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 2020 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

12 February 2021

This report contains 8 pages of the independent auditors' report and 70 pages of consolidated interim financial statements and notes.

KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of
CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi ("the Company") and its subsidiary (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition and accounting of revenues from suppliers

Refer to Note 2.6.2 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition and accounting of revenues from suppliers.

The key audit matter	**How the matter was addressed in our audit**
The Group’s revenue is mainly comprise of retail sales and income from sublease. The accuracy of revenue recorded by information technology ("IT") billing systems involves a natural control risk due to the complexity of these systems and also the size of the data processed by these systems. Additionally, the evaluation of when the transfer of products to the customer takes place requires significant management judgment. Therefore, "accounting of revenue from retail sales” has been identified as one of the key audit matters. The Group's income generated from its suppliers are based on the trade agreements with suppliers and the contents of these agreements consist of commitments to purchase amounts, promotions and marketing activities, and various types of discounts. These commitments can vary depending on the turnover and for the sum of purchases made during that period or for certain products within those purchases as of periods. Therefore contracts with suppliers has been one of the focus area in the audit.	We have performed the following audit procedures to be responsive to retail sales revenue: - Assessing the compliance of the Group's accounting policy with respect to accounting for revenue in accordance with TFRS 15 and the adequacy of disclosures related to the Group's revenue; - Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the below controls; •key internal controls over the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls; and •internal IT controls over the completeness and accuracy of pricing and billing process and the end-to-end reconciliation controls from pricing and billing process to the accounting system. - Testing the integration of IT infrastructure of cashier system and accounting system; - Testing the end-to-end reconciliations from data records to the billing systems and to the general ledger

	- Substantive testing on a sample of non-systematic adjustments which are outside of the normal billing process and therefore carry higher levels of management judgment and - Testing, on a sample basis, sales returns accepted subsequent to the year end in order to assess whether the sales returns are properly accounted for in the appropriate financial period. We have performed the following audit procedures to be responsive to revenue from suppliers: - Testing the fulfillment of contract conditions, turnover premium rates and relevant conditions for significant turnover premiums income to ensure that turnover premiums income received from suppliers are accounted for in accordance with the terms of the relevant contracts in the correct period and in the correct amount; - Controlling the subsequent period realizations (invoices) of turnover premiums income recognized as accruals - Verification of current accounts related to the suppliers, which a significant portion of turnover premiums income are generated, through external confirmations; -Assessment of manual journal entries related to revenue which the Group accounted in the year; - Analyzing the current contracts with suppliers and evaluating the suitability and appropriateness of accounting policies and the adequacy and relevance of relevant disclosures in terms of elements to be generated in the current period.

Valuation of deferred tax assets

Refer to Note 2.6.17 , 2.7.3 and Note 25 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for valuation of deferred tax assets.

The key audit matter	**How the matter was addressed in our audit**
As of and for the year ended 31 December 2020, the Group has recognized deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable. The recoverability of the deferred tax asset depends on the Group's ability to generate taxable profits that it can use in the future deductible temporary differences and prior year financial losses (before expiration). Therefore, accounting and recoverability of deferred tax assets requires significant management judgment. This issue has been identified as one of the key audit matters, as estimating the amounts and timings for the realization of future taxable profits and temporary differences involves natural uncertainty.	We have performed the following audit procedures to be responsive to this area: - Evaluating and questioning the assumptions and judgments, which are used to determine future taxable earnings estimates by analyzing the assumptions made by the management; - Reconciliation of the estimates and assumptions used with the amounts in future business plans approved by the Board of Directors; - Considering the historical accuracy of forecasts of future taxable profits made by the management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions; - Considering the impact of changes in legislation where applicable; - Reconciling unused previous year tax losses and its expiry dates with tax statements; and - Evaluation of the adequacy of disclosures in the consolidated financial statements for the application of the judgments used in the estimation of deferred tax assets that are recognized or not recognized in the consolidated financial statements of the Group. - Assessing whether the disclosures in the consolidated financial statements for the application of the judgments used in the estimation of deferred tax assets that are reflected or not reflected in the Group's consolidated financial statements are appropriately reflecting the deferred tax position in accordance with TFRS provisions.

Application of TFRS 16 Leases

Refer to Note 2.6.6 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for the iapplication of TFRS 16 Leases.

The key audit matter	**How the matter was addressed in our audit**
The Group has several lease agreements including stores, warehouses, vehicles and headquarters building. As of 31 December 2020, TL 929.154 (31 December 2019, TL 864.379) thousand of lease contract liabilities and TL 794.681 (31 December 2019, TL 794.681) thousand of right of use asset. The share of the right of use assets within the total fixed assets is 32%. (31 December 2019: %35) Significant judgement is required in the assumptions and estimates made in order to measure the right of use asset and liability and determine right of use asset components, lease payments and appropriate discount rates. The adjustments arising from applying TFRS 16 are material to the Group's consolidated financial statements, and this disclosure of impact is a key focus area in our audit. Since the lease contracts can be complex, "the first application of TFRS 16" has been identified as one of the key audit matters, since it will require significant judgment by the management when determining the accounting basis specific to each situation.	We have performed the following audit procedures to be responsive to this area: - Selected sample lease agreements signed between the Group and the lessor were examined. Those agreements have been evaluated within the scope of TFRS 16 and relevant scope criteria have been checked; - Through our discussions with the Group Management, understanding the Group's process in identifying lease contracts, or contracts contained leases; - Examining contracts with sampling method to evaluate appropriateness of the terms of contracts to agree whether underlying asset is low value and leases with a term of less than 12 months determined by the Group; - The net present value calculations of future lease payments have been checked within the scope of TFRS 16 for leases with fixed rental and minimum warranty payment terms. According to the contracts selected through sampling, rent increase rates were evaluated and compared with the payment plan used in the calculation. - The discount rates used according to the terms and foreign currency types of the contracts covered were examined. - We obtained the Group's quantification of ROU assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements, challenged the calculations of the discount rate applied, and performed re-calculation checks. - We assessed the appropriateness of Group's accounting policies for ROU assets and lease liabilities in accordance with TFRS 16.

Impairment of goodwill

Refer to Note 2.6.5 , 2.7.1 and Note 12 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for impairment of goodwill.

The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2020, the Group's goodwill amount is TL 482,479,139 (31 December 2019: TL 482,479,139) and there is no impairment on the goodwill amount. According to TAS 36 Impairment of Assets, the intangible assets with an indefinite useful life has to be tested for impairment annually. In performing impairment assessments, management has used significant estimates and assumptions. The management compared the carrying value of each of the separately identifiable cash generating units to which goodwill had been allocated with their respective recoverable amounts to determine if any impairment loss should be recognized. The recoverable amount of cash generating units, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted cash flow models. These models use several key assumptions, including estimates of future sales volumes per square meter and basket prices, operating costs, estimates related with new store openings and store closings, change in working capital, terminal value growth rates and the weighted-average cost of capital ("WACC"). Since the carrying value of goodwill is significant for the consolidated financial statements and the determination of the estimates and assumptions used in the estimation of the recoverable amount of goodwill requires significant judgment, this issue has been identified as one of the key audit issues.	We have performed the following audit procedures to be responsive to this area: - Involving our own valuation specialist to assist in evaluating the appropriateness of discount rates and long term growth rate applied, which included comparing the WACC with retail sector averages; - Controlling of the design and mathematical accuracy of the calculation model of discounted cash flows, - Controlling of sensitivity analysis of management for market conditions applied to assumptions used. - Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and basket prices, operating costs, estimates related with new store opening and store closing, change in working capital, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; . Performing our own sensitivity analysis which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the cash generating units and - Evaluating the adequacy of the consolidated financial statement disclosures, including disclosures of key assumptions, judgments and sensitivities.

