TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation of Financial Statements as at and for the six months period ended 30 June 2021 With Independent Auditors' Limited Review Report Thereon
(Originally issued in Turkish)

2 August 2021

This report contains 60 pages of financial statements and notes to the financial statements.

TSKB Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

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

Report on Review of Interim Financial Statements

To the shareholders of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

Introduction

We have reviewed the accompanying interim statement of financial position of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (the Company) as of June 30, 2021 and the interim statement of profit or loss and other comprehensive income, statement of changes in equity and the statement cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Company management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2021, and of its financial performance and its cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

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

Fatma Ebru Yücel, SMMM
Partner

2 August 2021
İstanbul, Turkey

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TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 30 JUNE 2021

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

		Reviewed	Audited
ASSETS	***Notes***	**30 June 2021**	**31 December 2020**
CURRENT ASSETS		**7,044,317**	**11,812,029**
Cash and cash equivalents	*4*	3,652,858	8,294,145
Trade receivables	*7*	944,815	634,764
Due from related parties	*7, 22*	2,237	170
Due from other parties	*7*	942,578	634,594
Other current assets	*13*	2,446,644	2,883,120
NON-CURRENT ASSETS		**592,144,741**	**591,237,623**
Investments accounted for using equity method	*5*	662,540	597,338
Investment property	*8*	591,071,789	590,227,500
Tangible assets	*9*	245,942	246,340
Intangible assets	*10*	26,500	28,475
Other non-current assets	*13*	137,970	137,970
TOTAL ASSETS		**599,189,058**	**603,049,652**

LIABILITIES			
SHORT-TERM LIABILITIES		**124,053,181**	**110,847,039**
Short term funds borrowed	6	112,244,975	100,239,645
Due from other parti	*6, 22*	*112,244,975*	*100,239,645*
Short term partian of lo orrowed	6	9,844,638	8,413,116
Due to related pa	*6, 22*	*9,844,638*	*8,413,116*
Trade payables	7	1,376,931	1,550,839
Due to related par	*7, 22*	*307,572*	*671,724*
Other trade payables	*7*	*1,069,359*	*879,115*
Short-term provisions		268,369	323,247
Other provisions	*12*	*244,324*	*299,202*
Employee benefits	*11*	*24,045*	*24,045*
Other short-term liabilities	13	318,268	320,192
LONG-TERM LIABILITIES		**28,011,096**	**27,563,899**
Long term funds borrowed	6	27,356,091	26,912,108
Due to related parties	*6, 22*	*27,356,091*	*26,912,108*
Long-term provisions	12	357,975	380,419
Employee benefits	*12*	*357,975*	*380,419*
Other long-term liabilities	13	297,030	271,372
EQUITY		**447,124,781**	**464,638,714**
Paid in capital	14	500,000,000	500,000,000
Share premium	14	863,626	863,626
Restricted reserves	14	152,670	152,670
Other comprehensive income non- reclassified to profit or loss	14	(61,120)	(61,120)
Defined benefit plan actuarial gains / (losses)		*(61,120)*	*(61,120)*
Retained earnings		(36,316,462)	9,464,761
Net profit / (loss) for the period		(17,513,933)	(45,781,223)
TOTAL LIABILITIES		**599,189,058**	**603,049,652**

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	**Reviewed** **1 January -** **30 June 2021**	**Not Reviewed** **1 April-** **30 June 2021**	**Reviewed** **1 January -** **30 June 2020**	**Not Reviewed** **1 April-** **30 June 2020**
Sales	*15*	12,788,763	6,535,407	10,726,415	4,611,732
Cost of sales	*15*	(5,165,356)	(2,911,703)	(5,164,437)	(2,515,660)
Gross profit		**7,623,407**	**3,623,704**	**5,561,978**	**2,096,072**
Administrative expenses	*16*	(3,000,674)	(1,272,460)	(2,447,436)	(1,118,553)
Marketing expenses	*17*	(76,248)	(35,906)	(230,085)	(87,765)
Other operating income	*18*	548,735	139,296	516,139	102,500
Other operating expense	*18*	(53,282)	(14,407)	(25,195)	(2,753)
Operating profit		**5,041,938**	**2,440,227**	**3,375,401**	**989,501**
Share of loss of equity-accounted investees	*5*	65,202	79,494	(599,850)	(380,820)
Finance income	*19*	3,173	3,173	5,809	-
Finance costs	*19*	(22,624,246)	(8,084,642)	(47,932,210)	(22,095,363)
Profit / (loss) from continuing operations before tax		**(17,513,933)**	**(5,561,748)**	**(45,150,850)**	**(21,486,682)**
Tax income / (expense) on continuing operations					
- *Current tax income / (expense)*	*20*	-	-	-	-
- *Deferred tax income / (expense)*	*20*	-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD		**(17,513,933)**	**(5,561,748)**	**(45,150,850)**	**(21,486,682)**
Discontinuing operations after tax profit / (loss)		-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD		**(17,513,933)**	**(5,561,748)**	**(45,150,850)**	**(21,486,682)**
Earnings / (loss) per share	*21*	**(0.0350)**	**(0.0111)**	**(0.1505)**	**(0.0716)**
NET PROFIT / (LOSS) FOR THE PERIOD		**(17,513,933)**	**(5,561,748)**	**(45,150,850)**	**(21,486,682)**
Non-reclassified to profit or loss					
Defined benefit plan actuarial gains / (losses)		-	-	-	-
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		**(17,513,933)**	**(5,561,748)**	**(45,150,850)**	**(21,486,682)**

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

				Other comprehensive income non- reclassified to profit or loss		Accumulated profits		
	Notes	Share capital	Share premium	Defined benefit plan actuarial gains (losses)	Restricted reserves	Retained earnings	Net profit / (loss) for the period	Total
Balance at 1 January 2020		**300,000,000**	**593,140**	**(103,903)**	**152,670**	**(42,648,512)**	**52,113,273**	**310,106,668**
Total comprehensive income		-	-	-	-	-	(45,150,850)	(45,150,850)
Transfers		-	-	-	-	52,113,273	(52,113,273)	-
Balance at 30 June 2020	*14*	**300,000,000**	**593,140**	**(103,903)**	**152,670**	**9,464,761**	**(45,150,850)**	**264,955,818**
Balances at 1 January 2021		**500,000,000**	**863,626**	**(61,120)**	**152,670**	**9,464,761**	**(45,781,223)**	**464,638,714**
Total comprehensive income		-	-	-	-	-	(17,513,933)	(17,513,933)
Transfers		-	-	-	-	(45,781,223)	45,781,223	-
Balance at 30 June 2021	*14*	**500,000,000**	**863,626**	**(61,120)**	**152,670**	**(36,316,462)**	**(17,513,933)**	**447,124,781**

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

CONVENIENCE TRANSLATION OF STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		Reviewed	**Audited**
	Notes	**1 January – 30 June 2021**	**1 January – 30 June 2020**
A. Cash flows from operating activities			
Net profit / (loss) for the period		**(17,513,933)**	**(45,150,850)**
Adjustments related to profit / (loss)			
Adjustments related to finance and interest income	*15,19*	(356,293)	(52,750)
Adjustments related to finance costs	*19*	22,624,246	47,932,210
Change in income accruals		6,260	182,263
Share of loss from equity-accounted investees	*5*	(65,202)	599,850
Depreciation expenses	*9*	40,723	47,795
Amortisation expenses	*10*	2,705	4,167
Adjustments related to provisions			
Change in expense accruals	*4*	(23,510)	(25,191)
Allowance for doubtful receivables		422,249	454,807
Provision for unused vacation pay liability		(30,877)	83,157
Provision for personnel bonus	*16*	135,999	80,000
Provision for employee severance indemnity		(22,444)	56,311
Cash flows provided by operating activities before the changes in working capital		**5,219,923**	**4,211,769**
Interest received		356,737	53,943
Change in trade receivables		(732,301)	(338,539)
Change in other assets		497,491	1,149,784
Change in trade payables	*7*	(173,907)	728,874
Personnel bonuses paid during the period		(89,770)	(5,283)
Employee benefits paid during the period	*12*	(89,960)	-
Change in other liabilities		43,463	(377,895)
Net cash provided by operating activities		**5,031,676**	**5,422,653**
B. Cash flows from investing activities			
Acquisition of equity-accounted investees	8	(844,289)	(1,316,474)
Acquisition of tangible assets	*9*	(41,235)	(14,499)
Sales of property, plant and equipment	*9*	909	-
Acquisition of intangible assets	*10*	(730)	(17,800)
Net cash used in investing activities		**(885,345)**	**(1,348,773)**
C.Cash flows from financing activities			
Acquisition of funds borrowed		111,242,452	5,000,000
Repayment of funds borrowed		(97,361,617)	(5,262,139)
Interest paid		(22,624,246)	(8,303,559)
Net cash provided in financing activities		**(8,743,411)**	**(8,565,698)**
Effect of exchange rate fluctuations on cash and cash equivalents		(67,273)	24,956
Net increase /(decrease) in cash and cash equivalents		**(4,664,353)**	**(4,466,862)**
Cash and cash equivalents at 1 January	*4*	8,333,788	5,907,299
Cash and cash equivalents at 31 December	*4*	**3,669,435**	**1,440,437**

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

1. ORGANISATION AND OPERATIONS OF THE COMPANY

TSKB Gayrimenkul Yatırım Ortaklığı AŞ's (the "Company") main activity is to invest in properties, property projects and property related capital market instruments. The Company was established on3 February 2006.

The headquarter of the Company is registered in Meclisi Mebusan Cad. Molla Bayırı Sok. No: 1 34427 Fındıklı - Istanbul, Turkey. The number of personnel employed in the Company as at 30 June 2021 is 11. (31 December 2020: 11).

The Company is a subsidiary of Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") and was registered on 3 February 2006. In accordance with the relevant article of the Capital Markets Board of Turkey ("CMB") Communiqué on the Principles of Real Estate Investment Trusts, which was in force at that date, as real estate investment trusts have to apply to the CMB with the request that the share certificates representing at least 49% of the paid-in capital that will be offered to the public are registered in the time periods changing according to the capital amounts, and as the period expires on 3 February 2007 for the Company, the Company applied to the CMB on 30 January 2007 for the extension of the public offering for one year, considering the risk perceptions regarding the existing and expected market conditions, and received the extension approval on 12 March 2007. It was stated in the letter sent by the CMB to the Company on 17 December 2007, relating to the permission application for the increase of the Company's paid-in capital in 2007 from TL 10,000,000 to TL 75,000,000, that the deadline for board registry application for the public offering of the Company shares was extended to 3 February 2009 as the capital of the Company was increased to TL 75,000,000, in accordance with the CMB decision dated 19 April 2007.

The Company decided that its paid-in capital, which was TL 75,000,000, would be increased by TL 25,000,000 to TL 100,000,000, with the registered capital ceiling of TL 100,000,000, and that the increased capital would be paid by the shareholders in proportion to their shares, in its extraordinary general assembly dated 24 November 2008. The capital increase was registered on 28 November 2008 and was published in the Turkish Trade Registry Gazette No. 7202, dated 3 December 2008. Again, in accordance with the Communiqué article which was in force at that date, as it was foreseen that the public offering of the real estate investment trusts whose paid in capital is TL 100,000,000 or more, is to be made within five years of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, the CMB informed the Company with the letter dated 10 November 2008 that the deadline for the public offering of the Company shares is 3 February 2011.

On the other hand, with the amendment dated 31 December 2009 made by the CMB to the Communiqué on the Principles of Real Estate Investment Trusts, the application that a time is granted for trusts which are established instantaneously or which become real estate investment trusts by amendment of articles of association with regards to a public offering, is cancelled and it is made obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares be registered. In addition, in the temporary article prepared to clarify the status of the existing real estate investment trusts whose shares are not offered to the public, against the amendment in the Communiqué, it is foreseen that companies with the status of real estate investment trust by establishment or transformation before the publishing date of the Communiqué amendment, would apply to the CMB with the request that minimum 25% of their issued capital be offered to the public.

