601	-	-	-	-	4,074,601
	4,790,590,000	**429,601**	**2,935,368**	**(3,180,000)**	**42,038,774**	**570,289,533**	**5,403,103,276**

1 January		Addition	Increase in Disposal	31 December fair value	2018 2018
Akasya Shopping Mall	2.410.000,000	2,688,846	-	918,311,154	3,331,000,000
Akbatı Shopping Mall	912,050,000	3,132,577	-	300,817,423	1,216,000,000
Uşaklıgil Project	186,390,000	1,746,065	(253,350)	26,497,285	214,380,000
Social facility	19,715,000	-	-	1,120,000	20,835,000
Mecidiyeköy	3,030,000	-	-	150,000	3,180,000
Üsküdar - 3 Section	1,640,000	-	-	(90,000)	1,550,000
Lands in Bulgaria	2,711,000	-	-	934,000	3,645,000
	3,535,536,000	**7,567,488**	**(253,350)**	**1,247,739,862**	**4,790,590,000**

(*) The total appraisal value in the appraisal report for Ak Apartment is amounting TRY 50,015,000 and the determined value consists of 12 independent sections. 6 independent sections in Block B are held for sale, 6 independent sections in Block A and 1 independent section (store) in Block B are held for lease. Appraisal value corresponding to the independent sections held for lease has been determined as TRY 32,259,675 and this value has been taken into consideration in the table above.

As of 31 December 2019, there is insurance guarantee amounting to TRY 4.261.658.971 on investment properties (December 31, 2018: TRY 3.824.260.058).

As of December 31, 2019, there is a mortgage on the Akbatı AVM amounting to USD 62,140,000 in the first degree and amounting to TRY 216,720,911 in the second degree. (31 December 2018: USD 62,140,000 and TRY 216,720,911). 1/3 portion of the monthly lease income of Akbatı Shopping Mall is authorized to transfer to Yapı Kredi until the completion of repayment.

The ongoing Uşaklıgil project has a first degree mortgage amounting to TRY 310,000,000 as of 31 December 2019 (December 31, 2018: TRY 310,000,000).

As of December 31, 2019, there is a total of USD 400,000,000 mortgages, as a first degree is USD 260,000,000, second degree is USD 55,000,000, third degree is USD 60,000,000 and fourth degree is USD 25,000,000, on the Akasya Shopping Mall. Akasya AVM rent receivables are assigned to HSBC Bank; the amount remaining after deducting the instalment amounts related to the loan from the lease collections is in the free use of the Company.

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

NOTE 12 – INVENTORIES UNDER DEVELOPMENT AND INVENTORIES

	31 December 2019	31 December 2018
Inventories under development		
Erenköy Apartment	328,028,310	295,952,002
Çiftehavuzlar Land	75,491,008	69,132,843
Beykoz Lands	68,722,532	68,682,948
Ak Apartment	-	62,895,241
Çiftehavuzlar Land impairment (*)	(38,422,009)	(32,063,843)
	433,819,841	**464,599,191**
Inventories		
Ak Apartment (**)	23,137,621	-
Akasya Project	2,822,629	7,929,849
Other	326,937	399,896
Ak Apartment impairment (**)	(5,382,295)	-
Toplam	**20,904,892**	**8,329,745**

(*) Due to the uncertainties explained in Note 17 Contingent Assets, an impairment loss provision has been allocated for Çiftehavuzlar Land. Due to ongoing uncertainties, difficulties for valuation of real estate has been occurred and there has been no precedent available. Therefore, the land's cost value as of 31 December 2019 which is TRY 75,491,008 has been brought to the purchase value of TRY 37,069,000 as it can be seen on our announcement in Public Disclosure Platform (KAP) released on 9 July 2013. The subject amount is the prescribed amount for the possible conservative scenario within the scope of ongoing legal and administrative processes.

(**) The appraised value of 6 independent sections in Block B held for sale is amounting TRY 17,755,326.

For the purpose of project development under urban transformation, Bağdat Street Projects, Erenköy, Ak Apartments and Çiftehavuzlar land located in Kadıköy district of İstanbul are included in the Group's portfolio.

As of December 31, 2019, the Grup has given a first degree mortgage worth of TRY 29,000,000 on the estate (Çiftehavuzlar Land) registered in Istanbul Province, Kadikoy District, Erenkoy Neighbourhood, Ciftehavuzlar, Section 106, Block 1435, Parcel No 39, a first degree mortgage worth of TRY 176,500,000 on the estate (Erenköy Apartment) registered in Istanbul Province, Kadikoy District, Located in Bağdat Street, Section 106, Block 378, Parcel No 25 and a first degree mortgage worth of TRY 44,200,000 on the estate (Ak Apartment) registered in Istanbul Province, Kadıköy District, Bostancı Neighbourhood, Section 65, Block 315, Parcel No 3 (Note 17).

Borrowing costs amounting to TRY 33,782,323 has been capitalized as of 31 December 2019 (December 31, 2018: TRY 37,073,809).

As of 31 December 2019, there is TRY 83,523,600 insurance on inventories (31 December 2018: None).

The Akasya Acıbadem project, which has a saleable area of 209,285 m² built on 121,000 m² of land in Istanbul Acıbadem consists of 3 stages as Akasya Lake, Akasya Koru and Akasya Kent. The Akasya Project mentioned above refers to remaining residences / offices. Three flats belonging to the Akasya Project were sold in 2019.

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

NOTE 13 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of the reporting date, the carrying values of equity investments in the Group's consolidated financial statements are as follows:

	31 December 2019		31 December 2018	
	Ownership rate (%)	Registered value	Ownership rate (%)	Registered value
WMG London	51.00	27,813,159	51.00	25,180,202
Total		**27,813,159**		**25,180,202**

As of 31 December 2019, the movement of investments accounted for using the equity method is as follows:

	2019	2018
Opening Balance, January 1	**25,180,202**	**-**
Paid capital	-	24,157,916
Shares of profit and loss	(1,531,678)	(1,513,789)
Shares in other comprehensive income	4,164,635	2,536,075
Ending Balance, December 31	**27,813,159**	**25,180,202**

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Addition	Disposal (-)	31 December 2019
Cost:				
Lands	2,182,703	-	-	2,182,703
Buildings	18,479,902	-	-	18,479,902
Land improvements	499,812	-	-	499,812
Furniture and fixture	18,750,818	1,983,178	(73,239)	20,660,757
Plant, machinery and equipment	128,741	-	-	128,741
Vehicles	139,149	-	-	139,149
Leasehold improvements	2,560,126	150,345	-	2,710,471
	42,741,251	**2,133,523**	**(73,239)**	**44,801,535**
Accumulated Depreciation:				
Buildings	(732,107)	(387,078)	-	(1,119,185)
Land improvements	(435,750)	(10,250)	-	(446,000)
Furniture and fixture	(10,329,532)	(2,564,196)	-	(12,893,728)
Plant, machinery and equipment	(97,904)		-	(97,904)
Vehicles	(65,001)	(29,802)	-	(94,803)
Leasehold improvements	(658,046)	(288,410)	-	(946,456)
	(12,318,340)	**(3,279,736)**	**-**	**(15,598,076)**
Net book value	**30,422,911**			**29,203,459**

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2018	Addition	Disposal (-)	31 December 2018
Cost:				
Lands	2,182,703	-	-	2,182,703
Buildings	18,479,902	-	-	18,479,902
Land improvements	499,812	-	-	499,812
Furniture and fixture	16,548,824	2,214,944	(3,752)	18,760,016
Plant, machinery and equipment	119,543	-	-	119,543
Vehicles	139,149	-	-	139,149
Leasehold improvements	2,474,407	85,719	-	2,560,126
	40,444,340	**2,300,663**	**(3,752)**	**42,741,251**
Accumulated Depreciation:				
Buildings	(345,029)	(387,078)	-	(732,107)
Land improvements	(425,500)	(10,250)	-	(435,750)
Furniture and fixture	(7,119,956)	(3,209,576)	-	(10,329,532)
Plant, machinery and equipment	(97,904)	-	-	(97,904)
Vehicles	(33,496)	(31,505)	-	(65,001)
Leasehold improvements	(376,811)	(281,235)	-	(658,046)
	(8,398,696)	**(3,919,644)**	**-**	**(12,318,340)**
Net book value	**32,045,644**			**30,422,911**

The breakdown of depreciation expense for the years ended 31 December 2019 and 2018 is disclosed in Note 22.

There are no capitalized borrowing costs for property, plant and equipment for the years ended 31 December 2019 and 2018.

As of 31 December 2019, there is insurance coverage on property, plant and equipment amounting TRY 1,739,699 (December 31, 2018: TRY 1,478,846).