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

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

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

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

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

Responsibilities of auditors in an audit are as follows:

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

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

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

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

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

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

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

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

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 12 February 2021

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2020 and 31 December 2020, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

ORIGINALLY ISSUED IN TURKISH

Ruşen Fikret Selamet, SMMM
Partner
12 February 2021
İstanbul, Turkey

CONTENTS		PAGE(S)

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 2020 AND 2019

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

	Notes	31 December 2020	31 December 2019
ASSETS			
Current Assets		**2,080,994,040**	**1,400,458,416**
Cash and Cash Equivalents	3	913,853,836	506,901,093
Trade Receivables			
Due From Related Parties	5, 27	10,755,881	17,936,009
Other Trade Receivables	5	66,558,627	46,265,435
Other Receivables			
Other Receivables	6	4,047,979	2,418,943
Inventories	7	1,051,614,876	787,922,256
Prepaid Expenses			
Prepaid Expenses to Related Parties	8	2,037,871	712,992
Prepaid Expenses to Others	8	32,124,970	38,301,688
Non-Current Assets		**2,504,994,535**	**2,292,794,050**
Other Receivables			
Other Receivables	6	57,059,111	48,993,673
Property, Plant and Equipment	10	903,186,998	637,778,625
Right of Use Assets	9	798,062,124	794,680,993
Intangible Assets			
Goodwill	12	482,479,139	482,479,139
Other Intangible Assets	11	52,125,086	47,052,947
Prepaid Expenses	8	9,028,561	11,057,884
Deferred Tax Assets	25	203,053,516	270,750,789
TOTAL ASSETS		**4,585,988,575**	**3,693,252,466**

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 2020 AND 2019

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

	Notes	31 December 2020	31 December 2019
LIABILITIES			
Current Liabilities		**3,696,653,484**	**2,997,927,139**
Financial Liabilities			
Short Term Financial Liabilities from Related Parties	4, 27	456,880,461	529,976,383
Other Short Term Financial Liabilities	4	659,438,956	467,517,287
Short Term Lease Liabilities			
Short Term Lease Liabilities from Related Parties	4, 27	-	24,140,310
Other Short Term Portion of Long Term Lease Liabilities	4	153,992,486	143,003,917
Trade Payables			
Due to Related Parties	5, 27	44,705,723	50,256,501
Other Trade Payables	5	2,144,350,268	1,637,874,070
Employee Benefit Liabilities	15	80,508,594	22,581,565
Other Payables			
Due to Related Parties	6, 27	22,948,907	11,383,989
Other Short Term Payables	6	37,790,255	18,589,397
Short Term Provisions			
Provisions for Employment Benefits	13	8,006,439	10,902,379
Other Short Term Provisions	13	56,990,991	60,438,625
Deferred Income	16	29,111,191	20,769,377
Other Current Liabilities		1,929,213	493,339
Non-Current Liabilities		**872,257,288**	**997,263,609**
Long Term Financial Liabilities			
Long Term Financial Liabilities from Related Parties	4, 27	-	200,000,000
Long Term Finance Lease Liabilities			
Other Long Term Finance Lease Liabilities	4	775,161,235	721,374,883
Long Term Provisions			
Provisions for Employment Termination Benefits	13, 25	97,096,053	75,888,726
EQUITY		**17,077,803**	**(301,938,282)**
Shareholders' Equity		**17,077,803**	**(301,938,282)**
Share Capital	17	127,773,766	700,000,000
Inflation Adjustment to Share Capital	17	678,006,480	91,845,783
Share Issue Premium	17	411,664,950	34,691,309
Other Comprehansive Income/ Expense			
-Property,Plant and Equipment Revaluation Increases	17	226,256,882	-
-Losses on Remeasurement of Defined Benefit Obligations	17	(24,290,037)	(16,553,327)
Restricted Reserves	17	12,318,358	12,318,358
Retained Earnings	17	(1,110,479,871)	(781,159,617)
Net Loss for the Period		(304,172,725)	(343,080,788)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,585,988,575**	**3,693,252,466**

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 2020 AND 2019

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

	Notes	2020	2019
PROFIT OR LOSS			
Revenue	18	7,914,987,337	6,385,696,495
Cost of Sales (-)	18	(5,805,261,824)	(4,647,591,986)
GROSS PROFIT		**2,109,725,513**	**1,738,104,509**
Marketing Expenses (-)	19	(1,641,811,872)	(1,369,225,453)
General Administrative Expenses (-)	19	(164,946,461)	(162,338,168)
Other Income From Main Operations	21	58,864,899	34,112,330
Other Expenses From Main Operations (-)	21	(266,626,247)	(269,519,236)
OPERATING PROFIT/(LOSS)		**95,205,832**	**(28,866,018)**
Income From Investment Activities	22	5,460,078	-
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9		(606,295)	(908,203)
OPERATING PROFIT /(LOSS) BEFORE FINANCE COSTS		**100,059,615**	**(29,774,221)**
Finance Income	23	22,162,758	54,174,543
Finance Costs (-)	24	(394,344,071)	(455,447,964)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(272,121,698)**	**(431,047,642)**
Tax Income		**(32,051,027)**	**87,966,854**
- Taxes on Income	25	-	-
- Deferred Tax Income (Expense)	25	(32,051,027)	87,966,854
NET LOSS FOR THE YEAR		**(304,172,725)**	**(343,080,788)**
OTHER COMPREHENSIVE LOSS			
Items not to be Reclassified Under Profit or Loss, After Tax		**222,685,757**	**(12,106,869)**
- Remeasurements of defined benefit asset / (liability)	13	(9,670,886)	(15,133,587)
- Remeasurements of defined benefit asset / (liability), tax effect	25	1,934,176	3,026,718
-Property,Plant and Equipment Revaluation Increases	10	268,002,889	-
-Property,Plant and Equipment Revaluation Increases, tax effect	25	(37,580,422)	-
TOTAL COMPREHENSIVE LOSS		**(81,486,968)**	**(355,187,657)**
Loss Per Share (1 TRY per share)			
Basic loss per share			
Loss per share from continued operations		(0.4755)	(0.4901)
Loss per share from discontinued operations		-	-
Total basic earnings per share	26	**(0.4755)**	**(0.4901)**
Diluted loss per share			
Diluted loss per share from continued operations		(0.47550)	(0.49012)
Diluted loss per share from discontinued operations		-	-
Total diluted loss per share		**(0.47550)**	**(0.49012)**