1. ORGANIZATION AND OPERATIONS OF THE COMPANY *(continued)*

As per the Board of Directors resolution dated 2 February 2010 numbered 96, it has been decided to increase the paid in capital of the Company by TL 50,000,000 to TL 150,000,000 and the increased shares to be offered to the public through the restriction of the pre-emptive rights of the existing shareholders. With the capital increase by 50%, nominal value of C group shares amounting to TL 50,000,000 (with additional sales TL 57,500,000) which will be offered to the public for the first time were registered by the CMB with the record number GYO 60/250 on 25 March 2010. Public offering of the shares was realised on 1 and 2 April 2010 and the Company shares are being traded on the Istanbul Stock Exchange since 9 April 2010. In accordance with the decision of the Board of Directors dated August 27, 2018, the Articles of Association, which was prepared for the capital increase decision with a rate of 100%, without restricting the use of the pre-emptive right, without compensating the use of pre-emptive rights, was approved at the meeting no. 50/1176 dated 11 October 2018. The shares remaining after the exercise of the pre-emptive right were sold on the Borsa İstanbul Primary Market on November 8-9, 2018, and the paid-up capital of the Company was increased to TL 300,000,000 as of November 14, 2018. In Accordance with Board of Directors desicion dated 1 July 2020 the Prospectus regarding the decision of 66,66% of the capital increase with rigths restricting the use of pre-emptive rigth by covering the entire of issued capital of 300.000.000 TL in cash was approved at the meeting of CMB date 13 August 2020 and numbered 51/990. The remaining shares after the use of pre-emptive right were sold on Borsa İstanbul Primary Market on September 3-4 2020, and Company's paid,in capital was increases to TL 500.000.000 as of September 9 2020.

The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret AŞ in Adana under the name of Bilici Yatırım-TSKB GYO Adana Otel Projesi Adi Ortaklığı ("Adana Otel Projesi Adi Ortaklığı") on 26 May 2011. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for the Company. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute and complete the hotel project which will be operated by Divan Turizm İşletmeleri A.Ş. (formerly known as Palmira Turizm Ticaret AŞ).

The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Anavarza Otelcilik Anonim Şirketi on 27 March 2015. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for the Company. The main operations of Anavarza Otelcilik A.Ş. is to operate hotel, motel etc., that includes accommodation facilities, eat-drink, sports, entertainment, health care services.

Bilici Yatırım -TSKB GYO Adana Otel Projesi Adi Ortaklığı Ticari İşletmesi, registered with the Trade Registry number 69178 in Adana Chamber of Commerce and established with the partnership of Bilici Yatırım Sanayi ve Ticaret A.Ş. was transformed into a company named "Yarsuvat Turizm Anonim Şirketi" as a whole with all of the assets and liabilities.

After the transformation, Yarsuvat Turizm Anonim Şirketi was merged to Anavarza Otelcilik A.Ş. with all of its assets and liabilities to The merge transaction has completed with the Merger Approval of Chamber of Commerce of Adana dated 20 December 2019 and numbered 9647.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1. Statement of compliance

The financial statements have been prepared in accordance with the communiqué No: II, 14.1 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué") promulgated by CMB, which is published at 13 June 2013 in the Official Gazette numbered 28676 and in accordance with the Turkish Accounting Standards ("TAS"), issued by the Public Oversight Accounting and Auditing Standards Authority ("POA").

<u>*Approval of financial statements*</u>

As at 30 June 2021, the financial statements and statement of profit or loss and other comprehensive income of the Company have been approved by the Board of Directors of the Company on 2 August 2021. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

2.1.2. Basis of presentation of financial statements

The accompanying financial statements have been prepared in accordance with the "Communiqué".

<u>*Basis of measurement*</u>

The financial statements have been prepared on the basis of historical cost measurement, except for financial investments measured at fair value.

<u>*Netting*</u>

Financial assets and liabilities are shown net when there is a legal right, there is an intention to evaluate these assets and liabilities clearly, or when the acquisition of assets and the fulfillment of liabilities are consecutive.

<u>*Assumption of Business Continuity*</u>

The financial statements have been prepared on the basis of the continuity of the business, under the assumption that the Company will benefit from its assets and fulfill its obligations in the next year and in the natural course of its activities.

2.1.3. Functional and presentation currency

These financial statements are presented in Turkish Lira ("TL"), which is the Company's functional currency. All financial information is presented in TL unless otherwise stated.

2.1.4. Comparative information

The accompanying financial statements are presented comparatively in order to identify trends in the Company's financial position, performance and cash flows. Where necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative figures are reclassified and material changes are disclosed in the related notes. There is no reclassification in the comparative financial statements in the current period.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(Continued)*

2.2 Changes in accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements. Significant changes in accounting policies and significant accounting errors are corrected retrospectively and prior period financial statements are restated. There is no change in the accounting policies of the Company. A change in accounting policies is not foreseen in the near future.

2.3. Changes in accounting estimates and errors

The preparation of the financial statements in conformity with Communiqué Article 2 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are audited on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant estimates and judgments used by the Company are included in the following note:

Note 8 – Fair value measurement of investment property

Note 12 - Provisions for employee benefits

Measurement of fair values

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Classification require the use of observable market data if available.

Fair value measurement is used in the note below:

Note 8 – Fair value measurement of investment property

2.4. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at June 30, 2020 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, 2020. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(Continued)*

2.4 The new standards, amendments and interpretations *(continued)*

i) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

Benchmark Interest Rate Reform – Phase 2- TFRS 9, TMS 39,TFRS 7, TFRS 4, TFRS 16

In December 2020, POA introduced the Benchmark Rate Reform – Phase 2- TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, which introduced temporary exemptions in order to eliminate the effects on Financial reporting of replacing the benchmark interest rate (IBOR) with an alternative reference interest rate. It has published its changes. Businesses will apply these changes for annual accounting periods beginning on or after January 1, 2021. Early application is permitted. The changes cover the following topics:

Facilitating practice for changes in the basis for determining contractual cash flows as a result of the IBOR reform

The changes include a facilitating practice to treat contractual changes or changes in cash flows directly required by the reform as changes in a floating interest rate equivalent to a move in the market rate. Under this facilitating practice, if the interest rates applicable to financial instruments change as a result of the interest rate reform, the situation is not considered as a derecognition or contract change; instead, cash flows are expected to continue to be determined using the original interest rates of the financial instrument.

The facilitating application is mandatory for companies applying the TFRS 4 Insurance Contracts Standard by providing exemption from TFRS 9 Financial Instruments (and therefore TAS 39 Financial Instruments: Classification and Measurement) and for the implementation of TFRS 16 Leases for lease changes stemming from the IBOR Reform.

Privileges on termination of the hedge accounting relationship

- The amendments allow revisions to the hedge accounting setup and documentation required due to the IBOR reform, without terminating the hedging relationship.

- The accumulated amount in the cash flow hedge fund is assumed to be based on the alternative reference interest rate.

- In the alternative interest rate transition period, companies may choose to reset the accumulated fair value changes in each hedging relationship when evaluating retrospective effectiveness tests in accordance with TAS 39.

- The amendments provide an exemption from changing the items identified as the subject of the grouping approach (for example, those that are part of the macro hedging strategy) due to the revisions required by the IBOR reform. The relevant exemption allows the hedging strategy to be maintained and continued uninterrupted.

- In the alternative reference interest rate pass, the hedging relationship may be revised more than once. Phase 2 exemptions apply to all revisions to the hedging relationship resulting from the IBOR reform.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. The new standards, amendments and interpretations *(continued)*

Separate identification of risk components

The amendments provide companies with a temporary exemption to meet the criterion that risk components must be defined separately where the alternative reference interest rate is determined as a risk component in the hedging relationship.

Additional Remarks

Changes Within the scope of TFRS 7 Disclosures on Financial Instruments standard; requires additional footnote obligations, such as the entity's transition process to alternative reference interest rates and how it manages the risks arising from the transition, quantitative information about the financial instruments that will be affected by the IBOR transition, even if the transition has not yet occurred, and disclosure of this change if the IBOR reform has led to any change in the risk management strategy.

These changes are mandatory and early implementation is permitted. While the practice is retrospective, companies are not required to restate past periods.

The said change did not have a significant impact on the financial position and performance of the Company.

Amendments to TFRS 16, Change in Concessions on Rent Payments Related to Covid-19

In June 2020, POA has amended the TFRS 16 Leases standard in order to exempt the lease concessions granted to lessees due to the COVID-19 outbreak to evaluate whether there has been a change in the lease. On April 7, 2021, POA made an amendment to extend the exemption to include concessions that cause a decrease in rental payments due on or before 30 June 2022.

Tenants will apply this change in annual accounting periods beginning on or after April 1, 2021. Early application is permitted. The said amendment does not apply to the Company and has no impact on its financial position or performance

ii) Standards Published But Not Yet Effective

The new standards, interpretations and amendments that have been published as of the approval date of the financial statements but have not yet entered into force for the current reporting period and have not been applied early by the Company are as follows. Unless otherwise stated, the company will make the necessary changes that will affect its financial statements and footnotes after the new standards and interpretations come into force.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. The new standards, amendments and interpretations *(continued)*

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

POA has indefinitely postponed the validity date of the amendments made in TFRS 10 and TAS 28 in December 2017, to be changed depending on the ongoing research project outputs related to the equity method. However, it still allows for early application. The Company will evaluate the effects of these changes after the aforementioned standards are finalized.

Amendments to TFRS 3 - Change in References to the Conceptual Framework

POA made changes to the TFRS Business Combinations standard in July 2020. The change was made with the intention of replacing the reference to the old version of the Conceptual Framework (the 1989 Framework) with a reference to the current version (Conceptual Framework) released in March 2018, without materially changing the requirements of TFRS 3. However, a new paragraph has been added to TFRS 3 to define contingent assets that do not meet the recognition criteria at the acquisition date. The amendment will be applied prospectively for annual accounting periods beginning on or after January 1, 2022. Early application is permitted if the entity implements all changes in IFRS standards that refer to the Conceptual Framework (March 2018) at the same time or earlier. The effects of the said change on the financial position and performance of the Company are being evaluated.

Amendments to TAS 16- Make Suitable to the Intended Use

In July 2020, POA made changes to TAS 16 Tangible Fixed Assets standard. With the amendment, companies do not allow revenues from the sale of manufactured products to be deducted from the cost of the tangible asset item, while making a tangible asset fit for its intended use. Companies will now recognize such sales revenue and related costs in profit or loss. The amendment will be applied for annual accounting periods beginning on or after January 1, 2022. Changes may be applied retrospectively only for items of property, plant and equipment that are made available at or after the earliest presented period, in comparison with the accounting period in which the entity first applied the change. There is no exemption for those who will apply TFRS for the first time. The effects of these changes on the financial position and performance of the Company are being evaluated.

Amendments to TAS 37- Economically disadvantaged contracts-contract fulfillment costs

In July 2020, POA made amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment made in TAS 37, which will be applied for annual accounting periods beginning on or after January 1, 2022, has been made to determine the costs to be taken into account when assessing whether a contract is "disadvantaged" or "disadvantaged" from an economic point of view, and includes "directly related costs". includes the implementation of the approach. Changes should be applied retrospectively for contracts for which the entity has not fulfilled all of its obligations at the beginning of the annual reporting period (first application date) in which the changes will be applied for the first time. Early application is permitted. The effects of these changes on the financial position and performance of the Company are being evaluated**.**

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. The new standards, amendments and interpretations *(continued)*

Amendments to TFRS 17- New Standard for Insurance Contracts

In February 2019, POA published TFRS 17, a comprehensive new accounting standard covering recognition and measurement, presentation and disclosure for insurance contracts. TFRS 17 introduces a model that provides both the measurement of liabilities arising from insurance contracts with current balance sheet values and the recognition of profits throughout the period in which the services are provided. TFRS 17 will be applied for annual accounting periods beginning on or after 1 January 2023. Early application is permitted. The Standard does not apply to the Company and will not have an impact on the Company's financial position or performance.

Amendments to TAS 1- Classification of liabilities as short-term and long-term

On March 12, 2020, POA made amendments to the "TAS 1 Presentation of Financial Statements" standard. These amendments, which are effective for the annual reporting periods beginning on or after January 1, 2023, clarify the criteria for long and short term classification of liabilities. Changes made should be applied retrospectively according to TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Early application is permitted. The effects of these changes on the financial position and performance of the Company are being evaluated.

iii) Annual Improvements – 2018–2020 Cycle

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary tto measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *IFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *IAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. The new standards, amendments and interpretations *(continued)*

All of the improvements made will be applied for annual accounting periods beginning on or after January 1, 2022. Early application is permitted. The effects of these changes/improvements on the financial position and performance of the Company are being evaluated.

iv) Revised standards and interpretations not published by the International Accounting Standards Board (IASB) but not audited by POA

The new standards, interpretations and amendments to existing IFRS standards listed below have been published by the IASB but have not yet entered into force for the current reporting period. However, these new standards, interpretations and amendments have not yet been adapted/published to TFRS by the POA and therefore do not form a part of TFRS. The company will make the necessary changes in its financial statements and footnotes after these standards and interpretations become effective in TFRS.