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

NOTE 15 - INTANGIBLE ASSETS

	1 January 2019	Addition	31 December 2019
Cost:			
Rights	6,939,540	196,447	7,135,987
Other	658,739	49,340	708,079
	7,598,279	**245,787**	**7,844,066**
Accumulated amortization:			
Rights	(1,481,433)	(583,614)	(2,065,047)
Other	(401,085)	(242,310)	(643,395)
	(1,882,518)	**(825,924)**	**(2,708,442)**
Net book value	**5,715,761**		**5,135,624**

	1 January 2018	Addition	31 December 2018
Cost:			
Rights	6,724,733	214,807	6,939,540
Other	560,060	98,679	658,739
	7,284,793	**313,486**	**7,598,279**
Accumulated amortization:			
Rights	(932,346)	(549,087)	(1,481,433)
Other	(144,680)	(256,405)	(401,085)
	(1,077,026)	**(805,492)**	**(1,882,518)**
Net book value	**6,207,767**		**5,715,761**

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

NOTE 16 - OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2019**	**31 December 2018**
Value added taxes ("VAT") receivables	2,044,826	1,415,372
	2,044,826	**1,415,372**

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	**31 December 2019**	**31 December 2018**
Provisions for donation to school (*)	6,000,000	6,000,000
Provisions for litigation	1,776,546	4,434,726
Provisions for employee benefits	736,430	687,224
Other short term provisions	952,209	605,830
	9,465,185	**11,727,780**

(*) School donation provision as of 31 December 2019 and 2018, as SAF GYO announced on Public Disclosure Platform on 8 May 2015, reflects the value provided to the school to be constructed in Ünalan Neighbourhood in front of Akasya Shopping Mall as part of the protocol signed with Directorate of National Education.

	2019	**2018**
Opening balance, 1 January	**4,434,726**	**4,570,513**
Provision for litigation expenses	205,448	444,860
Litigation provision no longer required	(395,184)	(580,647)
Paid litigation provisions	(2,468,444)	-
Closing balance, 31 December	**1,776,546**	**4,434,726**

Guarantees given	**31 December 2019**	**31 December 2018**
Mortgages (*)	3,522,574,939	2,761,466,737
Letters of guarantees	6,399,234	10,595,995
	3,528,974,173	**2,772,062,732**

(*) Mortgages on the Group's investment properties and long-term inventories are given for the liabilities of the Group to the financial institutions.

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees received

	31 December 2019	31 December 2018
Letter of guarantees	93,947,744	121,884,971
Mortgages	90,437,295	90,437,296
Collateral bill	18,717,796	27,414,241
Cheques of guarantee	1,103,531	1,421,385
Surety bonds	1,754,973	284,799
	205,961,339	**241,442,692**

In consideration of the current contract periods, the total of the expected minimum operational lease revenue of the Group is as follows as of 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Operational lease revenues between 0-1 year	446,183,278	447,594,808
Operational lease revenues between 1-5 year	3,117,379,675	2,969,897,956
Operational lease revenues 5 years and above	3,406,472,510	5,855,171,895
	6,970,035,463	**9,272,664,659**

Group's non-cancellable minimum operational lease payments in the future are as follows:

	31 December 2019	31 December 2018
Operational lease revenues between 0-1 year	-	1,250,636
Operational lease revenues between 1-5 year	-	7,159,499
Operational lease revenues 5 years and above	-	13,608,707
	-	**22,018,842**

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

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As of 31 December 2019 and 2018, the Group's collaterals/pledges/mortgages position as follows:

	31 December 2019	31 December 2018
CPM's given by the Group (Collaterals, Pledges, Mortgages)		
A. CPM' s given for its own legal personality	3,528,974,173	2,772,062,732
B, CPM's given on behalf of fully consolidated companies	-	-
C, CPM's given for continuation of its economic activities on behalf of third parties	-	-
D, Total amount of other CPM's		
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given on on behalf of other Group companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
	3,528,974,173	**2,772,062,732**

As of 31 December 2019, there is no other CPM given by Company (December 31, 2018: None).

The original amount of CPM as follows:

	31 December 2019		31 December 2018	
Guarantees given	**Foreign Currency**	**TRY equivalent**	**Foreign Currency**	**TRY equivalent**
USD	462,140,000	2,745,204,028	377,140,000	1,984,095,826
TRY	783,770,145	783,770,145	787,966,906	787,966,906
		3,528,974,173		**2,772,062,732**

	31 December 2019		31 December 2018	
Guarantees received	**Foreign Currency**	**TRY equivalent**	**Foreign Currency**	**TRY equivalent**
TRY	158,220,270	158,220,270	132,225,195	132,225,195
USD	7,979,041	47,397,100	20,651,515	108,645,555
EUR	51,720	343,969	94,881	571,942
		205,961,339		**241,442,692**

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Ongoing lawsuits

With a nature that would not have impact on financial statements of the company and its activities, lawsuits opened by Ömer Dinçkök who is a shareholder against the company are as follows:

- With regard to rejection of the request of the appointment of a special auditor by Ömer Dinçkök, a shareholder of the Company, at the Ordinary General Meeting of Shareholders for the year 2015 dated 29 March 2016, a lawsuit numbered 2016/709 E. at Istanbul 3rd Commercial Court of First Instance was filed with the request of appointing a special auditor pursuant to the Turkish Commercial Code Article 439/1, and at the hearing on 24 November 2016, it was decided by the Court to reject the case in favour of the Company. As a result of the investigation of the appeal applied by the plaintiff against the decision of the Court, regarding to the file numbered 2017/419 E. of the Istanbul District Court of Justice 14th Legal Department, it was decided to reject the petition of appeal for the final decision in favour of the Company.

- With the request of the shareholders of the company Ömer Dinçkök for the cancellation of the decisions taken on the agenda items 2, 5, 6, 7, 10 and 11 at the Ordinary General Assembly Meeting of 2013 dated 28 March 2014, a lawsuit was filed at Istanbul 18th First Instance Commercial Court (Old Istanbul 50th First Instance Court) numbered 2014/545 E. (formerly 2014/208 E.), and at the hearing held on 9 April 2015, with the partially acceptance of case, it was decided that cancellation of decision taken on 6th agenda item regarding to determination of the use of profit and the determination of the profit and profit share ratios to be distributed; however it was decided to reject cancellation requests of decisions taken on the agenda items 2, 5, 7, 10, and. On April 1, 2016, the Company had appealed the court decision with respect to cancellation of the decision, which was taken on agenda item 6 of the aforementioned general assembly meeting, and Eleventh Court of Cassation has made a reversal of decision in favour of the Company regarding to file numbered 2016/6238 E. Regarding to the reversal of decision, 18th Court of First Instance had decided to reject the lawsuit on July 19, 2018, leaving appealing the Court decision is open, since the claimant had absence of active hostility. The claimant has appealed to aforementioned decision and it is expected that application of the claimant shall be rejected by the respective court.

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Other lawsuits

- There are compensation and commercial lawsuits filed against Garanti Koza-Akiş Ordinary Partnership, which the Group sold on 11 March 2013, and Akiş GYO, one of the founding companies of this partnership. Regarding to the aforementioned sale, the buyer has agreed to compensate any possible obligation in the Transfer Agreement. There has been no cash outflow since the sale date regarding the ongoing lawsuits and the Group management does not expect a possible cash outflow.

- A lawsuit has been filed at the 3rd Administrative Court of Istanbul upon the cancellation of the license, given to the Company with respect to immovable property, which is owned by the Company and located in Erenköy, Kadiköy and registered as 106 Map section, 1435 Block and 39 Parcel number before Kadiköy Land Registery Directorate and administrative proceedings, which subject to lawsuit, was decided to be cancelled by the decision of 3rd Administrative Court of Istanbul dated 07.03.2017 and numbered 2016/1504 E. and 2017/553 K. Defendant Municipalities had made a request of appeal. The company has requested to get involved in to the related lawsuit upon being aware of the lawsuit due to the notification made to the Company by 4th Administrative Lawsuit Department during appeal phase. Final rejection of the appeal has been made by Istanbul 4th Administrative Lawsuit Department with its decision dated 13.09.2017 and numbered 2017/640 E. and 2017/736 K and defendant administrations had also appealed against this decision however, such request of appeal has been rejected as well. The Company has appealed to herein decision to reject of the request of appeal and 6th Department of Council of State has decided rejection of request of appeal with its decision dated 01.02.2018 and numbered 2018/264 E and 2018/820 K. Since it was decided by that Istanbul Metropolitan Municipality Council that the parcel numbered 39, belongs to Company, is determined as low density housing area and it is required to maintain Region Planning Decisions scaled as 1/500 and approved on 22.03.2007, claimants has requested for a "Retrial" from Istanbul Metropolitan Municipality and Kadiköy Municipality in order to enable us to make an application with claimants to "Retrial" extraordinary law on the decision, dated 07.03.2017 and numbered 2016/1504 E and 2017/553 K, of Istanbul 3rd Administrative Court. However, the municipalities has not made any applications towards a retrial extraordinary law, the Company has made an application towards "Retrial" on file, numbered 2016/1504 E and 2017/553 K, of Istanbul 3rd Administrative Court and respective court file shall be examined by principle no: 2019/425 of Istanbul 3rd Administrative Court. An appeal was filed against the aforementioned decision of the Istanbul 3rd Administrative Court. With the decision of Istanbul 4th Administrative Case Department dated 27.06.2019, numbered Actual No: 2019/941 and Decision No: 2019/1309, the final rejection of the appeal was decided. An individual application was filed with the Constitutional Court by the Company with the individual application number 2019/30484 against the said decision.

