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 2019 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

20 February 2020

This report contains 10 pages of the independent auditors' report and 74 pages of consolidated interim financial statements and notes.

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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 2019 AND 2018

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

	Notes	31 December 2019	31 December 2018
ASSETS			
Current Assets		**1,400,458,416**	**1,220,674,474**
Cash and Cash Equivalents	3	506,901,093	487,581,005
Trade Receivables			
Due From Related Parties	5, 27	17,936,009	20,987,567
Other Trade Receivables	5	46,265,435	35,055,793
Other Receivables			
Other Receivables	6	2,418,943	1,207,744
Inventories	7	787,922,256	639,173,766
Prepaid Expenses			
Prepaid Expenses to Related Parties	8	38,301,688	30,779,348
Prepaid Expenses to Others	8	712,992	5,889,251
Non-Current Assets		**2,292,794,050**	**1,428,208,043**
Other Receivables			
Other Receivables	6	48,993,673	56,661,092
Property, Plant and Equipment	10	637,778,625	633,413,074
Right of Use Assets	9	794,680,993	-
Intangible Assets			
Goodwill	12	482,479,139	482,479,139
Other Intangible Assets	11	47,052,947	62,576,962
Prepaid Expenses	8	11,057,884	13,320,559
Deferred Tax Assets	25	270,750,789	179,757,217
TOTAL ASSETS		**3,693,252,466**	**2,648,882,517**

Accompanying notes are an integral part of these consolidated financial statements

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 2019 AND 2018

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

	Notes	31 December 2019	31 December 2018
LIABILITIES			
Current Liabilities		**2,997,927,139**	**2,400,840,002**
Financial Liabilities			
Short Term Financial Liabilities from Related Parties	4, 27	529,976,383	291,370,075
Other Short Term Financial Liabilities	4	467,517,287	458,268,115
Short Term Lease Liabilities			
Short Term Lease Liabilities from Related Parties	4, 27	24,140,310	-
Short Term Portion of Long Term Bank Loans			
Other Short Term Portion of Long Term Bank Loans	4	-	33,866,188
Short Term Portion of Long Term Lease Liabilities			
Short Term Portion of Long Term Lease Liabilities from Related Parties	4, 27	-	21,282,883
Other Short Term Portion of Long Term Lease Liabilities	4	143,003,917	2,429,263
Trade Payables			
Due to Related Parties	5, 27	50,256,501	20,500,662
Other Trade Payables	5	1,637,874,070	1,396,049,061
Employee Benefit Liabilities	15	22,581,565	48,498,301
Other Payables			
Due to Related Parties	6, 27	11,383,989	9,397,685
Other Short Term Payables	6	18,589,397	18,482,327
Short Term Provisions			
Provisions for Employment Benefits	13	10,902,379	9,008,246
Other Short Term Provisions	13	60,438,625	72,102,195
Deferred Income	16	20,769,377	19,172,896
Other Current Liabilities		493,339	412,105
Non-Current Liabilities		**997,263,609**	**194,793,140**
Long Term Financial Liabilities			
Long Term Financial Liabilities from Related Parties	4, 27	200,000,000	-
Other Long Term Financial Liabilities	4	-	83,497,728
Long Term Finance Lease Liabilities			
Long Term Finance Lease Liabilities from Related Parties	4	-	21,844,798
Other Long Term Finance Lease Liabilities	4	721,374,883	35,210,959
Long Term Provisions			
Provisions for Employment Termination Benefits	13	75,888,726	54,239,655
EQUITY		**(301,938,282)**	**53,249,375**
Shareholders' Equity		**(301,938,282)**	**53,249,375**
Share Capital	17	700,000,000	700,000,000
Inflation Adjustment to Share Capital	18	91,845,783	91,845,783
Share Issue Premium	17	34,691,309	34,691,309
Other Comprehansive Income/ Expense			
Not to be Reclassified to Loss	17	(16,553,327)	(4,446,458)
Restricted Reserves	17	12,318,358	12,318,358
Retained Earnings	17	(781,159,617)	(769,663,206)
Net Loss for the Period		(343,080,788)	(11,496,411)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,693,252,466**	**2,648,882,517**

Accompanying notes are an integral part of these consolidated financial statements.

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 2019 AND 2018

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

	Notes	2019	2018
CONTINUING OPERATIONS			
Revenue	18	6,385,696,495	5,203,359,873
Cost of Sales (-)	18	(4,647,591,986)	(3,821,860,962)
GROSS PROFIT		**1,738,104,509**	**1,381,498,911**
Marketing Expenses (-)	19	(1,369,225,453)	(1,257,026,598)
General Administrative Expenses (-)	19	(162,338,168)	(158,996,298)
Other Income From Main Operations	21	34,112,330	63,859,655
Other Expenses From Main Operations (-)	21	(269,519,236)	(352,904,076)
OPERATING LOSS FROM MAIN OPERATIONS		**(28,866,018)**	**(323,568,406)**
Income From Investment Activities	22	-	569,337,061
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9		(908,203)	61,881
OPERATING (LOSS) / PROFIT		**(29,774,221)**	**245,830,536**
Finance Income	23	54,174,543	53,267,469
Finance Costs (-)	24	(455,447,964)	(270,505,261)
LOSS BEFORE TAX		**(431,047,642)**	**28,592,744**
Tax Income		**87,966,854**	**(40,089,155)**
- Taxes on Income	25	-	-
- Deferred Tax Income (Expense)	25	87,966,854	(40,089,155)
NET LOSS FOR THE YEAR		**(343,080,788)**	**(11,496,411)**
OTHER COMPREHENSIVE LOSS			
Items not to be Reclassified Under Profit or Loss, After Tax		**(12,106,869)**	**(3,845,120)**
- Remeasurements of defined benefit asset / (liability)	13	(15,133,587)	(4,806,215)
- Remeasurements of defined benefit asset / (liability), tax effect	25	3,026,718	961,095
TOTAL COMPREHENSIVE LOSS		**(355,187,657)**	**(15,341,531)**
Loss Per Share	26	(0.4901)	(0.0164)

Accompanying notes are an integral part of these consolidated financial statements.

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 2019 AND 2018

(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
(Note 17)								
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**
Balance at 1 January 2019	**700,000,000**	**91,845,783**	**34,691,309**	**(4,446,458)**	**12,318,358**	**(769,663,206)**	**(11,496,411)**	**53,249,375**
Transfers	-	-	-	-	-	(11,496,411)	11,496,411	-
Total Comprehensive Loss	-	-	-	(12,106,869)	-	-	(343,080,788)	(355,187,657)
Balances at 31 December 2019	**700,000,000**	**91,845,783**	**34,691,309**	**(16,553,327)**	**12,318,358**	**(781,159,617)**	**(343,080,788)**	**(301,938,282)**

Accompanying notes are an integral part of these consolidated financial statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Net loss for the period		**(343,080,788)**	**(11,496,411)**
Adjustments to reconcile net loss for the period		**670,172,192**	**(10,536,588)**
- Depreciation of investment properties		-	2,213,596
- Depreciation of property, plant and equipment	10	113,194,617	106,145,962
- Amortization of intangible assets	11	31,221,440	32,889,386
- Amortization of right of use asset	9	196,286,723	-
- Gain on sale of tangible assets, intangible assets and investment properties	22	-	(569,337,061)
- Risk, lawsuit, personnel, SSI and other provisions	13	(11,663,570)	(35,826,710)
- Interest income accruals	23	(5,773,740)	(35,230,891)
- Interest expense accruals	24	430,243,926	222,567,354
- Impairment provision	21	2,460,645	149,881,175
- Change in unused vacation provision	13	1,894,133	760,428
- Provision for employment termination benefit	13	19,584,858	27,402,278
- Allowance for doubtful receivables	5	3,760,592	3,418,065
- Change in inventory impairment	7	126,187	2,296,367
- Unrealized foreign exchange loss		(23,196,765)	42,194,308
- Tax (income)/expense	25	(87,966,854)	40,089,155
Changes in working capital:		**95,014,661**	**192,433,639**
- Increase in trade receivables, including collection from doubtful receivables		(14,970,234)	(961,210)
- Decrease/(increase) in inventories		(148,874,677)	(39,099,685)
- Increase due from related parties		3,051,558	(2,474,628)
- (Increase) / decrease in other receivables and current assets		6,456,220	44,007,296
- Increase/(decrease) in prepaid expenses		(83,406)	566,764
- Increase/(decrease) in other short term payables		107,070	916,940
- Increase in other trade payables		241,825,009	169,118,594
- Increase in due to related parties		31,742,143	(8,670,930)
- (Decrease) / increase in employee benefit liabilities		(25,916,736)	22,707,314
- Increase/(decrease) in other short-term liabilities		1,677,714	6,323,184
Cash used in operating activities		**422,106,065**	**170,400,640**
- Employee termination benefits paid	13	(13,069,373)	(29,305,473)
Net cash used in operating activities		**409,036,692**	**141,095,167**