Amendments to IAS 8- Description of Accounting Estimates

In February 2021, IASB published amendments to IAS 8 that introduce a new definition for "accounting estimates". The amendments published for IAS 8 are valid for annual accounting periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. It also clarifies how businesses can use measurement techniques and inputs to improve accounting estimates. The amended standard clarifies that the effects of a change in input or a change in a measurement technique on the accounting estimate are changes in accounting estimates unless they result from a correction for prior period errors. The previous definition of change in accounting estimate stated that changes in accounting estimates could result from new information or new developments. Therefore, such changes are not considered as corrections of errors. This aspect of the definition has been preserved by the IASB. The said amendment does not apply to the Company and has no impact on its financial position or performance.

IAS 1 and TFRS Application Notice 2 Amendments – Presentation of Accounting Policies

In February 2021, IASB published changes to IAS 1 and IFRS Application Statement 2 for Making Materiality Estimates, where it provides guidance and examples to help businesses apply materiality estimates to their accounting policy disclosures. The amendments published in IAS 1 are valid for annual accounting periods beginning on or after 1 January 2023. Due to the lack of a definition of the term "significant" in IFRS, IASB has decided to replace this term with the term "significant" in the context of disclosure of accounting policy information. 'Significant' is a term defined in IFRS and is widely understood by financial statement users, according to the IASB. In assessing the materiality of accounting policy information, entities need to consider both the size of transactions, other events or conditions, and their nature. In addition, examples of situations in which the entity may consider accounting policy information to be important are included. The said amendment does not apply to the Company and has no impact on its financial position or performance.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. The new standards, amendments and interpretations *(continued)*

TAS 12 Amendments – Deferred Tax on assets and liabilities arising from a single transaction

In May 2021, IASB published amendments to IAS 12 that narrow the scope of the initial recognition exemption and thus ensure that the exemption is not applied to transactions that result in equal taxable and deductible temporary differences. Amendments to IAS 12 are valid for annual accounting periods beginning on or after 1 January 2023Changes, in cases where the payments made for an obligation is deductible for tax purposes, such allowances, the recognized liability in the financial statements (and interest expenses) or the related asset components (and interest expense) whether the tax can be associated order (considering current tax law) judgment clarifies the issue. This judgment is important in determining whether there is any temporary difference in initial recognition of the asset and liability.

The said amendment does not apply to the Company and has no impact on its financial position or performance.

2.5 Summary of significant accounting policies

Significant accounting policies applied during the preparation of the financial statements are summarized as follows.

2.5.1. Accounting of income and expense

Revenue

Revenue includes, rental income and income from allocation of expenses related with investment property to tenants, interest income from the banks.

Rental income from investment property is recognised in profit or loss on an accrual basis. Rental income from investment property leased out under operating lease is recognised in the income statement on a straight line basis over the term of the lease. Revenue is measured at the fair value of the consideration received or receivable.

Interest income and expense

Interest income is recognised through profit or loss on accrual basis by using the effective interest method.
Interest expense is recognised through profit or loss by using the effective interest rate.

Other income and expenses

Foreign exchange gains/losses except totally related with an investment property in progress, are recognised in profit or loss on a net basis. Other income and expenses are recognised through profit or loss on accrual basis

2.5.2. Investment properties

The investment properties that the company owns are measured by fair value in accordance with IAS 40 "Investment Property".

Lands and buildings which are use for production of goods and services or administrative use or to be sold or rented in the ordinary course of business or in the purpose of appreciation, or for both are classified as investment properties and are evaluated by fair value measurement.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.5.2 *Investment properties* (continued)

Any profit or loss arising from a change in the fair value of an investment property, is recognized in statement of profit or loss and other comprehensive income.
Investment properties are registered as asset if and only the economic benefits in the future are likely to enter the firm and the cost of investment properties are dependably measurable.

Management considers level of completion of construction, comparability of constructional project in market, identifiability of cash flows credibly which are following completion of construction, risks of real estate property, backgrounds and reconstruction permits of other construction which has same qualifications for faithfully evaluation of fair value of real estate properties which are under construction.

Recognition of rental income from investment property is disclosed in Note 2.5.1.

2.5.3. Tangible assets

All tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and if any borrowing cost.

When parts of a tangible asset have different useful lives, they are accounted for as separate items (major components) of tangible assets.

Depreciation

Depreciation is recognised on a straight-line basis over the useful lives of the tangible assets from the date of acquisition. The estimated useful lives of tangible assets are as follows:

Fixtures and fittings	2-15 years
Vehicles	5 years

Subsequent costs

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in profit or loss as expense as incurred. The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.5.4 Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortisation of intangible assets is calculated on a straight-line basis over the inflation adjusted values of the useful life of the related assets. The expected useful lives of intangible assets are 2-3 years

2.5.5 Jointly controlled entities

Jointly controlled entities are those entities over whose activities one or more entities has joint control, established by contractual agreement and requiring unanimous consent for economic benefits.

Jointly controlled entity which is constituted as Adana Otel Projesi Adi Ortaklığı and Anavarza Otelcilik A.Ş. is accounted for using the equity method in the accompanying financial statements. Under the equity method, investments in the jointly controlled entities are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the jointly controlled entity and the comprehensive income reflects the share of the results of operations of the jointly controlled entities. Where there has been a change recognised directly in the equity of the jointly controlled entities, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

2.5.6 Impairment of assets

The Company determines whether there are any indicators for impairment at every reporting period ended. In the case of an indicator, the recoverable value of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. In this case, the impairment loss is recognised immediately in profit or loss.

2.5.7 Financial instruments

The Company has the following financial assets: cash and cash equivalents and trade receivables; and has the following financial liabilities: loans and borrowings, finance lease liabilities and trade payables.

i) Non derivative financial instruments

The Company initially recognises the financial assets on the date they are originated.

Financial instruments are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.7. Financials instruments (continued)

Cash and cash equivalents

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

Due from / Due to related parties

The shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. The carrying amounts of due from and due to related parties are close to their fair values.

Trade receivables

Trade receivables are initially recognised at fair value. Subsequent to initial recognition, those assets are measured at amortized cost using the effective interest method, less any impaired losses at each reporting dates. If there is an objective evidence of uncollectability, the Company books a provision for the doubtful receivables and losses are recognised in profit or loss. Provision is the difference between the carrying value of the receivables and probable amount of the collection. The Company management believes that the carrying amounts of trade receivables approximate to their fair values.

ii) Non-derivative financial liabilities

The Company initially recognises non-derivative financial liabilities on the date that they are originated. All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: funds borrowed and trade payables.

Financial liabilities are recognized at fair value plus any directly attributable transaction costs are recognized initially. Subsequent to initial recognition, financial liabilities are measured at amortized cost of by discounting future principal and interest cash flows with effective interest rate.

iii) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as deduction from equity, net of any tax effects.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.5.8. Effectt of foreign currency transactions

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company are expressed in TL, which are the functional currency of the Company and the presentation currency for the financial statements.

Transactions in foreign currencies are translated into functional currency at Central Bank's exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. Gains or losses on translation of foreign currency denominated transactions to TL or presentation of foreign currency denominated monetary assets are recognised in profit of loss.

2.5.9. Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (see Note 21).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustments on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates.

2.5.10. Events after the reporting period

Events after the reporting period represent the events that occur against or on behalf of the Company between the reporting date and the date when statement of financial position was authorized for the issue. There are two types of events after the reporting period:

- those that provide evidence of conditions that existed as at reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material (see Note 25).

2.5.11. Provisions, contingent assets and contingent liabilities

A provision is recognised when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the notes.

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

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.12. Related Parties

Shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

2.5.13. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the authorized body of the Company (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

2.5.14. Government grants and incentives

As explained below in 2.5.15, the Company is exempted from the corporation tax because of its real estate investment trust company status.

2.5.15. Taxation

Corporate income tax

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to New Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/(34). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

Based on the resolution of the Council of Ministers numbered 2009/14594 related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the New Corporate Tax Law, real estate investment company earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Deferred tax

According to TAS 12 – *Income Taxes,* deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Since the Company is exempt from Corporate Income Tax in Turkey in accordance with Article 5 of the Corporate Tax Law, deferred tax is not recognised.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.16. Employee benefits / provision for employee severance indemnity

The Company recognizes obligations related to employee severance indemnity in accordance with TAS 19 *Employee Benefits.*

The Company reflected obligations regarding to employee severance indemnity in the accompanying financial statements. The Company recognize actuarial gains and losses under equity initially.

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

The provision for employee severance indemnity has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. Reserve for employee severance indemnity is calculated based on the ceiling rate announced by the Government.

2.5.17. Statement of cash flows

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions. For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, receivables from reverse repos and bank balances having maturities shorter than 3 months.

2.5.18. Restrictions on the investment portfolio of real estate investment

The information in "Compliance Control of the Portfolio Restrictions" note are summary information prepared in accordance with the accounting and reporting principles accepted by the CMB and published in the Official Gazette dated 23 January 2014 numbered 28891, numbered III-48.1.a "Communiqué on Real Estate Investment Basis" related to compliance control of the portfolio restriction.

2.5.19. Leases

The following are the new accounting policies of the Company / Group on the application of TFRS 16:

Right-of-use Assets

The Company / Group recognizes the right-of-use assets on the date the lease commences (for example, as of the date when the asset is eligible for use). Right of use assets are calculated by deducting accumulated depreciation and impairment losses from the cost value. If the financial lease payables are revalued, this figure is corrected.

The cost of the right-of-use asset includes:
(a) the initial measurement of the lease obligation,
(b) the amount obtained by deducting all lease incentives received from all lease payments made on or before the effective date of the lease, and
(c) all initial direct costs incurred by the Company / Group.

2. BASIS OF PRESANTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of significant accounting policies *(continued)*

Unless the transfer of ownership of the underlying asset to the Company / Group at the end of the lease term is reasonably finalized, the Company / Group depreciates the right of use from the effective date of the lease until the end of the useful life of the underlying asset.

Right-of-use assets are subject to impairment assessment.

Rent Obligations

The Company / Group measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

(a) Fixed payments,
(b) Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease.
(c) Amounts expected to be paid by the Company / Group under the residual value commitments
(d) the use price of this option and, if the Company / Group is reasonably confident that it will use the purchase option;
(e) fines for termination of the lease if the lease term indicates that the Company / Group will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred.

The revised discount rate for the remainder of the lease term of the Company / Group is determined as; the Company / Group 's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Company / Group measures the lease obligation as follows:
(a) increase the carrying amount to reflect the interest on the lease obligation; and
(b) Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-term leases and leases where the underlying asset is low value

The Company / Group applies the exemption for short-term lease to short-term machinery and equipment leasing agreements (ie assets that have a lease term of 12 months or less from the start date and do not have a purchase option). It also applies the exemption for the recognition of low value assets to office equipment that is considered to be a low value rental. Short-term lease agreements and leasing agreements of low value assets are recorded as expense on a straight-line basis over the lease term.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3. SEGMENT REPORTING

Segment reporting is monitored on the project basis by the Company management. Also, each segment's information is used for the evaluation and allocation of the resources separately by the management.

The accounting policies which are applied for segment reporting are the same as used in the Company's financial statements.