- Upon the rejection of claimants with respect to determination of parcel numbered (39) as green space, which was filed by the landlord of the immovable, adjacent to immovable property, which is owned by the Company and located in Erenköy, Kadiköy and registered as 106 Map section, 1435 Block and 39 Parcel number before Kadiköy Land Registery Directorate, the claimants has filed a lawsuit against Istanbul Metropolitan Municipality and Kadiköy Municipality with requesting cancellation of such rejection transaction before 10th Administrative Court of Istanbul and the aforementioned Court has decided to accept the lawsuit with its decision dated 30.04.2015 and numbered 2014/115 E. and 2015/800 K. Upon the appealing of the decision, 6th Department of council of State has decided to approve decision of local courts in line with its decision dated 07.06.2017 and principle no: 2015/11861 and Decision no: 2017/4590.

NOTE 17 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Correction has been processed against such approval decision and it was decided to finally reverse the decision of local court decision with the decision of 6th department of council of State dated 03.10.2018 and principle no: 2017/5257 and Decision no: 2018/7383 and in line with the aforementioned reversal of decision, 10th Administrative Court of Istanbul has decided that it is not appropriate to make a judgement on the lawsuit with it decision dated 23.01.2019 and numbered 2019/51 and 2019/67.

- In the lawsuit filed against the Istanbul Metropolitan Municipality, by the owner of property that is adjacent to the property which the Company holds the ownership of which is located in Erenköy/Kadıköy/İstanbul which also is registered to the Kadıköy Land Registry Office at number 106, square 1435 and parcel 39, with the request of cancellation of the decision of the Istanbul Metropolitan Municipality Assembly dated 10.05.2016 and numbered 744 regarding the protection of the current zoning plan of the property at parcel no 39. , along with the request of the Istanbul Metropolitan Municipality Planning Directorate to cancel the transaction dated 24.06.2016 and numbered 122396 regarding the notification of this decision to the plaintiff, with the decision numbered 2016/1486 E. and 2017/65 K., the 3rd Administrative Court of Istanbul decided to accept the case. Against this decision, the defendant, Istanbul Metropolitan Municipality, has applied for an appeal, yet the appeal was rejected. Upon the decision to refuse the appeal, the defendant administration applied for another appeal and it is decided that Istanbul Regional Administrative Court 4th Administrative Litigation Chamber's decision dated 18.04.2017, numbered 2017/195 and No. 2017/278 and the decision numbered 2017/2154 and numbered 2018/7384 by the 6th Chamber of the Council of State on 03.10.2018 is to be overturnt. Upon the decision of the Council of State for the said annulment, the case was recorded in the file numbered 2018/2893 of the 4th District Administrative Court of Istanbul Regional Administrative Court, the Administrative Law Office decided to accept the request of the Company to participate in the lawsuit as an intervener beside the defendant administration, and subsequently to that, with the decision numbered 2019/1239, , no. 2018/2893 dated 24.06.2019 was decided that they persist on the previous decision. An appeal has been filed by the Company against the aforementioned decision and the appeal review is ongoing.

- The Company was informed about the cancellation of Conservative Master Development Plan, scaled as Beykoz 1st Zone 1/5000 and Conservative Revision Development Plan, scaled as Beykoz 1st Zone 1/5000, in Istanbul, Beykoz Region, that contain fields that the Company has signed flat for land contracts as Akiş Mudanya Ordinary Partnership to develop projects in the Beykoz Region and estates owned by Karlıtepe Gayrimenkul Geliştirme ve Yatırım A.Ş. which the subsidiary of the Company with share of 100%, as a result of the lawsuit filed at Istanbul 4th Administrative Court by Union of Chamber of Turkish Engineers and Architects (TMMOB) against Ministry of Environment and Urbanization through the decision, dated 31.01.2018 and numbered 2015/1269 and 2018/163, of the respective Court and afterwards the Company immediately requested to get involved during the appeal phase. Ministry of Environment and Urbanization appealed against the decision of local court and the Company requested to get involved in during the on-going appeal examination of Istanbul Regional Administrative Court 4th Administrative Lawsuit Department regarding file numbered 2018/1326 E. The aforementioned court has accepted the participation of the Company. The rejection of the appeal was decided by the Istanbul Regional Administrative Court 4th Administrative Case Department with the decision dated 15.03.2019 and numbered 2018/1326 and Decision No: 2019/548. Appeals have been filed against the aforementioned decision, and the appeal review continues under the file numbered 2019/14427 before the 6th Chamber of the Council of State.

- There are 398 cases / execution proceedings which the group is party. Except for the details given above, the rest consists of cases filed for the receivables of the company, incomplete performance of the sales promise contract, and cases of claims / compensation / executions by the customers due to late deliveries, business cases and similar cases.

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

NOTE 18 - PROVISION FOR EMPLOYEE BENEFITS

a) Short-term benefits provided to personnel

	31 December 2019	31 December 2018
Provisions for short-term benefits provided to personnel		
Unused vacation rights	736,430	687,224
	736,430	**687,224**
Liabilities with in the short-term benefits provided to personnel		
Performance premium provision	1,078,020	1,236,924
Personnel expenses payable	591,258	485,692
	1,669,278	**1,722,616**

b) Long-term benefits provided to personnel

Provision for employee termination benefits

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TRY 65,434379.8642 for each period of service as of 31 December 2019 (December 31, 2018: TRY 5,434.48). Maximum severance pay is revised once in every 6 months period, in the calculation of provision for employee termination benefits, ceiling price amounting to TRY 6,730.15 which is valid since 1 January 2019 is taken into consideration (1 January 2018: TRY 6,017.76). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. As of 31 December 2019, actuarial gains/(loss) are recognized in "comprehensive income" under "Defined benefit plans remeasurement gains".

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

NOTE 18 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

Assumptions have been used for the actuarial calculation are as follow:

	31 December 2019 (%)	31 December 2018 (%)
Discount rate	4.96	6.86

Movements in the provision for employment termination benefits are as follows:

	2019	2018
Opening balance, 1 January	**1,186,150**	**999,675**
Actuarial (gain) / loss	722,505	673,918
Increase during year	372,415	154,931
Interest expense	144,117	164,747
Payment during year	(568,090)	(807,121)
Closing balance, 31 December	**1,857,097**	**1,186,150**

NOTE 19 - EQUITY

a) Equity

Company's shareholders and capital structure as of 31 December 2019 and 2018 are described in Note 1.

b) Other comprehensive income /(expense) not to be reclassified to profit or loss

	31 December 2019	31 December 2018
Remeasurement loss arising from defined benefit plan	(1,148,542)	(426,037)
	(1,148,542)	**(426,037)**

c) Other comprehensive income /(expense) to be reclassified to profit or loss

	31 December 2019	31 December 2018
Currency translation reserve	7,370,271	2,767,623
Cash flow hedge gains / (losses)	(54,702,922)	(1,038,104)
Investments accounted for using the equity method reclassified to other comprehensive income/loss	-	1,265,254
	(47,332,651)	**2,994,773**

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

NOTE 19 - EQUITY (Continued)

d) Restricted reserves appropriated from profit

Accumulated profits in legal books can be distributed except for the provisions relating to the legal reserve that is stated below.

Legal reserves comprise of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. 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 at the rate of 10% of the portion of the paid-in capital that exceeds 5% of the paid-in capital. Group companies are not subject to this implementation.

"Legal reserves" allocated in accordance with the TCC requirements, "Share premium" that is in statue of legal reserve and legal reserves allocated for certain purposes apart from profit sharing (gains of sharing sales for tax advantage) is demonstrated the amounts in records. Differences arising from inflation adjustment coming out in the assessments based on TFRS principals and that is not subject to profit distribution or capital increase as of reporting date are related to accumulated profit/loss.