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Share Capital	Inflation Adjustment to Share Capital	Share Issue Premium	Property,Plant and Equipment Revaluation Increases	Actuarial Gain / (Loss)	Restricted Reserves	Retained Earnings	Net Loss for the Period	Total
(Note 17)									
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)**
Balance at 1 January 2020	**700,000,000**	**91,845,783**	**34,691,309**	**-**	**(16,553,327)**	**12,318,358**	**(781,159,617)**	**(343,080,788)**	**(301,938,282)**
Transfers	-	-	-	(13,760,534)	-	-	(329,320,254)	343,080,788	-
Capital Increase	23,529,412	-	376,973,641	-	-	-	-	-	400,503,053
Capital decrease	(595,755,646)	586,160,697	-	9,594,949	-	-	-	-	-
Total Comprehensive Loss	-	-	-	230,422,467	(7,736,710)	-	-	(304,172,725)	(81,486,968)
Balances at 31 December 2020	**127,773,766**	**678,006,480**	**411,664,950**	**226,256,882**	**(24,290,037)**	**12,318,358**	**(1,110,479,871)**	**(304,172,725)**	**17,077,803**

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**1 January-31 December 2020**	**1 January-31 December 2019**
Net loss for the period		**(304,172,725)**	**(343,080,788)**
Adjustments to reconcile net loss for the period		**788,183,802**	**670,172,192**
- Depreciation of property, plant and equipment	10	128,130,059	113,194,617
- Amortization of intangible assets	11	25,643,276	31,221,440
- Amortization of right of use asset	9	214,335,434	196,286,723
- Gain on sale of tangible assets and intangible assets	22	(5,460,078)	-
- Net change in risk, lawsuit, personnel, SSI and other provisions	13	(3,447,634)	(11,663,570)
- Interest income accruals	23	(6,896,449)	(5,773,740)
- Interest expense accruals	24	376,957,604	430,243,926
- Impairment provision	21	(757,003)	2,460,645
- Change in unused vacation provision	13	(2,895,940)	1,894,133
- Provision for employment termination benefit	13	23,452,580	19,584,858
- Allowance for doubtful receivables	5	2,230,092	3,760,592
- Change in inventory impairment	18	2,720,676	126,187
- Unrealized foreign exchange profit /(loss)		2,120,158	(23,196,765)
- Tax expense/(income)	25	32,051,027	(87,966,854)
Changes in working capital:		**315,844,863**	**95,014,663**
- Increase in trade receivables, including collection from doubtful receivables		(22,523,284)	(14,970,234)
- Decrease/(increase) in inventories		(266,413,297)	(148,874,677)
- Increase due from related parties		7,180,128	3,051,558
- (Increase) / decrease in other receivables and current assets		(9,694,474)	6,456,220
- (Increase)/decrease in prepaid expenses		6,881,162	(83,406)
- (Increase)/decrease in other short term payables		19,200,858	107,070
- Increase in other trade payables		506,476,198	241,825,009
- Increase in due to related parties		6,014,140	31,742,143
- (Decrease) / increase in employee benefit liabilities		57,927,029	(25,916,736)
- Increase/(decrease) in other short-term liabilities		10,796,403	1,677,716
Cash used in operating activities		**799,855,940**	**422,106,067**
- Employee termination benefits paid	13	(11,916,139)	(13,069,374)
Net cash used in operating activities		**787,939,801**	**409,036,693**

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

CASH FLOWS FROM INVESTING ACTIVITIES	**Notes**	**1 January- 31 December 2020**	**1 January- 31 December 2019**
- Acquisition of property, plant and equipment	10	(152,352,279)	(136,196,680)
- Acquisition of intangible assets	11	(30,675,251)	(16,702,088)
- Proceeds from sale of tangible assets and intangible assets		32,993,655	4,399,799
Net cash used in investing activities		**(150,033,875)**	**(148,498,969)**
CASH FLOWS FROM FINANCING ACTIVITIES			
- Proceeds from bank borrowings	4	842,500,000	1,811,215,445
- Repayment of borrowings		(938,163,386)	(1,490,785,522)
- Repayment of finance lease payables	4	(389,806,554)	(345,384,814)
- Paid financial costs		(149,000,844)	(217,247,109)
- Finance income	23	6,896,449	5,773,740
- Capital Increase	17	400,503,053	-
- Other cash outflows		(13,413,900)	(13,849,632)
Net cash used in financing activities		**(240,485,182)**	**(250,277,892)**
Increase in cash and cash equivalents		**397,420,744**	**10,259,832**
Cash and cash equivalents at the beginning of the year		**506,901,093**	**487,581,005**
- The impact of change in foreign currency exchange rate over cash and cash equivalents		9,531,999	9,060,256
Cash and cash equivalents at the end of the year	**3**	**913,853,836**	**506,901,093**

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 2020, number of personnel of the Group is 11,032 (31 December 2019: 10,456).

As of 31 December 2020, the Company has 30 hypermarkets, 24 frachise and 645 supermarkets (31 December 2019: 30 hypermarkets, 1 franchise, 603 supermarkets).

<u>Subsidiary</u>

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 30794 on 7 June 2019.

Approval of consolidated financial statements:

The consolidated financial statements are approved by the Company’s Board of Directors on 12 February 2021. 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

Consolidated financial statements have been prepared over historical costs, except for tangible assets measured at fair value. In determining the historical cost, generally the fair value of the amount paid on the date of purchase for the assets is taken as basis.

(c) Presentation and functional currency

These consolidated financial statements are presented in Turkish Lira ("TL"), which is the valid currency of the Group. All financial information presented in TL is shown in full TL unless otherwise stated.

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 2020 comparatively with the balance sheet as of 31 December 2020; consolidated statements of comprehensive income, consolidated statements of cash flow and consolidated statements of change in shareholders’ equity as of 31 December 2020 comparatively with the 31 December 2019 financial statements. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

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

2.4 Changes in Significant Accounting Policies

Except for the changes explained below, accounting policies were applied consistently by the Group in all periods presented in the consolidated financial statements. Significant changes in accounting policies are applied retrospectively and previous period financial statements are rearranged.

The Group has not changed its accounting policies in the current year, except for the changes stated below.

Before 31 December 2020, the Group has been applied “cost model” for its land and buildings, which has been initially recognized at cost value, in accordance with TAS 16 Property, Plant and Equipment standard.

As of 31 December 2020, the Group chose to apply the revaluation model instead of cost model as a measurement method after the initial recognition of the mentioned lands and buildings. The Group did not apply this change in accounting policy retrospectively in accordance with the provisions of TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors standard, and applied the provisions of TAS 16 Tangible Assets during the first application of the revaluation method.

The accounting policy which has been chosen by the Group in order to apply in the current period are as follows:

Property, plant and equipment

Application of Revaluation Method

Land and buildings that are kept in use for production or for the delivery of goods or services or for administrative purposes are expressed in their revalued amount. The revalued amount is determined by deducting the accumulated depreciation and the accumulated impairment in the periods after the fair value determined on the revaluation date. Revaluations are made at regular intervals in a way that does not significantly differ from the book value of the fair value to be determined on the balance sheet date.

