AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 TOGETHER WITH AUDITOR’S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Report on the Audit of the Financial Statements

1) Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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*
Impairment review of investment properties and significant information disclosed	
As explained in notes 2 and 6, investment properties are stated at cost less their depreciation and impairment loss, if any. As of December 31, 2019, the carrying amount of the investment properties is TRY 183,070,169. As disclosed in note 6, fair value of the investment property has been valued at TRY 1,494,204,000 by independent appraisal firm, and discount ratio has been disclosed as 17%. Due to the magnitude of the stated amounts above compared to total of balance sheet, we have considered the accounting of investment properties as a key audit matter.	Our audit procedures regarding to disclosed values of investment properties in the financial statement consist of testing of additions to carried cost amounts and testing of the depreciation charge. In this context, we also evaluated estimated useful life and depreciation method, and impairment evaluation regarding to investment properties was performed within the scope of fair value procedures, explained below. 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 6. 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 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 as part of our audit procedures. Due to the high level of judgment by the appraisers 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.

Accounting for rent incentives	
As of December 31, 2019, income accruals regarding to rent-fee period incentives in other current assets amounting to TRY 2,769,513 and in other non-current assets amounting to TRY 2,487,540 have been reflected in the financial statements of the Company. Details of the stated amounts have been disclosed in note 10. In addition, the Company has accounted for costs incurred in order to rent stores as short and long term prepaid expenses amounting to TRY 9,768,244 in the prepaid expenses accounts included in current and non-current assets. Due to the magnitude of the stated amounts above compared to total of balance sheet, we have considered the accounting of rent incentives as a key audit matter.	The Company recognizes all incentives for the agreement of a new or renewed operating lease as an integral part of the net consideration agreed for the use of the leased asset. Incentives are recognized as a reduction of rental income over the lease term, on a straight-line basis. Within the scope of our audit procedures performed regarding to the subject stated above, we focused on the following; - Review of rent contracts - Evaluation of processes followed by the Company regarding to rent incentives. - Testing straight-line basis calculation applied for rent incentives - Controlling invoiced rental income and other inputs used in the calculations related to rent incentives.

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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5) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 standards on auditing as issued by the Capital Markets Board of Turkey and InAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

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 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 27, 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

27 February 2020
Istanbul, Turkey

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CONVENIENCE TRANSLATION OF STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET) AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
Current assets		**65,682,589**	**73,794,035**
Cash and cash equivalents	4	51,120,730	41,333,713
Trade receivables			
Receivables from third parties	5	6,029,121	7,314,103
Other receivables			
Other receivables from third parties	5	825,525	405,972
Prepaid expenses	10	4,054,248	2,879,420
Prepaid taxes and funds		883,452	545,796
Other current assets	10	2,769,513	21,315,031
Non-current assets		**192,819,035**	**191,744,404**
Investment property	6	183,070,169	188,292,189
Tangible assets	7	452,572	688,448
Intangible assets		105,009	3,150
Prepaid expenses	10	6,703,542	561,082
Other non-current assets	10	2,487,743	2,199,535
Total assets		**258,501,624**	**265,538,439**

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET) AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
Current liabilities		**7,226,140**	**5,081,825**
Trade payables			
Due to related parties	5, 20	558,735	884,544
Due to third parties	5	264,662	475,247
Other payables			
Due to third parties	5	2,367,027	2,171,187
Deferred income *(Excluding liabilities from customer contracts)*	10	3,237,628	816,313
Provisions			
Other provisions	8	144,000	144,000
Provisions for unused vacations	9	295,539	226,547
Other current liabilities	10	358,549	363,987
Non-current liabilities		**1,950,826**	**1,351,538**
Other payables			
Other payables to third parties	5	603,619	665,281
Long term provisions			
Provisions for employment termination benefits	9	1,347,207	686,257
Equity		**249,324,658**	**259,105,076**
Share capital	11	37,264,000	37,264,000
Adjustment to share capital		27,745,263	27,745,263
Other comprehensive income/expense not to be reclassified to profit or loss			
Actuarial gains/(losses) arising from employee benefits		(556,410)	230,617
Restricted reserves		87,986,155	79,117,323
Retained earnings	11	15,327,521	26,098,217
Net income for the period		81,558,129	88,649,656
Total liabilities and equity		**258,501,624**	**265,538,439**

Financial statements for the year ended 31 December 2019 have been approved by the Board of Directors on 27 February 2020. These financial statements shall be approved by the General Assembly.

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

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

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

	Notes	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
PROFIT AND LOSSES			
Revenue	12	117,658,596	116,629,010
Cost of sales (-)	12	(36,921,617)	(33,908,975)
Gross profit	**12**	**80,736,979**	**82,720,035**
General administrative expenses (-)	13	(6,513,580)	(6,435,981)
Other operating income	15	4,608,868	4,854,847
Other operating expenses (-)	15	(5,417,193)	(1,201,980)
Operating profit		**73,415,074**	**79,936,921**
Financial income	16	10,288,724	11,816,614
Financial expenses (-)	17	(2,145,669)	(3,103,879)
Profit before tax from continuing operations		**81,558,129**	**88,649,656**
Tax income/(expenses) from continuing operations		-	-
Profit for the period from continuing operations	**19**	**81,558,129**	**88,649,656**
Earnings per share			
Earning per share from continuing operations	19	2.19	2.38
Earning per share from discontinuing operations		-	-
Diluted earnings per share			
Diluted earnings per share from continuing operations	19	2.19	2.38
Diluted earnings per share from discontinuing operations		-	-
OTHER COMPREHENSIVE INCOME			
Items not to be classified to profit or loss			
Actuarial gains/(losses) arising from employee benefits	9	(787,027)	66,234
Total comprehensive income		**80,771,102**	**88,715,890**

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

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

				Other comprehensive income/expense not to be reclassified to profit or loss	Accumulated profit			
	Notes	**Share capital**	**Adjustment to share capital**	**Actuarial gain / (loss) arising from employee benefits**	**Restricted reserves**	**Retained earnings**	**Net profit for the period**	**Equity**
1 January 2018		**37,264,000**	**27,745,263**	**164,383**	**73,043,290**	**16,968,330**	**77,807,440**	**232,992,706**
Transfers		-	-	-	6,074,033	71,733,407	(77,807,440)	-
Dividends		-	-	-	-	(62,603,520)	-	(62,603,520)
Total comprehensive income		-	-	66,234	-	-	88,649,656	88,715,890
31 December 2018 (Audited)	**11**	**37,264,000**	**27,745,263**	**230,617**	**79,117,323**	**26,098,217**	**88,649,656**	**259,105,076**
1 January 2019	**11**	**37,264,000**	**27,745,263**	**230,617**	**79,117,323**	**26,098,217**	**88,649,656**	**259,105,076**
Transfers		-	-	-	8,868,832	79,780,824	(88,649,656)	-
Dividends		-	-	-	-	(90,551,520)	-	(90,551,520)
Total comprehensive income		-	-	(787,027)	-	-	81,558,129	80,771,102
31 December 2019 (Audited)	**11**	**37,264,000**	**27,745,263**	**(556,410)**	**87,986,155**	**15,327,521**	**81,558,129**	**249,324,658**

(*) The Company decided to pay dividend amounting to TRY 90,551,520 in accordance with the decision taken in the Ordinary General Meeting dated March 29, 2019 and the total amount of dividend has been paid to shareholders as at April 24, 2019 and September 24, 2019 and October 23, 2019 amounting to TRY 40,245,120 and TRY 31,674,400 and TRY 18,632,000, respectively.