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

CASH FLOWS FROM INVESTING ACTIVITIES	**Notes**	**1 January- 31 December 2019**	**1 January- 31 December 2018**
- Acquisition of property, plant and equipment	10	(136,196,680)	(106,219,895)
- Acquisition of intangible assets	11	(16,702,088)	(13,587,239)
- Acquisition of investment properties		-	(756,330)
- Proceeds from sale of investment properties, tangible assets and intangible assets		4,399,799	924,264,613
Net cash used in investing activities		**(148,498,969)**	**803,701,149**
CASH FLOWS FROM FINANCING ACTIVITIES			
- Proceeds from bank borrowings	4	1,811,215,445	642,108,972
- Repayment of borrowings		(1,490,785,522)	(1,395,451,466)
- Repayment of finance lease payables	4	(345,384,814)	(42,400,667)
- Paid financial costs		(217,247,109)	(200,356,935)
- Finance income	23	5,773,740	35,230,891
- Other cash outflows		(13,849,632)	(8,695,720)
Net cash generated from financing activities		**(250,277,892)**	**(969,564,925)**
Increase in cash and cash equivalents		**10,259,831**	**(24,768,609)**
Cash and cash equivalents at the beginning of the year		**487,581,005**	**511,632,900**
- The impact of change in foreign currency exchange rate over cash and cash equivalents		9,060,257	716,714
Cash and cash equivalents at the end of the year	**3**	**506,901,093**	**487,581,005**

Accompanying notes are an integral part of these consolidated financial statements.

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 2019, number of personnel of the Group is 10,456 (31 December 2018: 9,688).

As of 31 December 2019, the Company has 30 hypermarkets and 604 supermarkets (2018: 29 hypermarkets, 567 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”)

The accompanying consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the Communiqué numbered II-14.1 “Communiqué on Principles of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 28676 on 7 June 2019.

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 consolidated financial statements are approved by the Company’s Board of Directors on 20 February 2020. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these consolidated financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis.

(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 Group’s operations have been expressed in Turkish Lira (“TL”) which is the functional currency of the Group 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 2019 comparatively with the balance sheet as of 31 December 2018; consolidated statements of comprehensive income, consolidated statements of cash flow and consolidated statements of change in shareholders’ equity as of 31 December 2019 comparatively with the 31 December 2018 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)

2.3 Changes in accounting policies, comparative information and restatement of prior periods' consolidated financial statements (continued)

The classifications in condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2018 presented below:

- Logistics expenses amounting to TRY 84,354,630 which has been presented under cost of sales is reclassified to the marketing expenses.

- Logistics income amounting to TRY 2,018,907 which has been presented under cost of sales is reclassified to the other income from operating activities.

- Logistics expenses amounting to TRY 2,359,705 which has been presented is reclassified to the general administrative expenses.

During the preparation of the condensed consolidated statements of cash flows, reclassifications which are explained above were taken into consideration.

2.4 Offsetting

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

2.5 Changes in Significant Accounting Policies

Accounting policies has been applied consistently by the Group in all periods presented in the consolidated financial statements. Significant changes in accounting policies are applied retrospectively and previous consolidated financial statements of the period are restated.

There are no changes in accounting policies except for the first application of TFRS 16 while preparing the consolidated statements of 31 December 2019,

TFRS 16 Leases

The Group has initially adopted TFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group applied TFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under TAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

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

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

2.5 Changes in Significant Accounting Policies (continued)

TFRS 16 Leases (continued)

i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under TFRS Interpretation 4 “*Determining Whether an Arrangement contains a Lease”*. Under TFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRS Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under TFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

ii) As a Lessee

The Group has lease contracts for various items of stores, warehouses, vehicles and headquarter bulding.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under TFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets including IT equipment which have equal to or less than 12 months maturity. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group has presented the right-of-use assets in a separate line in the consolidated statement of financial position as “right of use assets”. The carrying amounts of right-of-use assets as of 1 January 2019 and 31 December 2019 are as below:

	Building	**Vehicle**	**Total**
Balance at 1 January 2019	868.359.716	12.445.125	**880.804.841**
Balance at 31 December 2019	786.384.243	8.296.750	**794.680.993**

The Group presents lease liabilities in “financial liabilities” in the consolidated statement of financial position. The carrying amounts of lease liabilities as of 1 January 2019 and 31 December 2019 are as below:

	Building	**Vehicle**	**Total**
Balance at 1 January 2019	867.551.269	12.445.125	**879.996.394**
Balance at 31 December 2019	854.970.520	9.408.280	**864.378.800**

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

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

2.5 Changes in Significant Accounting Policies (continued)

TFRS 16 Leases (continued)

iii) As a Lessor

The Group leases out its sales areas belonging to its stores and some portion of general administrative office, including right-of-use assets. The Group has classified these leases as operating leases.

Accounting policies applied by the Group as lessor are not different from those applied in accordance with TAS 17. However, when the Group was the lessor, the sub-lease amount was classified according to the underlying assets.

The Group is not required to make any adjustments on transition to TFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group has applied TFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

The Group leases some of its properties. Lease and sub-lease agreements are classified as operating leases within the scope of TAS 17. Sub-lease contracts are classified as operating leases under TFRS 16.

iv) Impacts on consolidated financial statement

a) Impact on transition

On transition to TFRS 16, the Group recognised additional right-of-use assets, including additional lease liabilities. The impact on transition is summarised below.

	1 January 2019
Right of use assets	**868.024.109**
Right of use assets (previously classified as financial leasing in accordance with TAS 17)	**12.780.732**
Total Right of use assets	**880.804.841**

	1 January 2019
Lease liabilities	**868.024.109**
Lease liabilities (previously classified as financial leasing in accordance with TAS 17)	**11.972.285**
Total Lease liabilities	**879.996.394**

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

2.5 Changes in Significant Accounting Policies (continued)

TFRS 16 Leases (continued)

iv) Impact on consolidated financial statement (continued)

a) Impact on transition (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate for lease contracts applied in Turkish Liras is 24% and for lease contracts applied in Euro is 6%.

	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed in the Group’s consolidated financial statements	1.791.824.696
Discounted by using the alternative borrowing interest rate on 1 January 2019	868.024.109
Lease payables to financial statements as of 1 January 2019	11.972.285
Lease liabilities as of 1 January 2019	879.996.394

b) Impacts for the period

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases under TAS 17, the Group recognised TRY 794,680,993 right-of-use assets and TRY 864,378,800 lease liabilities as at 31 December 2019. Also in relation to those leases under TFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised TRY 196,286,723 of depreciation charges and TRY 196,121,868 interest expenses from these leases.

	Before change in accounting policy		**After change in accounting policy**
	31 December 2019	**IFRS 16 Effect**	**31 December 2019**
ASSETS			
Current Assets	**1,398,452,026**	**2,006,390**	**1,400,458,416**
Cash and Cash Equivalents	506,901,093	-	506,901,093
Trade Receivables			
Due From Related Parties	17,936,009	-	17,936,009
Other Trade Receivables	46,265,435	-	46,265,435
Other Receivables			
Other Receivables	2,418,943	-	2,418,943
Inventories	787,922,256	-	787,922,256
Prepaid Expenses			
Prepaid Expenses to Related Parties	712,992	-	712,992
Prepaid Expenses to Others	36,295,298	2,006,390	38,301,688
Non-Current Assets	**1,491,306,753**	**801,487,297**	**2,292,794,050**
Other Receivables			
Other Receivables	48,993,673	-	48,993,673
Property, Plant and Equipment	647,585,373	(9,806,747)	637,778,625
Right of Use Assets	-	794,680,993	794,680,993
Intangible Assets			
Goodwill	482,479,139	-	482,479,139
Other Intangible Assets	47,052,947	-	47,052,947
Prepaid Expenses	11,057,884	-	11,057,884
Deferred Tax Assets	254,137,737	16,613,051	270,750,789
TOTAL ASSETS	**2,889,758,779**	**803,493,687**	**3,693,252,466**

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

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

2.5 Changes in Significant Accounting Policies (continued)

TFRS 16 Leases (continued)

iv) Impact on consolidated financial statement (continued)

b) Impacts for the period (continued)