The increase resulting from the revaluation of the land and buildings in question is recorded in the revaluation fund in equity. The value increase resulting from revaluation is recorded in the profit or loss statement in the event of a decrease in the value of the tangible fixed asset previously shown in the profit or loss statement, in proportion to the said decrease in value. The decrease in the book value resulting from the revaluation of the mentioned lands and buildings is recorded in the profit or loss statement if the said asset exceeds the balance in the revaluation fund related to the previous revaluation.

Depreciation of revalued buildings is included in the profit or loss statement. When the revalued real estate is sold or withdrawn from service, the remaining balance in the revaluation fund is directly transferred to the undistributed profits. Unless the asset is derecognised, no transfer can be made from the revaluation fund to undistributed profits.

The lands and buildings owned by the Group have been shown at their fair value at the valuation date (Note 9).

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

2.6 Summary of Significant Accounting Policies

The accounting policies described below have been consistently applied in all periods presented in the consolidated financial statements and by all companies of the Group.

2.6.1 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.

2.6.2. 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.

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

2.6 Summary of Significant Accounting Policies (continued)

2.6.2. Revenue (continued)

Significant financing component

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

Variable consideration

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.

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. If there are no directly observable stand-alone selling prices available, the total price in the contracts is distributed on the basis of expected cost plus profit margin.

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.

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

2.6 Summary of Significant Accounting Policies (continued)

2.6.2. Revenue (contiuned)

i) Retail sales revenues

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

ii) Turnover premiums and supplier discounts

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

iii) Revenues from 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 sold its trade center in June 2018, from which it obtained a significant portion of its rental income..

iv) Customer 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.

2.6.3. 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.

2.6.4 Plant, property and equipment

(i)Accounting and measurement

Property, plant and equipment are measured by deducting accumulated depreciation and all types of impairment from cost values, including borrowing costs, excluding land and buildings. The costs of property, plant and equipment purchased before January 1, 2005 were adjusted for the effects of inflation as of December 31, 2004.

Land and buildings are measured at their fair values by deducting any accumulated depreciation and any impairment provisions. Increases resulting from valuation are shown in revaluation reserve item under equity. Decreases arising from the valuation made over the registered values of these lands and buildings are also reflected as an expense in the amount exceeding the revaluation reserve amount, if any, arising from the previous valuation.

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

2.6 Summary of Significant Accounting Policies (continued)

2.6.4 Plant, property and equipment

(i)Accounting and measurement (continued)

When the parts comprising tangible fixed assets have different useful lives, they are accounted for as separate parts (significant parts) of the tangible fixed asset.

Gains or losses arising from the disposal of a tangible asset are recognized in profit or loss. When the lands and buildings measured over their fair value are disposed of, the accumulated amount in the revaluation reserve is transferred to the item of previous years' profits or losses.

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.

(ii) Subsequent costs

Subsequent expenditures can only be capitalized in cases where it is possible to transfer the economic benefits that will occur as a result of these expenses to the Group. All other expenses are recognized in expense items in the consolidated statement of profit or loss as they occur.

(iii) Depreciation

Tangible fixed asset items are depreciated for assets that are currently available or built by the Group, as of the day these assets are completed and are ready for use. Depreciation is calculated by the straight-line method over the estimated useful lives of these items, after deducting the estimated residual values from the cost of tangible fixed assets and their fair value for land and buildings. Depreciation is usually recognized in profit or loss unless it is included in the carrying amount of another asset.

Leased assets are depreciated over the shorter of the lease term and the useful life of the leased assets, unless the Group will take ownership of the leased asset with reasonable certainty at the end of the lease. Land is not depreciated.

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

When a plant, property and equipment is disposed of or when no future economic benefits are expected from its use or sale, it is derecognised. The gain or loss arising from the disposal of Plant, property and equipment is determined as the difference between the sales revenue and the book value of the asset and is included in the profit or loss statement. If the registered value of an asset is more than its estimated recoverable value, the registered value of the asset is reduced to its recoverable value.

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

2.6 Summary of Significant Accounting Policies (continued)

2.6.5 Intangible Assets

Intangible assets acquired

Intangible assets include software and other rights. 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.

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. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (continued)

2.6.6 Financial Leases Transactions

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.

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

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

2.6 Summary of Significant Accounting Policies (continued)

2.6.6 Financial Lease Transactions (continued)

a. As a Lessee (continued)

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.

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)

2.6 Summary of Significant Accounting Policies (continued)

2.6.7 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)

2.6 Summary of Significant Accounting Policies (continued)

2.6.7 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)

2.6 Summary of Significant Accounting Policies (continued)

2.6.7 Financial Instruments (continued)

ii) Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses (continued)

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) Derecognition

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 2020 and 31 December 2019 the Company does not have derivative financial instrument.

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

2.6 Summary of Significant Accounting Policies (continued)

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

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

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

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.

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

2.6 Summary of Significant Accounting Policies (continued)

2.6.9 Impairment of Assets (continued)

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.

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.

2.6.10 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.

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

2.6 Summary of Significant Accounting Policies (continued)

2.6.10 Business Combinations (continued)

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.

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.

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.12 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.

2.6.13 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.

2.6.14 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.

2.6.15 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.

2.6.16 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)

2.6 Summary of Significant Accounting Policies (Continued)

2.6.17 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.

2.6.18 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:

	2020	**2019**
Discount rate per annum (%)	4.70	4.44
Probability of retirement (%)	77.88	77.81

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 7,638.96 (1 January 2020: TRY 6,730.15) which is effective from 1 January 2021, has been taken into consideration in calculating the Group’s provision for employment termination benefits.

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.19 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.

2.6.20 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.

2.6.21 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.

2.6.22 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.

2.6.23 Foreign currency transaction

Foreign currency transactions are converted into the functional currencies of the Group companies at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted into the valid currency using the exchange rates at the end of the reporting period. Foreign currency, non-monetary assets and liabilities measured with their fair values are converted into the functional currency at the exchange rate on the date the fair value is determined in foreign currency. Foreign currency exchange differences arising on recycling are generally recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated at the exchange rate on the date of the transaction.

2.7 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:

2.7.1 Impairment Test of Goodwill

As mentioned in Note 2.6.5 and Note 2.6.9, 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 2021-2025, which are approved by the management. In long-term growth plans, growth rate of 7% was taken into consideration (31 December 2019: 7%). The discount rate as of 31 December 2020, used for the calculation of carrying amount is 16.80% (31 December 2019: 17.8%). That discount rate is after tax discount rate and includes specific risks of the Group (Note 12).

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

2.7 Significant Accounting Estimates and Assumptions (Continued)

2.7.2 Provisions

As mentioned in Note 2.6.14, 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 2020 the Group evaluated the current risks and booked related provisions (Note 13).

2.7.3 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 2020 and 2019, 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.

2.7.4 Evaluation of financial position

The Group has recognized TRY 304,172,725 loss as of and for the year ended 31 December 2020 and together with current year loss the Group’s accumulated losses has reached to TRY 1,414.652.596 . As of 31 December 2020, the Group’s total equity is TRY 17,077,803.

The Ministry of Commerce published in the Official Gazette dated 26 December 2020 and numbered 31346, "Communiqué on the amendment of the communiqué on the procedures and principles regarding the implementation of the 376th article of the Turkish Commercial Code numbered 6102" and important changes have been made in the communiqué in force.