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

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		**98,069,655**	**78,544,142**
Profit for the year	19	81,558,129	88,649,656
Adjustments to profit / (loss) for the year		**4,608,369**	**(2,932,427)**
Adjustments for depreciation and amortization expenses	14	8,805,728	7,492,160
Adjustments for impairment loss	5, 6	737,287	14,436,934
Adjustments for provisions		665,762	(709,348)
Adjustments for interest (income)/ expenses		(5,674,573)	(6,950,319)
Other adjustments for non-cash items		118,165	(17,201,854)
Adjustments for losses (gains) resulting from the disposal of fixed assets	15	(44,000)	-
Change in working capital		**12,267,455**	**(6,612,388)**
Adjustments for decrease (increase) in trade receivables			
Decrease (increase) in trade receivables from third parties		547,695	(3,891,426)
(Increase) decrease in other assets related to operations		10,064,649	(2,737,638)
Adjustments regarding (decrease) increase in trade payables			
Increase (decrease) in trade payable from related parties		(325,809)	676,612
Increase (decrease) in trade payable from third parties		(210,585)	(1,277,283)
Increase (decrease) in other liabilities related to operations		2,191,505	617,347
Cash provided from operations		**98,433,953**	**79,104,841**
Employment termination benefit payments	9	(364,298)	(356,924)
Other cash inflows (outflows)		-	(203,775)
CASH FLOWS FROM INVESTING ACTIVITIES		**2,281,720**	**4,586,296**
Interest received		5,687,411	6,956,529
Cash inflows from the purchase of tangible and intangible assets		215,399	-
Cash outflows from the purchase of tangible and intangible assets		(105,893)	-
Additions to investment property	6	(3,515,197)	(2,370,233)
CASH FLOWS USED IN FINANCING ACTIVITIES		**(90,551,520)**	**(62,603,520)**
Dividends paid		(90,551,520)	(62,603,520)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,799,855**	**20,526,918**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		41,313,519	20,786,601
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**51,113,374**	**41,313,519**

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main activity of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company") is to create value through the ownership of real estates investment property. The address of the Company is as follows:

Kültür Mah. Nisbetiye Cad. Akmerkez No: 56/1 Beşiktaş/İstanbul.

The trade name "Akmerkez Gayrimenkul Yatırımı A.Ş." has been changed as "Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş." in the Extraordinary Shareholders Meeting held on 17 February 2005 and this change has been registered on 24 February 2005 by the Ministry of Trade.

With respect to the Board Decision dated 21 June 2005, the trade name of the Company is set as "Akmerkez Alışveriş Merkezi" and this name is certified by the Istanbul Trade Registry as at 1 July 2005.

The Company's shares have been quoted on the Istanbul Stock Exchange ("ISE") since 15 April 2005 and 50.82% of these shares are publicly quoted shares as of 31 December 2019.

The shareholding structure as of 31 December 2019 and 31 December 2018 is as follows:

Shareholders	**31 December 2019**	**31 December 2018**
Akkök Holding A.Ş.	13.13%	13.13%
Tekfen Holding A.Ş.	10.79%	10.79%
Public offering (*)	50.82%	50.82%
Other (**)	25.26%	25.26%
Total	**100%**	**100%**

(*) 31.52% of public offering shares belong to Klepierre S.A. as of 31 December 2019 (31 December 2018: 31.52%).
(**) Other represents shareholders with less than 10% shareholdings.

The average number of personnel during the period by categories is as follows:

	31 December 2019	**31 December 2018**
Administrative	7	7

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting Standards

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") of Capital Market Board ("CMB") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("TFRIC").

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly.

The Company maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. Foreign Subsidiaries, Joint Ventures and Associates maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These financial statements have been prepared under historical cost conventions. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

Adjustment of Financial Statements During Hyper-Inflationary Periods:

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting periods starting 1 January 2005.

Functional and presentation currency

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

Offsetting

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

Going concern

The Company has prepared the financial statements for the period 1 January - 31 December 2019 in accordance with the going concern principle.

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

2.1 Basis of Presentation (Continued)

2.1.2 Compliance with portfolio restrictions

The information included in Note 24, "Supplementary Note: Control of Compliance with Portfolio Restrictions" represent a condensed information based on the figures extracted from the financial statements that are prepared in accordance with serial II No:14.1 "Article 17 of Communique on Principals of Financial Reporting in Capital Markets" of the CMB. This condensed information has been prepared in accordance with the requirements of Serial III No:48.1 "Principals of The Real Estate Investment Trusts" of the CMB particularly relating to the principles regarding the control of compliance to portfolio restrictions.

2.2 Changes in Accounting Policies

2.2.1 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the 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 Company'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. The amendments did not have a significant impact on the financial position or performance of the Company.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (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. The amendments are effective for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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 is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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.
- 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 Company.

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

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 Company.

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 Company and did not have an impact on the financial position or performance of the Company.

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the 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 Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA 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 Company and will not have an impact on the financial position or performance of the Company.

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

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 to IFRS 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 Company and will not have an impact on the financial position or performance of the Company.

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

In June 2019, the POA 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 amendment is effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. Overall, the Company 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.

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

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)

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2.3 Restatement and the errors in the accounting estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods. For the period 1 January - 31 December 2019 there has been no change in the accounting estimates.

2.4 Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the financial statements are summarized below:

Financial assets

Classification

The Company 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.

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

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. Company'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 Company 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.

Derecognition

The Company 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 Company was recognized as a separate asset or liability.

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

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 Company 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 receivable

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 Company 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 Company 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 FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial.

Related parties

A party is related to an entity if the party is a legal body or a real person which directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, and if the party is a subsidiary, an affiliate or a joint venture in which the entity is a venture. Furthermore, members of the key management personnel of the entity, close members of the family of any individual referred to above, and parties representing post-employment benefit plan for the benefit of employees of the entity are also defined as related parties.

Trade payables

Trade payables consist of payables to suppliers for purchases of goods and services. Trade payables and other financial liabilities are accounted for at amortized cost. Short term payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Financial liabilities and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method in financial statements. Starting from 1 January 2009 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, removing the option of immediately expensing borrowing costs.

Current and deferred income taxes

The Corporate Tax Law No: 5520 was amended on June 21, 2006 with the Law announced in the Official Journal No 26205. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The corporation tax rate is 20% after January 1, 2006 in Turkey. Corporation tax is payable at a rate of 20% (will be applied as 22% for 2019, 2019 and 2020 tax periods) on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations' dividends subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

2.4 Summary of Significant Accounting Policies (Continued)

Current and deferred income taxes (Continued)

The Company is exempt from corporate income tax in accordance with paragraph 4-d of Article 5 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 the Council of Ministers decision, No: 93/5148, the withholding tax rate is determined as "0".