	Before change in accounting policy 31 December 2019	IFRS 16 Effect	After change in accounting policy 31 December 2019
LIABILITIES			
Current Liabilities	**2,854,923,222**	**143,003,917**	**2,997,927,139**
Financial Liabilities			
Short Term Financial Liabilities from Related Parties	529,976,383	-	529,976,383
Other Short Term Financial Liabilities	467,517,287	-	467,517,287
Short Term Lease Liabilities			
Short Term Lease Liabilities from Related Parties	24,140,310	-	24,140,310
Short Term Portion of Long Term Lease Liabilities			
Other Short Term Portion of Long Term Lease Liabilities	-	143,003,917	143,003,917
Trade Payables			
Due to Related Parties	50,256,501	-	50,256,501
Other Trade Payables	1,637,874,070	-	1,637,874,070
Employee Benefit Liabilities	22,581,565	-	22,581,565
Other Payables			
Due to Related Parties	11,383,989	-	11,383,989
Other Short Term Payables	18,589,397	-	18,589,397
Short Term Provisions			
Provisions for Employment Benefits	10,902,379	-	10,902,379
Other Short Term Provisions	60,438,625	-	60,438,625
Deferred Income	20,769,377	-	20,769,377
Other Current Liabilities	493,339	-	493,339
Non-Current Liabilities	**285,093,418**	**712,170,191**	**997,263,609**
Long Term Financial Liabilities			
Long Term Financial Liabilities from Related Parties	200,000,000	-	200,000,000
Long Term Finance Lease Liabilities			
Other Long Term Finance Lease Liabilities	9,204,692	712,170,191	721,374,883
Long Term Provisions			
Provisions for Employment Termination Benefits	75,888,726	-	75,888,726
EQUITY	**(250,257,861)**	**(51,680,421)**	**(301,938,282)**
Shareholders' Equity	**(250,257,861)**	**(51,680,421)**	**(301,938,282)**
Share Capital	700,000,000	-	700,000,000
Inflation Adjustment to Share Capital	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	(16,553,327)	-	(16,553,327)
Restricted Reserves	12,318,358	-	12,318,358
Retained Earnings	(781,159,617)	-	(781,159,617)
Net Loss for the Period	(291,400,367)	(51,680,421)	(343,080,788)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,889,758,779**	**803,493,687**	**3,693,252,466**

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

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

2.5 Changes in Significant Accounting Policies (continued)

TFRS 16 Leases (continued)

iv) Impact on consolidated financial statement (continued)

b) Impacts for the period (continued)

	Before change in accounting policy 2019	IFRS 16 Effect	After change in accounting policy 2019
CONTINUING OPERATIONS			
Revenue	6,385,696,495	-	6,385,696,495
Cost of Sales (-)	(4,651,760,847)	4,168,861	(4,647,591,986)
GROSS PROFIT	**1,733,935,648**	**4,168,861**	**1,738,104,509**
Marketing Expenses (-)	(1,491,794,887)	122,569,434	(1,369,225,453)
General Administrative Expenses (-)	(163,428,269)	1,090,101	(162,338,168)
Other Income From Main Operations	28,573,922	(5,538,408)	34,112,330
Other Expenses From Main Operations (-)	(263,980,828)	5,538,408	(269,519,236)
OPERATING LOSS FROM MAIN OPERATIONS	**(156,694,414)**	**127,828,396**	**(28,866,018)**
Income From Investment Activities	-	-	-
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9	**(908,203)**	**-**	**(908,203)**
OPERATING (LOSS) / PROFIT	**(157,602,617)**	**127,828,396**	**(29,774,221)**
Finance Income	54,174,543	-	54,174,543
Finance Costs (-)	(259,326,095)	(196,121,869)	(455,447,964)
LOSS BEFORE TAX	**(362,754,169)**	**(68,293,473)**	**(431,047,642)**
Tax Income	**71,353,802**	**16,613,052**	**87,966,854**
- Taxes on Income	-	-	-
- Deferred Tax Income (Expense)	71,353,802	16,613,052	87,966,854
NET LOSS FOR THE YEAR	**(291,400,367)**	**(51,680,421)**	**(343,080,788)**

2.6 Changes in estimates and error

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods. Significant accounting errors are applied retrospectively and prior period financial statements are restated.

2.7 Summary of Significant Accounting Policies

The consolidated financial statements for the year ended 31 December 2019 are prepared in accordance with TFRS.

The accounting policies described below has been cnsistently applied by the Group in all periods presented in the consolidated financial statements.

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (continued)

2.7.1 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 Group and its subsidairy subject to consolidation were prepared as of the same date.

2.7.2. 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.

Step 2: Identify the performance obligations in the contract

The Group defines the "performance obligation" as an account unit for the recognition of revenue. The Group evaluates the goods or services it has committed in a contract with the customer and determines each commitment made to the customer as a performance obligation to transfer one of the following:

(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.

The Group 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

The Group evaluates how much it expects to obtain after fulfilling its contractual obligation to determine the transaction price. In making the assessment, it considers whether the contract contains elements related to variable amounts and an important financing component.

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.

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (continued)

Variable consideration

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

2.7.2. Revenue

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
- 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 Group recognizes revenue when the control of goods or services is transferred to the customer.

In cases where the cost to be incurred by the Group exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Group 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

The details of important accounting policies regarding the various goods and services of the Group and revenue accounting methods are given below.

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.

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (continued)

2.7.2. Revenue (contiuned)

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 rental income

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.

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.

2.7.3. 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.

2.7.4 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.

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.

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

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.4 Plant, property and equipment (continued)

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	4-18 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.

2.7.5 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.

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.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.5 Intangible Assets (continued)

Nuisance value

Nuisance value consists of the parts of the stores purchased by the Group that exceed the reasonable value of the purchased assets. Nuisance value is recorded under intangible assets and amortized during the contract period.

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.

2.7.6 Financial Leases Transactions

The Group has applied TFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in TFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

a. As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.6 Financial Lease Transactions (continued)

This policy is applied to contracts entered into, on or after 1 January 2019 (continued)

a. As a Lessee (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.6 Financial Lease Transactions (continued)

This policy is applied to contracts entered into, on or after 1 January 2019 (continued)

a. As a Lessee (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and 12 months and shorter leases, including mechines and IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies TFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in TFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from TFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.6 Financial Lease Transactions (continued)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:
- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

- the purchaser had the ability or right to control physical access to the asset while obtaining or

- controlling more than an insignificant amount of the output; or

- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

a. As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group’s statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

b. As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.7 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

On initial recognition, a financial asset is classified as measured at: amortized cost, 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 amortized 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.

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.

Financial assets – Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level 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;
- the purpose of the business model; manage daily liquidity needs, maintain a certain interest rate, or align the maturity of financial assets with the maturity of the debts that fund these assets;
- how the performance of the portfolio is evaluated and reported to the Company’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
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.7 Financial Instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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 Company’s continuing recognition of the assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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 Company 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 Company 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 Company’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.

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.

Financial assets – Subsequent measurement and gains and losses:

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.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.7 Financial Instruments (continued)

ii) Classification and subsequent measurement (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, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in 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 income statement. Recognized income or loss includes the paid interest for the financial liabilities. As of the balance sheet date, the Company does not have any financial liabilities at fair value through profit or loss.Gains or losses arising from the derecognition of such liabilities are recognized in profit or loss.

iii) Derecognation

Financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the 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.

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 Company 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. As at 31 December 2019 and 31 December 2018 the Company does not have derivative financial instrument.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.8 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.

2.7.9 Impairment of Assets

Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;

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

- 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 ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group 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 Group’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 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’.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.9 Impairment of Assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

In other words, they are credit losses measured over the present value of all cash deficits. (for example, the difference between the cash inflows to the business based on the contract and the cash flows the business expects to collect)

Cash deficit is the difference between the cash flows that must be made to the business according to the contract and the cash flows that the business expects to receive. Since the amount and timing of the payments are taken into consideration in the expected credit losses, a credit loss occurs even if the company expects to receive the entire payment late than the term specified in the contract.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group 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 90 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 impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately 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.

For individual customers, if the financial asset is over 180 days past due to the Group's historical experience with regard to the recovery of similar assets, there is a disengagement policy based on the gross book value of the financial asset. For corporate customers, the Group makes an assessment of the timing and the amount to be deducted, based on whether there is a reasonable recovery expectation individually. The Group does not expect a significant recovery regarding the amount deducted from the record.

However, the recorded financial assets may still be subject to implementation activities in order to comply with the Group's procedures regarding the recovery of overdue amounts.

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

2.7 Summary of Significant Accounting Policies (continued)

2.7.9 Impairment of Assets (continued)

Non-financial assets

In each reporting period, the Company reviews the book values of its non-financial assets (excluding investment properties, stocks and deferred tax assets) to determine if there are any signs of impairment. If such an indicator exists, the recoverable amount of the asset is estimated. Goodwill is tested for impairment annually (Note 12).

The Company examines the book value of its tangible and intangible assets to determine whether there are impairments in each reporting period and subordinates its stores to impairment tests for certain periods during the year and records the portion of cash generating unit exceeding the recoverable value of the recognited value as impairment expense. (Note 11 and Note 12).

