CARREFOURSA CARREFOUR
SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR END PERIOD 1 JANUARY - 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder's of CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi and its subsidiary (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative, a Swiss entity.

Key Audit Matters

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

Revenue recognition and the initial application of TFRS 15

Refer to Note 2.4.1 and Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition and the impact of TFRS 15.

The key audit matter	How the matter was addressed in our audit
The Group's revenue is primarily comprise of retail sales and rental income from shopping malls. The Group sold its shopping center where generates rental income in June 2018 (Note 23). Therefore the second half of the year the Group has not generate revenue related to rental income. Besides, the Group also recognize turnover premiums income from supplier contracts and these incomes are accounted for on accrual basis in the period of the services of the vendors and deducted from cost of sales. The accuracy of retail sales revenue recognized in the consolidated financial statements is an inherent industry risk because there is processing of large volumes of data. Accounting for revenue from retail sales revenue has been identified as one of the key audit matters, as the accuracy of revenue recorded by information technology ("IT") billing systems involves a natural control risk due to the complexity of these systems and the size of the volume of data processed by these systems.	We have performed the following audit procedures to be responsive to retail sales revenue: - Assessing the appropriateness of the revenue recognition policy of the Group; - Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls; • key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls; and • internal IT controls over the completeness and accuracy of pricing and billing process and the end-to-end reconciliation controls from pricing and billing process to the accounting system. - Testing the integration of IT infrastructure of cashier system and accounting system - Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger - Substantive testing on a sample of non-systematic adjustments which are outside of the normal billing process and therefore carry higher levels of management judgment.

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The Group's income generated from its suppliers are based on the trade agreements with suppliers and the contents of these agreements consist of commitments to purchase amounts, promotions and marketing activities, and various types of discounts. These commitments can vary depending on the turnover and for the sum of purchases made during that period or for certain products within those purchases as of periods. Turnover premiums on purchases are recorded as a deduction from cost of sales and are recognized during the contractual agreement with the individual supplier. Turnover premiums on purchases due to ordinary activities are offset against the costs of such inventories and are associated with the cost of goods sold. The amount to be accounted for in the consolidated income statement as of the reporting date within the scope of the mentioned contracts requires the Group management to apply judgments based on contracts made by each of the suppliers. Turnover premium contracts made with suppliers, which have a significant impact on the gross profit of the Group, and the evaluation and application of the content of those agreements have been identified as a key audit matter. The Group has initially adopted TFRS 15 Revenue from Contracts with Customers as of 1 January 2018. The Group has applied the exemption provided by TFRS 15 Revenue from Contracts with Customers not to restate the comparative periods as a result of the TFRS 15 adoption. The application and adoption new revenue standard is complex. TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. As such, adoption of TFRS 15 is an area of focus in the audit.	We have performed the following audit procedures to be responsive to turnover premiums income: - Testing the fulfillment of contract conditions, turnover premium rates and relevant conditions for significant turnover premiums income to ensure that turnover premiums income received from suppliers are accounted for in accordance with the terms of the relevant contracts in the correct period and in the correct amount - Controlling the realization of turnover premiums income recognized as accruals in the following period - Testing of current accounts of suppliers in which significant portion of turnover premiums income is obtained, by means of external confirmation -Assessment of manual journal entries that the Group has accounted for during the year. Regarding the initial application of TFRS 15: - obtaining an understanding of the Group's new accounting policies, evaluate their appropriateness and document the results, - assessing the appropriateness of the methods used to determine the impact of the initial application of TFRS 15, - assessing the Group's disclosures in the consolidated financial statements to satisfy the new disclosure requirements.

Valuation of deferred tax assets

Refer to Note 2.5 and Note 26 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates for valuation of deferred tax assets.

The key audit matter	How the matter was addressed in our audit
As of and for the year ended 31 December 2018, the Group has offset its tax losses amounting to TL 28,517,950 for 2014 and 2015, and TL 276,325,411 of the tax losses for 2016 from the taxable profit as of 31 December 2018. The Group has reversed deferred tax asset amounting to 98.898.391 since its evaluated as not recoverable in the future. In conclusion, the Group has recognized expense amounting to TL 21,757,646 as of and for the year ended 31 December 2018 in its consolidated statements of profit or loss. Additionally, the Group has recognized deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable. The recoverability of recognized deferred tax assets is dependent on the Group's ability to generate future taxable profits sufficient to utilize deductible temporary differences and tax losses (before latter expire). We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences. Significant judgment is required in relation to the recognition and recoverability of deferred tax assets.	We have performed the following audit procedures to be responsive to this area: - Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by analyzing the assumptions adopted by management; - Considering the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions; - Considering the impact of recent regulatory developments, where applicable and relevant; - Reconciling tax losses and expiry dates to tax statements; and -Evaluation of the adequacy of disclosures in the consolidated financial statements for the application of the judgments used in the estimation of deferred tax assets that are recognized or not reconized in the consolidated financial statements of the Group.

Impairment of goodwill

Refer to Note 2.5 and Note 13 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for impairment of goodwill and other non-current asset groups.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the Group's goodwill amount is TL 482,479,139 (31 December 2016: TL 632,678,869) and impairment on goodwill are amounted to TL 150,200,000 (31 December 2016: TL 141,718,000). According to TAS 36, it requires an intangible asset with an indefinite useful life, goodwill to be tested for impairment annually. In performing impairment assessments, management has used significant estimates and assumptions. The management compared the carrying value of each of the separately identifiable cash generating units to which goodwill had been allocated with their respective value in use based on discounted cash flow forecasts to determine if any impairment loss should be recognized. The recoverable amount of cash generating units, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes per square meter and basket prices, operating costs, estimates related with new store openings and store closings, change in working capital, terminal value growth rates and the weighted-average cost of capital ("WACC"). Since the carrying value of goodwill is significant for the consolidated financial statements and the determination of the estimates and assumptions used in the estimation of the recoverable amount of goodwill requires significant judgment, this issue has been identified as one of the key audit issues.	Our audit procedures to assess potential impairment of goodwill and other non-current assets included the following: - Involving our own valuation specialist to assist in evaluating the appropriateness of discount rates and long term growth rate applied, which included comparing the WACC with retail sector averages; - Controlling of the design and mathematical accuracy of the calculation model of discounted cash flows, - Controlling of sensitivity analysis of management for market conditions applied to assumptions used. - Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and basket prices, operating costs, estimates related with new store opening and store closing, change in working capital, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; . Performing our own sensitivity analysis which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the cash generating units and - Evaluating the adequacy of the consolidated financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.

Financial position – Identification of whether the company's capital is unrequited or not, or whether the capital is running into debt

Refer to Note 2.6.4 and Note 31 to the consolidated financial statements for significant accounting assessments.

The key audit matter	How the matter was addressed in our audit
The Group has certain obligations which has key determinants in relation to going concern regulated by the Turkish Commercial Code ("TCC"), We have identified that the most important assumption used in assessing the going concern of the Group - as the main determinant of the estimated equity position - is the anticipated revaluation gains from revaluation of non-current financial assets and tangibles as at 31 December 2018 and expected future profitability. The calculations performed by "Real Estate Valuation Company" which is authorized by the CMB in order to determine the fair value of the tangibles and the calculations supporting the future profitability assessment made by the Group management are based on the estimations of the management's future performance and significant judgements. Those calculations constitutes basis for evaluation of the appropriateness of the accounting principle used to prepare the consolidated financial statements. We identified this issue as a key audit matter because of the significant judgment required in determining the assumptions and estimates used in the calculations.	Our audit procedures to assess potential impairment of goodwill and other non-current assets included the following: - Evaluation of the significant estimates and assumptions used in the real estate valuation report and controlling of valuation method used in determining the fair value amount of property, plant and equipment and non-current financial assets included in the special purpose financial statements prepared in accordance with TCC 376 according to CMB decision dated 10 April 2014 and numbered 11/352. - Assessment of the assumptions used by the Group management in estimating future performance and whether the accounting principles used in the preparation of the related special purpose financial statement are appropriate

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 18 February 2019.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2018 and 31 December 2018, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative

ORIGINALLY ISSUED IN TURKISH

Ruşen Fikret Selamet, SMMM
Partner
19 February 2019
İstanbul, Türkiye

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2018 AND 2017

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

	Notes	31 December 2018	31 December 2017
ASSETS			
Current Assets		**1,220,674,474**	**1,258,935,703**
Cash and Cash Equivalents	3	487,581,005	511,632,900
Trade Receivables			
Due From Related Parties	5, 28	20,987,567	18,512,939
Other Trade Receivables	5	35,055,793	37,512,648
Other Receivables			
Other Receivables	6	1,207,744	16,341,311
Derivative Financial Assets	7	--	37,024,056
Inventories	8	639,173,766	602,370,448
Prepaid Expenses	9	36,668,599	35,541,401
Non-Current Assets		**1,428,208,043**	**1,986,373,944**
Other Receivables			
Other Receivables	6	56,661,092	48,510,765
Investment Properties	10	--	221,360,273
Property, Plant and Equipment	11	633,413,074	766,412,413
Intangible Assets			
Goodwill	13	482,479,139	632,678,869
Other Intangible Assets	12	62,576,962	83,511,826
Prepaid Expenses	9	13,320,559	15,014,521
Deferred Tax Assets	26	179,757,217	218,885,277
TOTAL ASSETS		**2,648,882,517**	**3,245,309,647**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2018 AND 2017

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

	Notes	31 December 2018	31 December 2017
LIABILITIES			
Current Liabilities		**2,400,840,002**	**2,759,182,288**
Financial Liabilities			
Short Term Financial Liabilities from Related Parties	4, 28	291,370,075	405,373,639
Other Short Term Financial Liabilities	4	458,268,115	535,893,975
Short Term Portion of Long Term Financial Liabilities			
Short Term Portion of Long Term Financial Liabilities from Related Parties	4, 28	21,282,883	30,377,887
Other Short Term Portion of Long Term Financial Liabilities	4	36,295,451	349,241,943
Trade Payables			
Due to Related Parties	5, 28	20,500,662	30,677,456
Other Trade Payables	5	1,396,049,061	1,226,930,467
Employee Benefit Liabilities	16	48,498,301	25,790,987
Other Payables			
Due to Related Parties	6, 28	9,397,685	7,891,821
Other Short Term Payables	6	18,482,327	17,565,387
Short Term Provisions	14		
Provisions for Employment Benefits		9,008,246	8,247,818
Other Short Term Provisions		72,102,195	107,928,905
Other Current Liabilities	17	19,585,001	13,262,003
Non-Current Liabilities		**194,793,140**	**417,536,453**
Long Term Financial Liabilities			
Long Term Financial Liabilities from Related Parties	4, 28	21,844,798	29,421,926
Other Long Term Financial Liabilities	4	118,708,687	336,778,077
Long Term Provisions			
Provisions for Employment Termination Benefits	14	54,239,655	51,336,450
EQUITY		**53,249,375**	**68,590,906**
Shareholders' Equity		**53,249,375**	**68,590,906**
Share Capital	18	700,000,000	700,000,000
Inflation Adjustment to Share Capital	18	91,845,783	91,845,783
Share Issue Premium		34,691,309	34,691,309
Other Comprehansive Income/ Expense			
Not to be Reclassified to Loss	18	(4,446,458)	(601,338)
Restricted Reserves	18	12,318,358	12,318,358
Retained Earnings	18	(769,663,206)	(463,854,309)
Net Loss for the Period		(11,496,411)	(305,808,897)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,648,882,517**	**3,245,309,647**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

	Notes	2018	2017
CONTINUING OPERATIONS			
Revenue	19	5,203,359,873	4,556,668,173
Cost of Sales (-)	19	(3,901,836,979)	(3,390,412,026)
GROSS PROFIT		**1,301,522,894**	**1,166,256,147**
Marketing Expenses (-)	20	(1,172,671,968)	(1,016,625,908)
General Administrative Expenses (-)	20	(161,356,003)	(131,681,241)
Other Income From Main Operations	22	63,859,655	92,768,216
Other Expenses From Main Operations (-)	22	(354,922,984)	(292,879,440)
OPERATING LOSS FROM MAIN OPERATIONS		**(323,568,406)**	**(182,162,226)**
Income From Investment Activities	23	569,337,061	21,289,283
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9		61,881	(4,679,322)
OPERATING (LOSS) / PROFIT		**245,830,536**	**(165,552,265)**
Finance Income	24	53,267,469	2,349,557
Finance Costs (-)	25	(270,505,261)	(189,044,318)
LOSS BEFORE TAX		**28,592,744**	**(352,247,026)**
Tax Income		**(40,089,155)**	**46,438,129**
- Taxes on Income	26	--	--
- Deferred Tax Income (Expense)	26	(40,089,155)	46,438,129
NET LOSS FOR THE YEAR		**(11,496,411)**	**(305,808,897)**
OTHER COMPREHENSIVE LOSS			
Items not to be Reclassified Under Profit or Loss, After Tax		**(3,845,120)**	**(112,564)**
- Remeasurements of defined benefit asset / (liability)	14	(4,806,400)	(140,705)
- Remeasurements of defined benefit asset / (liability), tax effect	14	961,280	28,141
TOTAL COMPREHENSIVE LOSS		**(15,341,531)**	**(305,921,461)**
Loss Per Share	27	(0.0164)	(0.4369)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