	Pendorya Mall	**Fındıklı Building 1**	**Fındıklı Building 2**	**Tahir Building**	**Divan Adana Hotel**	**Total**
30 June 2021						
Rental income	2,163,597	4,787,676	4,796,576	18,582	321,194	**12,087,625**
Pendorya Mall service and management charges	348,019	-	-	-	-	**348,019**
Total propert income	**2,511,616**	**4,787,676**	**4,796,576**	**18,582**	**321,194**	**12,435,644**
Cost of sales	(4,562,249)	(218,208)	(218,614)	(61,510)	(104,776)	**(5,165,357)**
Gross profit	**(2,050,633)**	**4,569,468**	**4,577,962**	**(42,928)**	**216,418**	**7,270,287**
Valuation gain / (loss) on investment property	**-**	**-**	**-**	**-**	**-**	**-**
Other operating income / (expense)	**-**	**-**	**-**	**-**	**-**	**-**
Equity-accounted investees	**-**	**-**	**-**	**-**	**65,202**	**65,202**
Capital expenditures	**844,289**	**-**	**-**	**-**	**-**	**844,289**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3. SEGMENT REPORTING *(continued)*

	Pendorya Mall	Fındıklı Building 1	Fındıklı Building 2	Tahir Building	Divan Adana Hotel	Total
30 June 2020						
Rental income	1,630,387	4,264,061	4,271,978	15,125	129,591	**10,311,142**
Pendorya Mall service and management charges	368,332	-	-	-	-	**368,332**
Total propert income	**1,998,719**	**4,264,061**	**4,271,978**	**15,125**	**129,591**	**10,679,474**
Cost of sales	(4,615,162)	(188,456)	(188,806)	(50,155)	(121,858)	**(5,164,437)**
Gross profit	**(2,616,443)**	**4,075,605**	**4,083,172**	**(35,030)**	**7,733**	**5,515,037**
Valuation gain / (loss) on investment property	-	-	-	-	-	-
Other operating income / (expense)	**-**	**-**	**-**	**-**	**-**	**-**
Equity-accounted investees	**-**	**-**	**-**	**-**	**(599,850)**	**(599,850)**
Capital expenditures	**1,488,500**	**-**	**-**	**-**	**-**	**1,488,500**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3. SEGMENT REPORTING *(continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Sales revenue				
Total income of reporting segments	12,435,644	6,339,811	10,679,474	4,606,928
Undistributed revenue	353,119	195,595	46,941	4,804
Total sales revenue	**12,788,763**	**6,535,406**	**10,726,415**	**4,611,732**
Cost of sales				
Total cost of sales of reporting segments	5,165,357	2,911,703	5,164,437	2,515,660
Total cost of sales	**5,165,357**	**2,911,703**	**5,164,437**	**2,515,660**

	30 June 2021	31 December 2020
Assets		
Total assets for reportable segments	591,071,789	590,227,500
Other assets	8,117,269	12,822,152
Total assets	**599,189,058**	**603,049,652**
Liabilities		
Total liabilities for reportable segments	149,445,704	135,564,869
Other liabilities	2,618,573	2,846,069
Total liabilities	**152,064,277**	**138,410,938**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

4. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Cash	1,733	1,733
Cash in Banks(*)	3,669,620	8,334,417
Banks-Time	*158,884*	*124,747*
Banks-Demand	*3,501,918*	*8,209,670*
Receivables from Reverse Repo Transactions	*8,818*	-
Expected loss provision(**)	(18,495)	(42,005)
Cash and cash equivalents in the statement of financial position	**3,652,858**	**8,294,145**
Interest income accruals on cash and cash equivalents	(1,918)	(2,362)
Expected Loss Provision	18,495	42,005
Cash and cash equivalents in the statement of cash flows	**3,669,435**	**8,333,788**

(*) As of 30 June 2021, there are no pledge and blockage on cash in banks (31 December 2020: None).
(**) As of June 30, 2021, the Company has calculated TL 18,495 of provision for losses for bank deposits under TFRS 9 Financial Instruments and recognized in the financial statements.(31 December 2020: 42,005)

As at 30 June 2021 and 31 December 2020, the details of time deposit balances at banks are as follows:

30 June 2021	Original Amount	Amount(TL)	Interest rate (%)	Maturity
TL	-	3,501,918	20.00%	July 1, 2021
Euro	-	8,818	15.00%	July 1, 2021
Total		**3,510,736**		

31 December 2020	Original Amount	Amount	Interest rate (%)	Maturity
TL	-	510,254	18.15%	January 4, 2021
Euro	854,740	7,699,416	2.50%	February 26, 2021
Total		**8,209,670**		

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

5. EQUITY ACCOUNTED INVESTEES

	Ownership rate (%)	30 June 2021	31 December 2020
Anavarza Otelcilik Anonim Şirketi(*)	%50	662,540	597,338

Bilici Yatırım -TSKB GYO Adana Otel Projesi Adi Ortaklığı Ticari İşletmesi, registered with the Trade Registry number 69178 in Adana Chamber of Commerce and established with the partnership of Bilici Yatırım Sanayi ve Ticaret A.Ş. was transformed into a company named "Yarsuvat Turizm Anonim Şirketi" as a whole with all of the assets and liabilities. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for the Company.

After the transformation, Yarsuvat Turizm Anonim Şirketi was transferred to Anavarza Otelcilik A.Ş. as a whole with all its assets and liabilities and the transfer process was completed with the Merger Certificate of the Adana Chamber of Commerce dated December 20, 2019 and numbered 9647 .

(*) The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Anavarza Otelcilik A.Ş. on 27 March 2015. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for the Company. The main operations of Anavarza Otelcilik A.Ş. is to operate hotel, motel etc., that includes accommodation facilities, eat-drink, sports, entertainment, health care services. The nominal paid-in capital of the Adana Otel Projesi Adi Ortaklığı comprises 2,000,000 shares of TL 1 for each amounting to TL 2,000,000 in total. As at 2 November 2015 Anavarza Otelcilik has paid-in capital of TL 2,000,000, Of the paid capital has been increased to TL 3,500,000 TL. The company the Anavarza Otelcilik 50% of capital paid out in cash against a total of 1,750,000 TL. With the transfer of all assets and liabilities of Yarsuvat Turizm Anonim Şirketi to Anavarza Otelcilik A.Ş., the existing paid in capital of Anavarza Otelcilik Anonim Şirketi increased to 4,500,000 TL on 20 December 2019. In return for 50% capital of Anavarza Otelcilik Anonim Şirketi, the company's total share reached 2,250,000 TL.

The net asset value of Anavarza Otelcilik A.Ş. is TL 1,325,080 %50 of this amount for TL 662,540 is belong to the Company. This amount is recognized under the "Investments accounted for using equity method".

As at 30 June 2021, assets, liabilities and equity, and for the six months period ended year ended 30 June 2021, the income statement of Anavarza Otelcilik A.Ş. are as follows:

	30 June 2021	31 December 2020
Total assets	10,095,894	8,058,307
Total liabilities	(8,770,814)	(6,863,631)
Net assets value	**1,325,080**	**1,194,676**

	1 January - 30 June 2021	1 January - 30 June 2020
Sales	6,066,682	3,748,158
Cost of sales	(4,149,118)	(3,322,550)
Net loss for the period	130,404	(1,199,701)

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

6. FUNDS BORROWED

As at 30 June 2021 and 31 December 2020, the details of funds borrowed are as follows:

	30 June 2021	31 December 2020
Short-term:		
Short Term Bank Loans	112,244,975	100,239,645
Current portion of long-term bank borrowings	9,844,638	8,413,116
Total	**122,089,613**	**108,652,761**
Long-term:		
Long-term bank borrowings	27,356,091	26,912,108
Total	**27,356,091**	**26,912,108**
Total funds borrowed	**149,445,704**	**135,564,869**

As at 30 June 2021 and 31 December 2020, the details of bank loans are as follows:

30 June 2021

Currency	Interest Rate (%)	Orijinal Currency	Short Term (TL)	Long Term (TL)
USD	6 Month Libor + %5.5	4,273,392	9,844,638	27,356,091
TL	TL Ref + %1.50	-	112,244,975	-
			122,089,613	**27,356,091**

31 December 2020

Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
Euro	%5.25	11,127,970	100,239,645	-
USD	6 Month Libor + %5.5	4,812,373	8,413,116	26,912,108
			108,652,761	**26,912,108**

The Company's financial liabilities include a 6-Month Libor + 5.5% interest rate and T. İş Bankası loan with a maturity of 28.02.2024, amounting to USD 10,475,000, which was used on 28.02.2013 to finance the Adana Divan Hotel project. The loan amounting to EUR 11,000,000 with a maturity of 15.10.2021 used from Türkiye Sınai Kalkınma Bankası A.Ş. was converted into Turkish Lira with the same maturity.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

7. TRADE RECEIVABLES AND PAYABLES

Trade receivables

Current trade receivables

	30 June 2021	31 December 2020
Other trade receivables(*)	1,202,065	820,311
Due from related parties (Note 22)	2,237	170
Doubtful receivables	2,369,674	2,319,241
	3,573,976	**3,139,722**
Allowance for doubtful receivables	(2,369,674)	(2,319,241)
Expected loss provision(**)	(259,487)	(185,717)
Total	**944,815**	**634,764**

(*)As at 30 June 2021 and 31 December 2020, current trade receivables comprise of rent receivables and receivables arising from Pendorya Mall cost allocation charges.
(**) As of June 30, 2021, the Company has calculated TL 259,487 of provision for losses for bank deposits under TFRS 9 Financial Instruments and recognized in the financial statements.(31 December 2020: 185,717)

For the six months period ended 30 June 2021 and 2020, the movement of doubtful trade receivables related to rent receivables and receivables from cost allocation charges from Pendorya Mall is as follows:

	1 January - 30 June 2021	1 January - 30 June 2020
Beginning of the period	2,319,241	2,394,123
Allowance for the period	422,249	454,807
Provisions no longer required	(1,653)	(929)
Recoveries during the period	(370,163)	(447,575)
End of the period	**2,369,674**	**2,400,426**

Non-current trade receivables

As at 30 June 2021 and 2020, the Company has not any non-current trade receivables.

Trade payables

Short-term trade payables

	30 June 2021	31 December 2020
Other trade payables	1,069,359	879,115
Due to related parties (Note 22)	307,572	671,724
Total	**1,376,931**	**1,550,839**

Long-term trade payables

As at 30 June 2021 and 2020, the Company has not any long-term trade payables.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

8. INVESTMENT PROPERTY

The details of investment property for the six months period ended 30 June 2021 and 31 December 2020 are presented below:

	30 June 2021	31 December 2020
Active investment properties	591,071,789	590,227,500
Total	**591,071,789**	**590,227,500**

The movement of investment property for the years ended 30 June 2021 and 31 December 2020 are presented below:

30 June 2020	1 January 2021	Acquisitions	Disposals	Change in fair value	30 June 2021
Tahir Han	37,195,000	-	-	-	37,195,000
Fındıklı Bina 1	155,690,000	-	-	-	155,690,000
Fındıklı Bina 2	155,015,000	-	-	-	155,015,000
Pendorya AVM	158,430,000	844,289	-	-	159,274,289
Divan Adana Oteli	83,897,500	-	-	-	83,897,500
	590,227,500	**844,289**	**-**	**-**	**591,071,789**

31 December 2020	1 January 2020	Acquisitions	Disposals	Change in fair value	31 December 2020
Tahir Han	36,960,000	-	-	235,000	37,195,000
Fındıklı Bina 1	144,540,000	-	-	11,150,000	155,690,000
Fındıklı Bina 2	144,240,000	-	-	10,775,000	155,015,000
Pendorya AVM	155,555,000	4,046,367	-	(1,171,367)	158,430,000
Divan Adana Oteli	81,402,500	-	172,026	2,667,026	83,897,500
	562,697,500	**4,046,367**	**172,026**	**23,655,659**	**590,227,500**

8. INVESTMENT PROPERTY *(continued)*

Tahir Building

Tahir Building is registered in Beyoğlu, Kemankeş Street, Murakıp District, map 121, plot 77, parcel 57. The parcel has an area of 606.62 square meters. The building area is calculated as 3,198 square meters according to the measurements made.
The value of the investment property was determined as TL 2,591,110 for 106/144 shares according to the report dated 7 November 2005 prepared by the experts assigned by the Commercial Court, and this amount was transferred by TSKB to the Company as capital in kind on 6 March 2006. TL 38,880 paid by the Company to public institutions for the transfer of the investment property was capitalized. The Market Approach method was used to determine the value of Tahir Han. In accordance with the Communiqué Serial: No: III-62.1 on the Valuation Standards in the Capital Markets, the Capital Markets Board of Turkey has approved the Capital Markets Board's decision-making body with the decision no. 25/856 of 22.06.2017. Methods 10.4. The agent; Kullan Considering the information and conditions included in the valuation study, especially where there is a high level of trust in the accuracy and reliability of a single method, the valuation method does not need to use more than one valuation method for valuation of an asset. " Market approach method was used to determine the market value of the immovable because of the finding of a single method with a single method, and 50,530,000.-TL for the market value of the subject property; For the market value of 53/72 shares of TSKB GYO A.Ş., TL 37,195,000.- value was appreciated.