The recoverable amount of an asset or CGU’s is the higher of its value in use and its fair value is sold at lower costs. The value of use is based on the time value of money and the estimated future cash flows that are reduced to their present value using the pre-tax discount rate that reflects the current market assessments of the asset or risks specific to CGU.

If an asset or CGU's recoverable amount is lower than its book value, the carrying value of that asset or CGU is reduced to its recoverable amount. Impairment losses are recognized in profit or loss. First, it will reduce the book value of any goodwill distributed to CGU, and then it is distributed by reducing the book value of other assets in CGU.

Impairment loss related to goodwill is not canceled. Impairment loss for other assets is reversed only if the impairment is not determined, after the impairment or amortization is deducted, the book value of the asset does not exceed the book value specified.

2.7.10 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.

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. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

2.7.10 Business Combinations (continued)

The acquirer accounts for the changes in the value of the contingent price that do not have a measurement period adjustment as follows:

(a) Contingent consideration that is classified as equity is not measured again and the subsequent payment made is accounted within the equity.

(b) Other contingent consideration;

(i) In the context of TFRS 9, the contingent consideration is measured at its fair value at each reporting date and changes in its fair value are included in the financial statements in profit or loss in accordance with TFRS 9.

(ii) In the absence of TFRS 9, the contingent consideration is measured at its fair value at each reporting date and changes in its fair value are included in the financial statements in profit or loss.

The acquirer recognizes the goodwill as of the date of merger as the fair value of the equity share in the acquired business previously held at the merger date of the acquisition and the net assets of the acquired business in the determined net assets. The transferred amount may include assets or liabilities of the acquirer, whose book values differ from their fair values at the date of merger (for example, non-monetary assets or a business of the acquirer). If this is the case, the acquirer re-measures the fair values of the transferred assets or liabilities as of the merger date and accounts for the resulting gains or losses in profit or loss. However, sometimes the transferred assets or liabilities remain in the merged business after the business combination (for example, if assets or liabilities were transferred to the acquired business instead of the former owners) and the acquirer continues to have control of the assets or liabilities in question.

In internal transactions, balances and unrealized gains arising from transactions with group businesses are eliminated. Unrealized losses are also eliminated. When necessary, the amounts reported by the affiliates are adjusted to comply with the group's accounting policies.

2.7.11 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.

2.7.12 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.

2.7.13 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)

2.7 Summary of Significant Accounting Policies (Continued)

2.7.14 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.

2.7.15 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.

2.7.16 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.

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

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.17 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 25).

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.

2.7.18 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 Group has made changes in its assumptions made for the utilization rate related to the probability of entitlement used in calculating the provision for severance pay after 01 January 2018. As a result of the aforementioned amendment, different rates have been determined for the probability of seniority entitlement, separately for the employees of the headquarters and store employees, and for different age ranges. Accordingly, the following actuarial assumptions are used to calculate the total long-term allowance:

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

	2019	**2018**
Discount rate per annum (%)	4.44	5.00
Probability of retirement (%)	77.81	81.08

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.18 Employee Benefits/ Retirement Pay Provision(continued)

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 6.730,15 (1 January 2019: TRY 6.017,60) which is effective from 1 January 2019, has been taken into consideration in calculating the Group’s provision for employment termination benefits.

2.7.19 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.

2.7.20 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.

2.7.21 Deferred revenue

Both due to sales contracts and other reasons, such as advances received from customers or other persons, all or part of the provision are liabilities regarding the income collected in the current period or accrued as receivables, but belonging to future periods.

2.7.22 Prepaid expenses

Amounts generally made to suppliers and to be transferred to expense and cost accounts in a later period (or periods) are shown in prepaid expenses.

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

2.8 Significant Accounting Estimates and Assumptions (continued)

2.8.1 Impairment Test of Goodwill

As mentioned in Note 2.7.5 and Note 2.7.7, 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 2020-2024, which are approved by the management. In long-term growth plans, growth rate of 7% was taken into consideration (31 December 2018: 7%). The discount rate as of 31 December 2019, used for the calculation of carrying amount is 17.8% (31 December 2018: 22.3%). That discount rate is after tax discount rate and includes specific risks of the Group (Note 12).

2.8.2 Provisions

As mentioned in Note 2.7.14, 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 2019 the Group evaluated the current risks and booked related provisions (Note 13).

2.8.3 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 2019 and 2018, 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.

2.8.4 Evaluation of financial position

The Group has recognized TRY 343,080,788 loss as of and for the year ended 31 December 2019 and together with current year loss the Group’s accumulated losses has reached to TRY 1,124,240,405 . As of 31 December 2019, the Group’s total equity is TRY (301,938,282).

Accordingly, in accordance with the third paragraph of Article 376 made of the TCC, it has been determined that the total 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.

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

2.8 Significant Accounting Estimates and Assumptions (continued)

2.8.4 Evaluation of financial position (continued)

The market value of the Company's lands and buildings has been determined as TRY 424,845,000 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 41,254,838. 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 30.

The company has set its strategic goals to grow and increase its market share. Firstly, it is aimed to increase sales with high performance formats, especially in regions that are profitable. Effective category and format management, use of CRM, promotion and marketing tools and improvements in HR processes are the main tools to be used to achieve the goal. In addition to growing in existing locations, growth in alternative channels is targeted with minimum investment. Franchise, e-commerce, corporate – wholesale and export channels and growth are the methods to be used to increase the scale of the company with low consistent investments.

2.9 Changes in Turkish Financial Reporting Standards

A number of new standards, interpretations of 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 revised Conceptual Framework (2018 Version)

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 TFRSs. 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.

Amendments to TAS 1 and TAS 8 – Definition of Material

In June 2019 POA issued Definition of Material (Amendments to TAS 1 and TAS 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. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its consolidated financial statements.

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

2.9 Changes in Turkish Financial Reporting Standards (continued)

Amendments to TFRS 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 to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs.. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. 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 TFRS 3 will have significant impact on its consolidated financial statements.

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

The Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7, published by IASB in September 2019, was also published by the POA on 14 December 2019. In 2018, the IASB determined the issues to be dealt with before and after the amendment of the international benchmark interest rates and classified them as pre and amendment matters.

As a result of these changes, exemptions were made in four basic issues in financial hedge accounting in TFRS 9 and TAS 39. These issues are:

(a) The highly probable requirement;
(b) Prospective assessments;
© TAS 39 retrospective assessment; and
(d) Separately identifiable risk components.

There has been no change in other provisions on hedge accounting.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

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

3. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	25,465,297	24,737,434
Cash in transit (*)	22,922,559	26,195,014
Credit card receivables	373,640,601	316,020,489
Banks		
Time deposit	53,562,865	86,850,987
Demand deposit	31,309,771	32,793,786
Other	-	983,295
	506,901,093	487,581,005

(*) 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 27.

As at 31 December time deposits are as follows:

Currency	Interest rate	Maturity	31 December 2019
USD	2.30%	2 Mart 2020	53,461,800
		Interest Accrual	101,065
			53,562,865

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

The Group does not have any blocked deposits as at 31 December 2019 and 2018.

The Group’s exposure to currency and interest rate risks and relevant sensitivities for cash and cash equivalents are disclosed in Note 28.

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

4. FINANCIAL LIABILITIES

Short Term Financial Liabilities	31 December 2019	31 December 2018
Short Term Financial Liabilities from Related Parties		
Bank loans (*)	529,976,383	291,370,075
Lease liabilities	24,140,310	-
Other Short Term Financial Liabilities		
Bank loans (*)	467,517,287	458,268,115
	1,021,633,980	749,638,190

Short Term Portion of Long Term Financial Liabilities	31 December 2019	31 December 2018
Short Term Portion of Long Term Financial Liabilities from Related Parties		
Lease payables	-	21,282,883
Other Short Term Portion of Long Term Financial Liabilities		
Bank loans (**)	-	33,866,188
Lease payables	143,003,917	2,429,263
	143,003,917	57,578,334
Long Term Financial Liabilities		
Long Term Financial Liabilities from Related Parties		
Bank loans (**)	200,000,000	-
Lease payables	-	21,844,798
Other Long Term Financial Liabilities		
Bank loans (**)	-	83,497,728
Lease payables	721,374,883	35,210,959
	921,374,883	140,553,485

(*) As at 31 December 2019 and 2018 the details of short term bank loans are as follows:

Currency	Interest Rate (i)	31 December 2019
TRY	12.50%	941,090,827
USD	4.50%	37,588,308
	Interest accrual	18,814,535
		997,493,670

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

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

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

4. FINANCIAL LIABILITIES (Continued)

(**) As at 31 December 2019 and 2018 the details of long term bank loans are as follows:

Currency	Interest Rate	31 December 2019
TRY	12.50%	200,000,000
		200,000,000

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

The Group's financial borrowing due to related parties are stated in Note 27.