	31 December 2019	**31 December 2018**
Legal reserves	116,693,057	107,311,106

e) Other Reserves

	31 December 2019	**31 December 2018**
Other Reserves	54,696,807	54,696,807

With the changes in CPM's reporting format, items in shareholders' equity by name "Other reserves" and "Merger reserve" are classified in "Other reserves".

f) Retained earnings

As of the reporting date, extraordinary reserve of parent company, which is in retained earning amounting to TRY 1,884,229,243 (December 31, 2018: TRY 971,344,59) is TRY 271,111,709 (December 31, 2018: TRY 187,030,73).

Profit distribution

Regarding the dividend distribution, the entities are to distribute their profits under the scope of CMB Communiqué Serial: II-19.1 their articles of association and their previously publicly declared profit distribution policies.

Besides that, it is regulated that companies which are obligated to prepare consolidated financial statements under CMB policies, if it's allowed in their statutory reserves, amount of profit available for distribution must be prepared, in accordance with CMB Communiqué No. II -14.1 announced publicly consolidated financial statements taking into account net profit of the period.

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

NOTE 19 - EQUITY (Continued)

It has been allowed that in the case of a dividend payment, depending on the decisions taken at the General Assembly's, payment can be made as cash or issuing the shares to shareholders for free after dividend is added to capital or partially cash and partially issuing free shares. In the case of first dividend payment is less than 5% of issued/paid-in capital, it has been allowed that the dividend can be left within the venture without being distrubuted. However, the joint stock companies that increased their capital without being distrubuted the dividend belonging to the prior period and therefore separate the shares as "new" and "old" must pay the first dividend that is calculated as cash.

The Dividend payment proposal that was offered to shareholders' approval at the General Assembly of fiscal year 2018 has been accepted at the General Assembly that held on April 1, 2019. It has been decided that sum of 1st and 2nd dividend payments to shareholders is going to be TRY 108,000,000 (TRY 0.25110915 Gross Dividend Payment per a share of TRY 1 nominal value, 25.11095% Gross Payout Ratio). Dividends were paid as two installments on May 28, 2019 and July 17, 2019.

According to the legal bookings of the company, Current Period Net Profit, Retained Earnings and other Equtiy that can be paid as dividend are TRY 355,367,456.

NOTE 20 - SALES AND COST OF SALES

	31 December 2019	31 December 2018
Revenues		
Akasya rent income	269,422,809	250,223,178
Akbatı rent income	116,786,673	104,870,939
Other rent income	18,380,509	15,995,550
Ticket sales	11,572,308	9,392,463
Residence sales income	5,717,593	1,410,514
Sponsorship income	5,657,431	6,411,722
Other	9,624,294	7,793,461
	437,161,617	**396,097,827**
Cost of sales		
Cost of Akasya shopping mall	(54,393,609)	(49,303,359)
Cost of Akbatı shopping mall	(29,105,521)	(26,354,049)
Cost of residence sales	(5,107,220)	(263,979)
Cost of other services	(18,896,346)	(16,245,633)
	(107,502,696)	**(92,167,020)**
Gross profit	**329,658,921**	**303,930,807**

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

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	31 December 2019	31 December 2018
General administrative expenses		
Personnel expenses	12,169,585	11,331,441
Consultancy expenses	8,970,188	12,548,930
Taxes, duties and fees	1,350,241	2,374,586
Depreciation expenses	1,196,339	1,161,052
Office expenses	1,175,234	1,291,299
Transportation and travel expenses	875,560	806,810
Donation	479,700	380,900
Other	3,406,937	3,960,282
	29,623,784	**33,855,300**

	31 December 2019	31 December 2018
Marketing expenses		
Personnel expenses	2,565,410	2,074,443
Advertisement expenses	920,915	1,690,812
Corporate Communication	68,023	318,649
Other	351,425	363,103
	3,905,773	**4,447,007**

NOTE 22 - EXPENSE BY NATURE

	31 December 2019	31 December 2018
Cost of shopping malls	61,296,548	57,171,522
Personnel expense	33,986,894	30,012,923
Consultancy expenses	10,043,400	13,272,799
Taxes, duties and fees	6,944,827	7,393,207
Cost of residence sales	5,107,220	263,979
Amortisation expenses	4,105,660	4,725,136
Office expenses	1,175,233	1,321,452
Advertisement expenses	920,915	1,690,812
Transportation and travel expenses	875,560	806,810
Donations	481,750	401,500
Other	16,094,246	13,409,187
	141,032,253	**130,469,327**

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

NOTE 22 - EXPENSE BY NATURE (Continued)

The allocation of personnel expenses as of 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Expensed on cost of sales	19,251,899	16,607,039
General administrative expenses	12,169,585	11,331,441
Marketing expenses	2,565,410	2,074,443
Total personnel expenses	**33,986,894**	**30,012,923**

The allocation of depreciation and amortization expenses as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Expensed on cost of sales	2,909,321	3,564,084
General administrative expenses	1,196,339	1,161,052
Total depreciation and amortization expenses	**4,105,660**	**4,725,136**

NOTE 23 - OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities	31 December 2019	31 December 2018
Foreign exchange gains related to trade receivable and payable	26,891,938	70,787,555
Interest income related to trade receivable	7,690,700	4,715,177
Rediscount income	1,699,737	-
Provisions no longer required for trade receivables (Note 7)	1,240,474	1,623,451
Provisions no longer required for litigation (Note 17)	395,184	580,647
Other	1,854,851	4,383,185
	39,772,884	**82,090,015**

Other expenses from operating activities

Foreign exchange losses related to trade receivable and payable	(18,382,317)	(41,471,174)
Impairment	(11,740,461)	(6,981,340)
Provision for doubtful trade receivables (Note 7)	(3,074,143)	(2,957,842)
Provision for litigation (Note 17)	(205,448)	(444,860)
Rediscount expense	(205,305)	(467,427)
Other (*)	(5,994,984)	(4,745,614)
	(39,602,658)	**(57,068,257)**

(*) The company was transferred its trade receivables amouinting TRY 2,153,879 from Ottoman Gayrimenkul Yatırımları İnşaat ve Ticaret A.Ş. ("Ottoman") to Buyer simultaneously with the sale of shares, due to the lack of collectability.

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

NOTE 24 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	31 December 2019	31 December 2018
Income from investment activities		
Increase in fair value of investment properties (Note 11)	580,068,632	1,247,739,862
Gain on sales of Mecidiyeköy	384,815	-
	580,453,447	**1,247,739,862**
Expenses from investment activities		
Decrease in fair value of investment properties (Not 11)	(9,779,099)	-
Impairment of Financial Assets (*)	-	(1,892,579)
	(9,779,099)	**(1,892,579)**

(*) The Company evaluated the financial statements of Ottoman Gayrimenkul, which it has accounted as a long-term financial asset in its financial statements, and in this context, because of the perspective that there is no financial value remaining, the amount of the financial asset has been expensed.

NOTE 25 - FINANCIAL INCOME AND EXPENSE

	31 December 2019	31 December 2018
Financial income		
Foreign exchange gains	158,214,295	338,833,629
Interest income	16,338,214	20,439,746
Gains on derivative financial instruments	7,883,168	9,219,235
Share sales revenue	-	17,562
	182,435,677	**368,510,172**
Financial expenses		
Foreign exchange losses	(346,990,314)	(724,373,276)
Interest expenses	(151,550,301)	(148,971,230)
	(498,540,615)	**(873,344,506)**

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

NOTE 26 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income attributable to ordinary shareholders by the weighted average number of shares, As of 31 December 2019, the Company has 430,091,850 (December 31, 2018: 430,091,850) number of shares each valued as TRY 1. There is no preferred stock for shareholders and other share groups. Companies can increase their capital by distributing shares to their shareholders from retained earnings in line with their interest in share capital ("Bonus shore"). In the course of determination of earnings/loss per share per share, these are considered as issued shares. Hence weighted average number of shares used in determination of earning/loss is calculated considering the issuance of bonus shares retrospective impact.