Rental income earned from Tahir Building for the year ended 30 June 2021 is TL 18,582 (30 June 2020: TL 15,125). There is no restriction on the investment property. Tahir Building were insured to the extent of TL 3,871,604 as of 30 June 2021.

Fındıklı Building 1

Fındıklı Building 1 is registered in Beyoğlu, Mebusan Street, map 85, plot 19, parcel 110. The parcel has a right for an area of 1,695.50 square meters and a subway of 89.39 square meters.

The investment property was purchased from TSKB at TL 32,858,918 on 27 December 2007. TL 465,000 paid by the Company to public institutions for the transfer of the investment property was capitalized. According to the report dated December 31, 2019 of the real estate appraisal company, which has been authorized by CMB to provide valuation services, Market Approach method was used to determine the value of Tahir Han. In accordance with the Communiqué Serial: No: III-62.1 on the Valuation Standards in the Capital Markets, the Capital Markets Board of Turkey has approved the Capital Markets Board's decision-making body with the decision no. 25/856 of 22.06.2017. Methods 10.4. The agent; Kullan Considering the information and conditions included in the valuation study, especially where there is a high level of trust in the accuracy and reliability of a single method, the valuation method does not need to use more than one valuation method for valuation of an asset. " As there is sufficient evidence to make a reliable decision with a single method, Market Approach Method was used to determine the market value of the immovable and 155,690,000.-TL was valued for the market value of the real estate.

In accordance with the resolution of in the board of directors meeting held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income earned from Fındıklı Building 1 for the six months period ended 30 June 2021 is TL 4,787,676 (30 June 20120: TL 4,264,061). There is no restriction on the investment property. Fındıklı Building 1 were insured to the extent of TL 41,660,232 as of 30 June 2021.

8. INVESTMENT PROPERTY *(continued)*

Fındıklı Building 2

Fındıklı Building 2 is registered in Beyoğlu, Mebusan Street, map 84, plot 1486, parcel 76. The parcel has an easement right for an area of 2,503.18 square meters and subway of 89.39 square meters.

The investment property was purchased from TSKB on December 27, 2007, amounting to TL 31,140,783. For the transfer of investment property, TL 463,200 paid to public institutions is accounted for within the cost of investment property.

According to the report dated December 31, 2019 of the real estate appraisal company authorized by CMB to provide valuation services, Market Approach method was used to determine the value of Fındıklı Building 2. In accordance with the Communiqué Serial: No: III-62.1 on the Valuation Standards in the Capital Markets, the Capital Markets Board of Turkey has approved the Capital Markets Board's decision-making body with the decision no. 25/856 of 22.06.2017. Methods 10.4. The agent; Kullan Considering the information and conditions included in the valuation study, especially where there is a high level of trust in the accuracy and reliability of a single method, the valuation method does not need to use more than one valuation method for valuation of an asset. " As there is sufficient evidence to make a reliable decision with a single method, the Market Approach Method has been used to determine the market value of the real estate, and the market value of the real estate subject to the report is TL 144,240,000.

In accordance with the resolution of the board of directors meeting held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income earned from Fındıklı Building 2 for the six months period ended 30 June 2021 is TL 4,796,576 (30 June 2020: TL :4,271,978). There is no restriction on the investment property. Fındıklı Building 2 were insured to the extent of TL 63,371,928 as of 30 June 2021.

Pendorya Mall

Pendorya Mall is registered in Pendik, Doğu District, plot 105, map 865, parcel 64. The parcel has an area of 23,182.96 square meters. In Pendorya Mall, whose leasable area is 30,275 square meters, there are 106 stores spread over eight floors. The Company has 100% stake in Pendorya Mall. Pendorya Mall was recognised as tangible asset at cost until 1 January 2009 and classified to the investment property with its cost value on 1 January 2009.

In accordance with the resolution of the Board of Directors meeting held on 11 October 2012, the Company purchased 1/20 share of Pendorya Mall belonging to Ataman Turizm ve Ticaret Ltd. Şti. registered in Istanbul, Pendik, Doğu District, Plot 105, Map 865, Parcel 64 amounting to TL 6,000,000 + VAT and the ownership of the real estate is transferred to the Company by the completion of land registry transactions.

According to the report dated 31 December 2020 of the real estate appraisal company, which is authorized by the CMB to provide valuation services, Cost Approach Management and Income Approach Method were used in the fair value determination of Pendorya AVM. For the fair value of the real estate subject to the report, a value of 158,430,000 TL has been appraised.

In the Cost Approach Method, the cost of rebuilding an existing structure under today's economic conditions is accepted as the basis for the valuation of the real estate. In the approach, it is accepted that the value of the real estate consists of two different physical phenomena, land and buildings, and has a significant remaining economic life expectancy. For this reason, it is taken into account that the value of the real estate will decrease over time due to physical deterioration and becoming outdated functionally and economically. In other words, in this method, it is assumed that the building value of an existing property can never exceed the cost of rebuilding.

8. INVESTMENT PROPERTY *(continued)*

The Income Approach Method allows the indicative value to be determined by converting future cash flows into a single current value. In the Income Approach method, the value of the asset is determined based on the present value of the revenues, cash flows or cost savings generated by the asset. In valuation, a study was conducted to determine the "Net Present Value". In this method, it is predicted that the value of the real estate will be equal to the sum of the present values of the free cash flows that it will generate in the coming years. In the income reduction approach method, the net present value of the real estate subject to the valuation is calculated over a 10-year period. Cash flows from projection; The total value of the real estate has been calculated with a discount rate appropriate to the risk level of the economy, the sector and the real estate. This total value expresses the calculated (should be) value of the real estate independent of the current market conditions.

Future cash flows are calculated using the assumptions taken into account as a result of the store lease agreements and negotiations made by a real estate appraisal company authorized by the CMB to provide valuation services. The cash flows obtained from the projections are discounted to today with a discount rate appropriate to the risk level of the economy, the sector and the investment, and the fair value is calculated together with the land of the shopping center. The discount rate taken into account in the calculations is accepted as 17% (Risk-Free Rate of Return (13.00%) + Risk Premium (4.00%). It is foreseen that the annual increase in monthly rental income will be 10%. Solidity ratio; It has been accepted as 77% for 2021, 80% for 2022, 85% for 2023-2024, 90% for 2025-2026, and 92% for the following years.

72,5% of rentable area of Pendorya Mall which was opened on 17 December 2009 is rented as of 30 June 2021. Rental income amounting to TL 2,511,616 was earned for Pendorya Mall for the year ended 30 June 2021 (30 June 2020: TL 1,998,719). Pendorya Mall were insured to the extent of TL 256,553,870 as of 30 June 2021.

Divan Adana Hotel

Divan Adana Hotel; Adana Province, Seyhan District, Çınarlı District, 1653 Island, 143 parcels are registered. The parcel has an area of 3,608 m² and the total construction area of the buildings is 26,215 m². Property status; TSKB Real Estate Investment Trust Inc. (50%) and Bilici Investment Industry and Trade Inc. (50%). The operation of Divan Adana Hotel; Anavarza Otelcilik A.Ş. was established by the shareholders in proportion to its shares. It is maintained by.

According to the report dated December 31, 2020 of the real estate appraisal company, which has been authorized by CMB to provide valuation services, Revenue Approach method was used to determine the value of Divan Adana Hotel. In accordance with the Communiqué Serial: No: III-62.1 on the Valuation Standards in the Capital Markets, the Capital Markets Board of Turkey has approved the Capital Markets Board's decision-making body with the decision no. 25/856 of 22.06.2017. Methods 10.4. The agent; Kullan Considering the information and conditions included in the valuation study, especially where there is a high level of trust in the accuracy and reliability of a single method, the valuation method does not need to use more than one valuation method for valuation of an asset. " As a single method of finding a reliable decision to find a sufficient value for the market value of the real estate in the use of the Income Approach Method has been used and the market value of the real estate subject to the report total of 167,795,000.-TL; The market value of 50% of TSKB REIT's shares is TL 83,897,500. The hotel's building permit and building permit are available. Due to Turkey Business Bank A.Ş., Turkey Business Bank loans used to favor 15,000,000.-degree price of USD 1. There are mortgages commentary. (Note 11).

Rental income earned from Adana Divan Hotel for the six months period ended 30 June 2021 is TL 321,194 (30 June 2020: TL 129,591). As at 30 June 2021, Adana Divan hotel was insured to the extent of TL 253,104,000.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

8. INVESTMENT PROPERTY *(continued)*

Operating leases

The Company as lessor

The Company has signed operating lease agreements with Pendorya Mall tenants and TSKB as lessor. The future minimum lease payments as at 30 June 2021 and 31 December 2020 under non-cancellable leases are as follows:

	30 June 2021	**31 December 2020**
Less than one year	28,182,505	27,271,822
Between one and five years	23,531,243	61,349,729
More than five years	7,443,965	7,902,680
Total	**59,157,713**	**96,524,231**

The fair value measurement

Value of investment property has been determined by a real estate appraisal company which has been authorized by CMB for the valuation services. The Company's investment properties are valued by an independent real estate appraisal company annually.

The fair value measurement for investment property has been categorized as level 1 and level 2 fair value based on the inputs to the valuation techniques used.

Fair valuations: The Company's fair values are as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Data that can be directly (through prices) or indirectly (derived from prices) observable in terms of assets or liabilities, other than recorded prices in the first level.

Level 3 Assets or observable market data are not based on financial data.

While investment properties have fair values, they are classified to level 3 due to the data used. During the period ending on 30 June 2021, the Company has not made any transfers between the second level and the first level, to or from the third level. The methods and assumptions used during the valuations are explained in Note 8.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

9. TANGIBLE ASSETS

The movement in tangible assets for the six months period ended 30 June 2020 and 2019 are as follows:

	1 January 2021	Additions	Disposals	30 June 2021
Cost				
Furnitures&fixtures	737,353	41,235	(9,233)	769,355
Vehicles	53,423	-	-	53,423
	790,776	**41,235**	**(9,233)**	**822,778**
Accumulated depreciation				
Furnitures&fixtures	491,013	40,723	(8,322)	523,413
Vehicles	53,423	-	-	53,423
	544,436	**40,723**	**(8,322)**	**576,836**
	246,340			**245,942**

	1 January 2020	Additions	Disposals	30 June 2020
Cost				
Furnitures&fixtures	695,114	14,499	-	709,613
Vehicles	53,423	-	-	53,423
	748,537	**14,499**	**-**	**763,036**
Accumulated depreciation				
Furnitures&fixtures	407,131	42,453	-	449,584
Vehicles	45,409	5,342	-	50,751
	452,540	**47,795**	**-**	**500,335**
	295,997			**262,701**

As at 30 June 2021 and 2020, there is not any pledges on tangible assets.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

10. INTANGIBLE ASSETS

The movement in intangible assets for the six months period ended 30 June 2020 and 2019 are as follows:

	1 January 2021	Additions	Disposals	30 June 2021
Cost				
Software	**132,420**	**730**	**-**	**133,150**
	132,420	730	-	133,150
Accumulated amortization				
Software	103,945	2,705	-	106,650
	103,945	**2,705**	**-**	**106,650**
	28,475			**26,500**

	1 January 2020	Additions	Disposals	30 June 2020
Cost				
Software	114,620	17,800	-	132,420
	114,620	**17,800**	**-**	**132,420**
Accumulated amortization				
Software	96,277	4,167	-	100,444
	96,277	**4,167**	**-**	**100,444**
	18,343			**31,976**

As at 30 June 2021 and 2020, the Company does not have any internally developed intangible assets.

11. PROVISIONS, CONTINGENT ASSESTS AND LIABILITIES

Legal cases

1- The Pendorya Mall is built on 105th threader, 865 map, 64th parcel, east neighborhood Pendik İstanbul. The tenant of this area this Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Plaintiff ultimately filed a lawsuit against IBB and Karacan Yapı at Pendik 2nd Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7,100. The Company has been involved in the lawsuit as interventing party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of The Company has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert repots which have been presented to the court in May 30th, 2013, and the court has ruled that Pendik Municipality must also be represented in the case as a defendant. In the last trial which was held in December 24th, 2013, The Court has ruled that the expert's reports shall be accepted and that the defendant Pendik Municipality must pay the charge (TL 645,354) to the plaintiff, and the cancelment of the sonfiscation deed. The reasoned decision has been notified and both the plaintiff and the defendant has appealed to the decision. However the Supreme Court has quashed the decision and the Istanbul Metropolitan Municipality has requested a revision of decision. The palintiff, Sağlan Satış ve Paz. A.Ş. (Malazlar A.Ş.) and Istanbul Metropolitan Municipality has requested a revision of decision. The request for correction of the Supreme Court's decision to dismiss was rejected and sent to the first instance court in the direction of the dismissal decision. The first instance court decided to comply Supreme Court's dismissal decision.