Finance lease payables consist of the followings:

Finance lease payables	Present value of minimum lease payments	
	31 December 2019	31 December 2018
Within one year	329,143,650	25,675,924
Less : Future finance charges	(161,999,423)	(1,963,778)
	-	-
Present value of finance lease obligations	167,144,227	23,712,146
Two years and after	1,367,219,775	114,112,194
Less : Future finance charges	(645,844,892)	(57,056,437)
	-	-
Present value of finance lease obligations	721,374,883	57,055,757

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 2019 are disclosed at Note 9 and Note 10.

The repayment schedule of long-term borrowings as of 31 December 2019 and 2018 in TRY equivalent as at balance sheet date is as stated below:

	31 December 2019	31 December 2018
2021	319,801,582	107,645,037
2022	115,775,458	2,182,446
2023	112,681,493	2,068,669
2024 and after	373,116,350	28,657,333
	921,374,883	140,553,485

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

4. FINANCIAL LIABILITIES (Continued)

As of 31 December 2019 and 2018, the reconciliation of the Group’s obligations arising from its borrowings is as follows:

	31 December 2019	31 December 2018
1 January borrowings	867,002,108	1,599,951,488
current period additions	1,811,215,445	642,108,972
interest and capital repayments	(1,706,483,300)	(1,627,080,997)
current period interest expenses (including accruals)	218,723,094	213,871,634
effects of change in interest change	7,036,323	38,151,009
31 December borrowings	1,197,493,670	867,002,106

As of 31 December 2019 and 2018, the reconciliation of the Group’s obligations arising from its operating lease liability is as follows:

	31 December 2019	31 December 2018
1 January lease liabilities	923,124,075	87,135,959
current period additions	108,613,543	-
term lease payment	(345,384,814)	(42,400,667)
current period interest accruals	197,671,199	2,147,957
effects of change in interest change	4,495,107	33,884,654
31 December lease liabilities	888,519,110	80,767,903

As of 31 December 2019 and 2018, there are no guarantees given related to the financial borrowings.

The Group’s exposure to foreign exchange risk related to borrowings is disclosed in Note 28

As of 31 December 2019 and 31 December 2018, there are no obligation to fulfill due to loan and lease agreements.

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

5. TRADE RECEIVABLES AND PAYABLES

Trade Receivables	31 December 2019	31 December 2018
Other trade receivables	62,020,077	49,851,346
Shopping mall receivables	14,231,167	14,282,053
Provision for doubtful trade receivables	(29,985,809)	(29,077,606)
	46,265,435	35,055,793
Due from related parties (Note 27)	17,936,009	20,987,567
	64,201,444	56,043,360

The movement of the allowance for doubtful receivables for the years ended 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Opening balance	29,077,606	29,481,378
Collections	(2,852,389)	(3,479,946)
Canceled provisions	-	(341,891)
Charge for the period	3,760,592	3,418,065
Closing balance	29,985,809	29,077,606

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 28.

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

	31 December 2019	31 December 2018
Letters of guarantee received for shopping mall receivables	2,506,169	7,331,349
	2,506,169	7,331,349

Short Term Trade Payables	31 December 2019	31 December 2018
Trade payables	1,637,874,070	1,396,049,061
Due to related parties (Note 27)	50,256,501	20,500,662
	1,688,130,571	1,416,549,723

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 28.

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

6. OTHER RECEIVABLES AND PAYABLES

Other Short Term Receivables	31 December 2019	31 December 2018
Receivables from personnel	842,490	219,734
VAT receivables	52,656	-
Other receivables (*)	1,523,797	988,010
	2,418,943	1,207,744

Other Long Term Receivables	31 December 2019	31 December 2018
Deposits given	34.414.666	42.082.606
VAT receivables	14.579.007	14.578.486
	48.993.673	56.661.092

The Group’s exposure to liquidty and foreign currency risk for other payables are disclosed in Note 28.

Other Short Term Payables	31 December 2019	31 December 2018
Taxes payables	17,185,804	16,081,581
Advances and deposits received	1,403,593	2,374,266
Other payables	-	26,480
	18,589,397	18,482,327
Due to related parties (Not 27)	11,383,989	9,397,685
	29,973,386	27,880,012

The Group’s exposure to liquidty and foreign currency risk for other payables are disclosed in Note 28.

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

7. INVENTORIES

	31 December 2019	31 December 2018
Trade goods	796,407,625	647,532,948
Impairment of inventories	(8,485,369)	(8,359,182)
	787,922,256	639,173,766

The movements of allowance for impairment on inventory for the periods ended 31 December 2019 and 2018 are below:

	31 December 2019	31 December 2018
Opening balance	8,359,182	6,062,815
Charge of the period	7,425,775	9,324,271
Current year reversal	(7,299,588)	(7,027,904)
Closing balance	8,485,369	8,359,182

Allowance for impairment on inventory for the years ended 31 December 2019 and 2018 is recognized in cost of sales (Note 18). As of 31 December 2019, cost of inventory recognized in income statement is TRY 4,643,603,908 (31 December 2018: TRY 3,810,653,176) (Note 18).

8. PREPAID EXPENSES

Sort Term Prepaid Expenses	31 December 2019	31 December 2018
Prepaid expenses	27,615,813	18,934,935
Advances given	9,727,972	10,379,553
Prepaid taxes and dues	957,903	1,464,860
	38,301,688	30,779,348
Prepaid expenses to related parties	712,992	5,889,251
Prepaid expenses	39,014,680	36,668,599

Long Term Prepaid Expenses	31 December 2019	31 December 2018
Prepaid expenses	9,275,398	11,538,074
Advances given for tangible assets	1,782,486	1,782,485
	11,057,884	13,320,559

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

9. RIGHT OF USE ASSETS

	Buildings	**Vehicles**	**Total**
Cost			
Opening balance at 1 January 2019	855,578,984	12,445,125	868,024,109
Additions	110,162,876	-	110,162,876
Transfers (*) (Note 10)	12,780,731	-	12,780,731
Closing balance, 31 December 2019	978,522,591	12,445,125	990,967,716
Accumulated depreciation			
Opening balance at 1 January 2019	-	-	-
Additions	(192,138,348)	(4,148,375)	(196,286,723)
Closing balance, 31 December 2019	(192,138,348)	(4,148,375)	(196,286,723)
Net book value, 31 December 2019	**786,384,243**	**8,296,750**	**794,680,993**

From depreciation expenses, TRY 184,693,222 is included in marketing expenses and TRY 11,593,501 is included in general administrative expenses.

The Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The transition effect of the Group in accordance with TFRS 16 is explained in Note 2.5.

As of 31 December 2019, prepaid rent expenses amounting to TRY 5,229,614 have been recognized in the right of use assets of the Group.

(*)As of 1 January 2019, the Group has reclassified net book value of the assets that considered as financial leasing in accordance with TAS 17 before 1 January 2019, into right of use assets below tangible asset in accordance with TFRS

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

10. 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 2019 (Reported)	123,076,828	211,934,775	20,512,454	865,314,316	16,016,456	3,136,591	1,239,991,420
IFRS 16 effect (Note 9)	-	-	(20,512,454)	-	-	-	(20,512,454)
Opening balance at 1 January 2019	123,076,828	211,934,775	-	865,314,316	16,016,456	3,136,591	1,219,478,966
Additions	105,000	5,741,097	-	129,530,013	93,865	726,705	136,196,680
Transfers (Note 11)	-	-	-	2,539,772	3,378	(2,968,667)	(425,517)
Impairments	-	(559,703)	-	(3,441,501)	(534,331)	-	(4,535,535)
Disposals (*)	-	(546,624)	-	(26,376,059)	(824,862)	(86,645)	(27,834,190)
Closing balance, 31 December 2019	123,181,828	216,569,545	-	967,566,541	14,754,506	807,984	1,322,880,404
Accumulated depreciation							
Opening balance, 1 January 2019 (Reported)	-	(72,743,728)	(7,731,723)	(517,045,017)	(9,057,878)	-	(606,578,346)
IFRS 16 effect (Note 9)	-	-	7,731,723	-	-	-	7,731,723
Opening balance at 1 January 2019	-	(72,743,728)	-	(517,045,017)	(9,057,878)	-	(598,846,623)
Depreciation charge of the period	-	(8,576,277)	-	(102,545,311)	(2,073,029)	-	(113,194,617)
Impairments	-	268,418	-	1,828,212	328,328	-	2,424,958
Disposals	-	274,924	-	23,652,514	587,065	-	24,514,503
Closing balance, 31 December 2019	-	(80,776,663)	-	(594,109,602)	(10,215,514)	-	(685,101,779)
Net book value, 31 December 2019	**123,181,828**	**135,792,882**	**-**	**373,456,939**	**4,538,992**	**807,984**	**637,778,625**

From depreciation expenses, TRY 107,248,903 (2018: TRY 95,839,413) is included in marketing expenses and TRY 5,945,714 (2018: TRY 10,306,549) is included in general administrative expenses.