	31 December 2019	31 December 2018
Net income from continuing operations	549,043,489	1,029,882,607
Average number of ordinary shares in the nominal value of TRY1	430,091,850	430,091,850
Earnings per share from continuing operations	**1.28**	**2.39**
Net income for the period attributable to equity holders of the parent	549,043,489	1,029,882,607
Average number of ordinary shares in the nominal value of TRY1	430,091,850	430,091,850
The parent partnership, distributable profit to partners main and relative earnings per share	**1.28**	**2.39**

NOTE 27 - INCOME TAXES (INCLUDED DEFERED TAX ASSETS AND LIABILITIES)

a) Current tax payable:

The application of Akiş in 2011, for being converted to a real estate company was approved in accordance with the decision of Capital Market Board dated 19 April 2012 and numbered 15/345 and the mentioned conversion and the changes in the articles of association registered on 18 May 2012 which was then published on the Trade Gazette on 24 May 2012. Subsequently, the profit of the Company as a real estate investment exempt from corporate income tax in accordance with paragraph 4-d of Article 8 of the Corporate Income Tax Law and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes. According to Corporation Tax Law, Article 15 / (3), 15% withholding tax is applied to those profits which are exempt from corporation tax. The Council of Ministers shall be authorized to reduce the tax rate to zero for each income and payment which is specified in article 15, to raise up to corporation tax rate and within the same limit, to differentiate the gains which are defined in the third paragraph, according to funds or types of partnerships or according to nature and composition of assets in their portfolios. According to the Council of Minister's decision, No: 2009/14594, the withholding tax rate is determined as "0". In this scope, the gains subject to the tax cut are not subject to dividend stoppage separately, according to Corporate Tax Law, Article 15 / (2).

However, the Turkish tax legislation does not allow for a consolidated tax return of a parent company, its subsidiaries, joint ventures and subsidiaries as a whole. Hence, despite the fact that the parent company is exempted from the corporation tax as it is converted to a real estate investment, its subsidiaries are excluded from this exemption. As of 31 December 2019 and 2018, provisions for taxes as reflected in the accompanying consolidated financial statements are calculated on a separate-entity basis.

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

NOTE 27 - INCOME TAXES (INCLUDED DEFERED TAX ASSETS AND LIABILITIES) (Continued)

The taxes reflected in the income statements for the periods ended 31 December 2019 and 2018 are summarized below:

	31 December 2019	**31 December 2018**
Current income tax	(440,322)	(288,612)
Deferred tax income/(expense)	146,489	21,801
Total tax	**(293,833)**	**(266,811)**

NOTE 28 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Balances with related parties at 31 December 2019 and 2018 are as follows:

Short-term trade receivables from related parties	**31 December 2019**	**31 December 2018**
Dinkal Sigorta Acenteliği A.Ş ("Dinkal")	8,204	-
Akdünya A.Ş. ("Akdünya")	-	78,914
Akkök Holding A.Ş. ("Akkök Holding")	-	2,249
Other	15,480	8,777
	23,684	**89,940**

Short-term other receivables from related parties

Ottoman Gayrimenkul Yatırımları İnş. Ve Tic. A.Ş (**)	-	815,594
	-	**815,594**

Long-term other receivables from related parties

Akiş-Mudanya Ordinary Partnership (*)	12,631,530	9,407,267
Ottoman Gayrimenkul Yatırımları İnş. Ve Tic. A.Ş (**)	-	3,471,377
	12,631,530	**12,878,644**

(*) Long-term receivable from Akiş-Mudanya Ordinary Partnership ("Adi Ortaklık") is related to receivables that resulted from payments made to Adi Ortaklık regarding agreements of the construction in return for flat.

(**)The Company has transferred all of its shares in Ottoman Gayrimenkul Yatırımları İnşaat ve Ticaret A.Ş. that corporation in receivership to "Buyer", who is not a related party, to ensure the transfer of all debts and all other liabilities.

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

NOTE 28 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Short- term trade payables to related parties	**31 December 2019**	**31 December 2018**
Sakarya Elektrik Perakende ve Satış A.Ş. ("Sepaş")	2,988,501	-
Aktek Bilgi İlet. Tekno. San. A.Ş. ("Aktek")	621,697	146,315
Dinkal (*)	325,204	293,485
Akgirişim Müteahhitlik Müşavirlik ve Çevre teknolojileri san. Ve tic. A.Ş. ("Akgirişim")	165,264	257,884
Akkök Holding	173,514	1,207,561
Other	326	24,070
	4,274,506	**1,929,315**

(*) Payments to insurance companies through Dinkal Sigorta Acenteliği A.Ş

b) As of 31 December 2019 and 2018 services and product purchases from related parties are as follows:

Purchases of goods and services from related parties	**31 December 2019**	**31 December 2018**
Sepaş (**)	32,474,904	-
Dinkal (*)	5,154,158	4,070,822
Aktek	2,885,263	2,078,120
Akgirişim	2,427,457	3,032,978
Akkök Holding	1,153,001	4,196,934
Akdünya	1,013,180	1,019,323
Akhan Bakım Yönetim Servis Hizmetleri Güvenlik Malzemeleri Ticaret A.Ş.("Akhan")	86,337	107,409
Akenerji	-	105,000
Other	-	6,193
	45,194,300	**14,616,779**

(*) Purchases made from various insurance companies through Dinkal Sigorta Acenteliği A.Ş.

(**) Transactions occuring with purchase of electricity for Shopping Malls from Sakarya Elektrik Perakende ve Satış A.Ş. ("Sepaş").

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

NOTE 28 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

c) As of 31 December 2019 and 2018 services and product sales to related parties are as follows:

Sales of goods and services to related parties	31 December 2019	31 December 2018
Sepaş	216,379	151,002
Ak-kim Yapı Kim. San. Tic. A.Ş.("Ak-kim")	218,754	157,310
Dese Gıda Ürünleri San. ve Tic. A.Ş. ("Dese Gıda")	138,181	117,115
Dowaksa İleri Kompozit Malzemeler San. Ltd. Şti. ("Dowaksa")	137,000	-
Dinkal	78,315	67,684
Aksa Akrilik Kimya San. A.Ş. ("Aksa")	50,047	47,528
Gizem Seramik Frit Ve Glazur San. Ve Tic. A.Ş. ("Gizem Frit")	10,882	-
Akkök Holding	-	12,150
Aktek	-	15,000
Other	107,003	69,902
	956,561	**637,691**

d) As of 31 December 2019 and 2018 interest income and interest expenses with related parties are as follows:

Interest income from related parties	31 December 2019	31 December 2018
Akiş Mudanya Ordinary Partnership	2,567,479	1,479,479
	2,567,479	**1,479,479**

Finance expense from related parties	31 December 2019	31 December 2018
Ak-Pa Tekstil İhracat Pazarlama A.Ş.	8,383,820	-
	8,383,820	**-**

The Company defined its key management personnel as board of directors and members of the executive committee. Benefits provided to key management personnel as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Salary and other short term employee benefits	7,812,428	6,266,119
Employment termination benefits	489,321	198,105
Total	**8,301,749**	**6,464,224**

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Liquidity Risk

Liquidity risk is the inability of the Group to match the net funding requirements with sufficient liquidity. The Group management tries to avoid liquidity risk from daily operations by trying to keep sufficient levels of cash and to have open credit lines with creditors. Management also tries to align the repayment of borrowings utilized for the construction and acquisition of investment properties with the rental income from such properties to the extent that is possible. For the construction of residential units the Group obtains cash advances from customers by being engaged through pre-sales agreements to minimize the funding requirement in such projects. The explanations about Group's current ratio balance are stated in detail in Note 2. The Company hedges its liquidity risk arising from floating rate loans by cross currency and interest rate swap transactions and is subject to hedge accounting for cash flow hedges.

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

	The book value	Contract cash outflows	Up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Financial liabilities (Non-derivative):						
Bank borrowings	2,053,922,603	2,350,438,002	587,527,246	348,260,573	1,364,186,719	50,463,464
Issued bonds	100,916,719	124,921,659	3,979,193	10,471,233	110,471,233	-
Finance lease payables	19,225,891	19,499,781	12,182,146	7,317,635	-	-
Trade payables	16,210,524	16,210,524	13,085,158	-	3,125,366	-
Other payables	6,252,253	6,252,253	6,252,253	-	-	-
	2,196,527,990	**2,517,322,219**	**623,025,996**	**366,049,441**	**1,477,783,318**	**50,463,464**
Derivative Financial Instruments (Subject to cash flow hedge accounting)						
Derivative cash inflows	318,278,951	574,249,417	170,908,638	133,414,214	269,926,565	-
Derivative cash outflows	(364,777,596)	(636,875,786)	(186,721,484)	(150,346,447)	(299,807,855)	-
	(46,498,645)	**(62,626,369)**	**(15,812,846)**	**(16,932,233)**	**(29,881,290)**	**-**

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2018 is as follows:

	The Book Value	**Contractual cash outflows**	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**5 years and over**
Financial liabilities (Non-derivative):						
Bank borrowings	1,856,786,270	2,792,135,309	369,435,725	564,699,316	1,756,975,790	101,024,478
Finance lease payables	57,647,025	60,426,010	10,789,039	32,367,116	17,269,855	-
Trade payables	16,584,575	16,584,575	13,374,156	-	3,210,419	-
Other payables	6,053,091	6,053,091	6,053,091	-	-	-
	1,937,070,961	**2,875,198,985**	**399,652,011**	**597,066,432**	**1,777,456,064**	**101,024,478**
Derivative Financial Instruments (Subject to cash flow hedge accounting)						
Derivative cash inflows	48,765,870	49,518,412	3,700,479	12,254,086	33,563,847	-
Derivative cash outflows	(51,872,624)	(65,672,852)	(5,784,910)	(17,472,268)	(42,415,674)	-
	(3,106,754)	**(16,154,440)**	**(2,084,431)**	**(5,218,182)**	**(8,851,827)**	**-**

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities.