Deferred income taxes are provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date. As the Company is exempt from corporate income taxes based on the current tax legislation, no deferred income tax asset or liability has been calculated on temporary taxable and deductible differences in these financial statements.

Employment termination benefits

Under 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 May 23, 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 TRY 6,379.86 as of 31 December 2019 (31 December 2018: TRY 5,434.42).

Provision which is allocated by using the defined benefit obligation's current value is calculated by using estimated liability method. All actuarial profits and losses are recognised in the comprehensive statement of income.

The employment termination benefit obligation as explained above is considered as a defined benefit plan under TFRS. 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 balance sheet 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 using the long term TRY interest rates.

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. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of TRY 6,379.86 (TRY in full) which is effective from 31 December 2019 has been taken into consideration when calculating the liability (31 December 2018: TRY 5,434.42).

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

2.4 Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities

Provisions are recognized 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. Provisions are not recognized for future operating losses.

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

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied or utilised by the Company in the normal course of business, is classified as investment property.

Investment properties are stated at cost less their accumulated depreciation and impairment loss, if any. Investment properties are restated for the effects of inflation using the measuring unit current as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. The financial expenses related to the loans used for acquisition of investment properties and incurred during the progress of the said investment properties are restated and included in the cost. Investment properties are depreciated over their inflation-adjusted values and the nominal values of additions made subsequent to 1 January 2005. The useful life of investment properties is estimated to be 50 years.

Part of the Company's investment property is used for administrative purposes; however, as the ratio is considered immaterial (i.e., with a gross value less than 1% of total gross value), they are not classified separately, but rather stated within the investment properties account.

Impairment of assets

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

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

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

2.4. Summary of significant accounting policies (Continued)

Revenue recognition

Revenue is recognised when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is presented net of value added and sales taxes. The following criteria are necessary for the recognition of revenue:

Rent income from investment properties

Rent income from investment properties is recognised on an accrual basis. Revenue is realized when economic benefits arising from the transaction have passed, and when the amount of such income can be reliably measured. Rent discounts and similar promotions granted to existing tenants from time to time are netted of from rent revenues as they are not rent incentives for acquisition of new contracts.

The minimum amount of the total rent payments to be received in the future periods based on the existing contracts are summarised below (TRY); (*)

	31 December 2019	31 December 2018
Less than a year	117,962,635	103,872,934
Between 1-5 years	420,560,350	387,391,497
More than 5 years	214,394,251	260,494,191
	752,917,236	**751,758,622**

Interest income and expense

Interest income and expense is accounted for using the effective interest rate method. Interest income comprises mostly interest income from time deposits and reverse repo transactions.

Interest expenses incurred from borrowings are calculated using the effective interest rate method.

Paid-in capital

Ordinary shares are classified as equity. Proceeds from issuing new equity instruments are recorded net of transaction costs.

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

2.4. Summary of significant accounting policies (Continued)

Earnings per share

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

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

Reporting of cash flows

Cash flows statement includes cash and cash equivalents, cash with original maturity periods of less than three months and bank deposits.

Subsequent events

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts or provides disclosure in its financial statements if such subsequent events arise that require an adjustment or disclosure to the financial statements.

2.5 Significant Accounting Estimates and Assumptions

Preparation of financial statements require 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. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

NOTE 3 – SEGMENT REPORTING

As the only real estate owned by the Company is managed as a whole in a central location at Akmerkez Trade Center, segment reporting is not disclosed.

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2019	**31 December 2018**
Cash	6,002	14,077
Reverse Repo Transactions	31,218,430	-
Banks		
- TRY time deposits	15,549,791	30,642,373
- Foreign currency denominated time deposits	4,214,073	10,603,628
- TRY demand deposits	123,813	1,782
- Foreign currency denominated demand deposits	8,621	71,853
	51,120,730	**41,333,713**

As of 31 December 2019, the interest rate on TRY deposit accounts at banks is 11.25%, the accrued interest of TRY deposit accounts is TRY 4,791. The interest rate of foreign currency denominated time deposits at banks is between 0.10% and 1.75%, the accrued interest of foreign currency denominated time deposits is TRY 85. (As of 31 December 2018, the interest rate on TRY deposit accounts at banks is between 23% and 23.25%, interest rate on foreign currency denominated deposit accounts at banks is between 1.60% and 4%, and the accrued interests are TRY 19,373 and TRY 821 respectively). The maturity of time deposits is less than one month (31 December 2018: less than one month).

As of 31 December 2019, the interest rate on TRY reverse repo transaction accounts at bank is 9%, the accrued interest of TRY reverse repo transaction accounts is TRY 740. The interest rate of foreign currency reverse repo transaction at banks is 2.25% the accrued interest is TRY 1,740. (31 December 2018: None)

The cash and cash equivalents disclosed in the statements of cash flows are as follows:

	31 December 2019	**31 December 2018**
Cash and cash equivalents	51,120,730	41,333,713
Less: accrued interest	(7,356)	(20,194)
	51,113,374	**41,313,519**

NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES

Short-term trade receivables	**31 December 2019**	**31 December 2018**
Trade receivables	6,370,088	10,941,161
Post-dated cheques receivable	1,627,954	560,000
	7,998,042	**11,501,161**
Less: Provision for doubtful receivables	(1,968,921)	(4,187,058)
	6.029,121	**7,314,103**

The movement of provisions for doubtful receivables is as follows:

	2019	**2018**
1 January	**4,187,058**	**4,355,283**
Provisions made during the period	737,287	-
Doubtful receivables reversal	(2,955,424)	(168,225)
31 December	**1,968,921**	**4,187,058**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables	31 December 2019	31 December 2018
Due to related parties (Note 20)	558,735	884,544
Trade payables to third parties	264,662	475,247
	823,397	**1,359,791**

As of 31 December 2019, the Company has other receivables amounting to TRY 825,525 (31 December 2018: 405,972).

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Short-term other payables	31 December 2019	31 December 2018
Taxes payables and other taxes	2,345,551	2,148,306
Other	21,476	22,881
	2,367,027	**2,171,187**

Long-term other payables	31 December 2019	31 December 2018
Deposits and guarantees received	603,619	665,281
	603,619	**665,281**

NOTE 6 - INVESTMENT PROPERTY

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

	1 January 2019	Additions	Disposals	Transfers	31 December 2019
Cost					
Buildings	276,355,777	1,111,743	(4,167,591)	2,497,741	275,797,670
Construction in progress (*)	94,287	2,403,454	-	(2,497,741)	-
	276,450,064	**3,515,197**	**(4,167,591)**	-	275,797,670
Accumulated Depreciation					
Buildings	(84,097,269)	(8,565,818)	640,914	-	(92,022,173)
Provision for impairment of buildings (-)	(4,060,606)	-	3,355,278	-	(705,328)
Net book value	**188,292,189**	**(5,050,621)**	**(171,399)**	-	**183,070.169**

(*) The transfers amounting to TRY 2,497,741 of the amounting to TRY 2,359,595 from the construction in progress to the buildings are the costs that are reflected from the Üçgen Bakım ve Yönetim Hizmetleri A.Ş. within the scope of management services in accordance with the share of the Company.