As at 31 December 2019, total insurance amount over property, plant and equipment is TRY 824,249,274 (31 December 2018: TRY 1,368,503,072).

(i) The Group recognized impairment provision for loss making stores amounting to TRY 2,752,819 and reversed the provision for impairment losses amounting to TRY 292,174 (2018: TRY 318,555). Impairment provisions are accounted in other income from the main activities.

(*) Disposals include the disposals belonging to the stores that were closed during the year.

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 TRY 20,661,999 (31 December 2018: TRY 39,186,209) and presented under

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10. 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 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 11)	-	959,027	-	(33,400)	725	(971,474)	(45,122)
Impairment	-	(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)
Transfers (Note 11)	-	-	-	-	-	-	-
Impairment	-	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**

(*) The Group sold two real estates located in Istanbul in February and June 2018. It also includes the disposals belonging to the stores that were closed during the period.

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

11. INTANGIBLE ASSETS

Intangible Assets

Cost	**Total**
Opening balance, 1 January 2019	171,801,942
Additions	16,702,088
Transfers (Note 10)	425,517
Impairment	(719,568)
Disposals	(4,168,459)
Closing balance, 31 December 2019	184,041,520
Accumulated amortization	
Opening balance, 1 January 2019	(109,224,980)
Charge for the period	(31,221,440)
Transfers	-
Impairment	369,500
Disposals	3,088,347
Closing balance, 31 December 2019	(136,988,573)
Net book value, 31 December 2019	**47,052,947**

Cost	**Total**
Opening balance, 1 January 2018	162,779,342
Additions	13,587,239
Transfers (Note 10)	45,122
Impairment	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	(26,898)
Disposals	2,958,821
Closing balance, 31 December 2018	(109,224,980)
Net book value, 31 December 2018	**62,576,962**

From amortization expenses, TRY 11,050,560 (2018: TRY 13,793,439) is included in marketing expenses and TRY 20,170,880 (2018: TRY 19,095,947) is included in general administrative expenses.

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

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12. GOODWILL AND BUSINESS COMBINATIONS

Goodwill amount is consisted of following investments:

Investments:	31 December 2019	31 December 2018
Kiler Alışveriş	254,018,530	254,018,530
Gima	180,159,453	180,159,453
Alpark	48,301,156	48,301,156
	482,479,139	482,479,139

As of 31 December 2019, the Group has not recognize any impairment as a result of the impairment analysis on goodwill amounts. 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, there would be no impairment again.

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 2.7.1).

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13. SHORT AND LONG TERM PROVISIONS

Provisions for short term liabilities as of 31 December 2019 and 2018 are as follows:

Short Term Provisions	31 December 2019	31 December 2018
Provision for other, risk, litigations and onerous contracts	59,668,625	67,751,688
Provision for personnel and social security	770,000	770,000
Other (*)	-	3,580,507
	60,438,625	72,102,195

(*) 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 2019	67,751,688	770,000	3,580,507	72,102,195
Charge of the period	10,001,568	-	631,166	10,632,734
Current year reversal / charge	(18,084,631)	-	(4,211,673)	(22,296,304)
Closing balance, 31 December 2019	59,668,625	770,000	-	60,438,625

	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

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.

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13. SHORT AND LONG TERM PROVISIONS (Continued)

Provisions for employment benefits as of 31 December 2019 and 2018 are as follows:

Short Term Employment Benefits	31 December 2019	31 December 2018
Unused vacation provision	10,902,379	9,008,246
	10,902,379	9,008,246

Long Term Employment Benefits	31 December 2019	31 December 2018
Employment termination benefit provision	75,888,726	54,239,655
	75,888,726	54,239,655

Movement for employment termination benefit provision for 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Opening balance, 1 January	54,239,655	51,336,450
Service cost	17,210,348	21,737,911
Interest cost	2,374,510	5,664,552
Actuarial (gain) / loss	15,133,586	4,806,215
Paid compansation during the year (*)	(13,069,373)	(29,305,473)
Closing balance, 31 December	75,888,726	54,239,655

(*) In 2018, the Group’s management has made compensation payments within the scope of restructuring.

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14. COMMITMENTS

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages (“CPM”) given by the Company as at 31 December 2019 and 2018 are as follows:

GPM given by the Group

	31 December 2019	31 December 2018
A. GPM given on behalf of its own legal entity	116,849,916	104,645,854
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	-	-
	116,849,916	104,645,854

31 December 2019	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	116,849,916	111,255,626	2,037,377	3,556,913
	116,849,916	111,255,626	2,037,377	3,556,913

31 December 2018	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

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

15. EMPLOYMENT BENEFITS

Employee Benefit Liabilities	31 December 2019	31 December 2018
Payables to personnel and Social Security Premiums payable	16,615,186	14,421,391
Personnel salary and premium payables	5,966,379	34,076,910
	22,581,565	48,498,301

16. DEFERRED INCOME

Other liabilities as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Deferred Income		
Unearned income	14,564,581	11,939,666
Liabilities for shopping cheques	6,204,796	7,233,230
	20,769,377	19,172,896

17. SHAREHOLDERS’ EQUITY

a) Capital

Shareholder structure as of 31 December 2018 and 2016 is stated below:

Shareholders	(%)	31 December 2019	(%)	31 December 2018
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 and other	3.37	23,631,873	3.37	23,631,873
Nominal share capital	100.00	700,000,000	100.00	700,000,000

The issued capital of the Group is TRY 700,000,000 (2018: TRY 700,000,000) as of 31 December 2019 with a nominal value of TRY 0.01 (1 KR) of 70,000,000,000 shares (2018: 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 2017/9, 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 2017. 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 2017/2020 (5 years).

The inflation adjustment on share capital as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Inflation adjustment to share capital	91,845,783	91,845,783
	91,845,783	91,845,783

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17. SHAREHOLDERS’ EQUITY (continued)

a) Capital (continued)

As of 31 December 2019, capital adjustment differences amounting to TRY 91,845,783 consist of capital adjustment differences resulting from the restatement of the Group's paid-in capital amount and that are not offset to the previous year's losses or added to share capital (31 December 2018: TRY 91,845,783).

b) Retained Losses

	31 December 2019	31 December 2018
Retained losses	(781,159,617)	(769,663,206)
	(781,159,617)	(769,663,206)

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 232,724,639 which is related to property sales in 2015-2018 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 2019	31 December 2018
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.

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;

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

17. SHAREHOLDERS' EQUITY (continued)

c) Resticted Reserves (continued)

- "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 31 December 2019, TRY 16,553,327 (31 December 2018: TRY 4,446,458) provision for severance pay related actuarial losses recognized as other comprehensive income

18. REVENUE AND COST OF SALES

NET SALES	31 December 2019	31 December 2018
Revenue from retail operations	6,460,591,895	5,226,026,629
Loyalty program discounts	(30,807,638)	(23,745,262)
Sales returns	(56,912,397)	(36,926,943)
Sales discount	(6,468,767)	(3,018,331)
Rent income	19,293,402	41,023,780
	6,385,696,495	5,203,359,873

COST OF SALES	31 December 2019	31 December 2018
Opening balance of inventories	(639,173,766)	(602,370,448)
Purchases	(4,792,226,211)	(3,845,160,127)
Change in inventory impairment (Note 7)	(126,187)	(2,296,367)
Closing balance of inventories	787,922,256	639,173,766
Shopping mall general expenses	(3,988,078)	(11,207,786)
	(4,647,591,986)	(3,821,860,962)

19. SELLING AND MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Operating expenses for the years ended 31 December 2019 and 2018 are as follows:

OPERATING EXPENSES	31 December 2019	31 December 2018
Marketing expenses	(1,369,225,453)	(1,257,026,598)
General administrative expenses	(162,338,168)	(158,996,298)
	(1,531,563,621)	(1,416,022,896)

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

20. EXPENSES BY NATURE

	31 December 2019	31 December 2018
Personnel expenses (**)	(712,664,306)	(588,083,833)
Depreciation and amortization expenses (Note: 9, 10, 11) (*)	(340,702,780)	(141,248,944)
Overhead expenses	(132,962,713)	(101,993,281)
Rent expenses	(81,827,956)	(329,472,681)
Repair and maintenance expenses	(64,395,370)	(57,621,170)
Outsourced expenses	(49,602,356)	(41,742,571)
Advertising expenses	(40,759,605)	(34,330,909)
Consultancy expenses	(24,794,323)	(29,698,390)
Travel expenses	(10,250,512)	(7,674,583)
Taxation and other expenses	(7,655,415)	(7,305,439)
Stationery consumption expenses	(7,564,060)	(7,446,847)
Insurance expenses	(7,040,528)	(6,789,044)
Decoration material expenses	(7,039,201)	(6,473,762)
Communication expenses	(772,859)	(1,059,895)
Other	(43,531,637)	(55,081,547)
	(1,531,563,621)	(1,416,022,896)

(*) As of 31 December 2019, the amortization and depreciation amount included in the marketing expenses is 302,992,685 TRY (2018: 111,846,448 TRY) and the general administrative expenses amount is 37,710,095 TRY (2018: 29,402,496 TRY).