In this context, matching of not only maturities of receivables and payables but also contractual re-pricing dates is crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/floating interest", "short-term/long-term", "TRY/foreign currency" balance is structured consistent within and with assets in the balance sheet.

Financial instruments which have been classified as other financial liabilities in the Group's balance sheet have been exposed to the interest risk as a result of change in prices. At 31 December 2019, if interest rates at contractual re-pricing dates of TRY denominated financial assets and liabilities with variable interest rates have strengthened/weakened by 1% with all other variables held constant, income would have been TRY 338,533 / TRY (339,019) lower/higher as a result of interest expenses (December 31, 2018: TRY 618,293 / TRY (619,136)).

The nature of the derivative is to protect the Group's statement of comprehensive income against the fluctuations in floating interest rates due to possible changes in market interest rates. As of December 31, 2019, if USD denominated interest rate of the derivative instruments of the Company has strengthened/weakened by %1 with all other variables held constant, income would have been TRY 81,976 / TRY (82,058) higher/lower (31 December 2018: TRY 4,172 / TRY(4,172) higher/lower).

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Average effective annual interest rates of balance sheet items as of 31 December 2019 and 2018 are as follows:

31 December 2019 (%)	TRY	EUR	USD
Current assets			
Cash and cash equivalents	9.98 - 11.25	-	1.75 - 1.85
Trade receivables	1.51	-	0.47
Current liabilities			
Bank borrowings	25.35	4.60	5.34
Issued bonds	15.96	-	-
Finance lease payables	-	-	1.72
Non-current liabilities			
Bank borrowings	14.06	4.60	6.45
Issued bonds	15.96	-	-

31 December 2018 (%)	TRY	EUR	USD
Current assets			
Cash and cash equivalents	10.80 – 23.50	-	4.00 – 4.50
Trade receivables	7.34	-	1.51
Current liabilities			
Bank borrowings	15.43	4.66	6.19
Finance lease payables	-	-	6.61
Non-current liabilities			
Bank borrowings	-	4.66	6.36
Finance lease payables	-	-	1.73

Group's financial instruments that are sensitive to interest rates are as follows:

	31 December 2019	31 December 2018
Financial instruments with fixed interest rate		
Time deposits	242,509,289	93,951,691
Bank borrowings	1,280,782,881	1,133,605,890
Finance lease payable	19,225,891	57,647,025
Financial instruments with floating interest rate		
Bank borrowings (Excluding derivative)	293,187,516	660,010,360
Bank borrowings (Including derivative)	479,952,206	63,170,020
Issued bonds	100,916,719	-

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Group's financial assets and liabilities (excluding interest rate sensitivity) in carrying amounts classified in terms of periods remaining to contractual re-pricing dates as of 31 December 2019 and 2018 are as follows:

	31 December 2019				
	Up to 3 months	**3-12 months**	**More than 1 year**	**Not interest bearing**	**Total**
Cash and cash equivalent	242.509,289	-	-	3,793,105	246,302,394
Trade receivables	26,381,943	30,111,092	564,642	20,670,239	77,727,916
Other receivables	-	-	14,185,483	2,113,534	16,299,017
Total assets	**268,891,232**	**30,111,092**	**14,750,125**	**26,576,878**	**340,329,327**
Bank borrowing	567,561,460	296,708,381	1,189,652,762	-	2,053,922,603
Issued bonds	916,719	-	100,000,000	-	100,916,719
Finance lease payable	12,012,847	7,213,044	-	-	19,225,891
Trade payable	13,085,158	-	3,125,366	-	16,210,524
Other payable	6,252,253	-	-	-	6,252,253
Total liabilities	**599,828,437**	**303,921,425**	**1,292,778,128**	**-**	**2,196,527,990**
Net re-pricing position	**(330,937,205)**	**(273,810,333)**	**(1,278,028,003)**	**26,576,878**	**(1,856,198,663)**

	31 December 2018				
	Up to 3 months	**3-12 months**	**More than 1 year**	**Not interest bearing**	**Total**
Cash and cash equivalent	93,951,691	-	-	2,172,646	96,124,337
Trade receivables	16,488,100	44,973,116	41,824,047	18,572,137	121,857,400
Other receivables	250,952	564,642	12,878,644	4,316,055	18,010,293
Total assets	**110,690,743**	**45,537,758**	**54,702,691**	**25,060,838**	**235,992,030**
Bank borrowing	459,493,990	421,580,768	975,711,512	-	1,856,786,270
Finance lease payable	10,044,170	30,626,468	16,976,387	-	57,647,025
Trade payables	13,374,156	-	3,210,419	-	16,584,575
Other liabilities	6,053,091	-	-	-	6,053,091
Total liabilities	**488,965,407**	**452,207,236**	**995,898,318**	**-**	**1,937,070,961**
Net re-pricing position	**(378,274,664)**	**(406,669,478)**	**(941,195,627)**	**25,060,838**	**(1,701,078,931)**

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit Risk Explanations

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

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

Credit risk of financial instruments as of 31 December 2019 and 2018 is as follows:

	Trade and other receivables		**Deposit**
31 December 2019	**Related party**	**Third party**	**in banks**
Maximum exposed credit risk as of reporting date (A+B+C+D)	**12,655,214**	**81,371,719**	**246,196,085**
Secured portion of the maximum credit risk by guarantees, etc			
A, Net book value of financial assets that are either not due or not impaired			
- Secured portion by guarantees, etc	12,655,214	73,472,162	246,196,0851
B, Net book value of the expired but not impaired financial assets	-	7,899,557	-
- Secured portion by guarantees	-	-	-
C, Net book value of impaired assets			
- Overdue (Gross book value	-	14,233,701	-
- Impairment (-)	-	(14,233,701)	-
- Secured portion of the net value by guarantees, etc	-	-	-
- Not overdue (Gross book value)			
- Impairment (-)	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-
D. Financial assets with renegotiated conditions	-	-	-

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	Trade and other receivables		Deposit
31 December 2018	**Related party**	**Third party**	**in banks**
Maximum exposed credit risk as of reporting date (A+B+C+D)	**13,784,178**	**126,083,515**	**95,968,941**
Secured portion of the maximum credit risk by guarantees, etc			
A. Net book value of financial assets that are either not due or not impaired			
- Secured portion by guarantees, etc	13,784,178	118,785,909	95,968,941
B. Net book value of the expired but not impaired financial assets	-	7,297,606	-
- Secured portion by guarantees	-	-	-
C. Net book value of impaired assets			
- Overdue (Gross book value	-	12,400,032	-
- Impairment (-)	-	(12,400,032)	-
- Secured portion of the net value by guarantees, etc	-	-	-
- Not overdue (Gross book value)			
- Impairment (-)	-	-	-
- Secured portion of the net value by guarantees, etc	-	-	-
D. Financial assets with renegotiated conditions	-	-	-

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

The aging table of the receivables that are past due but not impaired

	31 December 2019	**31 December 2018**
Past due 1-3 month	4,184,700	2,368,113
Past due 3-12 month	339,760	2,229,396
Past due 1-5 years	3,375,097	2,700,097
	7,899,557	**7,297,606**

Foreign exchange risk

The Group is exposed to foreign exchange rate risk through operations done using multiple currencies. This risk management is to maintain a foreign exchange position as at least the main principles to be affected by exchange rate fluctuations. The Group is mainly exposed to Euro and USD foreign exchange rate risk.

The nature of the derivative transaction is to protect the Group's statement of comprehensive income from the fluctuations caused by the change in the foreign currency denominated loan principal and interest payments against the TRY against USD.