Accordingly, the Group made assessments of loss of capital and being in debt within the scope of article 376 of the Turkish Commercial Code after this temporary notification. After this change, the Group made assessments of loss of capital and being in debt within the scope of article 376 of the T.C.C. In the evaluation made, it has been determined that the Group's equity is above the limits determined in accordance with the CMB's Principle Decision numbered 2014/11 and article 376 of the TCC TRY (+) 720.216.312 . Upon this determination, a balance sheet was not prepared in accordance with the CMB's Principle Decision numbered 2014/11 and article 376 of the TCC.

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. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Changes in Turkish Financial Reporting Standards

Standards issued but not yet effective and not early adopted

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.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

(a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;

(b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;

(c) Clarifying how lending conditions affect classification; and

(d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

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

Covid-19 related rent concession (Amendments to TFRS 16)

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is issued by POA on 5 June 2020.
The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Group apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted (Note 19).

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

2.8 Changes in Turkish Financial Reporting Standards (continued)

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

IBOR Reform and its Effects on Financial Reporting—Phase 2 (Amendments to TFRS 9 , TAS 39 , TFRS 7 , TFRS 4 and TFRS 16)

In August 2020, IASB has published amendments which is issued by POA in 18 December 2020 that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project and then these amendments were also issuedby POA.

The objectives of the Phase 2 amendments are to assist companies in:

- applying TFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases relating to and these amendments were also issued by POA :

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

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

2.8 Changes in Turkish Financial Reporting Standards (continued)

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

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

2.8 Changes in Turkish Financial Reporting Standards (continued)

Annual Improvements to TFRS Standards 2018–2020 (continued)

Improvements to TFRSs (continued)

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘’10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022

The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the consolidated financial statements of the Group.

3-) Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the consolidated financial statements of the Group.

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

The application of this amendment is not expected to have a significant impact on the consolidated financial statements of the Group.

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

3. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	34,245,915	25,465,297
Cash in transit (*)	28,146,176	22,922,559
Credit card receivables	536,708,437	373,640,601
Banks		
Time deposit	264,499,147	53,562,865
Demand deposit	50,254,161	31,309,771
	913,853,836	506,901,093

(*) 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 2020
EUR	0,15%	4 December 2021	32.878.835
TL	19,00%	4 December 2021	231.500.000
		Interest Accrual	120.312
			264.499.147

Currency	Interest rate	Maturity	31 December 2019
USD	2,30%	2 March 2020	53.461.800
		Interest Accrual	101.065
			53.562.865

The Group does not have any blocked deposits as at 31 December 2020 and 2019.

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 2020	31 December 2019
Bank loans (*)	1,116,319,417	997,493,670
Lease liabilities	-	24,140,310
	1,116,319,417	1,021,633,980

Short Term Portion of Long Term Financial Liabilities	31 December 2020	31 December 2019
Lease liabilities	153,992,486	143,003,917
	153,992,486	143,003,917

Long Term Financial Liabilities	31 December 2020	31 December 2019
Bank loans	-	200,000,000
Lease liabilities	775,161,235	721,374,883
	775,161,235	921,374,883

(*) As at 31 December 2020 and 2019 the details of short term bank loans are as follows:

Currency	Interest Rate (i)	31 December 2020
TRY	9.67%	1,090,000,000
	Interest accrual	26,319,417
		1,116,319,417

Currency	Interest Rate	31 December 2019
TRY	12.51%	941,090,827
USD	4.50%	37,588,308
	Interest accrual	18,814,535
		997,493,670

(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 2020 and 2019 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

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 2020	31 December 2019
Within one year	338,043,764	329,143,650
Less : Future finance charges	(184,051,278)	(161,999,423)
	-	-
Present value of finance lease obligations	153,992,486	167,144,227
Two years and after	1,414,240,197	1,367,219,775
Less : Future finance charges	(639,078,962)	(645,844,892)
	-	-
Present value of finance lease obligations	775,161,235	721,374,883

The details of property, plant and equipment acquired by finance lease as of 31 December 2020 are disclosed at Note 9 and Note 10.

The repayment schedule of long-term borrowings as of 31 December 2020 and 2019 in TRY equivalent as at balance sheet date is as stated below:

	31 December 2020	31 December 2019
2020	-	319,801,582
2022	117,955,903	115,775,458
2023	115,137,317	112,681,493
2024	96,046,837	93,312,182
2025 and after	446,021,178	279,804,168
	775,161,235	921,374,883

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

4. FINANCIAL LIABILITIES (Continued)

As of 31 December 2020 and 2019, the reconciliation of the Group's obligations arising from its operating lease liability is as follows:

	31 December 2020	31 December 2019
1 January lease liabilities	888,519,110	923,124,075
Current period additions	216,976,412	108,613,543
Term lease payment	(389,806,554)	(345,384,814)
Current period interest accruals	208,796,847	197,671,199
Effects of change in interest change	4,667,906	4,495,107
31 December lease liabilities	929,153,721	888,519,110

As of 31 December 2020 and 2019, the reconciliation of the Group's obligations arising from its borrowings is as follows:

	31 December 2020	31 December 2019
1 January borrowings	1,197,493,670	867,002,108
Current period additions	842,500,000	1,811,215,445
Interest and capital repayments	(1,086,423,817)	(1,706,483,300)
Current period interest expenses (including accruals)	155,765,313	218,723,094
Effects of change in interest change	6,984,251	7,036,323
31 December borrowings	1,116,319,417	1,197,493,670

As of 31 December 2020 and 2019, 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 2020 and 31 December 2019, 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 2020	31 December 2019
Other trade receivables	83,465,195	62,020,077
Shopping mall receivables	13,685,536	14,231,167
Provision for doubtful trade receivables	(30,592,104)	(29,985,809)
	66,558,627	46,265,435
Due from related parties (Note 27)	10,755,881	17,936,009
	77,314,508	64,201,444

The movement of the allowance for doubtful receivables for the years ended 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Opening balance	29,985,809	29,077,606
Collections	(1,623,797)	(2,852,389)
Charge for the period	2,230,092	3,760,592
Closing balance	30,592,104	29,985,809

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 2020	31 December 2019
Letters of guarantee received for trade receivables	22,662,395	12,185,741
	22,662,395	12,185,741

Short Term Trade Payables	31 December 2020	31 December 2019
Trade payables	2,144,350,268	1,637,874,070
Due to related parties (Note 27)	44,705,723	50,256,501
	2,189,055,991	1,688,130,571

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 liquidity 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 2020	31 December 2019
Receivables from personnel	1,714,768	842,490
VAT receivables	-	52,656
Other receivables	2,333,211	1,523,797
	4,047,979	2,418,943

Other Long Term Receivables	31 December 2020	31 December 2019
Deposits given	42,548,317	34,414,666
VAT receivables	14,510,794	14,579,007
	57,059,111	48,993,673

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

Other Short Term Payables	31 December 2020	31 December 2019
Taxes payables	36,998,921	17,185,804
Advances and deposits received	791,334	1,403,593
	37,790,255	18,589,397
Due to related parties (Not 27)	22,948,907	11,383,989
	60,739,162	29,973,386

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 2020	31 December 2019
Trade goods	1,062,820,921	796,407,625
Impairment of inventories	(11,206,045)	(8,485,369)
	1,051,614,876	787,922,256

The movements of allowance for impairment on inventory for the periods ended 31 December 2020 and 2019 are below:

	31 December 2020	31 December 2019
Opening balance	8,485,369	8,359,182
Charge of the period	3,075,571	7,425,775
Current year reversal	(354,895)	(7,299,588)
Closing balance	11,206,045	8,485,369

Allowance for impairment on inventory for the years ended 31 December 2020 and 2019 is recognized in cost of sales (Note 18). As of 31 December 2020, cost of inventory recognized in income statement is TRY 5,802,396,518 (31 December 2019: TRY 4,643,603,908) (Note 18).