11. PROVISIONS, CONTINGENT ASSESTS AND LIABILITIES *(continued)*

***Legal Cases** (continued)*

2- The forfeiture concerning block 1486, parcel 76 (Fındıklı Bina II) resulting from the Beyoğlu Minicipality's zoning changes Beyoğlu Municipality has sustained the objection of the Corporation, however since Istanbul Metropolitan Municipality has not approved the objection, a claim has been filed to avoid forfeiture. Later on, Istanbul Metropolitan Municipality Council has sustained the objection of the Corporation and approved the Beyoğlu Municipality's decision verbatim. The aforementioned decision has also been sent to General Directorate Of Cultural And Natural Heritage for approval. The institution has not approved the changes in the conservation development plan.

In the proceedings regarding to this, the Court has ruled that since Beyoğlu Municipality has sustained the objection the case is devoid of essence. However, since the decisions made by district municipalities require approval from Istanbul Metropolitan Municipality and General Directorate Of Cultural And Natural Heritage, the Corporation has appealed that the case being devoid of essence is impossible. Regarding to this appeal the Council Of State has decided that General Directorate Of Cultural And Natural Heritage's objection to the conservation development plan is correct and quashed the decision made by the local court in March 28th, 2014. In addition to this, the 1/1000 scaled implementary development plan aimed at the conservation of protected areas which was approved in December 21st, 2010 has been cancelled by legal authorities, and a new implementary development plan which includes the building Fındıklı Bina II that is in the Corporation's possession is being drawn up by Beyoğlu Municipality. In accordance with this, our Corporation has applied in written form to the Beyoğlu Municipality in September 28th, 2014 asking that the objection made by our Corporation which were sustained by both Beyoğlu Municipality and Istanbul Metropolitan Municipality be taken into consideration during the preparation of the new 1/1000 scaled implementary development plan. It was asked to the Court if the Real Estate which is being examined by the Municipality that is included in the Plan is still in effect after the Council Of State's quash of judgement, and the Court has replied that it is still in effect.The proceedings started once more in the Court and the expert examining has been made. The Court has ruled that the administrative proceeding will be canceled and will be in favor of us. Against verdict, within the legal period, Beyoglu Municipality has applied for the appeal law and it is expected that the file will be sent to Istanbul Regional Administrative Court for examination and, if necessary, for re-trial. The decision to cancel the administrative action taken by the Council of State in favor of the Company has been approved and the decision has become final.

3- A lawsuit has been filed by one of the investors of the Company for the cancellation of the 5th, 7th, 9th articles decided at the Ordinary General Assembly held on 27 April 2018. Although the request for the case was demanded to stop the execution of the 5th and 7th items, no decision was taken as of 30 June 2019. The case responded with a petition and a legal opinion. The trial process is still continues.

Other than the aforementioned trials, there are other tirals in which the Company is a party or intervening part. However there have not been any trials which would effect the statements considerably.

Debt Provisions

As of June 30, 2021, the Company have 24,045 TL provided provision for for cost and administrative expenses (31 December 2020 : 24,045).

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

11. PROVISIONS, CONTINGENT ASSESTS AND LIABILITIES *(continued)*

Legal Cases *(continued)*

Collaterals received

The details of letter of guarantees received are as follows:

	30 June 2021	31 December 2020
Letters of guarantees	2,107,945	2,279,850
Bills of guarantees	855,598	798,063
Checks of guarantees	65,478	35,740
Mortgage document	245,000	245,000
Total	**3,274,021**	**3,358,653**

Letters of guarantee received consist of letters of guarantee received from contractors of Pendorya Mall project and from tenants for shopping mall.

Letter of Guaranties, Securities and Mortgages

As at 30 June 2021 and 31 December 2020 commitments given are as follows :

The details of letter of guarantees given are as follows:

	30 June 2021	31 December 2020
Mortgages given	130,578,000	110,107,500
Letters off guarantees	3,000,000	3,000,000
Total	**133,578,000**	**113,107,500**

	30 June 2021	31 December 2020
A. Commitments given in the name of own legal entity	133,578,000	113,107,500
B. Commitments given in favour of full consolidated subsidiaries	-	-
C. Commitments given to guarantee the debts of third parties to continue their Operations	-	-
D. Other Commitments given	-	-
-In favour of parent company	-	-
-In favour of group companies other than mentioned in bullets B and C	-	-
-In favour of third parties other than mentioned in bullets C	-	-
Total	**133,578,000**	**113,107,500**

There is a mortgage amounting to USD 15,000,000 on the Adana land due to the loans received from Türkiye İş Bankası A.Ş.

As at 30 June 2021 and 31 December 2020 letters of guarantee given amounting to TL 3,000,000 and 3,000,000 respectively, are comprised of a letter of guarantees given to the Istanbul Metropolitan Municipality according to the Board of Directors resolution numbered 105 and dated 30 March 2010, for the road construction around Pendorya Mall.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

12. PROVISION FOR EMPLOYEE BENEFITS

	30 June 2021	31 December 2020
Short-term		
Provision for personnel bonus	135,999	160,000
Provision for unused vacation	108,325	139,202
	244,324	**299,202**
Long-term		
Provision for employee termination benefits	357,975	380,419
	357,975	**380,419**
Total	**602,299**	**679,621**

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amounts as at 30 June 2021 and 31 December 2020 are TL 7,638.96 and TL 7,117.17 respectively.

In accordance with TAS 19 – *Employee Benefits,* the Company is required to use actuarial valuation methods in estimating the liability related with current retirement plans.

As at 30 June 2021 and 31 December 2020, employee severance indemnity in the accompanying financial statements has been calculated using the following actuarial assumptions:

	30 June 2021	31 December 2020
Salary increase rate	15.00%	15.00%
Discount rate	12.40%	12.40%
Discount rate (net)	4.07%	4.07%
Estimated retirement turnover rate	72.73%	72.73%

Movement of reserve for employee termination benefits for the years ended 30 June 2021 and 2020 are as follows:

	30 June 2021	30 June 2020
Balance at the beginning of the period	380,419	288,170
Service cost	49,650	46,500
Interest cost	17,866	9,811
Payments during the period	(89,960)	-
Balance at the end of the period	**357,975**	**344,481**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

13. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER SHORT-TERM / LONG-TERM LIABILITIES

Other current assets

	30 June 2021	31 December 2020
VAT carried forward	1,506,447	1,690,334
Prepaid expenses	450,516	758,186
Income accruals	189,695	195,955
Prepaid taxes and funds	90,380	68,692
Advances given	65,715	46,189
Job advances	-	846
Other	143,891	122,918
Total	**2,446,644**	**2,883,120**

Other non-current assets

	30 June 2021	31 December 2020
Deposits and guarantees given	137,970	137,970
Total	**137,970**	**137,970**

Other short-term liabilities

	30 June 2021	31 December 2020
Taxes and duties payable	178,356	132,600
Unearned revenue / (deferred income)	70,478	116,362
Other	69,434	71,230
Total	**318,268**	**320,192**

Other long-term liabilities

	30 June 2021	31 December 2020
Deposits and guarantees received	297,030	271,372
Total	**297,030**	**271,372**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

14. EQUITY

14.1 Paid in capital

At 30 June 2021 and 31 December 2020, the issued and fully paid-in share capital of the Company is as follows:

		30 June 2021		31 December 2020	
	Group	Share %	Amount (TL)	Share %	Amount (TL)
Türkiye Sınai Kalkınma Bankası A.Ş.	A	6.67	33,333,333	6.67	33,333,333
Türkiye Sınai Kalkınma Bankası A.Ş.	B	2.73	13,637,037	2.73	13,637,037
Türkiye Sınai Kalkınma Bankası A.Ş.	C	79.73	398,701,148	79.73	398,701,148
Other partners and shares in circulation	C	10.87	54,328,482	10.87	54,328,482
Paid in Capital		**100**	**500,000,000**	**100**	**500,000,000**

The Company shares are issued to three type of groups; Group A and Group B to names and the Group C to holders. The Group A and Group B shares have the right to vote for the election of members of the Board of Directors ("BOD"). Six members of the BOD shall be elected from candidates of the Group A shareholders and one member shall be elected from candidates of the Group B shareholders. Capital increases in the Group A, B and C shares are issued as the Group A, B and C shares, respectively. If the BOD restricts the right of owning new shares for shareholders, new shares are issued as the Group C shares.

As at 30 June 2021, the nominal paid-in capital of the Company comprises 500,000,000 shares of TL 1 for each (31 December 2020: TL 1, TL 500,000,000). In accordance with the Board of Directors decision dated 1 July 2020, the Prospectus regarding the decision of 66.66% of the capital increase with rights without restricting the use of pre-emptive right by covering the entire of the issued capital of 300,000,000 TL in cash was approved at the meeting of the Capital Markets Board dated 13 August 2020 and numbered 51/990. The remaining shares after the use of the pre-emptive right were sold on the Borsa Istanbul Primary Market on September 3 - 4, 2020, and the Company's paid-in capital was increased to TL 500,000,000 as of September 9, 2020.

14.2 Restricted reserves

As at 30 June 2021 and 31 December 2020, restricted reserves comprised of the legal reserves amounting to TL 152,670.

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that, the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

14. EQUITY *(continued)*

14.3 Share premium

As a result of the public offerings of the Company, the public offerings of the shares with nominal value were realized on 1-2 April 2010 and 3-4 September 2020, respectively, at a price of 1.05 TL and 2.21 TL per share with a nominal value of 2,770,486 TL are recorded in equity. Commission, advertising and legal advice expenses attributable to the issuance of shares amounting to TL 1,906,860 have been presented as a deduction from the share premium.

14.4. Actuarial differences

As a result of the implementation of the changes in the TAS 19 standards, all actuarial gains and losses have been started to be recognized in the other comprehensive income.

Actuarial profit amounting to TL 61,120 is recognised under "Other comprehensive income non-reclassified to profit or loss" in the accompanying financial statements. (30 December 2020: TL 61,120)

15. SALES AND COST OF SALES

For the years ended 30 June 2021 and 2020, revenue are as follows:

	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2020
Rental income on Pendorya Mall	2,163,597	1,204,688	1,630,387	252,360
Rental income on Fındıklı Building 1	4,787,676	2,393,838	4,264,061	2,132,031
Rental income on Fındıklı Building 2	4,796,576	2,398,288	4,271,978	2,135,989
Pendorya Mall service and management charges	348,019	179,138	368,332	78,887
Rental income on Divan Adana Hotel	321,194	154,457	129,591	-
Rental income on Tahir Building	18,582	9,402	15,125	7,661
Total rental income	**12,435,643**	**6,339,811**	**10,679,474**	**4,606,928**
Interest income from bank deposits	347,772	194,427	46,941	4,804
Income from reverse repo	5,348	1,169	-	-
Total revenue	**353,120**	**195,596**	**46,941**	**4,804**
Total sales	**12,788,763**	**6,535,407**	**10,726,415**	**4,611,732**

Total revenue from obtained from related parties is TL 9,592,458 (30 June 2020: TL 8,555,547)

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

15. SALES AND COST OF SALES *(continued)*

For the six months period ended 30 June 2021 and 2020, cost of sales are as follows:

	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2020
Security expenses	1,012,807	489,867	815,561	293,420
Tax expenses	826,658	788,098	794,918	770,219
Management service expenses	785,306	393,630	719,614	334,593
Cleaning expenses	470,131	200,566	504,163	182,565
Electricity expenses	425,856	194,376	527,802	163,707
Insurance expenses	403,844	212,005	329,325	165,352
Service expenses	359,446	179,723	308,734	154,367
Maintenance expenses	225,228	97,093	497,696	216,512
Food expenses	196,757	90,832	157,697	70,310
Consultancy expenses	162,810	99,408	92,377	47,346
Supplies	96,638	91,292	61,897	32,867
Natural gas expenses	57,307	10,900	141,525	46
Water expenses	44,193	24,283	63,785	16,904
Travel expenses	-	-	875	-
Other expenses	98,375	39,630	148,468	67,452
Total	**5,165,356**	**2,911,703**	**5,164,437**	**2,515,660**