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

NOTE 6 - INVESTMENT PROPERTY (Continued)

	1 January 2018	Additions	Disposals	Transfers	31 December 2018
Cost					
Buildings	274,079,832	1,720,387	(638,161)	1,193,719	276,355,777
Construction in progress (*)	-	1,288,006	-	(1,193,719)	94,287
	274,079,832	**3,008,393**	**(638,161)**	**-**	**276,450,064**
Accumulated depreciation					
Buildings	(76,847,482)	(7,326,898)	77,111	-	(84,097,269)
Provision for impairment of buildings (-) (**)	-	(4,060,606)	-	-	(4,060,606)
Net Book Value	**197,232,350**	**(8,379,111)**	**(561,050)**	**-**	**188,292,189**

(*) The transfers amounting to TRY 1.193.719 of from the construction in progress to the buildings are the costs that are reflected from the Üçgen Bakım ve Yönetim Hizmetleri A.Ş. within the scope of management services in accordance with the share of the Company.

The fair value of the Company's investment property based on the valuation report of Ter Ra Gayrimenkul Değerleme ve Danışmanlık A.Ş dated 27 December 2019 amount to TRY 1,494,204,000 (As of 31 December 2018, the fair value of the Company's investment property based on the valuation report of Eva Gayrimenkul Değerleme ve Danışmanlık A,Ş, amount to TRY 1,009,247,000), According to report dated 27 December 2019, the discount rate is 17% (31 December 2018: 21%).

The methods used to determine the fair values of investment properties and the significant unobservable assumptions are as follows:

	Discount rate	Annual rent growth rate	Capitalization rate
27 December 2019	17%	average 12.50%	6.6%
31 December 2018	21%	average 11.85%	7.5%

The Company's sensitivity analysis of unobservable inputs used in the measurement of fair values of investment properties is as follows:

		If increase	If decrease
31 December 2019	**Sensitivity analysis**	**Profit / (loss) effect on fair value (TRY)**	**Profit / (loss) effect on fair value (TRY)**
Discount rate	3%	(237,852,000)	307,914,000
Rent growth rate	1%	96,696,000	(90,018,000)
Capitalization rate	1%	(96,891,000)	131,127,000

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

NOTE 6 - INVESTMENT PROPERTY (Continued)

		If increase	If decrease
31 December 2018	**Sensitivity analysis**	**Profit / (loss) effect on fair value (TRY)**	**Profit / (loss) effect on fair value (TRY)**
Discount rate	3%	(163,741,437)	208,793,891
Rent growth rate	1%	33,303,500	(31,924,317)
Capitalization rate	1%	(56,853,896)	74,347,403

Insurance coverage on assets as of 31 December 2019 and 31 December 2018 is as follows;

31 December 2019: USD 156,341,963
31 December 2018: USD 152,813,445

NOTE 7 - TANGIBLE ASSETS

The movement schedule of tangible assets as of 31 December 2019 and 31 December 2018 are as follows:

	1 January 2019	Additions	31 December 2019
Plants, machinery and equipment	99,702	-	99,702
Furniture and fixture	8,716,872	-	8,716,872
Accumulated depreciation	(8,128,126)	(235,876)	(8,364,002)
Net book value	**688,448**	**(235,876)**	**452,572**

	1 January 2018	Additions	31 December 2018
Plants, machinery and equipment	99,702	-	99,702
Furniture and fixture	8,716,872	-	8,716,872
Accumulated depreciation	(7,888,904)	(239,222)	(8,128,126)
Net book value	**927,670**	**(239,222)**	**688,448**

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

NOTE 8 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Real rights on immovables are as follows:

a) There is a rental restriction in favour of TEK (Turkish Electricity Institution) with registry dated 31 December 1992 No: 5538.

Guarantee notes and letters	Currency of denomination	Original Amount	31 December 2019
Letters of guarantees received	TRY	12,780,685	12,780,685
Letters of guarantees received	USD	1,116,305	6,631,074
Guarantee notes received	USD	765,252	4,545,750
Letters of guarantees received	EUR	151,866	1,010,000
Guarantee cheques received	TRY	761,300	761,300
Guarantee notes received	TRY	67,188	67,188
			25,795,997

Guarantee notes and letters	Currency of denomination	Original Amount	31 December 2018
Surety received	USD	6,000,000	31,565,400
Letters of guarantees received	USD	2,787,424	14,664,358
Guarantee notes received	USD	828,091	4,356,502
Letters of guarantees received	EUR	151,866	915,448
Guarantee cheques received	TRY	71,000	71,000
Letters of guarantees received	TRY	4,198,208	4,198,208
			55,770,916

The commitments received consist of letters of guarantees received from the tenants of the shopping mall.

Below are the amounts of guarantees, pledges and mortgages of Company:

	31 December 2019	31 December 2018
CPM's given by the company (Collaterals, Pledges, Mortgages)		
A. CPM's given for companies own legal personality	-	1,729
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 to on behalf of other Group companies which are not 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	-	-
	-	**1,729**

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

NOTE 8 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Other provisions	31 December 2019	31 December 2018
Provision for lawsuits	144.000	144,000
	144.000	**144,000**

Provision for lawsuits

The provision for the lawsuits against the company as of 31 December 2019 is TRY 144,000 (31 December 2018: TRY 144,000), The movements of provision for lawsuits are as follows:

	2019	2018
1 January	**144,000**	**1,322,074**
Payments made during the period (-)		(372,000)
Reversals	-	(806,074)
31 December	**144,000**	**144,000**

The Company's cases on trail that are claimed by shareholder and not required to allocate any provision in the financial statements and counsels' opinion are summarized below:

Ömer Dinçkök filed a lawsuit on 30 June 2014 with the request for the cancellation of the decisions taken on agenda items 2, 5, 7, 10 and 11, which were discussed at the General Assembly meeting for 2013. The case has been concluded in the first instance court and following the examination of the appeal of the plaintiff. Supreme Court has decided to approve the decision made by the first instance court. The plaintiff has requested of revision of stated decision and it is expected to be approved in favor of the Company as a result of the appeal examination.

Ömer Dinçkök filed a lawsuit on 30 June 2015 with a demand of appointment of a special auditor of General Assembly in 2014 for the Company. The case has been concluded in the first instance court and appeal request has been refused by Supreme Court. The application for rectification by the plaintiff party against this Supreme Court's decision was also rejected by the Supreme Court. The court's decision regarding the rejection of the case in favor of the Company has been finalized.

Ömer Dinçkök filed a lawsuit on June 30, 2015 with the request for the cancellation of the decisions taken on the agenda items 2, 3, 4 and 9, which were discussed at the General Assembly meeting for 2014. The case has been concluded in favor of the Company in the first instance court. The plaintiff appealed to the court and is expected to be approved in favor of the Company as a result of the appeal examination.

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 8 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Ömer Dinçkök filed a lawsuit on June 30, 2016 with the request for the cancellation of the decisions taken on the agenda items numbered 5 and 11, which were discussed at the General Assembly meeting for 2015. The Court of First Instance dismissed the case in favor of the Company.The appeal request made by the plaintiff party is expected to be approved in favor of the Company.