8. PREPAID EXPENSES

Short Term Prepaid Expenses	31 December 2020	31 December 2019
Prepaid expenses	22,029,518	27,615,813
Advances given	9,393,358	9,727,972
Prepaid taxes and dues	702,094	957,903
	32,124,970	38,301,688
Prepaid expenses to related parties	2,037,871	712,992
Prepaid expenses	34,162,841	39,014,680

Long Term Prepaid Expenses	31 December 2020	31 December 2019
Prepaid expenses	7,246,075	9,275,398
Advances given for tangible assets	1,782,486	1,782,486
	9,028,561	11,057,884

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

9. RIGHT OF USE ASSETS

	Buildings	Vehicles	Total
Cost			
Opening balance at 1 January 2020	978,522,591	12,445,125	990,967,716
Additions	247,244,163	-	247,244,163
Disposal	(32,510,038)	-	(32,510,038)
Closing balance, 31 December 2020	1,193,256,716	12,445,125	1,205,701,841
Accumulated depreciation			
Opening balance at 1 January 2020	(192,138,348)	(4,148,375)	(196,286,723)
Additions	(210,187,059)	(4,148,375)	(214,335,434)
Disposal	2,982,440	-	2,982,440
Closing balance, 31 December 2020	(399,342,967)	(8,296,750)	(407,639,717)
Net book value, 31 December 2020	**793,913,749**	**4,148,375**	**798,062,124**

	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 203,597,294 is included in marketing expenses (31 December 2019: TRY 184,693,222) and TRY 10,738,140 is included in general administrative expenses (31 December 2019: TRY 11,593,501) .

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.

As of 31 December 2020, prepaid rent expenses amounting to TRY 6,842,398 have been recognized in the right of use assets of the Group. (31 December 2019: TRY 5,229,614)

(*)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 16.

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

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost						
Opening balance at 1 January 2020	123,181,461	86,412,661	967,566,541	144,911,757	807,984	1,322,880,404
Additions	-	2,853,643	141,751,329	3,477,932	4,269,375	152,352,279
Transfers (Note 11)(*)	(101,026,291)	101,026,291	670,335	-	(713,302)	(42,967)
Revaluation fund (**)	59,344,830	208,658,059	-	-	-	268,002,889
Impairments	-	-	1,407,860	44,566	-	1,452,426
Disposals (***)	-	(25,645,142)	(13,534,074)	(975,495)	(68,563)	(40,223,274)
Closing balance, 31 December 2020	81,500,000	373,305,512	1,097,861,991	147,458,760	4,295,494	1,704,421,757
Accumulated depreciation						
Opening balance at 1 January 2020	-	(29,881,542)	(594,109,602)	(61,110,635)	-	(685,101,779)
Depreciation charge of the period	-	(4,772,492)	(115,093,284)	(8,264,283)	-	(128,130,059)
Impairments	-	-	(668,092)	(27,499)	-	(695,591)
Disposals (***)	-	1,914,789	10,042,700	735,181	-	12,692,670
Closing balance, 31 December 2020	-	(32,739,245)	(699,828,278)	(68,667,236)	-	(801,234,759)
Net book value, 31 December 2020	**81,500,000**	**340,566,267**	**398,033,713**	**78,791,524**	**4,295,494**	**903,186,998**

From depreciation expenses, TRY 121,517,341 (2019: TRY 107,248,903) is included in marketing expenses and TRY 6,612,718 (2019: TRY 5,945,714) is included in general administrative expenses.

As at 31 December 2020, total insurance amount over property, plant and equipment is TRY 1,206,700,193 (31 December 2019: TRY 824,249,274). As of 31 December 2020 and 31 December 2019 there is no mortgage on property, plant and equipment.

(*) It includes the classification made according to the building use certificate and the registration information in the title deed. Also included is the classification made to intangible fixed assets.
(**)The lands and buildings owned by the Group has been measyed at their fair value as of the valuation date. As of December 31, 2020, the fair value of lands and buildings owned by the Group is determined by TSKB Gayrimenkul Değerleme A.Ş.(“TSKB”) which is an independent valuation company. TSKB is authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation. It has sufficient experience and quality in measuring the fair value of real estate in the relevant regions. The fair value of the owned lands and buildings was determined according to the nature of the real estate according to the market and income approach method. The value increase of the related real estates amounting to 268.002.889 TRY has been recorded in the tangible fixed asset revaluation increase account under equity. As of 31 December 2020, the level of the fair value hierarchy for the lands and buildings measured by the Group's revaluation method is level 2. As of December 31, 2020, if the cost model was used for lands and buildings, which are the tangible fixed asset groups that the Group has switched from the cost model to the revaluation model, the book values that would be recognized in this framework are 22,155,170 TRY and 150,512,671 TRY, respectively.
(***) The Group sold a real estates located in Istanbul at 29 December 2020. It also includes the disposals belonging to the stores that were closed during the period

As of December 31, 2020, the Group’s property, plant and equipment which has been acquired through finance lease has a net book value of TRY 4,473,952.91 (31 December 2019: TRY 20,661,999) and presented under.

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

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 2019 (Reported)	123,076,461	81,777,891	20,512,454	865,314,316	146,173,707	3,136,591	1,239,991,420
IFRS 16 effect (Note 9)	-	-	(20,512,454)	-	-	-	-
Opening balance at 1 January 2019	123,076,461	81,777,891	-	865,314,316	146,173,707	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	123,181,461	86,412,661	-	967,566,541	144,911,757	807,984	1,322,880,404
Accumulated depreciation							
Opening balance, 1 January 2019 (Reported)	-	(21,848,607)	(7,731,723)	(517,045,017)	(59,952,999)	-	(606,578,346)
IFRS 16 effect (Note 9)	-	-	7,731,723	-	-	-	7,731,723
Opening balance at 1 January 2019	-	(21,848,607)	-	(517,045,017)	(59,952,999)	-	(598,846,623)
Depreciation charge of the period	-	(8,576,277)	-	(102,545,311)	(2,073,029)	-	(113,194,617)
Transfers (Note 12)	-	-	-	-	-	-	-
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	-	(29,881,542)	-	(594,109,602)	(61,110,635)	-	(685,101,779)
Net book value, 31 December 2019	**123,181,461**	**56,531,119**	**-**	**373,456,939**	**83,801,122**	**807,984**	**637,778,625**

(*)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 2020	184,041,520
Additions	30,675,251
Transfers (Note 10)	42,967
Impairment	554
Disposals	(91,782)
Closing balance, 31 December 2020	214,668,510
Accumulated amortization	
Opening balance, 1 January 2020	(136,988,573)
Charge for the period	(25,643,276)
Impairment	(384)
Disposals	88,809
Closing balance, 31 December 2020	(162,543,424)
Net book value, 31 December 2020	**52,125,086**

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)
Impairment	369,500
Disposals	3,088,347
Closing balance, 31 December 2019	(136,988,573)
Net book value, 31 December 2019	**47,052,947**

As of 31 December 2020, amortization expenses of intangible fixed assets amount to TRY 9,264,269 (31 December 2019: TRY 11,050,560) is included in marketing expenses and TRY 16,379,007 (31 December 2019: TRY 20,170,880) is included in general administrative expenses.