	Share Capital	Inflation Adjustment to Share Capital	Share Issue Premium	Actuarial Gain / (Loss)	Restricted Reserves	Retained Earnings	Net Loss for the Period	Total
Balance at 1 January 2017	**700,000,000**	**91,845,783**	**34,691,309**	**(488,774)**	**12,318,358**	**(31,687,012)**	**(432,167,297)**	**374,512,367**
Transfers	--	--	--	--	--	(432,167,297)	432,167,297	--
Total Comprehensive Loss	--	--	--	(112,564)	--	--	(305,808,897)	(305,921,461)
Balances at 31 December 2017	**700,000,000**	**91,845,783**	**34,691,309**	**(601,338)**	**12,318,358**	**(463,854,309)**	**(305,808,897)**	**68,590,906**
Balance at 1 January 2018	**700,000,000**	**91,845,783**	**34,691,309**	**(601,338)**	**12,318,358**	**(463,854,309)**	**(305,808,897)**	**68,590,906**
Transfers	--	--	--	--	--	(305,808,897)	305,808,897	--
Total Comprehensive Loss	--	--	--	(3,845,120)	--	--	(11,496,411)	(15,341,531)
Balances at 31 December 2018	**700,000,000**	**91,845,783**	**34,691,309**	**(4,446,458)**	**12,318,358**	**(769,663,206)**	**(11,496,411)**	**53,249,375**

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Net loss for the period		**(11,496,411)**	**(305,808,897)**
Adjustments to reconcile net loss for the period		**(19,232,308)**	**340,246,571**
- Depreciation of investment properties	10	2,213,596	5,884,559
- Depreciation of property, plant and equipment	11	106,145,962	78,009,081
- Amortization of intangible assets	12	32,889,386	28,969,081
- Gain on sale of tangible assets, intangible assets and investment properties	23	(569,337,061)	(21,289,283)
- Risk, lawsuit, personnel, SSI and other provisions	14	(35,826,710)	(19,464,021)
- Interest income accruals		(35,230,891)	(2,349,557)
- Interest expense accruals	4	213,871,634	183,576,827
- Impairment provision	22	149,881,175	84,523,809
- Change in unused vacation provision	14	760,428	587,513
- Provision for employment termination benefit	14	27,402,278	34,043,874
- Allowance for doubtful receivables	5	3,418,065	6,377,821
- Change in inventory impairment	8	2,296,367	(10,726,384)
- Unrealized foreign exchange loss		42,194,308	18,541,380
- Tax (income)/expense	26	40,089,155	(46,438,129)
Changes in working capital:		**192,433,638**	**257,846,993**
- Increase in trade receivables, including collection from doubtful receivables		(961,210)	(19,294,217)
- Decrease/(increase) in inventories		(39,099,685)	(32,042,496)
- Increase due from related parties		(2,474,628)	(5,010,160)
- (Increase) / decrease in other receivables and current assets		44,007,296	75,755,087
- Increase/(decrease) in prepaid expenses		566,764	9,396,044
- Increase/(decrease) in other short term payables		916,940	2,260,595
- Increase in other trade payables		169,118,594	221,486,047
- Increase in due to related parties		(8,670,930)	6,235,101
- (Decrease) / increase in employee benefit liabilities		22,707,314	388,882
- Increase/(decrease) in other short-term liabilities		6,323,183	(1,327,890)
Cash used in operating activities		**161,704,919**	**292,284,667**
- Employee termination benefits paid	14	(29,305,473)	(30,968,887)
Net cash used in operating activities		**132,399,446**	**261,315,780**

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

CASH FLOWS FROM INVESTING ACTIVITIES	**Notes**	**1 January-31 December 2018**	**1 January-31 December 2017**
- Acquisition of property, plant and equipment	11	(106,219,895)	(157,814,302)
- Acquisition of intangible assets	12	(13,587,239)	(33,994,378)
- Acquisition of investment properties	10	(756,330)	(1,822,279)
- Proceeds from sale of investment properties, tangible assets and intangible assets		924,264,613	54,245,037
Net cash used in investing activities		**803,701,149**	**(139,385,922)**
CASH FLOWS FROM FINANCING ACTIVITIES			
- Proceeds from bank borrowings	4	642,108,972	2,005,570,500
- Repayment of borrowings	4	(1,595,808,400)	(1,857,075,057)
- Repayment of finance lease payables	4	(42,400,667)	(35,298,963)
- Increase in finance lease payables		35,230,891	2,349,557
Net cash generated from financing activities		**(960,869,204)**	**115,546,037**
Increase in cash and cash equivalents		**(24,768,609)**	**237,475,895**
Cash and cash equivalents at the beginning of the year		**511,632,900**	**274,877,489**
- The impact of change in foreign currency exchange rate over cash and cash equivalents		716,714	(720,484)
Cash and cash equivalents at the end of the year	3	**487,581,005**	**511,632,900**

In the current year, paid interest is amounting to TRY 231,629,529 (31 December 2017: paid interest TRY 207,056,630).

1. ORGANISATION AND NATURE OF OPERATIONS

CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi (“The Company”) was established in 1991 to operate in the hypermarket and supermarket sectors in Turkey. The registered address of the Company is Cevizli Mahallesi, Tugay Yolu Caddesi No:67 A, B Blok Maltepe / İstanbul. As at 31 December 2018, number of personnel of the Group is 9,688 (31 December 2017: 10,750).

As of 31 December 2018, the Company has 29 hypermarkets and 567 supermarkets (2017: 33 hypermarkets, 592 supermarkets).

Subsidiary

Adana Gayrimenkul Geliştirme ve İşletme A.Ş. (“Adana Gayrimenkul”), which is 100% owned by the Company, was established at 15 October 2014 and has been started to consolidate by using full consolidation method as of 31 December 2014. The main business of the Subsidiary is contruction of nonresidential buildings. There is no operation of Adana Gayrimenkul except real estate ownership so far.

The other subsidiary, Adanabir Gayrimenkul Geliştirme ve İşletme A.Ş. (“Adana Gayrimenkul”), which is 100% owned by the Company, was established at 27 March 2015 and merged with Adana Gayrimenkul which is the another subsidiary of the Company, with its existing assets and liabilities by acquisition and this transaction has been registered by the Registry of Commerce of İstanbul on 19 October 2015.

On 15 May 2015, the Company has signed Share Purchase Agreement with Kiler Holding Anonim Şirketi, Nahit Kiler, Ümit Kiler, Vahit Kiler, Hikmet Kiler, Sevgül Kiler and Denge Reklam San. ve Tic. Ltd. Şti. (“Vendors”), in order to acquire 85% of the shares of Kiler Alışveriş, of which 15% of its shares are publicly traded in Borsa İstanbul A.Ş., with an amount of TRY 429,574,000 (Note 13). The share purchase demand has been approved by Turkish Competition Authority on 30 June 2015, with decision numbered 61813209-120-6544. The Company has taken over the management of Kiler Alışveriş on 8 July 2015 and has paid by cash the agreement amount of TRY 429,574,000 to the vendors on the same day.

As a result of mandatory tender offer between 17 September - 5 October 2015, ownership rate of the Company has increased to 97.27% by paying additional TRY 62,290,926 and has been started to consolidate by using full consolidation method as of 30 September 2015. The Company has decided legal merge with Kiler Alışveriş by acquisition method, with the Board decision at 20 October 2015. The legal merge has been approved by Capital Market Board (“CMB”) on 27 November 2015, with decision numbered 32/1493. The legal merge has been realized by the decision of Extraordinary General Assembly held on 29 December 2015 and registered on 31 December 2015. The Company has intended to grow inorganically in the market with that business combination.

The Company and the Subsidiary referred to as the “Group”.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation

(a) Statement of compliance with Turkish Financial Reporting Standards (“TFRS”)

According to the the Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013, the accompanying consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”). TFRS is composed of Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards and its addendum and interpretations issued by POA. The consolidated financial statements of the Group are presented in compliance with “Announcement on Financial Statements and Disclosure Formats” announced by CMB and TAS taxanomy announced by POA.

The Company and its subsidiary maintain their accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the “TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

Approval of consolidated financial statements:

The accompanying consolidated financial statements are approved by the Company’s Board of Directors on 19 February 2019. General Assembly and related legal institutions have the right to correct these consolidated financial statements and statutory financial statements.

(b) Basis of measurement

The financial statements have been prepared on historical cost basis except for revaluation of land, building, investment properties measured at fair value and derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Presentation and functional currency

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial position and the results of the Company’s operations have been expressed in Turkish Lira (“TL”) which is the functional currency of the Company and which is the presentation currency of the financial statements

2.2 Financial Reporting in Hyperinflationary Economies

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their consolidated financial statements in accordance with the financial reporting standards accepted by the CMB (“CMB Financial Reporting Standards”). Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the POA, has not been applied in the consolidated financial statements for the accounting year commencing 1 January 2005.

2.3 Changes in accounting policies, comparative information and restatement of prior periods’ consolidated financial statements

To allow for the determination of the financial situation and performance trends, the Group’s consolidated financial statements have been presented comparatively with the previous period. The Group presented consolidated balance sheet as of 31 December 2018 comparatively with the balance sheet as of 31 December 2017; consolidated statements of comprehensive income, consolidated statements of cash flow and consolidated statements of change in shareholders’ equity as of 31 December 2018 comparatively with the 31 December 2017 financial statements. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

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

2.4 Changes in Significant Accounting Policies

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017.

2.4.1 TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations.

The Group has adopted TFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – in other words it is presented, as previously reported, under TAS 18, TAS 11 and related interpretations.

TFRS 15 did not have a significant effect on the recognition of the Group's retail sales revenues.

The details the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Groups’s various goods and services are set out Note 2.5.2.

2.4.2 TFRS 9 Financial Instruments

The Group has initially adopted TFRS 9 Financial Instruments i with a date of initial application of 1 January 2018. TFRS 9 sets out requirements for recognising and measuring of financial assets and financial liabilities. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

The effect of adopting TFRS 9 on the carrying amounts of financial assets at 1 January 2018 has no significant impacts, as described further below.

The adoption of TFRS 9 on 1 January 2018 does not have a significant effect on the carrying amounts of financial assets, as explained in more detail below.

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group’s financial assets as at 1 January 2018.

	Original classification under TAS 39	**New classification under TFRS 9**	**Original carrying amount under TAS 39**	**New carrying amount under TFRS 9**
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	511,632,900	511,632,900
Trade receivables	Loans and receivables	Amortised cost	56,025,587	56,025,587
Other receivables	Loans and receivables	Amortised cost	64,852,076	64,852,076

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

2.4 Changes in Significant Accounting Policies (continued)

2.4.2 TFRS 9 Financial Instruments (continued)

Impact of the new impairment model

The details of new accounting policy that the Group need to apply in the context of the new model according to TFRS 9 are disclosed in Note 2.5.10 under section “Impairment on assets”. There is no significant impact on the provision for impairment of the new model in accordance with TFRS 9.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the consolidated statement of profit or loss. As a result, the Group reclassified impairment losses amounting to TL 4.679.322 which has been recognized under TAS 39, from ‘general administrative expenses and cost of goods sold’ to “Impairment gain/ (loss) and reversal of impairment loss determined in accordance with TFRS 9” in the statement of profit or loss for 31 December 2018.

2.5 Summary of Significant Accounting Policies

The consolidated financial statements for the year ended 31 December 2018 are prepared according to TFRS.

The accounting policies applied in preparation of the accompanying consolidated financial statements are as follows. These accounting policies were applied in a consistent manner unless otherwise settled.

2.5.1 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies. Financial statements of the Company and its subsidairy subject to consolidation were prepared as of the same date.