Ömer Dinçkök filed a lawsuit on 30 June 2016 with the request to appoint a special auditor for the Company's General Assembly for 2015. The first instance court decided to reject the case. The litigation was concluded positively for the company while both the appellate and appeal requests filed by the claimant were denied conclusively.
Including the cases detailed above, there are 16 lawsuits and 23 executive proceedings that the Company is currently a party of them.

NOTE 9 - EMPLOYEE BENEFITS

As of 31 December 2019 and 31 December 2018, provisions for employee benefits are as follows:

Short term provisions	31 December 2019	31 December 2018
Allowances for unused-vacations	295,539	226,547
	295,539	**226,547**

The provision for unused vacation amounts to TRY 147,334 which consists of the unused vacation provisions of the Company’s personnel and TRY 140,594 is the portion of the Company's share of unused vacation allowance related to the personnel of Üçgen Bakım ve Yönetim Hizmetleri A.Ş., while TRY 7,611 is the portion of the Company’s share of unused vacation allowance related to the personnel of ISS Tesis Yönetim Hizmetleri A.Ş.

Long-term provisions	31 December 2019	31 December 2018
Allowance for Retirement Pay	1,347,207	686,257
	1,347,207	**686,257**

As of 31 December 2019, the amount payable consists of one month’s salary limited to a maximum of TRY 6,379,86 for each year of service (31 December 2018: TRY 5,434,42).

In the financial statements, Company management reflected a liability calculated in accordance with TAS 19 and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds. All actuary gain and losses are recognized in comprehensive income statement. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	1 January - 31 December 2019	1 January - 31 December 2018
Discount rate (%)	3.19	6.86
Turnover rate to estimate the probability of retirement (%)	90.24	94.09

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

NOTE 9 - EMPLOYEE BENEFITS (Continued)

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

	2019	2018
1 January	**686,257**	**884,830**
Cost of service	154,841	80,882
Cost of interest	83,380	143,703
Actuarial (gain)/ losses	787,027	(66,234)
Payments made during the period (-)	(364,298)	(356,924)
31 December	**1,347,207**	**686,257**

Provision for employment termination benefits amounting to TRY 109,986 comprise of the Company's personnel termination benefits provisions and TRY 1,137,577 comprise of the Company's share in Üçgen Bakım ve Yönetim Hizmetleri A.Ş.'s personnel termination benefits provisions, while TRY 99,644 is the portion of the Company's share of employment termination benefit related to the personnel of ISS Tesis Yönetim Hizmetleri A.Ş.

NOTE 10 - OTHER ASSETS AND LIABILITIES

The details of other assets and other liabilities as of 31 December 2019 and 31 December 2018 are as follows:

Prepaid expenses - short term	**31 December 2019**	**31 December 2018**
Prepaid expenses (*)	4,038,923	2,863,993
Advances given	15,325	15,427
	4,054,248	**2,879,420**

(*) Amount to TRY 3,064,702 consists of part of costs related to short term in order to rent the store. These amounts have been amortized in the contract period of the store (Note 15). Amount to TRY 854,182 is prepaid management service expenses to Üçgen Bakım ve Yönetim Hizmetleri A.Ş., TRY 112,605 consists of insurance expenses and TRY 7,434 is for other expenses.

Prepaid expenses - long term	**31 December 2019**	**31 December 2018**
Prepaid expenses (*)	6,703,542	561,082
	6,703,542	**561,082**

(*) Long term prepaid expenses consists of costs more than one year in order to rent the store. These amounts have been amortized in the contract period of the store (Note 15).

Other current assets	**31 December 2019**	**31 December 2018**
Income accruals for store rent (*)	2,769,513	2,901,881
Rent compensation income accrual	-	18,413,150
	2,769,513	**21,315,031**

(*) Consists of short term period of income accruals for store rents.

Other non-current assets:	**31 December 2019**	**31 December 2018**
Income accruals for store rent (*)	2,487,540	2,199,332
Deposits given	203	203
	2,487,743	**2,199,535**

(*) Income accrual for store rents which includes long-term period.

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

NOTE 10 - OTHER ASSETS AND LIABILITIES (Continued)

Deferred income	31 December 2019	31 December 2018
Advances received	2,945,965	404,744
Deferred income	291,663	411,569
	3,237,628	**816,313**

Other current liabilities	31 December 2019	31 December 2018
Expense accruals	358,549	363,987
	358,549	**363,987**

NOTE 11 – EQUITY

At 31 December 2019 and 31 December 2018 the issued and fully paid-in share capital held is as follows:

	31 December 2019		31 December 2018	
Shareholders	**Share (%)**	**Amount**	**Share (%)**	**Amount**
Akkök Holding A.Ş.	13,13	4,890,900	13.13	4,890,900
Tekfen Holding A.Ş.	10,79	4,019,839	10.79	4,019,839
Quoted to İstanbul Stock Exchange	50,82	18,938,898	50.82	18,938,898
Other (*)	25,26	9,414,363	25.26	9,414,363
Total paid-in capital	**100.00**	**37,264,000**	**100.00**	**37,264,000**

(*) Represents individual shareholdings less than 10%.

The registered capital ceiling of the Company is TRY 75,000,000. In order to extend validity of upper limit of the Company's authorized capital, amendmend regarding to the Articles of Association of the Company has been approved by a large majority at the Ordinary General Assembly for year 2016 held on 27 April 2018 within the framework of Communiqué No, III-48,1 on Principles Regarding Real Estate Investment Trusts and Communiqué No, II-17,1 on Corporate Governance of the Capital Market Board and after the registration on 4 May 2018, the amendmend has been issued in the Trade Registy Gazette numbered 9323 and dated 10 May 2018.

The Company's issued and fully paid share capital amounting to TRY 37,264,000 is represented by 3,726,400,000 shares of Kuruş 1 nominal value of which 407,575,000 are Class A shares, 284,138,000 are Class B shares, 239,887,000 are Class C shares and 2,794,800,000 are Class D shares as of 31 December 2019 and 31 December 2018.

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

NOTE 11 – EQUITY (Continued)

The Company's (A), (B), (C) and (D) class shares have privileges to nominate members to the Board of Directors. Four members elected with the majority votes of Class A shares; three members elected with the majority votes of Class B shares; two members elected with the majority votes of Class C shares and one member elected with the majority votes of Class D shares which represent the publicly offered shares and subject to participation to the General Assembly.

There are 9 members of the Board of Directors who are assigned by the General Assembly as follows; four members elected with the majority votes of Class A shares; three members elected with the majority votes of Class B shares; two members elected with the majority votes of Class C shares and one member elected with the majority votes of Class D shares which represent the publicly offered shares and subject to participation to the General Assembly.

There is no other privilege for nominating members to the Board of Directors except the privileges stated above.

Each shareholder has one voting power for each share that is held.

Retained earnings consist of the following:

	31 December 2019	31 December 2018
Retained earnings	6,603,698	3,364,528
Extraordinary reserves	4,740,607	18,750,473
Inflation difference in extraordinary reserves	521,985	521,985
Inflation difference in legal reserves	3,461,231	3,461,231
	15,327,521	**26,098,217**

Profit distribution

"Dividend Guidelines" issued in accordance with Article 13 of the Capital Markets Board's Communiqué on Dividends was promulgated in the Official Gazette on 23 January 2014 and was put into effect as of 1 February 2014. The adjustments and disclosures included in the Communiqué on Dividends and the Dividend Guidelines are summarised below.