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

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

12. GOODWILL AND BUSINESS COMBINATIONS

Goodwill amount is consisted of following investments:

Investments:	31 December 2020	31 December 2019
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 2020, the Group has not recognize any impairment as a result of the impairment analysis on goodwill amounts (31 December 2019: None). 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).

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

13. SHORT AND LONG TERM PROVISIONS

Provisions for short term liabilities as of 31 December 2020 and 2019 are as follows:

Short Term Provisions	31 December 2020	31 December 2019
Provision for other, risk, litigations and onerous contracts	56,220,991	59,668,625
Provision for personnel and social security	770,000	770,000
	56,990,991	60,438,625

The movement of short term provisions for the years ending on 31 December 2020 and 2019 is as follows:

	Provision for other risks, litigations and onerous contracts	Provision for personnel and social security	Other	Total
Opening balance, 1 January 2020	59,668,625	770,000	-	60,438,625
Charge of the period	11,460,353	-	-	11,460,353
Current year reversal / charge	(14,907,987)	-	-	(14,907,987)
Closing balance, 31 December 2020	56,220,991	770,000	-	56,990,991

	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

Contingent Assets and Liabilities

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

Provisions for employment benefits as of 31 December 2020 and 2019 are as follows:

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

13. SHORT AND LONG TERM PROVISIONS (Continued)

Short Term Employment Benefits	31 December 2020	31 December 2019
Unused vacation provision	8,006,439	10,902,379
	8,006,439	10,902,379

Long Term Employment Benefits	31 December 2020	31 December 2019
Employment termination benefit provision	97,096,053	75,888,726
	97,096,053	75,888,726

Movement for employment termination benefit provision for 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Opening balance, 1 January	75,888,726	54,239,655
Service cost	19,934,670	17,210,348
Interest cost	3,517,910	2,374,510
Actuarial (gain) / loss	9,670,886	15,133,587
Paid compensation during the year	(11,916,139)	(13,069,374)
Closing balance, 31 December	97,096,053	75,888,726

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

14. COMMITMENTS

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages ("CPM") given by the Company as at 31 December 2020 and 2019 are as follows:

GPM given by the Group	31 December 2020	31 December 2019
A. GPM given on behalf of its own legal entity	138,463,807	116,849,916
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	-	-
	138,463,807	116,849,916

31 December 2020	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	138,463,807	131,128,496	2,517,653	4,817,658
	138,463,807	131,128,496	2,517,653	4,817,658

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

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

15. EMPLOYMENT BENEFITS

Employee Benefit Liabilities	31 December 2020	31 December 2019
Payables to personnel and Social Security Premiums payable	24,300,791	16,615,186
Personnel salary and premium payables	56,207,803	5,966,379
	80,508,594	22,581,565

16. DEFERRED INCOME

Other liabilities as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Deferred Income		
Unearned income	24,570,073	14,564,581
Liabilities for shopping cheques	4,541,118	6,204,796
	29,111,191	20,769,377

17. SHAREHOLDERS' EQUITY

a) Capital

Shareholder structure as of 31 December 2020 and 2019 is stated below:

Shareholders	(%)	31 December 2020	(%)	31 December 2019
Hacı Ömer Sabancı Holding A.Ş.	57.12	72,988,465	50.61	354,239,053
Carrefour Nederland BV	37.54	47,971,655	46.02	322,129,074
Shares publicly held and other	5.34	6,813,646	3.37	23,631,873
Nominal share capital	100.00	127,773,766	100.00	700,000,000

The capital of the Group as of December 31, 2020 is 127,773,766 TRY (December 31, 2019: 700,000,000 TRY) divided into 12,777,376,572 shares (31 December 2019: 70,000,000,000 units) each worth 1 Kurus. The registered capital ceiling of the company is 635,000,000 TRY, and the registered capital ceiling permission is valid between 2020/2024 (5 years).

At the Extraordinary General Assembly Meeting held on 19 November 2020, the Company's issued capital of 700.0000.000 TRY was reduced to 104.244.354 TRY by decreasing 595.755.646 TRY, and simultaneously with this capital reduction, it was to be paid in cash at a nominal value of 1 Kuruş. It has been decided that the issued capital is 127,773,766 TRY by increasing the total amount of 23,529,412. The results of the Extraordinary General Assembly Meeting were registered on December 23, 2020 with the document numbered 180917 of the T.R. Istanbul Trade Registry Directorate.

The issued capital, which was previously 700,000,000 TRY, has been reduced by 595,755,646 TRY in total as a result of offsetting from the fully paid-in capital by crediting 586,160,697 TRY to the Capital Inflation Adjustment Differences account and to the Revaluation Value Increase Fund account of 9,594,949 TRY. It was reduced to 104.244.354 TRY and simultaneously with the capital increase amounting to 23.529.412 TRY was increased to 127.773.766 TRY by covering it in cash.

There has not been any cash outflow from the Company due to the capital decrease.As a result of the capital increase of the company a cash inflow of TRY 400,503,053 was obtained. A transaction cost of 1.018.456 TRY for the transaction in question has been realized. All of the funds obtained will be used in the payment of financial debts in order to strengthen the capital structure of our Company and to achieve a healthier financial structure by reducing its indebtedness.

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

17. SHAREHOLDERS’ EQUITY (continued)

a) Capital (continued)

The inflation adjustment on share capital as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Inflation adjustment to share capital	678,006,480	91,845,783
	678,006,480	91,845,783

During the capital decrease transactions made in 2020, 586,160,697 TL within the paid-in capital.the balance of the amount has been transferred to the inflation adjustment differences account. As of 31 December 2020, capital adjustment differences amounting to TRY 678,006,480 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 2019: TRY 91,845,783).

b) Retained Losses

	31 December 2020	31 December 2019
Retained losses	(1,110,479,871)	(781,159,617)
	(1,110,479,871)	(781,159,617)

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 2020	31 December 2019
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.

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

17. SHAREHOLDERS' EQUITY (continued)

c) Resticted Reserves (continued)

CMB's Communiqué II-14 and other related CMB's announcements, "Paid-in capital", "Restricted reserves" and "Premium in excess of par" should be carried at their registered amounts in statutory records. Restatement differences

(e.g. inflation restatement differences) arising from the application of the Decree should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if

such differences are arising from "Paid-in Capital" and not added to capital;

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

Capital restatement differences can only be included in capital.