2.5.2. Revenue

General model for accounting of revenue

In accordance with TFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

Step 1: Identify the contract with a customer

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability). Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

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

2.5 Summary of Significant Accounting Policies (continued)

2.5.2. Revenue (contiuned)

Step 2: Identify the performance obligations in the contract

An entity identifies a

An entity determines whether it promises to transfer either goods or services that are distinct, or a series of distinct goods or services that meet certain conditions. A ‘performance obligation’ is the unit of account for revenue recognition. An entity assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a:

(a) good or service (or a bundle of goods or services) that is distinct; or

(b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

An entity may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A single contract may contain promises to deliver to the customer more than one good or service. At contract inception, an entity evaluates the promised goods or services to determine which goods or services (or bundle of goods or services) are distinct and therefore constitute performance obligations.

Step 3: Determine the transaction price

When determining the transaction price, an entity assumes that the goods or services will be transferred to the customer based on the terms of the existing contract. In determining the transaction price, an entity considers variables considerations and significant financing components.

Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. The Group does not have sales transactions which includes significant financing component.

Variable consideration

An entity assesses whether discounts, rebates, refunds, rights of return, credits, price concessions, incentives, performance bonuses, penalties, or similar items may result in variable consideration.

Step 4: Allocate the transaction price to the performance obligations in the contract

The transaction price is allocated to each performance obligation – generally each distinct good or service – to depict the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Step 5: Recognize revenue when or as the entity satisfies a performance obligation

An entity recognizes revenue over time when one of the following criterias are met:

- The customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.2. Revenue (contiuned)

- The entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- The entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

In cases where the cost to be incurred by the Company exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Company provides a provision in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract modifications

A ‘contract modification’ occurs when the parties to a contract approve a change in its scope, price, or both. The accounting for a contract modification depends on whether distinct goods or services are added to the arrangement, and on the related pricing in the modified arrangement

i) Retail sales revenues

The Group’s retail sales revenues are recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Since the Group generally carries out retail sales with cash or credit cards and customers obtain control of the goods as sales are realized, revenue is recognized at the time of sale.

ii) Turnover premiums and supplier discounts

The Group turnover premiums income from supplier contracts and supplier discounts are accounted for on accrual basis in the period of the services of the vendors and associated with the cost of goods sold.

iii) Revenues from trade centers

The Group's revenues from trade centers consists of rental income arising from rent contracts with tenants. Such rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease. The Group has sold its trade center on June 2018.

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.2. Revenue (contiuned)

iv) Costumer royalty programme

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage is recognised as reward points are redeemed based upon expected redemption rates.

2.5.3. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated with moving weight average method. Borrowing costs are not included in cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The Group calculates the impairment of inventory based on the past experience of statistical results of slow-moving non food inventory.

2.5.4. Investment properties

Investment property, which is property (lands and buildings over 2.500 m^2) held not to produce goods and service or held for administration purposes, instead held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Investment property is accounted by acquisition cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis (Note 10) over the related assets’ estimated useful lives and the depreciation costs are reflected in the income statement. The estimated useful lives of these assets are 20 to 49 years.

Investment properties are reviewed whether there is any indication for any impairment loss. If the carrying amount of the investment property is higher than the recoverable amount, then the carrying amount is deducted to recoverable amount by providing impairment provision. The recoverable amount is the higher of net cash inflow from the use of the investment property and the net sales price. Investment properties are derecognized in cases of disposal or become unusable and no future economic benefit is determined from its sale. Profit or loss arising from expiration or disposal of the investment property is included in the income statement in the period which they occurred. Properties that are leased under operating leases are not classified as investment properties.

2.5.5 Plant, property and equipment

Property, plant and equipment which are acquired before 1 January 2005 are carried at their restated cost as of 31 December 2004 and property, plant and equipment which are acquired after 31 December 2004 are carried at their acquisition cost less accumulated depreciation and any accumulated impairment losses. Land is not subject to depreciation and carried at its acquisition cost less any accumulated impairment losses. Expenses arising from replacing a part of a property, plant and equipment can only be capitalized with the maintenance costs if they extend the future economic useful life of the asset.

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

2.5 Summary of Significant Accounting Policies (continued)

2.5.5 Plant, property and equipment (continued)

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Legal fees are also included to cost. For qualifying assets, borrowing costs may be capitalized. Such properties are classified to the appropriate categories of property, plant and equipment when they are completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when assets are ready for their intended use.

Other expenses are accounted under expense items in consolidated income statement in the period in which they are incurred.

Depreciation is recognized on cost values of fixed assets using the straight-line method according to their useful lives, except for land and construction in progress. The estimated useful life, residual value and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Based on the average useful lives of property, plant and equipment, the following depreciation rates are determined as stated below:

Buildings	40 years
Land improvements	6-10 years
Machinery and equipment	4-20 years
Other tangible fixed assets	5-10 years

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income / (loss) and defined as the difference between the sales price and the carrying amount.

2.5.6 Intangible Assets

Intangible assets acquired

Intangible assets include software and other rights. Intangible assets which are acquired before 1 January 2005 are carried at their restated cost as of 31 December 2004; and intangible assets which are acquired after 31 December 2004 are carried at their acquisition cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over the related assets’ estimated useful lives and the amortization costs are reflected in the income statement. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of these assets are 3 to 5 years.

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

2.5 Summary of Significant Accounting Policies (continued)

2.5.6 Intangible Assets (continued)

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Mentioned costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives. The estimated useful lives of computer softwares are 3 to 5 years.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over acquired subsidary interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill acquired in a business combination is allocated to each of the Cash Generating Units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Derecognition of intangible assets

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

2.5.7 Financial Lease Transactions

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

2.5 Summary of Significant Accounting Policies (continued)

2.5.7 Financial Lease Transactions (continued)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.5.8 Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are companyed at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group revises carrying amounts of tangible and intangible assets in order to determine any impairment at each balance sheet date. In case of impairment, recoverable amounts of assets are measured, if available, in order to determine the impaired amount. In cases where the recoverable amount cannot be measured, the Group determines the recoverable amount of the cash-generating unit related to that asset. In case of determining a reasonable and consistent basis of allocation, assets of the Group are distributed to cash-generating units. In cases where it is not possible, assets of the Group are distributed to smallest cash-generating units in order to determine a reasonable and consistent basis of allocation.

Intangible assets that have indefinite economic lives or that are not ready to use are tested for impairment at least once a year on in case any impairment indicator exists. The recoverable amount is the higher of fair value of the asset minus sales costs and value in use. Value in use is the present value of expected cash flows from an asset or cash-generating unit. In order to determine the value in use, the discount rate before tax reflecting asset specific risks that are not considered in the calculation of future estimated cash flows is used.

In cases where the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, the book value is decreased to its recoverable amount. The impairment loss is accounted for under profit/loss directly where the related asset is not measured at its revalued amount. In this case, the impairment loss is considered as revaluation loss.

The Group performs impairment test for stores in each reporting period and the difference between cash generating units’ carrying amount and recovarable amount is accounted as impairment expense (Note 11).

In cases of annulment of the revaluation loss during the following periods, book value of the asset (or cash-generating unit) is increased to coincide with the revised estimated recoverable amount. The increased book value should not exceed the amount if it had not been impaired. Annulment of the revaluation loss is accounted for under profit/loss directly, unless the asset is not presented with a revalued amount. Annulment of impairment of a revalued asset is considered as revaluation gain.

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

2.5 Summary of Significant Accounting Policies (continued)

2.5.9 Borrowing Costs

Borrowing costs directly or indirectly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.5.10 Financial Instruments

i) Recognition and measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

2.5 Summary of Significant Accounting Policies (continued)

2.5.10 Financial Instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio levela because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets. inancial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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

2.5 Summary of Significant Accounting Policies (continued)

2.5.10 Financial Instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018 (continued)

Additionally, for a financial asset acquired at a discount or Premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Since the principal is the present value of expected cash flows, trade receivables and other receivables meets the solely payments of principal and interest criteria. It is managed in accordance with the business model based on collection of these receivables.

The following accounting policies apply to the subsequent measurement of financial assets

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group’s loans and receivables comprise trade receivables and cash and cash equivalents in the consolidated balance sheet.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.10 Financial Instruments (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading as such on initial recognition.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are record with their fair value and evaluate with fair value as of balance sheet date. Change in the fair value is recognized in consolidated income statement. Recognized income or loss includes the paid interest for the financial liabilities. As of the balance sheet date, the Group does not have any financial liabilities at fair value through profit or loss.

ii) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

iii. Derecognition

Derecognition - Policy applicable from 1 January 2018

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.10 Financial Instruments (continued)

iii. Derecognition

Derecognition - Policy applicable from 1 January 2018 (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and t he cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Derecognition - Policy applicable before 1 January 2018

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Gains or losses arising from an increase or decrease in the fair value of derivatives that do not meet the requirements for hedge accounting are recognized directly in profit or loss. As at reporting date, the Group does not have derivative financial instrument.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.10 Financial Instruments (continued)

vi. *Impairment of financial assets*

a. Non-derivative financial assets - Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognizes loss allowances for the expected credit losses of the following items under TFRS 9:

- financial assets measured at amortized cost;

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the borrower is unlikely to pay its obligations arising from retail sales, turnover premiums contracts and supplier discounts to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or the financial asset is more than 90 days past due.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Lifetime expected credit losses are that result from all possible default events over the expected life of a financial instrument 12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risks.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.10 Financial Instruments (continued)

Financial Instrument (Continued)

vi. *Impairment of financial assets (continued)*

a. Non-derivative financial assets - Policy applicable from 1 January 2018

Measurement of expected credit losses:

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. Expected credit losses are discounted at the effective interest rate of the financial asset. For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses (TFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The Group performed the calculation of expected credit losses rates separately for receivables arising from retail sales, turnover premium contracts and receivables from trade centers. The expected credit losses were calculated based on actual credit loss experience over the past years.

Exposures within each group were segmented based on common credit risk characteristics such as delinquency status.

Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables. Future collection performance of receivables are estimated by considering general economic conditions to incorporate forward looking information to the expected credit loss calculations.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses of trade and other receivables, including contract assets, are presented as a separate item in the statement of profit or loss.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.10 Financial Instruments (continued)

vi. *Impairment of financial assets (continued)*

a. Non-derivative financial assets - Policy applicable from 1 January 2018

Write-off (continued)

Financial assets are written off when there is no reasonable expectation of recovery (such as a debtor failing to engage in a repayment plan with the Company). Where trade receivables, other receivables, other assets and contract assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

b. Non-derivative financial assets - Policy applicable before 1 January 2018

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

For financial assets presented at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is cancelled in income statement, however it could not exceed the amortized cost of the asset at the date impairment cancelled.

For available-for-sale equity instruments, any impairment loss recognized in income statement in prior periods could not be reversed in income statement. The fair value gain arising from impairment loss is accounted for in other comprehensive income and is classified under the heading of revaluation provision related to investments. Impairment loss on available-for-sale debt securities is reversed in income statement in subsequent periods if the increase in the fair value of the investment is attributable to an event occurring after the impairment loss is recognized.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.11 Business Combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with TAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.6.1).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group’s accounting policies.

2.5.12 Foreign Currency Transactions

In the statutory accounts of the Group, transactions in foreign currencies (currencies other than Turkish Lira) are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.13 Fair Value Hedge Accounting

The Group has been engaged in shopping mall management besides operating in retail sector before the Group sold out its trade center in 2018. The Group had long-term foreign currency denominated agreements with leaseholders located shopping mall and contractual receivables denominated in foreign currencies. Risk management strategy of the Group were to use hedging as a instrument for risks arising from changes in foreign exchange rates. Material part of these lease agreements with tenants mentioned above are denominated in US Dollars and exposed to to foreign exchange risk.

In order to prevent foreign exchange risk included in the future cash flows from unbilled receivables arising from US Dollar lease agreements, the Group provides debt financing with the same currencies. The Company hedges foreign exchange risk arising from revenues of rental service commitments borrowings denominated in foreign currency.

Details of the fair value hedge accounting are as follows:

- Starting date of the hedge accounting: 1 December 2016
- Nature of the hedge accounting: Fair value hedge accounting
- Hedged item: Future cash flows from contracts denominated in USD
- Hedging instrument: Future cash flows from borrowings denominated in USD
- Features of the hedged risk: The risk of changes in foreign exchange rates

Fair value changes arising from foreign exchange risk of the hedged item has been recognized as “Derivative financial instruments” as an asset or liability in the consolidated balance sheet and related gains or losses are recognized in the consolidated income statement under finance income and costs.