Dividends shall be distributed upon decision by the general assembly in line with the Dividend Distribution Policy to be set by the General Assembly. Companies shall determine the dividend distribution policy and whether or not to distribute dividends. Accordingly, dividend distribution is voluntary in principle. The Capital Markets Board shall be entitled to define various principles for dividend distribution depending on the qualities of the entities.

Dividend distribution policies of companies regulate the following items:

- whether or not to distribute dividends,
- dividend rates and account items to apply that rate,
- payment methods and dates,
- whether to distribute dividends in cash or in the form of free of charge shares (applicable to companies whose shares are listed in stock markets), and
- whether or not to distribute dividend advances.

The upper limit of the dividends to be distributed equals the distributable portion of the relevant profit distribution resources in legal records. As a rule, dividends are equally distributed to all shares available as of the distribution date. Acquisition and issuance dates of shares are not taken into account. Unless the reserves to be allocated in accordance with the Turkish Commercial Code and shareholders' dividends stipulated in the articles of association and dividend distribution policy are allocated, it shall not be possible to decide to set aside other reserves or carry forward the profit to the following year.

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

NOTE 11 - EQUITY (Continued)

Provided that it is set out in the articles of association, dividends can be provided to privileged shareholders or dividend certificate owners, board members, employees and other non-shareholders. However, it is not possible to allocate dividends to dividend certificate owners, board members, employees and others before the dividends determined for shareholders are paid in cash. The communiqué rules that if the amount of dividend to be paid to the dividend certificate owners, board members, employees and others excluding the privileged shares is not specified in the articles of association, the maximum amount to be distributed to the foregoing is one fourth of the amount distributed to shareholders. In the event of distributing dividends to non-shareholders and of paying in instalments, the instalment sums should be paid in proportion to instalment sums of shareholders and the same principles apply.

The New Capital Markets Board Law and thus the new Communiqué allow the shareholders to make donations. However, it is required that the articles of association should contain a related provision: the amount of donations shall be determined by the General Assembly, however, CMB is entitled to introduce an upper limit.

Companies listed on the stock markets should disclose the following to the public:

- the Board of Directors' proposal on dividend distribution;
- the Board of Directors' decision on dividend distribution; and
- a dividend or dividend advance distribution chart, It is obligatory that a dividend distribution chart should be disclosed to the public on the date when the ordinary General Assembly agenda is announced at the latest.

NOTE 12 - OPERATING INCOME

Sales	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Shops and warehouse rent income	105,421,878	104,098,643
Other income	6,503,878	7,303,804
Apart hotel rent income	5,732,840	5,226,563
	117,658,596	**116,629,010**
Cost of sales		
Cost of services	(28,355,799)	(26,582,077)
Depreciation expense	(8,565,818)	(7,326,898)
	(36,921,617)	**(33,908,975)**
Gross profit	**80,736,979**	**82,720,035**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 13 – GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2019	**1 January - 31 December 2018**
Personnel expenses	2,954,924	2,507,373
Legal expenses	1,451,723	2,170,457
Consultancy expenses	1,008,448	749,195
Depreciation and amortization expenses	239,910	242,371
Insurance, duties, taxes and levies expenses	195,718	266,712
Provision for vacation	69,072	67,628
Provision for employment termination benefits	21,357	11,807
Other	572,428	420,438
	6,513,580	**6,435,981**

NOTE 14 - EXPENSES BY NATURE

	1 January - 31 December 2019	**1 January - 31 December 2018**
Depreciation and amortization expenses		
Cost of sales	8,565,818	7,249,789
General administrative expenses	239,910	242,371
	8,805,728	**7,492,160**
Allocation of depreciation and amortisation charges		
Investment properties (Note 6)	8,565,818	7,249,789
Tangible assets (Note 7)	235,876	239,222
Intangible assets	4,034	3,149
	8,805,728	**7,492,160**

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

NOTE 15 – OTHER OPERATING INCOME/(EXPENSES)

	1 January - 31 December 2019	1 January - 31 December 2018
Other operating income		
Foreign exchange gain on trade receivables and payables	3,121,665	205,672
Rent indemnity income	481,926	3,246,941
VAT adjustment on non-worthy receivables	431,427	-
Income from guarantee reversal	139,020	-
Gain on sale of fixed asset	44,000	-
Reversals from provisions	56,064	1,195,831
Other	334,766	206,403
	4,608,868	**4,854,847**
Other operating expense		
Amortisation expenses (*)	(2,155,418)	(623,382)
Foreign exchange gain on trade receivables and payables	(1,717,801)	(442,819)
Provisions for doubtful receivables	(737,287)	-
VAT adjustment on fixed asset issuance	(634,802)	(100,989)-
Other	(171,885)	(34,790)
	(5,417,193)	**(1,201,980)**
Other operating income/ (expenses) - net	**(808,325)**	**3,652,867**

(*) The expenses comprise of the amortized part of the expenses in order to rent the stores in the related period.

NOTE 16 - FINANCIAL INCOME

	1 January - 31 December 2019	1 January - 31 December 2018
Financial Income		
Interest income	5,674,573	6,950,319
Foreign exchange gains	4,614,151	4,866,295
	10,288,724	**11,816,614**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 17 - FINANCIAL EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Financial Expenses		
Foreign exchange expenses	2,035,278	2,959,407
Interest expenses related to employee benefits	83,380	143,703
Bank commissions	27,011	769
	2,145,669	**3,103,879**

NOTE 18 - TAX ASSETS AND LIABILITIES

The Company is exempt from corporate income tax in accordance with paragraph d-4 of Article 5 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 the Council of Ministers decision, No: 93/5148, the withholding tax rate is determined as "0".

NOTE 19 - EARNINGS PER SHARE

The earnings per share stated in income statement is calculated by dividing net income for the period by the weighted average number of Company’s shares for the period.

The companies in Turkey are allowed to increase their paid-in capital by issuing “bonus shares” which represent the increases from retained earnings and revaluation funds. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share. The weighted average number of shares includes such shares and their retrospective effects.

The earnings per share amount is calculated by dividing net income for the period by the weighted average number of Company’s shares for the period.

	1 January - 31 December 2019	1 January - 31 December 2018
Weighted average number of shares as of the reporting date (per share of TRY 1 nominal value)	37,264,000	37,264,000
Net profit for the period	81,558,129	88,649,656
Earnings per share	**2,19**	**2.38**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 20 - RELATED PARTY DISCLOSURES

As of 31 December 2019 and 31 December 2018 receivables from related parties and payables to related parties are as follows:

Receivables from related parties

As of 31 December 2019 and 31 December 2018 there is no receivables from related parties.