16. GENERAL ADMINISTRATIVE EXPENSES

For the six months period ended 30 June 2021 and 2020, administrative expenses are as follows:

	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2020
Personnel expenses	2,097,622	919,104	1,749,154	925,278
Provision for doubtful receivables	422,249	39,445	454,807	(1,002)
BIST Fee	77,809	-	14,386	7,234
Advisory expenses	56,679	30,816	38,591	19,775
Depreciation and amortization expenses	43,430	21,171	51,963	26,013
Consultanycy expenses	40,472	20,113	50,290	24,111
BIST fee	21,337	10,444	9,904	2,721
General board expenses	12,529	5,102	18,639	5,764
Other expenses	228,547	226,265	59,702	108,659
Total	**3,000,674**	**1,272,460**	**2,447,436**	**1,118,553**

Personnel expenses

	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2020
Salaries and wages	1,278,226	516,797	1,087,109	639,975
Salaries and other benefits paid to Board of Directors	286,650	152,250	254,100	134,400
Social security expenses	186,570	94,328	156,462	76,424
Provision for vacation pay liability	135,999	81,999	80,000	40,000
Provision for bonuses	89,960	56,202	56,311	28,156
Provision for employment termination	-	(90,589)	83,157	(870)
Other	120,217	108,117	32,015	7,193
Toplam	**2,097,622**	**919,104**	**1,749,154**	**925,278**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

17. MARKETING EXPENSES

For the six months period ended 30 June 2021 and 2020, marketing expenses are as follows:

	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2020
Advertising expenses	76,248	35,906	230,085	87,765
Total	**76,248**	35,906	230,085	87,765

18. OTHER OPERATING INCOME / EXPENSES

For the six months period ended 30 June 2021 and 2020, other operating income and expenses are as follows:

Other Operating Income	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2020
Other income	548,735	139,296	516,139	102,500
Total	**548,735**	**139,296**	**516,139**	**102,500**

For the six months period ended 30 June 2021, other operating income is comprised of reversal of provisions amounting to TL 371,816 and the remaining balance is comprised of other income amounting to TL 176,919 (30 June 2020: other operating income is comprised of reversal of provisions amounting to TL 358,870 and the remaining balance is comprised of other income amounting to TL 157,269).

Other operating expenses	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2020
Commission expenses	51,167	14,407	20,523	470
Other	2,115	-	4,672	2,283
Total	**53,282**	**14,407**	**25,195**	**2,753**

19. FINANCE INCOME / COSTS

For the six months period ended 30 June 2021 and 2020, finance income and costs are as follows:

Finance income	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 200
Other	3,173	3,173	5,809	-
Total	**3,173**	**3,173**	**5,809**	**-**

Finance costs	1 January – 30 June 2021	1 April – 30 June 2021	1 January – 30 June 2020	1 April – 30 June 2020
Foreign exchange losses, net	17,730,595	5,308,818	39,628,651	17,911,056
Interest expenses of funds borrowed	4,893,651	2,775,824	8,303,559	4,184,307
Total	**22,624,246**	**8,084,642**	**47,932,210**	**22,095,363**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

20. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law numbered 5520, the income of real estate investment trusts is exempt from Corporate Income Tax in Turkey.

Since the Company is exempt from the Corporate Tax in accordance with the law, deferred tax was not calculated.

21. EARNINGS / (LOSS) PER SHARE

Earnings per share stated in income statement is calculated by dividing net income for the period by the weighted average number of the Company's shares for the period. Calculation of the earnings per share for the siz months period ended 30 June 2021 and 2020 are presented below:

	1 January – 30 June 2021	**1 April – 30 June 2021**	**1 January – 30 June 2020**	**1 April – 30 June 2020**
Net profit / (loss) for the period	(17,513,933)	(5,561,748)	(45,150,850)	(21,486,682)
Weighted average number of shares	500,000,000	500,000,000	300,000,000	300,000,000
Earnings / (loss) per share	**(0.0350)**	**(0.0111)**	**(0.1505)**	**(0.0716)**

22. RELATED PARTY DISCLOSURES

22.1. Related party balances

	30 June 2021	**31 December 2020**
Banks – demand		
Türkiye Sınai Kalkınma Bankası A Ş	8,872	19,488
Türkiye İş Bankası AŞ	26,933	2,601
Total	**35,805**	**22,089**
Due from related parties		
Türkiye İş Bankası A.Ş.	85	85
Yatırım Varlık Kiralama A.Ş.	-	85
TSKB A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	2,152	-
Total	**2,237**	**170**
Prepaid expenses		
Anadolu Anonim Türk Sigorta AŞ	376,356	648,244
Total	**376,356**	**648,244**
Bank borrowings		
Türkiye Sınai Kalkınma Bankası A Ş	112,244,975	100,239,645
Türkiye İş Bankası AŞ	37,200,729	35,325,224
Toplam	**149,445,704**	**135,564,869**
Due to related parties		
Anadolu Anonim Türk Sigorta Şirketi	298,016	654,895
Türkiye Sınai Kalkınma Bankası A Ş	9,556	16,829
Total	**307,572**	**671,724**

(*) Among the financial liabilities of the company, there is a 6-Month Libor + 5.5% interest rate and T. İş Bankası loan with a maturity of 28.02.2024, amounting to USD 10,475,000 used on 28.02.2013 for the financing of Adana Divan Hotel project. The loan amounting to EUR 11,000,000 with a maturity of 15.10.2021 from Ş. has been converted into Turkish Lira with the same maturity.

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

22. RELATED PARTY DISCLOSURES *(continued)*

22.2. Related party transactions

	1 January – 30 June 2021	**1 January – 30 June 2020**
Rental income		
Türkiye Sınai Kalkınma Bankası A.Ş.	8,629,284	7,685,504
TSKB Gayrimenkul Değerleme A.Ş.	261,069	232,517
TSKB A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	11,956	10,648
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	11,063	9,853
Yatırım Finansman Menkul Değerler A.Ş.	669,208	596,017
Türkiye İş Bankası A.Ş.	8,207	19,508
Yatırım Varlık Kiralama A.Ş.	1,672	1,500
Total	**9,592,458**	**8,555,547**
Interest Income		
Türkiye İş Bankası AŞ	5,348	-
Total	**5,348**	**-**
Interest Expenses		
Türkiye Sınai Kalkınma Bankası A.Ş.	3,822,621	-
Türkiye İş Bankası AŞ	1,071,030	1,392,273
Toplam	**4,893,651**	**1,392,273**
Loan and insurance commission expenses		
Türkiye Sınai Kalkınma Bankası A.Ş.	15,273	126
Türkiye İş Bankası AŞ	13	13
Total	**15,286**	**139**

Benefits provided to key management personnel

Benefits provided to the senior management such as Board of Directors, General Manager and other senior executives for the six months period ended 30 June 2021 is TL 1,141,811 (30 June 2020: TL 997,123).

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. The Company has exposure to the following risks from its operations:

- credit risk,
- liquidity risk,
- market risk.

23.1. Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

The Company adopts a liquid portfolio management approach for the use of possible property projects and it invests in short-term instruments. The Board of Directors determines the portfolio management strategy for financial assets of the Company and the comparison criteria, considering the economic developments and expectations.

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

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.1 Credit risk *(continued)*

As at 30 June 2021 and 31 December 2020, credit risk exposure of financial assets are as follows:

		Receivables							
		Trade receivables		Other receivables					
	30 June 2021	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits**	**Derivative investments**	**Derivative instruments**	**Other**
	Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	**2,237**	**942,578**	**-**	**-**	**3,669,620**	**-**	**-**	**-**
	- Maximum credit risk amount secured with guarantees	-	942,578	-	-	-	-	-	-
A.	Net book value of neither past due nor impaired financial assets	2,237	942,578	-	-	3,669,620	-	-	-
B.	Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C.	Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D.	Net book value of impaired assets	-	-	-	-	-	-	-	-
	- Past due (Gross amount)	-	2,369,674	-	-	-	-	-	
	- Impairment (-)	-	(2,369,674)	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
	-Not past due (Gross amount)	-	-	-	-	-	-	-	-
	- Impairment (-)	-	-	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E.	Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.1. Credit risk *(continued)*

		Receivables							
		Trade receivables		Other receivables					
	31 December 2020	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits(*)**	**Financial investments**	**Derivative instruments**	**Other**
	Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	**170**	**634,594**	**-**	**-**	**8,334,417**	**-**	**-**	**-**
	- Maximum credit risk amount secured with guarantees	-	634,594	-	-	-	-	-	-
A.	Net book value of neither past due nor impaired financial assets	170	634,594	-	-	8,334,417	-	-	-
B.	Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C.	Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-		-	-	-	-
D.	Net book value of impaired assets	-	-	-	-	-	-	-	-
	- Past due (Gross amount)	-	2,319,241	-	-	-	-	-	-
	- Impairment (-)	-	(2,319,241)	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
	-Not past due (Gross amount)	-	-	-	-	-	-	-	-
	- Impairment (-)	-	-	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E.	Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.2. Liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. The Company uses its funds from borrowings in investment property project developments.

The following table presents the Company's financial liabilities including interest payments according to their remaining contractual maturities.

30 June 2021	**Carrying value**	**Total contractual cash flows**	**Up to 3 months**	**3 months to 12 months**	**1 year to 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Funds borrowed	149,445,704	162,313,258	6,125,823	124,977,581	31,209,854	-
Trade payables	1,376,931	1,376,932	1,376,931	-	-	-
Total	**150,822,635**	**163,690,190**	**7,502,754**	**124,977,581**	**31,209,854**	**-**

31 December 2020	**Carrying value**	**Total contractual cash flows**	**Up to 3 months**	**3 months to 12 months**	**1 year to 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Funds borrowed	135,564,869	145,088,916	5,340,256	108,406,037	31,342,623	-
Trade payables	1,550,839	1,550,839	1,550,839	-	-	-
Total	**137,115,708**	**146,639,755**	**6,891,095**	**108,406,037**	**31,342,623**	**-**

As at 30 June 2021 and 31 December 2020, the Company does not have any derivative financial liabilities.

23.3. Market risk

The Company is exposed to various market risks, including the effects of changes in exchange rates, interest rates, equity prices and credit spreads.

The total risk management program of the Company focuses on the unpredictability of the financial markets and aims at reducing the potential negative effects on the Company's financial performance.

Foreign currency risk

Exchange risk comprises the effects arising from exchange movements in the event foreign currency assets, liabilities and off-balance sheet items are owned.

On the Amendment to the Resolution No. 32 on the Amendment to the Decision No. 32 on the Protection of the Value of Turkish Currency entered into force after being published in the Official Gazette dated 13.09.2019 and numbered 30534. Communiqué No. 2019-32 / 51 on the Amendment to the Communiqué on the Resolution (Communiqué No: 2008/32/34) ('Communiqué 8) was published in the Official Gazette dated 6.10.2019 and numbered 30557 and entered into force. In accordance with the relevant communiqué provisions, the Company's foreign exchange based lease agreements should be reorganized in TL, which may lead to a decrease in the Company's rental income. In accordance with the provisions of the related communiqué, the Company has reorganized its lease agreements in terms of TL. As of 30 June 2021, the annual minimum lease amounts are disclosed in Note 8.

The exchange rates applied as at 30 June 2021 and 31 December 2020 are as follows:

	USD	**Euro**
30 June 2021	8.7052	10.3645
31 December 2020	7.3405	9.0079

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

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.3. Market risk *(continued)*

Foreign currency risk *(continued)*

The following table details the Company's foreign currency position risk as at 30 June 2021 and 31 December 2020. The foreign currency assets and liabilities kept by the Company in TL are as follows.