As a result of the sale of the shopping mall in September 2018, the future value of US dollar denominated rental receivables (hedged item) has been expired and the fair value hedge accounting has been terminated (Note 7).

2.5.14 Earnings/Loss Per Share

Earnings/loss per share is the portion of the net profit or loss that accounts for the common share, which divided by the weighted average unit of common share.

In Turkey, companies, can increase their capitals by the “bonus share” method that they distributed from the prior year profits. This type of “bonus share” distribution, is considered as issued share in the earnings per share calculations. Accordingly, weighted average share amount used in this calculations are computed by considering the prior effects of the distributed shares as well.

2.5.15 Events After Reporting Sheet Date

Events after the reporting date cover the events which arise between the reporting date and the balance sheet date that have positive or negative effects over the Group. Should any evidence come about events that were prior to the reporting date or should new events come about they will be explained in the relevant footnote.

The Group restates its consolidated financial statements if such subsequent events arise which require to adjust consolidated financial statements.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.16 Provisions, Contingent Liabilities, Contingent Assets

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.5.17 Restructuring Provisions

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.5.18 Related Parties

A party is related to an entity if:

(a) Directly, or indirectly through one or more intermediaries, the party:

(i) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) Has an interest in the entity that gives it significant influence over the entity; or

(iii) Has joint control over the entity;

(b) The party is an associate of the entity;

(c) The party is a joint venture in which the entity is a venture;

(d) The party is a member of the key management personnel of the entity or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d);

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or;

(g) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.19 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively (Note 26).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group calculates deferred tax liability for all taxable temporary differences related to its subsidiaries, if the offset time of taxable temporary differences could be controlled and the offset of taxable temporary differences is probable in a foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.5.20 Employee Benefits/ Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognised in the balance sheet represents the net present value of the total due to retirement of all employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The liability is not funded, as there is no funding requirement.

The following actuarial assumptions were used in the calculation of the total liability:

	2018	**2017**
Discount rate per annum (%)	5.00	4.14
Probability of retirement (%)	81.08	93.87

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 6,017.60 (1 January 2018: TRY 5,001.76) which is effective from 1 January 2019, has been taken into consideration in calculating the Group's provision for employment termination benefits.

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

2.5 Summary of Significant Accounting Policies (Continued)

2.5.21 Statement of Cash Flow

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from fast-moving consuming goods sales and rent income from trade centers of the Group.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

2.5.22 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.6 Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

2.6.1 Impairment Test of Goodwill

As mentioned in Note 2.5.6 and Note 2.5.8, goodwill is reviewed for the impairment by the management. The recoverable amount of such cash-generating units is calculated by using carrying amount. The calculation of carrying amount includes discounted cash flow projections in TRY. The related projections are based on the long term plans including years between 2019-2023, which are approved by the management. In long-term growth plans, growth rate of 7% was taken into consideration (31 December 2017: 7%). The discount rate as of 31 December 2018, used for the calculation of carrying amount is 22.3% (31 December 2017: 13.7%). That discount rate is after tax discount rate and includes specific risks of the Group (Note 13).

2.6.2 Provisions

As mentioned in Note 2.5.16, provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. In that scope, as of 31 December 2018 the Group evaluated the current risks and booked related provisions (Note 14).

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

2.6 Significant Accounting Estimates and Assumptions (continued(

2.6.3 Deferred Tax Asset

The Group recognizes deferred tax asset and liability on the 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. Under current circumstances, the partial or complete recoverable amounts of deferred tax assets are predicted. During the evaluation, future profit projections, current year’s losses, unused losses and the expiration dates of other tax assets, and if necessary tax planning strategies are considered. Based on the data obtained, if the Group’s taxable profit, which will be obtained in the future, is not enough to fulfill the deferred tax assets, a provision is provided either for the whole or for a certain part of the deferred tax asset. As of 31 December 2018 and 2017, after the necessary evaluations, the deferred tax assets are fully accounted because of expectation of taxable profit in the future.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The Group estimates that it will be able to utilize the deductible carry forward tax losses using the estimated profits in the following years.

2.6.4 Evaluation of financial position

The Group has recognized TRY 11,496,410 loss as of and for the year ended 31 December 2018 and together with current year loss the Group’s accumulated losses has reached to TRY 781,159,617 . As of 31 December 2018, the Group’s total equity is TRY 53,249,376.

Accordingly, in accordance with the second paragraph of Article 376 of the TCC, it has been determined that two-thirds of the Group's capital and legal reserves are unrequited. Therefore a special purpose financial statement (“TTK 376 balance sheet”) which based on probable selling prices of land and buildings and investment properties, has been prepared in accordance with the CMB’s principle decision dated 10 April 2014 and numbered 11/352 (principle decision no 2014/11).

Aforementioned special purpose financial statement has been prepared based on the Company's balance sheet which is in compliance with Turkish Tax Legislation.

The market value of the Company's lands and buildings has been determined as TRY 414,320,000 according to the valuation report issued by real estate valuation company accredited by CMB. As a result, the equity amount of the Company recognised in the Special Purpose Financial Statement (TTK 376 balance sheet) is TRY 383,153,603. This amount indicates that the Group has retained its paid capital amounting to TRY 700,000,000.

Additionally, the Group made material event disclosure in accordance with CMB’s principle decision numbered 11/352 as explained in Note 31.

In addition, in 2018, the Group management has closed certain stores by taking into consideration the profitability criteria for the future, took efforts to reduce rental costs, took necessary precautions to reduce the head office expenses and reflected the expenses incurred in these consolidated financial statements and allocated necessary provisions. The Group will continue its operations with existing stores in the following periods in anticipation of future profit projections and the related strategies will continue to be evaluated by management in order to ensure financial sufficiency.

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

2.7 Changes in Turkish Financial Reporting Standards

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

The Group will be benefited from IFRS 16 initial recognition exemption for low-value asset leases and short term leases which has terms less than 12 months. In this context, the Group will be recognized a right of use and lease obligations for its rental contracts for stores, warehouses, transport vehicles and head office building shall have a right of use and a lease obligation.In this context, the future foreseen in accordance with the agreements of operating leases specified in Note 15 amounts will be brought to present values and their effects on the consolidated financial statements will be recognized. Due to the transition to TFRS 16, there is an improvement in the Group's operating profit and an increase in financing expenses.

TFRS Interpretation 23 Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 23.

Amendments to TFRS 9 Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of TFRS 9 will have significant impact on its consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.7 Amendments in Turkish Financial Reporting Standards (continued)

Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of these amendments to TAS 28 will have significant impact on its consolidated financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

Annual Improvements 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.7 Amendments in Turkish Financial Reporting Standards (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (continued)

Annual Improvements 2015-2017 Cycle (continued)

Improvements to IFRSs (continued)

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group does not expect that application of these amendments to IFRS 3 will havet impact on its consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	24,737,434	32,496,463
Cash in transit (*)	26,195,014	14,285,870
Credit card receivables	316,020,489	249,704,941
Banks		
Time deposit	86,850,987	197,802,448
Demand deposit	32,793,786	17,341,935
Other	983,295	1,243
	487,581,005	511,632,900

(*) Cash in transit consists of bank balances that has not been reflected into deposit due to value-date difference.

Related party balances in cash and cash equivalents are stated in Note 28.

As at 31 December 2018 time deposits are as follows:

Currency	Interest rate	Maturity	31 December 2018
USD	4.85%	29 January 2019	86,804,850
		Interest Accrual	46,137
			86,850,987

Currency	Interest rate	Maturity	31 December 2017
USD	3.90%	17 January 2018	8,222,742
TRY	13.80%	2 January 2018	189,350,000
		Interest Accrual	229,706
			197,802,448

The Group does not have any blocked deposits as at 31 December 2018 and 2017.

The Group’s exposure to currency and interest rate risks and relevant sensitivities for cash and cash equivalents are disclosed in Note 29.

4. FINANCIAL LIABILITIES

Short Term Financial Liabilities	31 December 2018	31 December 2017
Short Term Financial Liabilities from Related Parties		
Bank loans (*)	291,370,075	405,373,639
Other Short Term Financial Liabilities		
Bank loans (*)	458,268,115	535,893,975
	749,638,190	941,267,614

Short Term Portion of Long Term Financial Liabilities	31 December 2018	31 December 2017
Short Term Portion of Long Term Financial Liabilities from Related Parties		
Finance lease payables	21,282,883	30,377,887
Other Short Term Portion of Long Term Financial Liabilities		
Bank loans (**)	33,866,188	347,644,121
Finance lease payables	2,429,263	1,597,822
	57,578,334	379,619,830
Long Term Financial Liabilities		
Long Term Financial Liabilities from Related Parties		
Finance lease payables	21,844,798	29,421,926
Other Long Term Financial Liabilities		
Bank loans (**)	83,497,728	311,039,753
Finance lease payables	35,210,959	25,738,324
	140,553,485	366,200,003

(*) As at 31 December 2018 and 2017 the details of short term bank loans are as follows:

Currency	Interest Rate (i)	31 December 2018
TRY	22.96%	733,848,972
	Interest accrual	15,789,218
		749,638,190

Currency	Interest Rate	31 December 2017
TRY	15.86%	907,720,500
	Interest accrual	33,547,114
		941,267,614

(i) The interest rate was calculated by the weighted average method.

4. FINANCIAL LIABILITIES (Continued)

(**) As at 31 December 2018 and 2017 the details of long term bank loans are as follows:

Currency	Interest Rate	31 December 2018
TRY	26.75%	50,000,000
USD	4.50%	67,363,916
		117,363,916

Currency	Interest Rate	31 December 2017
TRY	14.25%	565,000,000
USD	4.50%	93,683,874
		658,683,874

The Group’s financial borrowing due to related parties are stated in Note 28.

Finance lease payables consist of the followings:

Finance lease payables	Present value of minimum lease payments	
	31 December 2018	31 December 2017
Within one year	25,675,924	32,809,779
Less : Future finance charges	(1,963,778)	(834,070)
	-	-
Present value of finance lease obligations	23,712,146	31,975,709
Two years and after	114,112,194	61,012,303
Less : Future finance charges	(57,056,437)	(5,852,053)
	-	-
Present value of finance lease obligations	57,055,757	55,160,250

The Group’s finance lease payables represent the present value of the future payables of the buildings and machinery and equipment that are rented by the third parties thourough their useful lives.

The details of property, plant and equipment acquired by finance lease as of 31 December 2018 and 2017 are disclosed at Note 11.

The repayment schedule of long-term borrowings as of 31 December 2018 and 2017 in TRY equivalent as at balance sheet date is as stated below:

	31 December 2018	31 December 2017
2019	--	304,854,093
2020	107,645,037	37,000,935
2021	2,182,446	1,294,129
2022	2,068,669	1,251,196
2023 and after	28,657,333	21,799,650
	140,553,485	366,200,003

As of 31 December 2018 and 2017, there are no guarantees given related to the financial borrowings.

	31 December 2018	31 December 2017
1 January bank loans and financial lease liabilities	1,687,087,447	1,372,493,242
current period additions	642,108,973	2,005,570,500
interest and capital repayments	(1,638,209,067)	(1,892,374,020)
current period interest accruals	213,871,633	183,576,827
effects of change in interest change	42,911,023	17,820,898
30 June Borrowings and financial lease liabilities	947,770,009	1,687,087,447

As of 31 December 2018 and 31 December 2017, there are no guarantees given related to the financial borrowings.

5. TRADE RECEIVABLES AND PAYABLES

Trade Receivables	31 December 2018	31 December 2017
Other trade receivables	49,851,346	49,545,645
Shopping mall receivables	14,282,053	17,448,381
Provision for doubtful trade receivables	(29,077,606)	(29,481,378)
	35,055,793	37,512,648
Due from related parties (Note 28)	20,987,567	18,512,939
	56,043,360	56,025,587

The movement of the allowance for doubtful receivables for the years ended 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Opening balance	29,481,378	24,417,128
Collections / reversals	(3,479,946)	(928,643)
Reversals	(341,891)	(384,928)
Charge for the period	3,418,065	6,377,821
Closing balance	29,077,606	29,481,378

Trade receivables due dates vary depending on the sector and company and the average due dates are lower than three months. The Group evaluates the credibility of the receivable and the movement between the creation time of the receivable and reporting date when considering the collectability of its receivables. Due to the Group is working with a large number of clients, credit risk of the Group has been scattered and there is no concentrated credit risk.