(**) As of 31 December 2019, the personnel expense included in the marketing expenses is 645,261,524 TRY (2018: 524,233,903 TRY), and the amount within the general administrative expenses is 67,402,782 TRY (2018: 63,849,930 TRY).

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

21. OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

Other operating income/expenses from main operations for the years ended 31 December 2019 and 2018 are as follows:

Other Operating Income	31 December 2019	31 December 2018
Provisions no longer required (i)	9,634,196	15,600,000
Foreign exchange gain from operational activities	20,947,155	39,848,881
Other income	3,238,805	8,092,219
Cancellation of impairment (ii)	292,174	318,555
	34,112,330	63,859,655

(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 2019 the Group reversed the impairment provision amounting to TRY 292,174 which was provided for loss making stores in previous periods, as it was no longer required. (31 December 2018 : TRY 318,555)

Other Operating Expenses (-)	31 December 2019	31 December 2018
Goodwill impairment (Note 12)	-	(150,199,730)
Interest expenses from purchases via credit	(192,420,992)	(88,548,062)
Provision expenses (i)	(1,863,393)	(8,917,865)
Foreign exchange losses from operational activities	(16,846,400)	(41,793,083)
Interest expenses from operational activities	(1,566,908)	(1,173,394)
Impairment provision (ii)	(2,752,819)	-
Other expenses and losses	(54,068,724)	(62,271,942)
	(269,519,236)	(352,904,076)

(i) Provision expenses generally consist of risk and litigation provisions. As of 31 December 2019, 1.863.393 TRY of the change in the reserve accounts amounting to 10.632.734 TRY (2018: 13.326.538 TRY) (2018: TL 8,917,865) is accounted in marketing expenses in the other expenses account, TRY 8.769.341 (2018: TRY 4.408.673).

(ii) As of 31 December 2019, the Group has allocated an impairment provision amounting to TRY 2,752,819 regarding the loss-making stores.

22. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	31 December 2019	31 December 2018
Gain on sale of investment propoerty and tangible assets (*)	-	569,337,061
	-	569,337,061

(*) 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 in June 2018.

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

23. FINANCE INCOME

Finance income for the years ended 31 December 2019 and 2018 are as follows:

Finance income	31 December 2019	31 December 2018
Interest income	5,773,740	35,230,891
Foreing exchange income	48,400,803	18,036,578
	54,174,543	53,267,469

24. FINANCE COSTS

Finance costs for the years ended 31 December 2019 and 2018 are as follows:

Finance costs	31 December 2019	31 December 2018
Foreing exchange expenses	(25,204,038)	(47,937,907)
Interest expenses	(220,272,425)	(213,871,634)
Interest expenseson lease liabilities	(196,121,868)	-
Credit card commision costs	(13,849,633)	(8,695,720)
	(455,447,964)	(270,505,261)

25. TAX ASSETS AND LIABILITIES

Tax Expense of the Period	31 December 2019	31 December 2018
Corporate tax expense of the current period	-	-
Deferred tax income/(expense)	87,966,854	(40,089,155)
Tax income/(expense) from continuing operations	87,966,854	(40,089,155)

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 2019 (2018: 22%). 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% (2018: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2019. 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.

25. 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 2019. 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 2019 and 2018, 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.

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

25. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax calculation for the periods ending 31 December 2019 and 2018 is as follows:

The basis for deferred tax timing differences:	31 December 2019	31 December 2018
Reserve for onerous contract and other contingencies	73,547,429	85,902,080
Provision for impairment in fixed assets	2,987,921	1,114,969
Inventory valuation differences	124,725,323	116,568,355
Other current assets	(22,643,101)	(23,143,331)
Provision for employment termination benefit	75,888,726	54,239,655
Tangible and intangible fixed assets	(73,853,770)	(115,790,321)
Right of use assets	(799,910,607)	-
Other short term liabilities	67,667,969	62,070,738
Finance lease payables	862,934,894	37,797,782
Prior year losses	1,003,923,389	655,551,551
	1,315,268,173	874,311,478

Deferred tax assets / (liabilities) :	31 December 2019	31 December 2018
Reserve for onerous contract and other contingencies	16,180,434	18,898,458
Provision for impairment in fixed assets	597,584	222,994
Inventory valuation differences	27,439,571	25,645,038
Other current assets	(4,981,480)	(5,091,533)
Provision for employment termination benefit	15,177,745	10,847,931
Tangible and intangible fixed assets	(14,770,754)	(23,157,465)
Right of use assets	(159,982,121)	-
Other short term liabilities	14,886,953	13,655,562
Finance lease payables	175,418,179	7,611,293
Prior year losses	200,784,678	131,124,939
	270,750,789	179,757,217

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

25. TAX ASSETS AND LIABILITIES (Continued)

Carry forward tax losses

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

	31 December 2019	31 December 2018
2020	-	731,442
2021	312,597,059	308,390,409
2022	344,549,152	344,549,152
2023	1,880,547	1,880,548
2024	344,896,631	-
	1,003,923,389	655,551,551

The movements of deferred tax asset and liability as of 31 December 2019 and 2018 are as follows:

Deferred tax asset / (liability) movements:	31 December 2019	31 December 2018
Openning balance at 1 January	179,757,217	218,885,277
Current year income/(loss)	87,966,854	(40,089,155)
Acquired deferred tax asset with business combination	3,026,718	961,095
Other comprehensive (loss)/income	-	-
Closing balance at 31 December	270,750,789	179,757,217

Tax reconciliation	31 December 2019	31 December 2018
Income before tax / (loss)	(431,047,642)	28,592,744
Effective tax rate	22%	22%
Calculated tax	94,830,481	(6,290,404)
Disallowable expenses	(2,420,370)	(8,996,008)
Exemptions and discounts	-	24,427,793
Goodwill impairment not subject to deferred tax calculation	-	(33,043,941)
Current period losses not subject to deferred tax calculation	(160,917)	(21,757,646)
Effect of prior years' losses removed in the scope of tax base increase	(7,121,602)	4,894,322
Other	2,839,262	676,729
	87,966,854	(40,089,155)

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

26. LOSS PER SHARE

Weighted average number of shares and basic earnings per share for the years ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Opening, number of shares (Note 17)	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 17)	70,000,000,000	70,000,000,000
Net loss for the period	(343,080,788)	(11,496,411)
Loss per share (Kr)	(0.4901)	(0.0164)

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Cash and cash equivalents (Note 3)	2019	2018
Akbank T.A.Ş.	156,820,099	57,480,754
	156,820,099	57,480,754

Trade receivables from related parties (Note 5)	2019	2018
Carrefour World Trade	16,460,398	20,110,514
Akbank T.A.Ş.	105,989	36,886
Akçansa Çimento Sanayi ve Ticaret A.Ş.	329,886	-
Carrefour Nederland BV	165,829	15,081
Carrefour Global Sourcing Asia	249	226,083
Ak Finansal Kiralama A.Ş.	36,918	36,918
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	-	7,334
Socomo SA	163,069	311,285
Hacı Ömer Sabancı Holding A.Ş.	30,400	36,960
Other	643,271	206,506
	17,936,009	20,987,567

Financial Liabilities (Note 4)	2019	2018
Akbank T.A.Ş.	679,818,883	405,373,639
Burgan Bank A.Ş.	50,157,500	-
Ak Finansal Kiralama A.Ş.	24,140,310	21,844,798
	754,116,693	427,218,437

Other short term payables to related parties (Note 6)	2019	2018
Hacı Ömer Sabancı Holding A.Ş.	7,031,377	5,844,528
Carrefour Partenariat International	4,352,612	3,553,157
	11,383,989	9,397,685

Trade payables to related parties (Note 5)	2019	2018
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	19,009,208	7,448,170
Sabancı Dijital Teknoloji Hizmetler A.Ş.	19,356,747	8,435,636
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	10,965,704	3,215,695
Teknosa İç ve Dış Ticaret A.Ş.	207,278	965,208
Aksigorta A.Ş.	292,697	93,091
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	106,350	106,350
Avivasa Emeklilik ve Hayat A.Ş.	93,028	4,120
Carrefour Hypermarches SAS	189,885	189,885
Other	35,604	42,507
	50,256,501	20,500,662

(*) The Group has not given any collateral for borrowings to related parties. As of 31 December 2019, the weighted interest average of the loans received from Akbank T: A: Ş: is 12.8% (2018: 27.5%), the loan interest rate from Burgan Bank A.Ş. is 12.0%.and interest rate of USD borrowing From Ak Finansal Kiralama A.Ş. is 4.5% (2018: 4.5%).