	31 December 2019	31 December 2018
Due to related parties		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	528,564	785,384
Akkök Holding A.Ş.	29,393	98,612
Aktek Bilgi işlem Tekn. San.Tic. A.Ş.	778	548
	558,735	**884,544**

As of 31 December 2019 and 31 December 2018, sales and purchases from related parties are as follows:

	31 December 2019	31 December 2018
Sales to related parties:		
Üçgen Bakım ve Yön.Hizm. A.Ş.	16,141,492	16,584,344
Akmerkez Lokantacılık Gıda San.Tic. A.Ş.	2,835,419	2,811,724
Tekfen Turizm İşl. A.Ş.	898,506	942,953
Akip Gıda San. Tic. A.Ş.	221,545	219,816
	20,096,962	**20,558,837**

	31 December 2019	31 December 2018
Purchases from related parties:		
Üçgen Bakım ve Yön. Hizm. A.Ş.	27,201,250	28,236,155
Akkök Holding A.Ş.	395,186	410,098
Dinkal Sigorta Acenteliği A.Ş. (*)	149,833	121,547
Aktek Bilgi işlem Tekn.San.Tic. A.Ş.	10,815	13,046
Akhan Bakım Yön. Serv. Hizm. Güv. Tic. A.Ş.	1,437	-
	27,758,521	**28,780,846**

(*) This balance includes insurance payments through the agency of Dinkal Sigorta Acenteliği A.Ş.

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

NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

Purchases and sales consist of rent income and purchase and sales of services. The related party purchases amounting to TRY 27,201,250 comprise of management expenses and other expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (''Üçgen''). The remaining balance amounting to TRY 557,271 comprise of other expenses. The Company provides common areas services like car park, valet and apart hotel rent incomes from the related party Üçgen, in addition to these the Company has cinema and office floor rent incomes from the related party Üçgen to whom the Company charged TRY 16,141,492 regarding the revenue collected on behalf of the Company for the year of 2019 (1 January - 31 December 2018: TRY 16,584,344).

As of 1 January – 31 December 2019, remuneration provided to top executives management such as the General Manager and the members of Board of Directors is TRY 1,789,506 (1 January-31 December 2018: TRY 1,387,816).

NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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

Liquidity Risk

The ability to fund the Company's financial and trade liabilities are managed by taking into account its expected undiscounted cash flows.

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. As of 31 December 2019 the Company's current assets exceeded its current liabilities by TRY 58,456,449 (31 December 2018: TRY 68,712,210). The management does not anticipate any difficulty on the repayment of the short-term liabilities and continuity of the Company considering the cash that will be generated from rental operations and the ability to reach to the high quality borrowers.

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

Expected Maturities	Booked value	Cash outflows expected	Shorter than 3 months	3-12 months	1 -5 years	Longer than 5 years
Non-derivate financial liabilities						
Trade payables	823,397	823,397	823,397	-	-	-
Other payables and liabilities	2,970,646	2,970,646	2,367,027	-	603,619	-
	3,794,043	**3,794,043**	**3,190,424**	**-**	**603,619**	**-**

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

Expected Maturities	Booked value	Cash outflows expected	Shorter than 3 months	3-12 months	1 -5 years	Longer than 5 years
Non-derivate financial liabilities						
Trade payables	1,359,791	1,359,791	1,359,791	-	-	-
Other payables and liabilities	2,836,468	2,836,468	2,171,187	-	650,281	15,000
	4,196,259	**4,196,259**	**3,530,978**	**-**	**650, 281**	**15,000**

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

NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

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

The interest position is set out in the table below:

	31 December 2019	31 December 2018
Financial instruments with fixed interest		
Time Deposits	50,982,294	41,246,001

As of 31 December 2019 and 31 December 2018, there are no financial instruments with variable interest.

Credit Risk

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

The Company management evaluates trade receivables taking into consideration the collaterals received, past experiences and current economic outlook and makes provisions for doubtful receivables when deemed necessary. The Company management does not foresee additional risk related to the Company's trade receivables other than the related provisions made.

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

NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk disclosures

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

	Receivables					
	Trade receivables		**Other receivables**			
31 December 2019	**Related party**	**Third party**	**Related party**	**Third party**	**Bank Deposits**	**Reverse repo transactions**
Maximum credit risk exposed as of the reporting date (A+B+C+D)	**-**	**6,029,121**	**-**	**825,525**	**19,896,298**	**31,218,430**
- Secured portion of the maximum credit risk by guarantees	-	**4,070,708**	-	**825,525**	-	-
A. Net book value of financial assets that are neither overdue nor impaired	-	2,566,202	-	-	**19,896,298**	**31,218,430**
B. Net book value of overdue assets that are not impaired	-	3,462,919	-	**825,525**	-	-
C. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1,968,921	-	-	-	-
- Impairment (-)	-	(1,968,921)	-	-	-	-
- Secured portion by guarantees, etc,						
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion by guarantees, etc,	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

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

NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk disclosures

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

	Receivables					
	Trade receivables		Other receivables			
31 December 2018	**Related party**	**Third party**	**Related party**	**Third party**	**Bank Deposits**	**Reverse repo transactions**
Maximum credit risk exposed as of the reporting date (A+B+C+D)	**-**	**7,314,103**	**-**	**405,972**	**41,319,636**	**-**
- Secured portion of the maximum credit risk by guarantees	-	3,065,069	-	398,212	-	-
A. Net book value of financial assets that are neither overdue nor impaired	-	641,932	-	-	41,319,636	-
B. Net book value of overdue assets that are not impaired	-	6,672,171	-	405,972	-	-
C. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	4,187,058	-	-	-	-
- Impairment (-)	-	(4,187,058)	-	-	-	-
- Secured portion by guarantees, etc,						
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion by guarantees, etc,	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

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

NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2019 and 31 December 2018, aging of financial assets that are past due but not impaired is as follows:

	31 December 2019	31 December 2018
0-1 months past due	2,170,520	3,267,863
1-3 months past due	1,020,839	2,195,517
3-12 months past due	271,560	1,208,791
	3,462,919	**6,672,171**

These is no significant change on financial risk policies and credit risk management of the Company, compared to prior periods.

Foreign Currency Risk

The Company's foreign currency balances arising from operating, investment, and financial activities are disclosed below as of the reporting date. The Company may be exposed to foreign currency risk due to foreign exchange differences at the time its foreign currency receivables and payables are converted to Turkish Lira. The foreign currency risk is monitored through continuous analysis of the foreign currency position and measured on the basis of sensitivity analyses.

	31 December 2019	31 December 2018
Assets	32,443,704	10,682,715
Liabilities	(565,018)	(650,281)
Net balance sheet position	**31,878,686**	**10,032,434**

As of 31 December 2019, fluctuation of USD had been 10% higher/lower ceteris paribus, pretax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY 2,928,802 higher/lower (31 December 2018: TRY 481,386 higher/lower).

As of 31 December 2019, fluctuation of EUR had been 10% higher/lower ceteris paribus, pretax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY 255,074 higher/lower, (31 December 2018: TRY 521,622 higher/lower).

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

NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2019, fluctuation of GBP had been 10% higher/lower ceteris paribus, pretax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY 132 higher/lower, (31 December 2018: None).