30 June 2021	**TL equivalent (functional currency**	**USD**	**EURO**
Monetary financial assets			
(Cash, bank balances included)	118,054	-	11,390
Total assets	**118,054**	**-**	**11,390**
Short-term funds borrowed	9,844,638	1,130,892	-
Long-term funds borrowed	27,356,091	3,142,500	-
Other liabilities	190,587	254	18,175
Total liabilities	**37,391,316**	**4,273,646**	**18,175**
Net foreign currency position	**(37,273,262)**	**(4,273,646)**	**(6,785)**

31 December 2020	**TL equivalent (functional currency)**	**USD**	**EURO**
Monetary financial assets			
(Cash, bank balances included)	7,802,019	-	866,131
Total assets	**7,802,019**	**-**	**866,131**
Short-term funds borrowed	108,652,757	1,146,123	11,127,970
Long-term funds borrowed	26,912,108	3,666,250	-
Other liabilities	169,112	735	18,175
Total liabilities	**135,733,977**	**4,813,108**	**11,146,145**
Net foreign currency position	**(127,931,958)**	**(4,813,108)**	**(10,280,014)**

Foreign currency sensitivity

A 10% appreciation / depreciation of TL against the foreign currencies at 31 December 2021 and 30 June 2020 would have changed other comprehensive income and profit or loss (except tax effect) by the amounts shown below:

	Profit / (Loss)			**Equity**
30 June 2021	**Appreciation of foreign currency Profit / (Loss)**	**Depreciation of foreign currency Equity**	**Appreciation of foreign currency Profit / (Loss)**	**Depreciation of foreign currency Equity**
10% change of the USD against TL				
1- Net USD asset/liability	(3,720,294)	3,720,294	(3,720,294)	3,720,294
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	**(3,720,294)**	**3,720,294**	**(3,720,294)**	**3,720,294**
10% change of the EURO against TL				
4- Net EURO asset/liability	(7,032)	7,032	(7,032)	7,032
5- Hedged portion of TL against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	**(7,032)**	**7,032**	**(7,032)**	**7,032**
TOTAL (3+6)	**(3,727,326)**	**3,727,326**	**(3,727,326)**	**3,727,326**

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

23. NATURE AND LEVEL OF RISK ARRISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.3. Market risk *(continued)*

Foreign currency risk *(continued)*

	Profit / (Loss)		Equity	
31 December 2020	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change of the USD against TL				
1- Net USD asset/liability	(3,533,062)	3,533,062	(3,533,062)	3,533,062
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	**(3,533,062)**	**3,533,062**	**(3,533,062)**	**3,533,062**
10% change of the EURO against TL				
4- Net EURO asset/liability	(9,260,134)	9,260,134	(9,260,134)	9,260,134
5- Hedged portion of TL against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	**(9,260,134)**	**9,260,134**	**(9,260,134)**	**9,260,134**
TOTAL (3+6)	**(12,793,196)**	**12,793,196**	**(12,793,196)**	**12,793,196**

Interest rate risk

The Company is exposed to interest rate risk due to interest bearing assets and liabilities.

The table below shows the financial instruments sensitive to interest rates as at 30 June 2021 and 31 December 2020:

	30 June 2021	**31 December 2020**
Financial instruments with fixed interest rates		
Financial assets	3,510,736	8,211,403
Financial liabilities	-	100,239,645
Financial instruments with variable interest rates		
Financial liabilities	149,445,704	35,325,224

Interest rates which are applied to financial instruments as at 30 June 2021 and 31 December 2020 are as follows:

		30 June 2021		**31 December 2020**
Financial instruments				
Banks-Time Deposit	TL	17.50%	TL	18.15%
Banks- Time Deposit	-	-	Euro	2.50%
Bank borrowings	TL	TLRef+1.50%	Euro	5.25%
Bank borrowings	USD	5.66%	USD	5.76%

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

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.3. Market risk *(continued)*

Interest rate risk

Interest rate sensitivity

The interest rate sensitivity effect on profit and loss statement is the six month effect of the belowmentioned changes on interest rates arising from financial liabilities with floating interest rates.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.The analysis is performed on the same basis for 31 December 2020.

	Profit/loss		**Equity(*)**	
30 June 2021	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial liabilities with floating interest rates	(174,974)	175,319	(174,974)	175,319

	Profit/loss		**Equity(*)**	
30 June 2020	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial liabilities with floating interest rates	(1,278,045)	1,333,058	(1,278,045)	1,333,058

(*) Profit/(Loss) effect included.

23.4. Capital management

The Company manages its capital by reducing its investment risk to the lowest level with effective portfolio management. The aim of the Company is to maintain sustainable returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company considers having a strong capital structure for future investments beside the legislation in its dividend distribution policy.

24. FINANCIAL INSTRUMENTS

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable.

Financial assets

The Company assumes that the carrying values of cash and cash equivalents and trade receivables are close to their fair value because of their short-term nature.

Financial liabilities

The Company assumes that the carrying values of the trade payables and other liabilities are close to their fair value because of their short-term nature.

Bank borrowings are measured with their amortized costs by adding transaction costs to their acquisition costs. It is assumed that carrying values of borrowings are close to their fair values as variable rate borrowings are repriced considering the market conditions. The fair value of fixed rate borrowings are close to carrying value.

25. EVENTS AFTER THE REPORTING PERIOD

The Company has decided to increase its paid-in capital by 150,000,000 TL to 650,000,000 TL, with the Board of Directors Decision numbered 645 on 23 June 2021. An application has been made to the Capital Markets Board on July 2, 2021 regarding the transaction of increasing the Company's issued capital of TL 500,000,000 (Five Hundred Million) TL by 30% to 650,000,000 (Six Hundred and Fifty Million) Turkish Liras, with an increase of 30% by 150,000,000 (One Hundred and Fifty Million) TL. (31 December 2020: None).

26. OTHER MATTERS THAT EFFECT FINANCIAL STATEMENTS MATERIALLY OR THE MATTERS WHICH SHOULD BE DISCLOSED FOR CLEAR, INTERPRETABLE AND UNDERSTANDABLE FINANCIAL STATEMENTS

Due to the global epidemic of Coronavirus (COVID-19), the Company's Board of Directors took a series of measures in March 2020, covering the Shopping Center and Hotel employees, visitors and tenants in the Company portfolio in order to protect public health, and it was observed that a significant portion of the tenants in the shopping mall stopped their activities. Occupancy rates of the hotel were affected due to the coronavirus epidemic, which also affected the tourism sector.

The Board of Directors has decided not to collect rent from the tenants whose stores are closed partially during the days when the stores are closed in March 2020, and from the tenants whose stores are closed for the whole month in April 2020, and to give the authority to charge the rental fee for the stores that continue to serve in the said period to the General Directorate of the Company it was given.

Within the framework of the developments in our country regarding the coronavirus epidemic and the announcements of the public authorities that the effects of the measures taken have started to be seen, and the Presidency's statement that shopping centers may be partially opened as of May 11, 2020; In Pendorya Shopping Mall, which is part of the company portfolio and partially the tenants started to operate, it has been decided not to charge the rent from the tenants for the period of May 2020 within the framework of the conditions to be determined by the General Directorate of the Company.

26. OTHER MATTERS THAT EFFECT FINANCIAL STATEMENTS MATERIALLY OR THE MATTERS WHICH SHOULD BE DISCLOSED FOR CLEAR, INTERPRETABLE AND UNDERSTANDABLE FINANCIAL STATEMENTS *(continued)*

In Pendorya Shopping Center, which is included in the Company portfolio within the scope of the explanations and practices of public authorities regarding the coronavirus epidemic, within the scope of the gradual normalization process, It has been decided to apply a %50 discount to the fized lease fees for June 2020 period within the framework of the condition to be determined by the the Management of The Company, to support the reopening of the stores and the normalization process of the tenants.

Within the scope of combating the coronavirus epidemic, hygiene conditions have been maximized and all necessary measures have been taken to minimize risks. Regarding the shopping mall tenants in the company portfolio, it has been decided to make a 40% discount on the fixed rental prices of the tenants in the period of July 2020 and a 25% discount on the fixed rental prices in the period of August 2020.

It has been decided to authorize the General Directorate of the Company to make discounts on fixed rents based on the performance of the tenants in the period of September - December 2020.

In terms of performance, a 25% discount was applied to fixed rents on a tenant basis in the September 2020 period, and a 20% discount was applied to fixed rents on a tenant basis in the October-November 2020 period. In the period of December 2020, fixed rent invoices have been issued without any discount, and a 30% discount has been applied to fixed rents on a tenant basis, based on performance, and it has been decided that return invoices will be received from the tenants over the discount amounts.

In the January-March 2021 period, considering the number of visitors and the performance of the tenants, performance evaluations are made for each tenant in the minimum rental prices, and the Company's General Directorate is authorized to apply a discount in rental prices and to determine the discount rates to be applied.

In the period of April-June 2021, taking into account the number of visitors and the performance of the tenants, performance evaluations are made for each tenant in the minimum rental price, and the General Directorate of the Company is authorized to apply discounts on rental prices and to determine the discount rates to be applied.

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

ADDITIONAL NOTE COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS

According to the Communiqué Serial: III, No. 48.1 promulgated by CMB, "Communiqué on Principles Regarding Real Estate Investment Companies", compliance control of the portfolio restrictions of the Company is as follows:

	The main accounts of separate financial statements	Related regulation	30 June 2021	31 December 2020
A	Capital and money market instruments	III-48.1, Md. 24 / (b)	3,652,858	8,294,145
B	Real estates, rights supported by real estates, real estate projects, real estate investment fund participation shares	III-48.1, Md. 24 / (a)	591,071,789	590,227,500
C	Subsidiaries (*)	III-48.1, Md. 24 / (b)	662,540	597,338
	Due from related parties (other receivables)	III-48.1, Md. 23 / (f)	-	-
	Other assets		3,801,871	3,930,669
D	**Total assets**	III-48.1, Md. 3 / (k)	**599,189,058**	**603,049,652**
E	Funds borrowed	III-48.1, Md. 31	149,445,704	135,564,869
F	Other financial liabilities	III-48.1, Md. 31	-	-
G	Financial lease obligations	III-48.1, Md. 31	-	-
H	Due to related parties (other payables)	III-48.1, Md. 23 / (f)	-	-
I	Equity	III-48.1, Md. 31	447,124,781	464,638,714
	Other liabilities		2,618,573	2,846,069
D	**Total liabilities and equity**	III-48.1, Md. 3 / (k)	**599,189,058**	**603,049,652**

	Other separate financial information	Related regulation	30 June 2021	31 December 2020
A1	Capital and money market instruments amount held for 3-year real estate payments	III-48.1, Md. 24 / (b)	-	-
A2	Time balances / demand balances TL / foreign currency	III-48.1, Md. 24 / (b)	3,652,858	8,294,145
A3	Foreign capital market instruments	III-48.1, Md. 24 / (d)	-	-
B1	Foreign real estates, rights supported by real estates and real estate projects	III-48.1, Md. 24 / (d)	-	-
B2	Inactive land	III-48.1, Md. 24 / (c)	-	-
C1	Foreign subsidiaries	III-48.1, Md. 24 / (d)	-	-
C2	Participating to operating company	III-48.1, Md. 28	662,540	597,338
J	Non-cash loans	III-48.1, Md. 31	3,000,000	3,000,000
K	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1, Md. 22 / (e)	-	-
L	Total investments of monetary and capital market instruments at one company	Seri:VI No:11, Md.22/(l)	-	-

(*)As explained in the footnote no. 5, Anavarza Otelcilik Anonim Şirketi is an operating company within the scope of the paragragh 1 of Article 28 of Communiqué Serial: III, No. 48.1 promulgated by CMB. The Company's shareholder status has been recognized using the equity method in the enclosed financial statement. As at 30 June 2021, the Company's share in the Anavarza Otelcilik Anonim Şirketi is TL 2,250,000 and under the 10% of the Company's total assets.

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

ADDITIONAL NOTE COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS *(continued)*

	Portfolio restrictions	Related regulation	30 June 2021	31 December 2020	Max / Min ratio
1	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1, Md. 22 / (e)	0%	0%	Max 10%
2	Real estates, rights supported by real estates and real estate projects, real estate investment fund participation shares	III-48.1, Md. 24 / (a), (b)	99%	98%	Min 51%
3	Capital and money market instruments and subsidiaries	III-48.1, Md. 24 / (b)	1%	1%	Max 50%
4	Foreign real estates, rights supported by real estates and real estate projects, subsidiaries and capital market instruments	III-48.1, Md. 24 / (d)	0%	0%	Max 49%
5	Inactive land	III-48.1, Md. 24 / (c)	0%	0%	Max 20%
6	Participating to operating company	III-48.1, Md. 28	0%	0%	Max 10%
7	Borrowings limits	III-48.1, Md. 31	34%	30%	Max 500%
8	Time balances / demand balances TL / foreign currency	III-48.1, Md. 24 / (b)	1%	1%	Max 10%
9	Total investments of monetary and capital market instruments at one company	Seri:VI No:11, Md.22/(l)	0%	0%	Max 10%