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

NOTE 29 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency position

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

	31 December 2019	31 December 2018
Assets	152,392,096	146,840,143
Liabilities	(1,918,110,499)	(1,502,744,645)
Net on-balance sheet position	**(1,765,718,403)**	**(1,355,904,502)**

The table below summaries foreign currency position risk of the Group as of 31 December 2019 and 2018. The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent are as follows:

31 December 2019	EUR	USD	GBP	Other	TRY Equivalent
Current assets	**108,032**	**25,308,434**	**300**	**30,522**	**151,147,896**
Cash and cash equivalent	1,357	15,245,966	15	30,166	90,662,038
Financial investments	-	1,628,049	-	-	9,670,936
Trade receivables	2,056	8,433,700	-	356	50,112,669
Other receivables	-	-	-	-	
Prepaid expenses	104,301	25	-	-	693,799
Other assets	318	694	285	-	8,454
Non-current assets	**-**	**-**	**-**	**441,820**	**1,244,200**
Other non-current assets	-	-	-	441,820	1,244,200
Total assets	**108,032**	**25,308,434**	**300**	**472,342**	**152,392,096**
Current liabilities	**5,585,885**	**117,202,813**	**342**	**-**	**733,360,292**
Borrowings	5,556,592	117,179,952	-	-	733,027,017
Trade payables	29,114	18,472	-	-	303,333
Other liabilities	179	3,584	342	-	25,162
Deferred income	-	805	-	-	4,780
Non-current liabilities	**31,147,572**	**164,573,611**	**-**	**-**	**1,184,750,207**
Borrowings	31,130,647	164,215,669	-	-	1,182,511,398
Other liabilities	16,925	357,942	-	-	2,238,809
Total liabilities	**36,733,457**	**281,776,424**	**342**	**-**	**1,918,110,499**
Net (liability)/asset position	**(36,625,425)**	**(256,467,990)**	**(42)**	472,342	**(1,765,718,403)**

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

NOTE 29 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

31 December 2018	EUR	USD	GBP	Other	TRY Equivalent
Current assets	**111,219**	**19,599,225**	**1,210**	**30,481**	**103,875,629**
Cash and cash equivalent	3,338	3,181,950	-	30,125	16,846,528
Financial investments	-	4,412,329	-	-	23,212,824
Trade receivables	-	9,052,120	-	356	47,623,397
Other receivables	38	-	-	-	228
Prepaid expenses	89,978	2,907,070	300	-	15,838,191
Other assets	17,865	45,756	910	-	354,461
Non-current assets	**-**	**7,936,213**	**-**	**441,820**	**42,964,514**
Trade receivables	-	7,936,213	-	-	41,751,622
Other fixed assets	-	-	-	441,820	1,212,892
Total assets	**111,219**	**27,535,438**	**1,210**	**472,301**	**146,840,143**
Current liabilities	**5,924,557**	**89,233,833**	**143**	**-**	**505,164,455**
Borrowings	5,806,536	88,168,085	-	-	498,845,284
Trade payables	117,942	60,184	106	-	1,028,278
Other liabilities	79	1,529	37	-	8,767
Deferred income	-	1,004,035	-	-	5,282,126
Non-current liabilities	**35,200,099**	**149,288,904**	**-**	**-**	**997,580,190**
Borrowings	35,183,174	148,378,362	-	-	992,687,899
Other liabilities	16,925	451,688	-	-	2,478,304
Deferred income	-	458,854	-	-	2,413,987
Total liabilities	**41,124,656**	**238,522,737**	**143**	**-**	**1,502,744,645**
Net (liability)/asset position	**(41,013,437)**	**(210,987,299)**	**1,067**	**472,301**	**(1,355,904,502)**

NOTE 29 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The table below shows the Group's sensitivity to a 20% increase/decrease in USD, EUR and GBP exchange rates. These amounts represent the effect on the consolidated statement of comprehensive income of 20% increase/decrease in USD, EUR and GBP against TRY. During this analysis all other variables especially interest rate are assumed to remain constant.

Foreign currency sensitivity analysis as of 31 December 2019 and 2018 are as follows:

	Profit/Loss		**Equity**	
31 December 2019	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
+/- 20% fluctuation in US Dollar rate				
USD net asset/liability	(304,694,231)	304,694,231	(304,694,231)	304,694,231
Secured portion from US Dollar risk	37,442,629	(37,442,629)	(6,842,269)	6,842,269
USD Net Effect	**(267,251,602)**	**267,251,602**	**(311,536,500)**	**311,536,500**
+/- 20% fluctuation in EUR rate				
EUR net asset/liability	(48,716,210)	48,716,210	(48,716,210)	48,716,210
Secured portion from EUR risk	-	-	-	-
EUR Net Effect	**(48,716,210)**	**48,716,210**	**(48,716,210)**	**48,716,210**
+/- 20% fluctuation in GBP rate				
GBP net asset/liability	(65)	65	(65)	65
Secured portion from GBP risk	-	-	-	-
GBP Net Effect	**(65)**	**65**	**(65)**	**65**

	Profit/Loss		**Equity**	
31 December 2018	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
+/- 20% fluctuation in US Dollar rate				
USD net asset/liability	(221,996,616)	221,996,616	(221,996,616)	221,996,616
Secured portion from US Dollar risk	1,748,188	(1,748,188)	6,516,704	(6,516,704)
USD Net Effect	**(220,248,428)**	**220,248,428**	**(215,479,912)**	**215,479,912**
+/- 20% fluctuation in EUR rate				
EUR net asset/liability	(49,445,800)	49,445,800	(49,445,800)	49,445,800
Secured portion from EUR risk	-	-	-	-
EUR Net Effect	**(49,445,800)**	**49,445,800**	**(49,445,800)**	**49,445,800**
+/- 20% fluctuation in GBP rate				
GBP net asset/liability	1,419	(1,419)	1,419	(1,419)
Secured portion from GBP risk	-	-	-	-
GBP Net Effect	**1,419**	**(1,419)**	**1,419**	**(1,419)**

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

NOTE 29 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The exchange published by Central Bank of Turkey, rates and applied by the Group as at the year ends are followed;

	31 December 2019	31 December 2018
USD	5.9402	5.2609
EUR	6.6506	6.0280
GBP	7.7765	6.6528

Capital risk management

The Group attempts to manage its capital by minimizing the investment risk by portfolio diversification. The Group's objective is to safeguard the Group's sustainability as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to keep a gearing ratio that is in-line with industry averages. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Gearing ratios as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Total liabilities	2,278,434,031	1,980,911,550
Cash and cash equivalents	(246,302,394)	(96,124,337)
Net debt	2,032,131,637	1,884,787,213
Total shareholders' equity	4,020,450,560	3,630,805,417
Invested capital	6,052,582,197	5,515,592,630
Gearing ratio	**34%**	**34%**

NOTE 30 - FAIR VALUE OF FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The fair values of financial instruments that are not traded in an active market have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein may differ from the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value.

Financial assets

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

Expertise values are used on the determination of the fair values of investment property (Note 11).

The carrying values of trade and other receivables, along with the related allowances for uncollectability are assumed to approximate their fair values.

The fair values of balances denominated in foreign currencies, which are translated at period-end official exchange rates announced by the Central Bank of Turkey, are considered to approximate their carrying value.

In the case of the market price cannot be determined, the fair value of available-for sale financial assets are determined based on the market prices quoted for the same qualified stocks in point of interest rate, maturity and similar other conditions.

Financial liabilities

As of 31 December 2019 and 2018, carrying values and fair values of TRY and foreign currency denominated borrowings fixed and floating rates are explained at Note 7.

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

NOTE 30 -FAIR VALUE OF FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

Estimation of Fair Value

As of 31 December 2019 and 2018, the Group's assets and liabilities measured with fair value are as follows:

	31 December 2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment properties	-	5,403,103,276	-	5,403,103,276
Total assets	**-**	**5,403,103,276**	**-**	**5,403,103,276**

	31 December 2018			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment properties	-	4,790,590,000	-	4,790,590,000
Total assets	**-**	**4,790,590,000**	**-**	**4,790,590,000**

Group's classifications of financial assets and liabilities related to fair value are as follows:

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices
- Second level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market. The details related to used method of the fair value is disclosed in Note 2 and 12 by the Group.
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market. The details related to used method of the fair value is disclosed in Note 2 and 12 by the Group.

NOTE 31 - EVENTS AFTER THE REPORTING PERIOD

About Registered Capital Ceiling Transactions and Articles of Association Amendment

Since the registered capital ceiling of our Company expired as of 31.12.2019; Amendment of article 8 entitled "CAPITAL AND SHARES" of the Company's Articles of Association in order to raise the registered capital ceiling of our Company from TL 500,000,000.00 to TL 1,000,000,000.00 and to determine the validity period of the registered capital ceiling as 2020-2024, and also, Article 3 of the Company's Articles of Association, entitled "HEAD OFFICE OF THE COMPANY", Article 7 entitled "EXPORTING OF BORROWING TOOLS ", Article 15 entitled "BOARD OF DIRECTORS MEETINGS", Article 16 entitled "DECISIONS PRESENTING PARTICULARITIES", article 18 entitled "MANAGEMENT AND REPRESENTATION AND BINDING OF THE COMPANY" and article 20 entitled "GENERAL MANAGER AND MANAGERS", an application was made to the Capital Markets Board on 09.01.2020 to obtain permission for these amendments. Following the approval of the Capital Markets Board, the Articles of Association Amendment Text will be submitted for the approval of our Company's General Assembly upon obtaining approval from the Ministry of Commerce.