The Group's exposure to credit and foreign currency risk and impairment for trade receivables are disclosed in Note 29.

The guarantees received for the Group's trade receivables are as follows:

	31 December 2018	31 December 2017
Letters of guarantee received for shopping mall receivables	7,331,349	21,649,862
	7,331,349	21,649,862

According to the real estate sales promise contract signed on 14 May 2018 between the Group and Bakırköy Gayrimenkul Yatırım İnşaat Turizm Sanayi ve Ticaret A.Ş. ("Bakırköy"), in case of any payments made after 28 June 2018 (which is the date of title deed registation) to the Group by tenants with respect to the period after 14 May 2018, the Group is obliged to pay those amounts to Bakırköy immediately. In case of any payment to Bakırköy by the tenants with respect to the period before 14 May 2018, Bakırköy shall be obliged to pay those amounts to the Group.

Short Term Trade Payables	31 December 2018	31 December 2017
Trade payables	1,396,049,061	1,226,930,467
Due to related parties (Note 28)	20,500,662	30,677,456
	1,416,549,723	1,257,607,923

Average payment terms of commoditiy purchase is variying depending on sector and suppliers. Payment terms in grocery sector is less than a month, in other sectors payment term is less than three months.

The Group’s exposure to liquidty and foreign currency risk for trade payables are disclosed in Note 29.

6. OTHER RECEIVABLES AND PAYABLES

Other Short Term Receivables	31 December 2018	31 December 2017
Receivables from personnel	219,734	468,836
VAT receivables	-	13,333,868
Other receivables (*)	988,010	2,538,607
	1,207,744	16,341,311

Other Long Term Receivables	31 December 2018	31 December 2017
Deposits given	42,082,606	33,700,732
VAT receivables	14,578,486	14,810,033
	56,661,092	48,510,765

The Group’s exposure to liquidty and foreign currency risk for other payables are disclosed in Note 29.

Other Short Term Payables	31 December 2018	31 December 2017
Taxes payables	16,081,581	14,382,378
Advances and deposits received	2,400,746	3,183,009
	18,482,327	17,565,387
Due to related parties (Not 28)	9,397,685	7,891,821
	27,880,012	25,457,208

The Group’s exposure to liquidty and foreign currency risk for other payables are disclosed in Note 29.

7. DERIVATIVES

Derivative Instruments	31 December 2018	31 December 2017
Assets:		
Short term commitment - hedging assets	-	37,024,056
	-	37,024,056

In accordance with the Group's foreign exchange risk management strategy, foreign currency exchange risks arising from future lease receivables in US Dollar are hedged with the borrowings in US Dollar. As a result of the sale of the shopping mall in September 2018, the future value of US dollar denominated rental receivables has been expired and the fair value hedge accounting has been terminated.

As of 31 December 2018, the Group has accounted hedged assets amounting to TRY 54,275,818, which are recorded in the balance sheet in accordance with the Group's foreign exchange risk management strategy, in profit or loss by offsetting gain on sale of mentioned shopping mall due to the sale of shopping mall in which lease receivables (hedging item) were generated.

8. INVENTORIES

	31 December 2018	31 December 2017
Trade goods	647,532,948	608,433,263
Impairment of inventories	(8,359,182)	(6,062,815)
	639,173,766	602,370,448

Allowance for impairment on inventory for the years ended 31 December 2018 and 2017 is recognized in cost of sales (Note 19). As of 31 December 2018, cost of inventory recognized in income statement is TRY 3,890,629,193. (31 December 2017: TRY 3,374,359,802) (Note 19). The movements of allowance for impairment on inventory for the periods ended 31 December 2018 and 2017 are below:

	31 December 2018	31 December 2017
Opening balance	6,062,815	16,789,199
Charge of the period	9,324,271	854,476
Current year reversal	(7,027,904)	(11,580,860)
Closing balance	8,359,182	6,062,815

9. PREPAID EXPENSES

Sort Term Prepaid Expenses	31 December 2018	31 December 2017
Prepaid expenses	24,824,186	25,973,010
Advances given	10,379,553	9,500,879
Prepaid taxes and dues	1,464,860	67,512
	36,668,599	35,541,401

Long Term Prepaid Expenses	31 December 2018	31 December 2017
Prepaid expenses	11,538,074	13,176,141
Advances given for tangible assets	1,782,485	1,838,380
	13,320,559	15,014,521

10. INVESTMENT PROPERTIES

	Land	Buildings	Machinery and Equipment	Total
Cost				
Opening balance, 1 January 2018	80,691,368	160,963,857	38,078,664	279,733,889
Additions	-	60,000	696,330	756,330
Transfers	-	-	(112,138)	(112,138)
Disposals(*)	(80,691,368)	(161,023,857)	(38,662,856)	(280,378,081)
Closing balance, 31 December 2018	-	-	-	-
Accumulated depreciation				
Opening balance, 1 January 2018	-	(33,062,081)	(25,311,535)	(58,373,616)
Depreciation charge of the period	-	(1,446,640)	(766,956)	(2,213,596)
Transfers	-	-	115,126	115,126
Disposals	-	34,508,721	25,963,365	60,472,086
Closing balance, 31 December 2018	-	-	-	-
Net book value, 31 December 2018	**-**	**-**	**-**	**-**

(*) The Group sold one real estate located in Istanbul in February and June 2018 (Note 21).

The Group has received rent income amounting to TRY 24,857,228 for the twelve months period ended 31 December 2018 (31 December 2017: TRY 75,291,394) from investment properties. Operating costs related with investment properties including the depreciation charge for the period are amounting to TRY 8,495,066 (31 December 2017: TRY 16,794,456).

As at 31 December 2018, total insurance amount over investment properties is TRY 311,607,029. 31 December 2018 and 31 December 2017 there is no mortgage on investment properties.

	Land	**Buildings**	**Machinery and Equipment**	**Total**
Cost				
Opening balance, 1 January 2017	80,691,368	159,907,916	37,312,326	277,911,610
Additions	-	1,055,941	766,338	1,822,279
Disposals	-	-	-	-
Closing balance, 31 December 2017	80,691,368	160,963,857	38,078,664	279,733,889
Accumulated depreciation				
Opening balance, 1 January 2017	-	(29,201,947)	(23,287,110)	(52,489,057)
Depreciation charge of the period	-	(3,860,134)	(2,024,425)	(5,884,559)
Disposals	-	-	-	-
Closing balance, 31 December 201	-	(33,062,081)	(25,311,535)	(58,373,616)
Net book value, 31 December 2017	**80,691,368**	**127,901,776**	**12,767,129**	**221,360,273**

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost							
Opening balance, 1 January 2018	179,603,554	275,301,341	20,512,454	857,027,811	19,926,353	1,452,757	1,353,824,270
Additions	-	10,204,371	-	92,495,757	532,924	2,986,843	106,219,895
Transfers (Note 12)	-	959,027	-	(33,400)	725	(971,474)	(45,122)
Impairments (i)	-	(125,625)	-	1,639,272	12,506	-	1,526,153
Disposals (*)	(56,526,726)	(74,404,339)	-	(85,815,124)	(4,456,052)	(331,535)	(221,533,776)
Closing balance, 31 December 2018	123,076,828	211,934,775	20,512,454	865,314,316	16,016,456	3,136,591	1,239,991,420
Accumulated depreciation							
Opening balance, 1 January 2018	-	(88,232,840)	(7,331,282)	(483,296,676)	(8,551,058)	-	(587,411,856)
Depreciation charge of the period	-	(8,716,582)	(400,441)	(94,664,958)	(2,363,981)	-	(106,145,962)
Impairments (i)	-	35,420	-	(1,229,045)	(23,745)	-	(1,217,370)
Disposals	-	24,170,274	-	62,145,662	1,880,906	-	88,196,842
Closing balance, 31 December 2018	-	(72,743,728)	(7,731,723)	(517,045,017)	(9,057,878)	-	(606,578,346)
Net book value, 31 December 2018	**123,076,828**	**139,191,047**	**12,780,731**	**348,269,299**	**6,958,578**	**3,136,591**	**633,413,074**

From depreciation and amortization expenses, TRY 109,486,726 (2017: TRY 81,756,080) is included in marketing expenses and TRY 31,762,218 (2017: TRY 31,106,641) is included in general administrative expenses.

(i) The Group reversed the provision for impairment losses amounting to TL 308.783 (2017: TL 54.212.429).

(*) For the period ended 31 December 2018, transfers also include classifications between building and machinery and equipment due to their substance.

(**) The Group sold two real estates located in Istanbul in February and June 2018. It also includes the disposal amounts related to the stores that were closed within current period.

As at 31 December 2018, total insurance amount over property, plant and equipment is TRY 1,368,503,072 (31 December 2017: TRY 1,347,017,013).

As of December 31, 2018, the Group’s property, plant and equipment which has been acquired through finance lease has a net book value of TL 39.186.209 (31 December 2017: TL 55.792.462) and presented under

As at 31 December 2018 and 31 December 2017 there is no mortgage on property, plant and equipment.

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost							
Opening balance, 1 January 2017	195,684,531	255,866,758	20,512,454	583,293,497	14,169,366	5,804,796	1,075,331,402
Additions	430,000	20,697,453	-	134,763,088	776,029	1,147,732	157,814,302
Transfers (Note 12)	-	58,000	-	5,040,504	-	(5,108,504)	(10,000)
Impairment	-	8,956,604	-	164,758,225	5,754,336	-	179,469,165
Disposals (*)	(16,510,977)	(10,277,474)	-	(30,827,503)	(773,378)	(391,267)	(58,780,599)
Closing balance, 31 December 2017	179,603,554	275,301,341	20,512,454	857,027,811	19,926,353	1,452,757	1,353,824,270
Accumulated depreciation							
Opening balance, 1 January 2017	-	(81,234,404)	(6,930,841)	(316,553,569)	(5,261,580)	-	(409,980,395)
Depreciation charge of the period	-	(7,971,578)	(400,441)	(66,829,917)	(2,807,145)	-	(78,009,081)
Transfers (Note 12)	-	-	-	-	-	-	-
Impairment	-	(1,894,847)	-	(122,281,202)	(1,080,688)	-	(125,256,737)
Disposals	-	2,867,989	-	22,368,012	598,355	-	25,834,356
Closing balance, 31 December 2017	-	(88,232,840)	(7,331,282)	(483,296,676)	(8,551,058)	-	(587,411,857)
Net book value, 31 December 2017	**179,603,554**	**187,068,501**	**13,181,172**	**373,731,135**	**11,375,295**	**1,452,757**	**766,412,413**

(*) The Group sold one real estate located in Istanbul in March 2017. It also includes the disposals belonging to the stores that were closed during the period.

12. INTANGIBLE ASSETS

Intangible Assets

Cost	**Total**
Opening balance, 1 January 2018	162,779,342
Additions	13,587,239
Transfers (Note 11)	45,122
Impairment (i)	36,669
Disposals	(4,646,430)
Closing balance, 31 December 2018	171,801,942
Accumulated amortization	
Opening balance, 1 January 2018	(79,267,517)
Charge for the period	(32,889,386)
Transfers	-
Impairment (i)	(26,898)
Disposals	2,958,821
Closing balance, 31 December 2018	(109,224,980)
Net book value, 31 December 2018	**62,576,962**

Cost	**Total**
Opening balance, 1 January 2017	124,638,830
Additions	33,994,378
Transfers (Note 11)	10,000
Impairment (i)	4,219,668
Disposals	(83,533)
Closing balance, 31 December 2017	162,779,343
Accumulated amortization	
Opening balance, 1 January 2017	(49,133,992)
Charge for the period	(28,969,081)
Transfers	-
Impairment (i)	(1,237,906)
Disposals	73,462
Closing balance, 31 December 2017	(79,267,517)
Net book value, 31 December 2017	**83,511,826**

(i) The Group has reversed impairment provision recognised for intangible assets amounting to TRY 9,771 (31 December 2017: TRY 2,981,762)

The intangible assets are mainly composed of excess cash paid for asset acquisitions and software programs.

13. GOODWILL AND BUSINESS COMBINATIONS

Goodwill amount is consisted of following investments:

Investments:	31 December 2018	31 December 2017
Kiler Alışveriş (*)	254,018,530	404,218,260
Gima	180,159,453	180,159,453
Alpark	48,301,156	48,301,156
	482,479,139	632,678,869

The Group recognized goodwill impairment for loss making stores of “Kiler Alışveriş” amounting to TRY 150,199,730. Related impairment charges were recognized in other expenses from main operations.