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Purchases from related parties (goods)	2019	2018
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	255,436,013	201,680,331
Teknosa İç ve Dış Ticaret A.Ş.	2,601,952	3,454,325
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	-	29,121
Sabtek Sanat Bılım Tekn.Egıt.Ve Kül	-	1,997
	258,037,965	205,165,774

Purchases from related parties (services)		
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	96,280,431	53,370,134
Sabancı Dijital Teknoloji Hizmetler A.Ş.	20,165,258	11,904,109
Aksigorta A.Ş.	6,894,921	7,692,490
Teknosa İç ve Dış Ticaret A.Ş.	84,595	358,434
Other	105,983	31,312
	123,531,188	73,356,479

Rent income from related parties		
Teknosa İç ve Dış Ticaret A.Ş.	1,453,317	2,964,677
Akbank T.A.Ş.	1,218,500	983,383
	2,671,817	3,948,060

Rebates and other income from related parties		
Carrefour World Trade	16,369,719	22,441,582
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Ticaret A.Ş.	5,179,565	4,709,290
Akbank T.A.Ş.	286,063	2,270,393
Carrefour Romania	-	529,186
Carrefour Global Sourcing Asia	794,888	825,936
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	-	724,251
Carrefour Nederland BV	150,749	195,304
Çimsa Çimento Sanayi ve Ticaret A.Ş.	307,380	268,061
Akçansa Çimento Sanayi ve Ticaret A.Ş.	346,704	46,923
Hacı Ömer Sabancı Holding A.Ş.	110,472	-
Teknosa İç ve Dış Ticaret A.Ş.	2,906,596	325,425
Ak Yatırım Menkul Değerler A.Ş.	1,040	127,727
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	58,580	24,351
Avivasa Emeklilik ve Hayat A.Ş.	412,980	117,909
Sabancı Dijital Teknoloji Hizmetler A.Ş.	440,147	-
Socomo SA	-	331,028
Aksigorta A.Ş.	111,740	-
Other	93,568	123,304
	27,570,191	33,060,670

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other expenses to related parties	2019	2018
Hacı Ömer Sabancı Holding A.Ş.	21,885,870	17,650,214
Carrefour Partenariat International	15,994,830	12,989,324
Sabancı Dijital Teknoloji Hizmetler A.Ş.	585,389	-
Ak Yatırım Menkul Değerler A.Ş.	50,274	-
	38,516,363	30,639,538

Interest income from related parties	2019	2018
Akbank T.A.Ş.	4,573,096	8,080,161
Başkent Elektrik Dağıtım A.Ş.	-	18,083,333
Interest expense and credit card commission to related parties		
Akbank T.A.Ş.	123,882,275	71,389,071
Ak Finansal Kiralama	1,549,331	2,147,957
Burgan Bank A.Ş.	157,500	-

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

	2019	2018
Salaries and other short term benefits	9,910,458	9,153,800
Other long term benefits	594,634	435,361
	10,505,092	9,589,161

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

28. 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 17.

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 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Total bank loans	1,197,493,670	867,002,106
Total lease liabilities	888,519,110	80,767,903
Less: Cash and cash equivalents	(506,901,093)	(487,581,005)
Net liabilities	1,579,111,687	460,189,004
Total share capital	700,000,000	700,000,000
Net liabilities / share capital ratio	225.59%	65.74%

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.

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.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Credit Risk of Financial Instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
31 December 2019	**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)	17,936,009	46,265,435	-	51,412,616	481,435,796	-
	-	-	-	-	-	-
- The part of maximum risk under guarantee with collateral etc. (ii)	-	12,185,741	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	17,936,009	368,993	-	51,412,616	481,435,796	-
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	-	45,896,442	-	-	-	-
- The part under guarantee with collateral etc.	-	14,798,736	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	29,985,809	-	-	-	-
- Impairment (-)	-	(29,985,809)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	972,680	-	-	-	-
- 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.

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

28. 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	(4,609,523)	-	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	-	39,665,316	-	-	-	-
- 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.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk Management (Continued)

	Receivables	
31 December 2019	**Trade receivables**	**Other receivables**
Past due 1-30 days	10,841,360	-
Past due 1-3 months	7,985,252	-
Past due 3-12 months	9,433,995	-
Past due 1-5 years	17,635,835	-
Past due more than 5 years	-	-
Total past due receivables	45,896,442	-

	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	-

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.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2019

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	1,197,493,670	1,323,848,579	290,978,515	805,854,440	227,015,624	-
Financial lease liabilities	888,519,110	1,696,363,424	82,171,416	246,972,233	269,612,157	1,097,607,618
Trade payables	1,688,130,571	1,697,622,604	1,443,825,282	253,797,322	-	-
Other payables	30,466,725	30,466,725	30,466,725	-	-	-
Total liabilities	3,804,610,076	4,748,301,332	1,847,441,938	1,306,623,995	496,627,781	1,097,607,618

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

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.

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

28. 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 2019		
	TRY Equivalents (Functional currency)	**USD**	**EUR**
1. Trade receivables	18,252,876	182,041	2,581,950
2. Liquid assets	75,945,777	9,731,518	2,727,365
3. CURRENT ASSETS (1+2)	94,198,653	9,913,559	5,309,315
4. Other	32,568,650	4,531,100	850,000
5. NON-CURRENT ASSETS	32,568,650	4,531,100	850,000
6. TOTAL ASSETS (3+5)	126,767,303	14,444,659	6,159,315
7. Trade payables	16,720,197	2,814,753	-
8. Other payables	4,352,612	-	654,469
9. Financial liabilities	66,667,744	10,391,671	742,661
10. Non-monetary other liabilities	1,138,808	191,712	-
11. CURRENT LIABILITIES (7+8+9+10)	88,879,361	13,398,136	1,397,130
12. Financial liabilities	20,451,583	-	3,075,149
13. NON-CURRENT LIABILITIES	20,451,583	-	3,075,149
14. TOTAL LIABILITIES (11+13)	109,330,944	13,398,136	4,472,279
15. Net foreign currency liability position (6-14)	17,436,359	1,046,523	1,687,036
16. Net monetary foreign currency asset / liability position (6-14-10)	16,297,551	854,811	1,687,036

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

	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 (1+2)	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 (3+5)	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 (7+8+9+10)	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 (11+13)	159,503,471	22,672,004	6,673,578
15. Net foreign currency liability position (6-14)	(2,166,733)	2,012,703	(2,116,019)
16. Net monetary foreign currency asset / liability position (6-14-10)	(3,440,613)	1,770,562	(2,116,019)

28. 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 2019

	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	621,655	(621,655)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	621,655	(621,655)	-	-
In case of 10% appreciation of EUR against TRY				
4 - Euro net asset / liability	1,121,980	(1,121,980)	-	-
5 - Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	1,121,980	(1,121,980)	-	-
			-	-
TOTAL (3 + 6)	1,743,635	(1,743,635)	-	-

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	-	-

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

28. 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 2019**	**31 December 2018**
Financial lease payables	888,519,110	80,767,903
Bank loans	1,197,493,670	867,002,106
Sensitivity to %5 appreciation / depreciation of interest	5,987,468	4,335,011

Other price risks

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

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

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

31 December 2019	**Financial assets at amortized cost**	**Financial liabilities at amortized cost**	**Net book value**	**Note**
Financial assets				
Cash and cash equivalents	506,901,093	-	506,901,093	(3)
Trade receivables	46,265,435	-	46,265,435	(5)
Due from related parties	17,936,009	-	17,936,009	(27)
Other financial assets	51,412,616	-	51,412,616	(6)
Financial liabilities				
Borrowings	-	1,197,493,670	1,197,493,670	(4)
Financial lease payables	-	888,519,110	888,519,110	(4)
Trade payables	-	1,637,874,070	1,637,874,070	(5)
Due to related parties	-	61,640,490	61,640,490	(27)
Debt provisions	-	71,341,004	71,341,004	(13)
Other financial liabilities (*)	-	19,082,736	19,082,736	(6)-(16)

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	(27)
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	(27)
Debt provisions	-	81,110,441	81,110,441	(13)
Other financial liabilities (*)	-	38,067,328	38,067,328	(6)-(16)

(*) Provisions are not included.

29. 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).

30. EVENTS AFTER THE BALANCE SHEET DATE

On 20 February 2020, 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 2019. According to the third paragraph of Article 376 of the Turkish Commercial Code, the total of the Group's capital and legal reserves were unrequited in these condensed consolidated interim 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 by taking probable selling prices of the land and buildings into consideration. In this Special Purpose Financial Statement of the Company (TTK 376 balance sheet), the shareholders' equity is determined as TRY 41,254,838”