About Allocated Capital Increase

By the Board of Directors:

- Raising the issued and paid-in capital of our company, which is composed of shares with a nominal value of TL 1.00, to a total of TL 465,091,850.00 from TL 430,091,850.00, provided that our Company remains within the registered capital ceiling of TL 500,000,000.00,

- Raising the Company's capital by TL 35,000,000.00, in cash, without any collusion and by completely restricting the right of our shareholders to purchase new shares. Selling the shares representing this increase on Borsa İstanbul A.Ş., without a public offering of the shares, but through the allocated sales method, to be sold through a wholesale transaction at the selling price of the share to be determined in accordance with the "Procedure for Wholesale Purchase and Sale Transactions" ("TSP Procedure") of Borsa İstanbul A.Ş, and to apply to the Capital Markets Board ("CMB") to approve the issuance document to be issued for this purpose,

- The shares to be issued for this capital increase are to be (B) Group, bearer, unprivileged and tradable on the stock exchange,

- In this framework, following the approval of the issue document by the CMB, regarding the sale of the shares to be issued within the periods specified in the relevant legislation, it was decided to sign a contract with an intermediary institution yet to be determined. In addition, considering the possibility of the capital increase not being realized, it was decided to postpone public disclosure in order to prevent any negative repercussions on our investors and to protect the legitimate interests of our Company, and the obligations arising from Article 6 of the Special Conditions Communiqué numbered (II-15.1) were fulfilled.

NOTE 31 - EVENTS AFTER THE REPORTING PERIOD

Following the approval of the issue document by the CMB, our Company and Gedik Yatırım Menkul Değerler A.Ş. signed an Intermediary Agreement regarding the sale of the shares to be issued within the periods specified in the relevant legislation.

Borrowing Loan

Total of TRY 70,100,000 and USD 34,155,000 of loans from various banks were used in various maturities.

Residence Sale

The independent section 3 of the Ak Apartment Project was registered on February 6, 2020 in the Company's Istanbul Province, Kadıköy District, Bostancı District, 65 sections, 315 Island, and Parcel No. 3.

Issue of Commercial Paper

At the Ordinary General Assembly meeting of 2018, within the framework of the Capital Markets Law No. 6362, the Capital Markets Legislation and the Turkish Commercial Code No. 6102, it was decided to authorize the Board of Directors of the Company for a period of 15 months to issue domestically and /or abroad, with or without a public offering, debt instruments such as bonds, bonds that can be converted into shares, convertible bonds and commercial paper of up to TL 250,000,000, to determine all other issues related to the issue and to carry out the issuance procedures. Within the scope of the issuance limit approved by the Capital Markets Board's decision dated 20 June 2019 and numbered 36/802, TRFAIGY82012 ISIN coded financing bonds indexed to BIST TLREF every three months offering variable interest rate coupon payments, with a nominal value of TL 128,000,000 and a maturity of 182 days (6 months) were issued to eligible investors on February 28, 2020. Ziraat Yatırım Menkul Değerler A.Ş. was the mediator.

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

NOTE 32 - ADDITIONAL NOTE: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

As of 31 December 2019 and 2018, the information presented in note "Control of Compliance with the Portfolio Limitations" are summary of information derived from the financial statements in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated 28 May 2013 numbered 28660 and Capital Markets Board's Communiqué Serial: III, No: 48.1a"Amendment on Real Estate Investment Company" published in the Official Gazette dated 23 January 2014 numbered 28891. The related information may not be consistent with the information given in consolidated financial statements since the information given in this additional note are individual financial data.

As of 31 December 2019 and 2018, the information about portfolio restrictions are as follows:

The unconsolidated (individual) financial statements of main account		**Related Regulations**	**31 December 2019**	**31 December 2018**
A	Monetary and capital market instruments	Serial III- 48.1, Art.24/(b)	240,913,804	91,143,449
B	Real estate, projects based on real estate rights based on real estate	Serial III- 48.1, Art.24/(a)	5,784,703,939	5,190,791,092
C	Subsidiaries	Serial III- 48.1, Art.24/(b)	108,363,254	105,621,562
	Due from Related parties (non-trade)	Serial III- 48.1, Art.23/(f)	12,631,530	13,694,238
	Other assets		143,489,168	204,432,067
D	**Total assets**	**Serial III- 48.1, Art.3/(p)**	**6,290,101,695**	**5,605,682,408**
E	Borrowings	Serial III- 48.1, Art.31	2,154,839,322	1,856,786,270
F.	Other financial liabilities	Serial III- 48., Art.31	-	-
G	Finance lease liabilities	SerialIII- 48.1, Art.31	19,225,891	57,647,025
H	To related parties liabilities (non-trade)	Serial III- 48.1, Art.23/(f)	-	-
I	Equity	Serial III- 48.1, Art.31	4,020,450,560	3,630,805,417
	Other liabilities		95,585,922	60,443,696
D	**Total liabilities**	**Serial III- 48.1, Art.3/(p)**	**6,290,101,695**	**5,605,682,408**

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

NOTE 32 - ADDITIONAL NOTE: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (Continued)

	The unconsolidated (individual) other financial information	Related Regulations	31 December 2019	31 December 2018
A1	The portion of money and capital market instruments held for payables of properties for the following 3 years	Serial III- 48.1, Art.24/(b)	-	-
A2	Time deposit/demand deposit/TRY/Foreign currency	Serial III- 48.1, Art.24/(b)	240,893,041	91,120,593
A3	Foreign capital market instruments	Serial III- 48.1, Art.24/(d)	-	-
B1	Foreign properties, projects based on properties and rights based on properties	Serial III- 48.1, Art.24/(d)	-	-
B2	Idle lands	Serial III- 48.1, Art.24/(c)	-	-
C1	Foreign investments	Serial III- 48.1, Art.24/(d)	32,116,353	29,057,476
C2	Operating companies	Serial III- 48.1, Art.28/1(a)	6,117,855	6,555,984
J	Non-cash borrowings	Serial III- 48.1, Art.31	6,399,234	10,492,995
K	Mortgage amount on non-owned land to be developed total of investments monetary capital market company	Serial III- 48.1, Art.22/(e)	-	-
L	The total of money and capital market instruments for investment in a single company	Serial III- 48.1, Art.22/(l)	119,476,889	50,767,012

	Portfolio limitations	Related Regulation	31 December 2019 (%)	31 December 2018 (%)	Minimum maximum rate (%)
1	Mortgage amount on non-owned land to be developed (K/D)	Serial III- 48.1, Art.22/(e)	-	-	≤10
2	Properties, projects based on properties and rights based on properties (B+A1)/D)	Serial III- 48.1, Art.24/(a),(b)	92	93	≥51
3	Money and capital market instruments and affiliates (A+C-A1)/D)	Serial III- 48.1, Art.24/(b)	6	4	≤49
4	Foreign properties, projects based on properties rights based on properties, affiliates capital market instruments (A3+B1+C1/D)	Serial III- 48.1, Art.24/(d)	<1	<1	≤49
5	Idle lands(B2/D)	Serial III- 48.1, Art.22/(c)	-	-	≤20
6	Investment in affiliated operating companies (C2/D)	Serial III- 48.1, Art.28/ 1(a)	<1	<1	≤10
7	Borrowing limit (E+F+G+H+J)/İ	Serial III- 48.1, Art.31	54	53	≤500
8	TRY and foreign currency time and demand / deposits (A2-A1)/D	Serial III- 48.1, Art. 24/(b)	4	2	≤10
9	The total of money and capital market instruments for investment in a single company	Serial III- 48.1, Art.22/(l)	<2	<2	≤10

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

NOTE 32 - ADDITIONAL NOTE: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS (Continued)

The details of subsidiaries as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Karlıtepe	70,129,046	70,008,102
WMG London	27,813,159	25,180,202
Akyaşam	6,117,855	6,555,984
Aksu Real Estate	4,303,194	3,877,274
	108,363,254	**105,621,562**

As of 31 December 2019 and 2018, there are no valuation reports prepared for the Company's subsidiaries Karlıtepe, Aksu Real Estate, Akyaşam and joint venture WMG London. The net asset values of the individual financial statements prepared in accordance with the Group's financial reporting standards have been calculated for Aksu Real Estate, Akyaşam, Karlıtepe and WMG London by the participation rate of the investments in the Group, while the values of the participations in the control table for compliance with portfolio limits are determined. It is accepted that the net values determined by adding / subtracting net receivables / liabilities as of the balance sheet date are close to the fair values of the investments in the investment properties they own.

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