If the after tax discount rate and long term growth rate applied to cash flow forecasts would be 1% higher than the management’s estimates, the Group would recognize impairment loss in consolidated financial statements amounting to TRY 13,776,458.

For the year ended December 31, 2018, the Group has calculated an impairment loss of TL 150,199,730 for the goodwill arising from the Kiler Shopping investment and recognized the provision for impairment as other operating expenses (31 December 2017: TL 141,718,000).

The Group performed the impairment analysis using the income approach method (discounted cash flow method). The significant assumptions used in the calculation of the recoverable amounts are discount rates and final growth rates (note 2.6.1).

14. SHORT AND LONG TERM PROVISIONS

Provisions for short term liabilities as of 31 December 2018 and 2017 are as follows:

Short Term Provisions	31 December 2018	31 December 2017
Provision for other, risk, litigations and onerous contracts	67,751,688	93,121,942
Provision for personnel and social security	770,000	770,000
Other (*)	3,580,507	14,036,963
	72,102,195	107,928,905

(*) It contains provisions for restructuring and reorganizations.

	Provision for other risks, litigations and onerous contracts	Provision for personnel and social security	Other	Total
Opening balance, 1 January 2018	93,121,942	770,000	14,036,963	107,928,905
Charge of the period	12,265,185	-	1,061,353	13,326,538
Current year reversal / charge	(37,635,439)	-	(11,517,809)	(49,153,248)
Closing balance, 31 December 2018	67,751,688	770,000	3,580,507	72,102,195

14. SHORT AND LONG TERM PROVISIONS (Continued)

	Provision for other risks, litigations and onerous contracts	Provision for personnel and social security	Other	Total
Opening balance, 1 January 2017	112,359,339	1,350,000	13,683,587	127,392,926
Charge of the period	33,714,251	170,000	11,876,603	45,760,854
Current year reversal / charge	(52,951,648)	(750,000)	(11,523,227)	(65,224,875)
Closing balance, 31 December 2017	93,121,942	770,000	14,036,963	107,928,905

Contingent Assets and Liabilities

There are lawsuits which are filed against the Group and continuing as at balance sheet date. Primary lawsuits consist of the cases with Social Security Institution about the premiums of foreign employees, debt, rent and labor cases. At each balance sheet date, the management of the Group evaluates the probable results of those cases and accordingly provisions are provided.

Provisions for employment benefits as of 31 December 2018 and 2017 are as follows:

Short Term Employment Benefits	31 December 2018	31 December 2017
Unused vacation provision	9,008,246	8,247,818
	9,008,246	8,247,818

Long Term Employment Benefits	31 December 2018	31 December 2017
Employment termination benefit provision	54,239,655	51,336,450
	54,239,655	51,336,450

Movement for employment termination benefit provision for 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Opening balance, 1 January	51,336,450	48,120,758
Service cost	21,737,911	32,350,023
Interest cost	5,664,367	1,693,851
Actuarial (gain) / loss	4,806,400	140,705
Paid compansation during the year (*)	(29,305,473)	(30,968,887)
Closing balance, 31 December	54,239,655	51,336,450

(*) The Group’s management has made compensation payments within the scope of restructuring.

15. COMMITMENTS

Operating lease agreements

The Company leases various sales areas, offices and warehouses by operating lease agreements. Rental periods of the rent agreements vary between 1-10 years. The lease agreements require a payment of a certain monthly rent or a portion of the revenue of the store. The lease agreements are mainly denominated in TL, Euro and USD and the rent amounts are increased by the inflation rate or a rate close to the inflation rate during the rental period. According to the current code of obligations, as long as the lessee does not terminate the agreement, lease agreements can only be cancelled by the lessor due to irregularities.

The lease payments related to non-cancellable operating lease agreements are as follows:

	31 December 2018	31 December 2017
Less tha 1 year	293,896,127	236,845,777
Between 1 and 5 years	1,037,872,502	893,828,756
Longer than years	460,056,067	442,762,880
	1,791,824,696	1,573,437,413

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages (“CPM”) given by the Company as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
A. GPM given on behalf of its own legal entity	104,645,854	80,665,380
B. GPM given on behalf of consolidated subsidiaries	-	-
C. Total amount of GPM given on behalf of other third parties' debt	-	-
D. Other GPM	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-
	104,645,854	80,665,380

<u>31 December 2018</u>

	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	104,645,854	99,647,673	1,804,390	3,193,791
	104,645,854	99,647,673	1,804,390	3,193,791

<u>31 December 2017</u>

	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	80,665,380	77,657,723	952,726	2,054,931
	80,665,380	77,657,723	952,726	2,054,931

16. EMPLOYMENT BENEFITS

Employee Benefit Liabilities	31 December 2018	31 December 2017
Payables to personnel and Social Security Premiums payable	14,421,391	24,795,358
Personnel salary and premium payables	34,076,910	995,629
	48,498,301	25,790,987

17. OTHER ASSET AND LIABILITIES

Other liabilities as of 31 December 2018 and 2017 are as follows:

Other Current Liabilities	31 December 2018	31 December 2017
Unearned income	11,939,666	12,030,514
Accrued expenses	412,105	555,881
Liabilities for shopping cheques	7,233,230	675,608
	19,585,001	13,262,003

18. SHAREHOLDERS’ EQUITY

a) Capital

Shareholder structure as of 31 December 2017 and 2016 is stated below:

Shareholders	(%)	31 December 2018	(%)	31 December 2017
Hacı Ömer Sabancı Holding A.Ş.	50.61	354,239,053	50.61	354,239,053
Carrefour Nederland BV	46.02	322,129,074	46.02	322,129,074
Shares publicly held	2.54	17,827,391	2.54	17,827,391
Other	0.83	5,804,482	0.83	5,804,482
Nominal share capital	100.00	700,000,000	100.00	700,000,000

The issued capital of the Group is TRY 700,000,000 (2016: TRY 700,000,000) as of 31 December 2018 with a nominal value of TRY 0.01 (1 KR) of 70,000,000,000 shares (2017: 70,000,000,000 shares).

With the resolution of the Company’s General Assembly held on 24 March 2016 and CMB’s approval published on the bulletin dated 10 March 2016 numbered 2016/9, the share capital of the Company increased by issuing bonus shares amounting to TRY 586,160,697. Share capital increse has been registered by Registry of Commerce of İstanbul on 11 April 2016. The related amount has been transferred from inflation adjustment to share capital account. In the same General Assembly, it has been decided to accept registered capital system with CMB's approval numbered 9/273 on 10 March 2016. The registered capital limit would be TRY 1,500,000,000 and registered capital limit permission would be valid between 2016/2020 (5 years).

18. SHAREHOLDERS’ EQUITY (Continued)

The inflation adjustment on share capital as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Inflation adjustment to share capital	91,845,783	91,845,783
	91,845,783	91,845,783

b) Retained Losses

	31 December 2018	31 December 2017
Retained losses	(769,663,206)	(463,854,309)
	(769,663,206)	(463,854,309)

Publicly listed companies distribute dividends in accordance with the requirements of CMB as explained below: In accordance with the CMB’s decree issued on 23 January 2014, in relation to the profit distribution of earnings derived from the operations, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the CMB’s Communiqué Serial:II, No: 19.1 “Principles of Dividend Advance Distribution of Companies That Are Subject To The CMB Regulations”, terms of articles of assocition and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

The inflation adjustment differences from the valuation studies for TAS purposes for those as of the balance sheet date that have not been subject to profit distribution or capital increase have been presented under retained earnings.

With respect to the Corporate Tax Law (“CTL”) 5/1-e article, the Group has to keep restricted reserves amounting to TRY 101,923,639 which is related to property sales in 2014 and 2015 and TRY 37,034,036 which is related Kiler acquisition, in its corporate tax base financial statements for 5 years

c) Resticted Reserves

	31 December 2018	31 December 2017
Legal reserves	12,318,358	12,318,358
	12,318,358	12,318,358

Restricted reserves appropriated from profit are composed of legal reserves. Legal reserves comprise of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to the Turkish Commercial Code, legal reserves can be only used to offset losses unless they exceed the 50% of paid-in capital. Other than that, legal reserves must not be used whatsoever.

18. SHAREHOLDERS' EQUITY (Continued)

CMB's Communiqué II-14 and other related CMB's announcements, "Paid-in capital", "Restricted reserves" and "Premium in excess of par" should be carried at their registered amounts in statutory records. Restatement differences
(e.g. inflation restatement differences) arising from the application of the Decree should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in Capital" and not added to capital;

- "Retained earnings/Accumulated loss", if such differences are arising from "Restricted reserves" and "Premium in
excess of par" and has not been subject to profit distribution or capital increase.

Capital restatement differences can only be included in capital.

d) Other Comprehansive Income / Expense not to be Reclassified to Profit or Loss

Actuarial gains/losses:

As of December 31, 2018, TL 4.446.458 (December 31, 2017: TL 601.338) provision for severance pay related actuarial losses recognized as other comprehensive income

19. REVENUE AND COST OF SALES

NET SALES	31 December 2018	31 December 2017
Revenue from retail operations	5,226,026,629	4,509,200,666
Loyalty program discounts	(23,745,262)	(10,359,593)
Sales returns	(36,926,943)	(31,982,866)
Sales discount	(3,018,331)	(4,410,624)
Rent income	41,023,780	94,220,590
	5,203,359,873	4,556,668,173

COST OF SALES	31 December 2018	31 December 2017
Opening balance of inventories	(602,370,448)	(559,601,568)
Purchases	(3,925,136,144)	(3,427,855,066)
Change in inventory impairment (Note 8)	(2,296,367)	10,726,384
Closing balance of inventories	639,173,766	602,370,448
Shopping mall general expenses	(11,207,786)	(16,052,224)
	(3,901,836,979)	(3,390,412,026)

20. SELLING AND MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Operating expenses for the years ended 31 December 2018 and 2017 are as follows:

OPERATING EXPENSES	31 December 2018	31 December 2017
Marketing expenses	(1,172,671,968)	(1,016,625,908)
General administrative expenses	(161,356,003)	(131,681,241)
	(1,334,027,971)	(1,148,307,149)

21. EXPENSES BY NATURE

	31 December 2018	31 December 2017
Personnel expenses	(564,469,936)	(506,914,377)
Rent expenses	(290,121,017)	(231,156,916)
Depreciation and amortization expenses	(141,248,944)	(112,862,721)
Overhead expenses	(98,288,067)	(76,054,037)
Advertising expenses	(37,704,762)	(49,551,769)
Repair and maintenance expenses	(54,242,371)	(45,523,307)
Outsourced expenses	(38,045,579)	(38,815,077)
Stationery consumption expenses	(14,772,598)	(17,551,699)
Consultancy expenses	(29,697,159)	(11,576,472)
Travel expenses	(7,192,762)	(9,559,593)
Taxation and other expenses	(7,176,597)	(8,289,755)
Insurance expenses	(6,493,036)	(6,314,320)
Communication expenses	(1,029,461)	(5,086,064)
Decoration material expenses	(3,099,909)	(4,152,953)
Other	(40,445,773)	(24,898,089)
	(1,334,027,971)	(1,148,307,149)

22. OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

Other operating income/expenses from main operations for the years ended 31 December 2018 and 2017 are as follows:

Other Operating Income	31 December 2018	31 December 2017
Cancellation of impairment (i)	15,600,000	22,590,154
Provisions no longer required (ii)	39,848,881	4,799,905
Foreign exchange gain from operational activities	8,092,219	7,909,232
Interest income from time deposit less than 3 months	318,555	57,194,191
Other income	-	274,734
	63,859,655	92,768,216

(i) Provision no longer required consists of releases of provisions provided for matters in dispute and risks in previous periods.
(ii) As of 31 December 2018 the Group reversed the impairment provision amounting to TRY 318,555 which was provided for loss making stores in previous periods, as it was no longer required. (31 December 2017 : TRY 57,194,191)

Other Operating Expenses (-)	31 December 2018	31 December 2017
Goodwill impairment (Note 13)	(150,199,730)	(141,718,000)
Interest expenses from purchases via credit	(88,548,062)	(59,196,025)
Provision expenses (i)	(8,917,865)	(34,719,620)
Foreign exchange losses from operational activities	(41,793,083)	(9,503,675)
Interest expenses from operational activities	(1,173,394)	(946,428)
Other expenses and losses	(64,290,850)	(46,795,692)
	(354,922,984)	(292,879,440)

(i) Provision expenses are mainly consists of risk and legal provisions.

23. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	31 December 2018	31 December 2017
Gain on sale of investment propoerty and tangible assets (*)	569,337,061	21,289,283
	569,337,061	21,289,283

(*) The Group management sold one trade center located in the province of Istanbul with a price of TRY 145,000,000 including VAT in February 2018 and one trade center located in the province of Istanbul with a price of TRY 880,745,358 including VAT inJune 2018. The Group management sold one real estate located in the province of Istanbul in March 2017.

24. FINANCE INCOME

Finance income for the years ended 31 December 2018 and 2017 are as follows:

Finance income	31 December 2018	31 December 2017
Interest income	35,230,891	2,349,557
Foreing Exchange Income	18,036,578	-
	53,267,469	2,349,557

25. FINANCE COSTS

Finance costs for the years ended 31 December 2018 and 2017 are as follows:

Finance costs	31 December 2018	31 December 2017
Foreing exchange cost	(47,937,907)	-
Interest cost	(213,871,634)	(183,576,827)
Credit card commision costs	(8,695,720)	(5,467,491)
	(270,505,261)	(189,044,318)

26. TAX ASSETS AND LIABILITIES

Tax Expense of the Period	31 December 2018	31 December 2017
Corporate tax expense of the current period	-	-
Deferred tax income/(expense)	(40,089,155)	46,438,129
Tax income/(expense) from continuing operations	(40,089,155)	46,438,129

Corporate tax:

The Group is subject to taxation in accordance with the tax regulation and the tax legislation effective in Turkey. Required provisions are made in the accompanying consolidated financial statements for the estimated tax charge based on the Group’s results for the current period. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a corporate tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax is applied to the total income, after adjusting for certain disallowable expenses and exempt income.

In Turkey, corporate tax rate is 22% as of 31 December 2018 (2016: 20%). However, according to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

The tax legislation provides for a temporary tax of 22% (2017: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2017. The amounts thus calculated and paid are

offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

26. TAX ASSETS AND LIABILITIES (Continued)

In Turkey, temporary corporate tax is calculated and filed quarterly. Losses can be carried forward for a maximum period of five years to offset against future taxable income. However, losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, inspect tax returns and the related accounting records and may revise assessments within five years.

Exemption from corporate tax:

75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2017. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% and tax declarations starting from 2018 will be calculated using 50%.

In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding tax surcharge on any dividends distributed, except for resident companies in Turkey which include this dividend income in their taxable profit for the related period and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003.

This rate was changed to 15% with the resolution of Council of Ministers on 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of their investment expenditures from the taxable income, within the scope of the investment incentive certificate and that are directly related to production facilities. The investments without investment incentive certificates do not qualify for tax allowance.

As of 31 December 2018 and 2017, the Group has no income tax liabilities.

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS and tax legislation.

26. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax calculation for the periods ending 31 December 2018 and 2017 is as follows:

The basis for deferred tax timing differences:	31 December 2018	31 December 2017
Reserve for onerous contract and other contingencies	85,902,080	100,745,621
Provision for impairment in fixed assets	1,114,969	9,281,756
Inventory valuation differences	116,568,355	93,426,989
Other current assets	(23,143,331)	(29,259,614)
Provision for employment termination benefit	54,239,655	51,336,450
Tangible and intangible fixed assets	(115,790,321)	(150,908,186)
Other short term liabilities	62,070,738	10,691,543
Finance lease payables	37,797,782	27,928,436
Prior year losses	655,551,551	958,101,773
Other	-	198,552
	874,311,478	1,071,543,320

Deferred tax assets / (liabilities) :	31 December 2018	31 December 2017
Reserve for onerous contract and other contingencies	18,898,458	22,164,037
Provision for impairment in fixed assets	222,994	1,856,351
Inventory valuation differences	25,645,038	20,553,938
Other current assets	(5,091,533)	(6,437,115)
Provision for employment termination benefit	10,847,931	10,267,290
Tangible and intangible fixed assets	(23,157,465)	(29,717,920)
Other short term liabilities	13,655,562	2,352,139
Finance lease payables	7,611,293	5,597,533
Prior year losses	131,124,939	192,205,342
Other	-	43,682
	179,757,217	218,885,277

26. TAX ASSETS AND LIABILITIES (Continued)

Carry forward tax losses

The expiration dates of such carry forward tax losses are as follows:

	31 December 2018	31 December 2017
2019	-	11,238,173
2020	731,442	18,011,218
2021	308,390,409	584,715,820
2022	344,549,152	344,136,562
2023	1,880,548	-
	655,551,551	958,101,773

The movements of deferred tax asset and liability as of 31 December 2018 and 2017 are as follows:

Deferred tax asset / (liability) movements:	31 December 2018	31 December 2017
Openning balance at 1 January	218,885,277	172,419,007
Current year income/(loss)	(40,089,155)	46,438,129
Acquired deferred tax asset with business combination	-	-
Other comprehensive (loss)/income	961,095	28,141
Closing balance at 31 December	179,757,217	218,885,277

Tax reconciliation	31 December 2018	31 December 2017
Income before tax / (loss)	28,592,744	(352,247,026)
Effective tax rate	22%	20%
Calculated tax	(6,290,404)	70,449,405
Disallowable expenses	(8,996,008)	(5,634,995)
Exemptions and discounts	24,427,793	3,188,524
Goodwill impairment not subject to deferred tax calculation	(33,043,941)	(28,343,600)
Current period losses not subject to deferred tax calculation	(21,757,646)	-
Effect of prior years' losses removed in the scope of tax base increase	4,894,322	4,576,586
Other	676,729	2,202,209
	(40,089,155)	46,438,129

27. LOSS PER SHARE

Weighted average number of shares and basic earnings per share for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018		31 December 2017
Opening, number of shares (Note 18)	70,000,000,000	-	70,000,000,000
Increase with business combination	-	-	-
Share addition	-	-	-
Closing, number of shares (total)	70,000,000,000		70,000,000,000
Weighted average number of shares (Note 18)	70,000,000,000	-	70,000,000,000
Net loss for the period	(11,496,411)	-	(305,808,897)
Loss per share (Kr)	(0.0164)		(0.4369)

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Cash and cash equivalents (Note 3)	2018	2017
Akbank T.A.Ş.	229,239,135	57,480,754

Trade receivables from related parties (Note 5)	2018	2017
Carrefour World Trade	20,110,514	16,810,710
Akbank T.A.Ş.	36,886	598,918
Carrefour Romania	-	577,516
Carrefour Nederland BV	15,081	181,708
Carrefour Global Sourcing Asia	226,083	120,095
Ak Finansal Kiralama A.Ş.	36,918	36,918
Teknosa İç ve Dış Ticaret A.Ş.	-	-
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	7,334	-
Socomo SA	311,285	-
Hacı Ömer Sabancı Holding A.Ş.	36,960	-
Other	206,506	187,074
	20,987,567	18,512,939

Financial Liabilities (Note 4)	2018	2017
Akbank T.A.Ş.	291,370,075	405,373,639
Ak Finansal Kiralama A.Ş.	43,127,681	59,799,813

Trade payables to related parties (Note 5)	2018	2017
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	7,448,170	14,553,352
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	8,435,636	7,517,857
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	3,215,695	6,217,631
Teknosa İç ve Dış Ticaret A.Ş.	965,208	1,145,500
Aksigorta A.Ş.	93,091	230,692
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	106,350	71,988
Avivasa Emeklilik ve Hayat A.Ş.	4,120	60,209
Other	232,392	880,227
	20,500,662	30,677,456

Other short term payables to related parties (Note 6)	2018	2017
Hacı Ömer Sabancı Holding A.Ş.	5,844,528	4,695,126
Carrefour Partenariat International	3,553,157	3,196,695
	9,397,685	7,891,821

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Purchases from related parties (goods)	2018	2017
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	201,680,331	183,187,747
Teknosa İç ve Dış Ticaret A.Ş.	3,454,325	818,219
Yünsa Yünlü San.Ve Tic.A.Ş	221,546	482,353
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	29,121	163,998
Sabtek Sanat Bılım Tekn.Egıt.Ve Kül	1,997	-
	205,387,320	184,652,317

Purchases from related parties (services)		
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	53,370,134	60,396,159
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	11,904,109	10,331,028
Aksigorta A.Ş.	7,692,490	7,621,999
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	-	671,573
Teknosa İç ve Dış Ticaret A.Ş.	358,434	628,260
Other	31,312	1,078,806
	73,356,479	80,727,825

Rent income from related parties		
Teknosa İç ve Dış Ticaret A.Ş.	2,964,677	4,826,485
Akbank T.A.Ş.	983,383	1,328,611
	3,948,060	6,155,097

Rebates and other income from related parties		
Carrefour World Trade	22,441,582	16,810,710
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Ticaret A.Ş.	4,709,290	3,817,379
Akbank T.A.Ş.	2,270,393	2,265,123
Carrefour Romania	529,186	1,562,901
Carrefour Global Sourcing Asia	825,936	600,634
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	724,251	497,084
Temsa Global Sanayi ve Ticaret A.Ş.	587,005	553,357
Carrefour Nederland BV	195,304	356,288
Çimsa Çimento Sanayi ve Ticaret A.Ş.	268,061	274,900
Akçansa Çimento Sanayi ve Ticaret A.Ş.	46,923	193,187
Hacı Ömer Sabancı Holding A.Ş.	-	186,199
Teknosa İç ve Dış Ticaret A.Ş.	325,425	149,568
Ak Yatırım Menkul Değerler A.Ş.	127,727	143,184
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	24,351	126,570
Avivasa Emeklilik ve Hayat A.Ş.	117,909	109,608
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	-	74,089
Socomo SA	331,028	-
Other	123,304	51,882
	33,647,675	27,772,663

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other expenses to related parties	2018	2017
Hacı Ömer Sabancı Holding A.Ş.	17,650,214	15,267,012
Carrefour Partenariat International	12,989,324	11,360,981
Other	-	5,875
	30,639,538	26,633,868

Interest income from related parties	2018	2017
Akbank T.A.Ş.	8,080,161	889,400
Başkent Elektrik Dağıtım A.Ş.	18,083,333	-
Interest expense and credit card commission to related parties		
Akbank T.A.Ş.	71,389,071	16,059,494

The total amount of benefits for the key management personnel in the current period is as follows:

	2018	2017
Salaries and other short term benefits	9,153,800	7,559,291
Other long term benefits	435,361	296,312
	9,589,161	7,855,603

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 4, cash and cash equivalents disclosed in Note 3 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 18.

The Board of Directors of the Group examines the capital structure and indebtedness three times a year. During the examinations the Board, together with cost of capital, evaluates all the risks associated with capital owning-class. Based on the recommendations of the Board, the Group tries to balance the capital structure by acquiring new debt or paying back the current debt.

The Group controls its capital with the liability / share capital ratio. Net liability is divided by share capital in this ratio. Cash and cash equivalents are deducted from total loans (including financial debt and liabilities and finance lease payables as presented in the consolidated balance sheet) to calculate the net liability.

Net liability / share capital ratio as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Total debt	947,770,009	1,687,087,447
Less: Cash and cash equivalents	(487,581,005)	(511,632,900)
Net liabilities	460,189,004	1,175,454,547
Total share capital	700,000,000	700,000,000
Net liabilities / share capital ratio	65.74%	167.92%

The Group’s overall strategy is not changed significantly in the current period.

Financial Risk Factors

The Group’s corporate treasury department, besides providing services for operations, also coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

The Group has used some derivative financial instruments in order to reduce its financial risks. Although the Group did not use any derivative financial instruments in the current period, some financial instruments are used in the prior periods. The derivative financial instruments used have been identified by using the Group risk management policies which were approved by the Board of Directors. If the Group needs any derivative financial instruments in the future, appropriate financial instruments will be submitted to the approval of the Board. The policies include both interest rate risks and foreign exchange risks. The Group does not enter into or trade financial instruments for speculative purpose and this kind of trading is forbidden by the Group’s main shareholders.

The treasury department presents the risk factors and the related risk reducing policies in the monthly reports prepared for the main shareholders and to the Board of Directors in case of their demand.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Since the Group is in retail sector, there is not any credit risk arising from sales to customers.

The risk raised from the advances and deposits given in order to make investments by the Group, is under control by taking letter of guarantees from various banks. Based on the Group policy, the Group does not pay any advance or deposits without taking a letter of guarantee from counterparty.