As of 31 December 2019 and 31 December 2018 the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and foreign currency amounts stated in the assets and liabilities are as follows:

31 December 2019	**EUR**	**USD**	**GBP**	**TRY equivalent**
Current assets				
Cash and cash equivalents	389,036	5,025,935	170	32,443,704
Total Assets	**389,036**	**5,025,935**	**170**	**32,443,704**
Non-current liabilities				
Other payables	(5,500)	(88,960)	-	(565,018)
Total liabilities	**(5,500)**	**(88,960)**	**-**	**(565,018)**
Net Foreign Currency Asset Position	**383,536**	**4,936,975**	**170**	**31,878,686**

31 December 2018	**EUR**	**USD**	**GBP**	**TRY equivalent**
Current assets				
Cash and cash equivalents	865,331	1,038,633	354	10,682,715
Total Assets	**865,331**	**1,038,633**	**354**	**10,682,715**
Non-current liabilities				
Other payables	**-**	**(123,606)**	**-**	**(650,281)**
Total liabilities	**-**	**(123,606)**	**-**	**(650,281)**
Net Foreign Currency Asset Position	**865,331**	**915,027**	**354**	**10,032,434**

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

NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Capital Risk Management

For proper management of capital risk, the Company aims;

- to maintain continuity of operations so as to provide earnings to partners and benefits to other shareholders, and
- to increase profitability through determining a service pricing policy that is commensurate with the level of risks inherent in the market.

The Company determines the amount of share capital in proportion to the risk level. The equity structure of the Company is arranged in accordance with the economic outlook and the risk attributes of assets.

The Company monitors capital management by using the debt/equity ratio. This ratio is calculated by dividing the debt, net, by the total share capital. The net debt is calculated by deducting the value of cash and cash equivalents from the total debt (the sum of short and long term liabilities stated in the statement of financial position). The total share capital is the sum of all equity items stated in the statement of financial position.

	31 December 2019	**31 December 2018**
Total Debt (*)	9,176,966	6,433,363
Less: cash and cash equivalents (Note 4)	(51,120,730)	(41,333,713)
Net asset	(41,943,764)	(34,900,350)
Total equity	249,324,658	259,105,076
Net asset/ equity ratio (%)	**(17%)**	**(13%)**

(*) The balance covers the sum of short term and long term liabilities.

NOTE 22 - FINANCIAL INSTRUMENTS (DISCLOSURES RELATED TO FAIR VALUE 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 Company 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 Company could realise in a current market exchange.

Fair value of financial instruments

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:

NOTE 22 - FINANCIAL INSTRUMENTS (DISCLOSURES RELATED TO FAIR VALUE AND HEDGE ACCOUNTING) (Continued)

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.

Values appraised by the independent valuation expert are disclosed within notes to financial statements regarding the fair values of investment properties.

The carrying value of trade receivables, which are measured at amortised cost, 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 year-end official exchange rates announced by the Central Bank of Turkey, are considered to approximate their carrying value.

Financial liabilities:

The Company has no financial assets held for speculative purposes (including derivative instruments) and has no operations related to the trade of such instruments.

Short term trade payables are considered to approximate their respective carrying values due to their short-term nature.

Classification of Fair Value Measurement

TFRS 13 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basicly relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company.

- Category 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Category 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Category 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

Classification requires using observable market data if possible.

NOTE 23 - SUBSEQUENT EVENTS

None.

NOTE 24 -SUPPLEMENTARY NOTE: CONTROL OF COMPLIANCE WITH PORTFOLIO RESTRICTIONS

Disclosures made within the framework of Communiqué No, III-48,1 on Principles Regarding Real Estate Investment Trusts state that joint ventures are obliged to comply with the provisions of the Board's Communiqué No, II-14,1 on Principles Regarding Financial Reporting in Capital Markets when issuing and making public financial statements. The financial statements should include the information about portfolio limitation controls defined in Communiqué No, III-48,1 on Principles Regarding Real Estate Investment Trusts taken from unconsolidated financial statement account items in the manner defined by the Board.

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

NOTE 24 - SUPPLEMENTARY NOTE: CONTROL OF COMPLIANCE WITH PORTFOLIO RESTRICTIONS (Continued)

In this scope, total assets, total portfolio and information relating to portfolio restrictions are as follows as of 31 December 2019 and 31 December 2018:

	Non-consolidated (stand-alone) financial statement accounts items	Related regulations	31 December 2019	31 December 2018
A	Cash and capital market instruments	Art,24/(b)	51,120,730	41,333,713
B	Real estate, real estate-based project, Real estate-based rights	Art,24/(a)	183,070,169	188,292,189
C	Affiliates	Art,24/(b)	-	-
	Due from related parties (non-trade)	Art,23/(f)	-	-
	Other assets		24,310,725	35,912,537
	Total assets	**Art,3/(p)**	**258,501,624**	**265,538,439**
E	Borrowings	Art,31	-	-
F	Other financial liabilities	Art,31	-	-
G	Leasing obligation	Art,31	-	-
H	Due to related parties (non-trade)	Art,23/(f)	-	-
I	Equity	Art,31	249,324,658	259,105,076
	Other liabilities		9,176,966	6,433,363
D	**Total liabilities**	**Art,3/(p)**	**258,501,624**	**265,538,439**

	Other non-consolidated (stand-alone) financial information	Related regulations	31 December 2019	31 December 2018
A1	Portion of cash and capital market instruments reserved for three-year real estate payments	Art,24/(b)	-	-
A2	TRY/foreign currency denominated time/demand deposits	Art,24/(b)	19,896,298	41,319,636
A3	Foreign capital market instruments	Art,24/(d)	-	-
B1	Foreign real estates, real estate-based projects, real estate-based rights	Art,24/(d)	-	-
B2	Lands on which no projects developed	Art,24/(c)	-	-
C1	Foreign affiliates	Art,24/(d)	-	-
C2	Participation in administrator companies	Art,28/1(a)	-	-
J	Non-cash loans	Art,31	-	1,729
K	Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed	Art,22/(e)	-	-
L	Total investments of monetary and capital market instruments at one company	Art,22/(i)	10,120,675	30,228,426

Portfolio Restriction	Related regulations	31 December 2019	31 December 2018	Minumum Maximum Rate
1 Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed (K/D)	Art,22/(e)	-	-	≤10%
2 Real estate, real estate-based project, Real estate-based rights (B+A1)/D)	Art,24/(a),(b)	71%	71%	≥51%
3 Cash and capital market instruments and Affiliates (A+C-A1)/D)	Art,24/(b)	20%	16%	≤49%
4 Foreign real estates, real estate-based projects, real estate-based rights, Affiliates, capital market instruments (A3+B1+C1/D)	Art,24/(d)	-	-	≤49%
5 Lands on which no projects developed (B2/D)	Art,24/(c)	-	-	≤20%
6 Participation in administrator companies (C2/D)	Art,28/1(a)	-	-	≤10%
7 Borrowing ceiling (E+F+G+H+J)/İ	Art,31	-	-	≤500%
8 TRY/foreign currency denominated time/demand deposits (A2-A1)/D (*)	Art,24/(b)	8%	16%	≤10%
9 Total investments of monetary and capital market instruments at one company (L/D)	Art,22/(i)	4%	11%	≤10%

(*) As of 31 December 2018, the relevant portfolio limitation ratio is 3.80% when calculated by considering the fair value of investment properties.