The Group takes cash deposits for minimum 3 months rent amount and / or letter of guarantees from tenants in shopping malls, in order to avoid rent receivable risk.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Credit Risk of Financial Instruments

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2018	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits and Credit Card Receivables**	**Derivative assets**
Maximum net credit risk as of balance sheet date (i)	20,987,567	35,055,793	-	57,868,836	461,860,276	-
	-	-	-	-	-	-
- The part of maximum risk under guarantee with collateral etc. (ii)	-	11,127,860	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	20,987,567	(4,609,522)	-	57,868,836	461,860,276	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	39,665,315	-	-	-	-
- The part under guarantee with collateral etc.	-	5,616,708	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	29,077,606	-	-	-	-
- Impairment (-)	-	(29,077,606)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	2,000,000	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(i) Guarantees received and factors increasing loan reliability are not considered in determining this amount.
(ii) Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Credit Risk of Financial Instruments

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2017	Related Party	Third Party	Related Party	Third Party	Bank Deposits and Credit Card Receivables	Derivative assets
Maximum net credit risk as of balance sheet date (i)	18,512,939	37,512,648	-	64,852,076	479,135,194	-
- The part of maximum risk under guarantee with collateral etc. (ii)	-	25,249,862	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	18,512,939	12,105,524	-	64,852,076	479,135,194	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	25,407,124	-	-	-	-
- The part under guarantee with collateral etc.	-	11,772,976	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	29,481,378	-	-	-	-
- Impairment (-)	-	(29,481,378)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	4,644,134	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(i) Guarantees received and factors increasing loan reliability are not considered in determining this amount.
(ii) Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk Management (Continued)

	Receivables	
31 December 2018	**Trade receivables**	**Other receivables**
Past due 1-30 days	9,417,336	-
Past due 1-3 months	2,612,205	-
Past due 3-12 months	4,466,790	-
Past due 1-5 years	23,168,984	-
Past due more than 5 years	-	-
Total past due receivables	39,665,315	-

	Receivables	
31 December 2017	**Trade Receivables**	**Other Receivables**
Past due 1-30 days	6,377,389	-
Past due 1-3 months	4,123,287	-
Past due 3-12 months	9,586,892	-
Past due 1-5 years	5,319,555	-
Past due more than 5 years	-	-
Total past due receivables	25,407,123	-

The Group believes that they will collect the passed due receivables for which a provision was not booked.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring estimated and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following table presents the maturity of Company’s non-derivative financial liabilities. The Group’s liabilities are prepared without subjected to discount and based on the shortest payment date.

The Group’s expected due dates and contract due dates and are the same.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2018

Contractual maturity analysis	Book value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank loans	867,002,106	1,000,931,649	66,087,462	829,450,104	105,394,083	-
Financial lease liabilities	80,767,903	139,788,119	6,418,338	19,257,587	33,575,600	80,536,594
Trade payables	1,416,549,723	1,432,086,632	1,084,197,360	347,889,272	-	-
Other payables	47,465,013	47,465,013	47,465,013	-	-	-
Total liabilities	2,411,784,745	2,620,271,413	1,204,168,173	1,196,596,963	138,969,683	80,536,594

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management (Continued)

31 December 2017

Contractual maturity analysis	Book value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank loans	1,599,951,488	1,830,870,507	254,300,616	1,215,662,148	360,907,743	-
Financial lease liabilities	87,135,959	93,822,082	9,227,981	23,581,798	39,008,574	22,003,729
Trade payables	1,257,607,923	1,272,045,039	326,246,618	945,798,421	-	-
Other payables	38,719,211	38,719,211	38,719,211	-	-	-
Total liabilities	2,983,414,581	3,235,456,839	628,494,426	2,185,042,367	399,916,317	22,003,729

Market risk management

The Group is exposed to foreign exchange risk arising from its operations. The Group's policy is to prevent all material foreign currency exchange risk related to commitments denominated by US Dollar. The Group hedged its foreign currency denominated receivables with foreign currency denominated borrowings.

Market risk is measured based on sensitivity analysis.

In current year, the Group's market risk management method or its market risk exposure have not changed compared to prior year.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management

Foreign currency denominated transactions create foreign exchange risks. The Group uses derivative financial instruments in order to avoid financial risks occurs from operations, financial agreements and cashflows.

The foreign currency denominated assets and liabilities of monetary items are as follows:

	31 December 2018		
	TRY Equivalents (Functional currency)	USD	EUR
1. Trade receivables	24,712,035	852,063	3,355,909
2. Liquid assets	92,169,419	17,116,781	351,650
3. CURRENT ASSETS	116,881,454	17,968,844	3,707,559
4. Other	40,455,284	6,715,863	850,000
5. NON-CURRENT ASSETS	40,455,284	6,715,863	850,000
6. TOTAL ASSETS	157,336,738	24,684,707	4,557,559
7. Trade payables	14,318,634	1,457,398	1,103,419
8. Other payables	3,553,156	-	589,442
9. Financial liabilities	58,372,235	11,095,485	-
10. Non-monetary other liabilities	1,273,880	242,141	-
11. CURRENT LIABILITIES	77,517,905	12,795,024	1,692,861
12. Financial liabilities	81,985,566	9,876,980	4,980,717
13. NON-CURRENT LIABILITIES	81,985,566	9,876,980	4,980,717
14. TOTAL LIABILITIES	159,503,471	22,672,004	6,673,578
15. Net foreign currency liability position	(2,166,733)	2,012,703	(2,116,019)
16. Net monetary foreign currency asset / liability position	102,562,820	16,511,446	2,604,140
17. Fair value of financial instruments uses for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	4,982,069	329,961	538,517

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

	31 December 2017		
	TRY Equivalents (Functional currency)	**USD**	**EUR**
1. Trade receivables	19,372,197	188,958	4,132,315
2. Liquid assets	9,089,549	2,350,888	49,216
3. CURRENT ASSETS	28,461,746	2,539,846	4,181,531
4. Other	31,866,157	7,430,733	850,000
5. NON-CURRENT ASSETS	31,866,157	7,430,733	850,000
6. TOTAL ASSETS	60,327,903	9,970,579	5,031,531
7. Trade payables	21,472,617	1,984,159	3,097,900
8. Other payables	3,196,695	-	707,938
9. Financial liabilities	1,597,822	-	353,853
10. Non-monetary other liabilities	2,485,466	657,219	1,440
11. CURRENT LIABILITIES	28,752,600	2,641,378	4,161,131
12. Financial liabilities	25,738,735	-	5,700,085
13. NON-CURRENT LIABILITIES	25,738,735	-	5,700,085
14. TOTAL LIABILITIES	54,491,335	2,641,378	9,861,216
15. Net foreign currency liability position	5,836,568	7,329,201	(4,829,685)
16. Net monetary foreign currency asset / liability position	6,989,129	555,687	1,083,631
17. Fair value of financial instruments uses for foreign currency hedge	-	-	-
	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	5,062,240	267,317	897,785

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising primarily from USD and EUR. The following table demonstrates the sensitivity of the Group to a possible change of 10% in US dollar and EUR rates. 10% is the rate is a reasonable rate as it is limited with 10% share capital commitment. Sensitivity analysis based on the foreign exchange risk at the reporting date, is identified with the changes at the beginning of the fiscal year and kept constant during the fiscal period. Negative value implies the effect of 10% increase in USD and in EUR foreign currency rates against TRY on the decrease in the net profit.

31 December 2018

	Income / Expense		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation of USD against TRY				
1 - US Dollar net asset / liability	1,058,863	(1,058,863)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	1,058,863	(1,058,863)	-	-
In case of 10% appreciation of EUR against TRY				
4 - Euro net asset / liability	(1,275,536)	1,275,536	-	-
5 - Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(1,275,536)	1,275,536	-	-
			-	-
TOTAL (3 + 6)	(216,673)	216,673	-	-

31 December 2017

	Income / Expense		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation of USD against TRY				
1 - US Dollar net asset / liability	2,764,501	(2,764,501)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	2,764,501	(2,764,501)	-	-
In case of 10% appreciation of EUR against TRY				
4 - Euro net asset / liability	(2,180,844)	2,180,844	-	-
5 - Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(2,180,844)	2,180,844	-	-
			-	
TOTAL (3 + 6)	583,657	(583,657)	-	-

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Market risk management

The interest rates that the Group is exposed to, regarding its financial liabilities, are given in detail in Note 4.

Interest rate sensitivity

Sensitivity analysis is determined based on the interest rate risk that the non-derivative instruments exposed to on the balance sheet date and is kept fixed during the reporting period.

The Group has no exposure to interest rate sensitivity since the Group has not any floating rate borrowings or lease liabilities.

The Group does not have any interest rate swap contract.

The financial instruments that are sensitive to interest rate are as follows:

Interest Position Table

Instruments with Fixed Rates	**31 December 2018**	**31 December 2017**
Financial lease payables	80,767,903	87,135,959
Bank loans	867,002,106	1,599,951,488

Other price risks

The Group does not hold any equity investments as of the reporting date.

30. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

31 December 2018	Financial assets at amortized cost	Financial liabilities at amortized cost	Net book value	Note
Financial assets				
Cash and cash equivalents	487,581,005	-	487,581,005	(3)
Trade receivables	35,055,793	-	35,055,793	(5)
Due from related parties	20,987,567	-	20,987,567	(28)
Other financial assets	57,868,836	-	57,868,836	(6)
Financial liabilities				
Borrowings	-	867,002,106	867,002,106	(4)
Financial lease payables	-	80,767,903	80,767,903	(4)
Trade payables	-	1,396,049,061	1,396,049,061	(5)
Due to related parties	-	29,898,347	29,898,347	(28)
Debt provisions	-	81,110,441	81,110,441	(14)
Other financial liabilities	-	38,067,328	38,067,328	(6)-(17)

31 December 2017	Financial assets at amortized cost	Financial liabilities at amortized cost	Net book value	Note
Financial assets				
Cash and cash equivalents	511,632,900	-	511,632,900	(3)
Trade receivables	37,512,648	-	37,512,648	(5)
Due from related parties	18,512,939	-	18,512,939	(28)
Other financial assets	64,852,076	-	64,852,076	(6)
Financial liabilities				
Borrowings	-	1,599,951,488	1,599,951,488	(4)
Financial lease payables	-	87,135,959	87,135,959	(4)
Trade payables	-	1,226,930,467	1,226,930,467	(5)
Due to related parties	-	38,569,277	38,569,277	(28)
Debt provisions	-	116,176,723	116,176,723	(14)
Other financial liabilities	-	30,827,390	30,827,390	(6)-(17)

(*) Provisions are not included.

30. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (Continued)

Fair value

The principles used in determining the fair values of financial assets and liabilities are as follows:

Financial assets

Cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted off related doubtful portion of the receivable and are assumed to reflect their fair value.

Derivative financial assets reflect their fair vales as they includes fair value hedge transactions. The classification of the data used in determining fair value of derivative financial assets are level 2.

Financial liabilities

Short term TRY denominated and fixed interest rate bank borrowings are assumed to converge to its fair value, as their drawdown date close to the balance sheet date.

Long term foreign currency denominated bank borrowings and finance lease payables are assumed to converge to its fair value fair value.

The carrying amount of long term TRY denominated bank borrowing are not significantly different from its fair value when considering current market borrowing costs.

Since trade payables are short-term, they are assumed to reflect their fair values.

Classification regarding fair value measurement

“TFRS 7 – Financial Instruments: Disclosure” requires the companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial instruments. The basis for the hierarchy is dependent on whether the data used in fair value calculation is observable or not. Observable inputs mean that the Group using market inputs derived from independent sources and unobservable inputs mean that the Group using market expectation and assumptions. This distinction leads to classifications presented as below:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and 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. (unobservable inputs).

31. EVENTS AFTER THE BALANCE SHEET DATE

On 19 February 2019, the Group made the following material event disclosure at Public Disclosure Platform in accordance with CMB’s principle decision dated 10 April 2014 and numbered 11/352.

“Our Company has issued consolidated financial statements in accordance with CMB regulations dated 31 December 2018. According to the second paragraph of Article 376 of the Turkish Commercial Code, two-thirds of the Group's capital and legal reserves were unrequited in these consolidated financial statements. The Special Purpose Financial Statement (TTK 376 balance sheet) has been prepared and presented in accordance with the CMB decision dated 10 April 2014 and numbered 11/352 based on the probable selling prices of the land and buildings. In this Special Purpose Financial Statement of the Company (TTK 376 balance sheet), the shareholders' equity is determined as TRY 383,153,603. This amount indicates that our Company has retained its paid capital amounting to TRY 700,000,000.”