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

Property, Plant and Equipment Revaluation Increases

This account consists of property, plant and equipment revaluation reserves which has not associated with profit or loss but recognized in other comprehensive income.

The movements of the property, plant and equipment revaluation reserves for period ending on 31 December 2020 are as follows:

	31 December 2020	31 December 2019
Opening balance	-	-
Fair value increase (after tax effect)(Note 10)	230,422,467	-
Transfers (*)	(13,760,534)	-
Capital decrease (**)	9,594,949	-
Closing balance	226,256,882	-

(*) The Group management measures over its fair value, located in Istanbul on December 29, 2020. Due to the disposal of its real estate, tangible fixed assets are included in the revaluation increase reserve area classified the accumulated amount to previous years' losses.

(**)The company, transferred the amount of 9,594,949 TRY in its capital during the capital reduction transactions in 2020 to tangible fixed assets revaluation increase account.

Actuarial losses

	31 December 2020	31 December 2019
Actuarial losses / (gains)	(24,290,037)	(16,553,327)
	(24,290,037)	(16,553,327)

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

18. REVENUE AND COST OF SALES

NET SALES	31 December 2020	31 December 2019
Revenue from retail operations	7,983,605,149	6,460,591,895
Loyalty program discounts	(27,390,204)	(30,807,638)
Sales returns	(47,556,186)	(56,912,397)
Sales discount	(11,964,750)	(6,468,767)
Rent income	18,293,328	19,293,402
	7,914,987,337	6,385,696,495

COST OF SALES	31 December 2020	31 December 2019
Opening balance of inventories	(787,922,256)	(639,173,766)
Purchases	(6,063,368,463)	(4,792,226,211)
Change in inventory impairment (Note 7)	(2,720,676)	(126,187)
Closing balance of inventories	1,051,614,877	787,922,256
Shopping mall general expenses	(2,865,306)	(3,988,078)
	(5,805,261,824)	(4,647,591,986)

19. SELLING AND MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Operating expenses for the years ended 31 December 2020 and 2019 are as follows:

OPERATING EXPENSES	31 December 2020	31 December 2019
Marketing expenses	(1,641,811,872)	(1,369,225,453)
General administrative expenses	(164,946,461)	(162,338,168)
	(1,806,758,333)	(1,531,563,621)

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

20. EXPENSES BY NATURE

	31 December 2020	31 December 2019
Personnel expenses (**)	(860,350,488)	(712,664,306)
Depreciation and amortization expenses (Note: 9, 10, 11) (*)	(368,108,769)	(340,702,780)
Overhead expenses	(151,786,731)	(132,962,713)
Rent expenses	(107,031,412)	(81,827,956)
Repair and maintenance expenses	(77,444,807)	(64,395,370)
Outsourced expenses	(57,768,964)	(49,602,356)
Advertising expenses	(44,037,564)	(40,759,605)
Quality and hygiene expenses	(25,030,287)	(7,755,455)
Consultancy expenses	(16,026,725)	(24,794,323)
Travel expenses	(7,958,727)	(10,250,512)
Taxation and other expenses	(7,984,764)	(7,655,415)
Stationery consumption expenses	(8,816,212)	(7,564,060)
Insurance expenses	(8,346,379)	(7,040,528)
Decoration material expenses	(8,180,907)	(7,039,201)
Communication expenses	(951,722)	(772,859)
Other	(56,933,875)	(35,776,182)
	(1,806,758,333)	(1,531,563,621)

(*) As of 31 December 2020, the amortization and depreciation amount included in the marketing expenses is TRY 334,378,903 (2019: TRY 302,992,685) and the general administrative expenses amount is TRY 33,729,866 (2019: TRY 37,710,095).

(**) As of 31 December 2020, the personnel expense included in the marketing expenses is TRY 784,842,489 (2019: TRY 645,261,524), and the amount within the general administrative expenses is TRY 75,507,999 (2019: TRY 67,402,782).

(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 2020 and 2019 are as follows:

Other Operating Income	31 December 2020	31 December 2019
Foreign exchange gain from operational activities	28,061,332	20,947,155
Concessions for rent payments	10,677,514	-
Rediscounted interest income	10,280,373	-
Cancellations regarding lease termination provision	2,891,593	-
Cancellation of impairment	757,003	292,174
Provision no longer required (i)	560,996	9,634,196
Other income and profit	5,636,088	3,238,805
	58,864,899	34,112,330

(i) Provision no longer required consists of releases of provisions provided for matters in dispute and risks in previous periods.

Other Operating Expenses (-)	31 December 2020	31 December 2019
Interest expenses from operational activities	(184,859,238)	(192,420,992)
Foreign exchange losses from operational activities	(25,518,567)	(16,846,400)
Provision expenses (i)	(2,360,505)	(1,863,393)
Interest expenses from operational activities	(1,186,873)	(1,566,908)
Impairment provision (ii)	-	(2,752,819)
Rediscount interest expense	-	(5,993,831)
Other expenses and losses	(52,701,064)	(48,074,893)
	(266,626,247)	(269,519,236)

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

(ii) As of 31 December 2020, the Group has not allocated an impairment provision regarding the loss-making stores.

(31 December 2019 : TRY 2,752,819)

22. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	31 December 2020	31 December 2019
Gain on sale of investment propoerty and tangible assets (*)	5,460,078	-
	5,460,078	-

(*) The Group management sold one trade center located in the province of Istanbul with a price of TRY 30,000,000 including VAT in December 2020.

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

23. FINANCE INCOME

Finance income for the years ended 31 December 2020 and 2019 are as follows:

Finance income	31 December 2020	31 December 2019
Interest income	15,266,309	48,400,803
Foreing exchange income	6,896,449	5,773,740
	22,162,758	54,174,543

24. FINANCE COSTS

Finance costs for the years ended 31 December 2020 and 2019 are as follows:

Finance costs	31 December 2020	31 December 2019
Interest expenseses lease liabilities	(208,056,434)	(196,121,868)
Interest expenses	(156,505,726)	(220,272,425)
Foreing exchange expenses	(17,386,467)	(25,204,038)
Credit card commision costs	(12,395,444)	(13,849,633)
	(394,344,071)	(455,447,964)

25. TAX ASSETS AND LIABILITIES

Tax Expense of the Period	31 December 2020	31 December 2019
Corporate tax expense of the current period	-	-
Deferred tax income/(expense)	(32,051,027)	87,966,854
Tax income/(expense) from continuing operations	(32,051,027)	87,966,854

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 2020 (2019: 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% (2019: 22%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2020. 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 2020 and 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 2020 and 2019, 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 2020 and 2019 is as follows:

The basis for deferred tax timing differences:	31 December 2020	31 December 2019
Reserve for onerous contract and other contingencies	80,072,018	73,547,430
Provision for impairment in fixed assets	-	2,987,921
Inventory valuation differences	88,913,034	124,725,323
Other current assets	(14,608,011)	(22,643,101)
Provision for employment termination benefit	97,096,053	75,888,726
Tangible and intangible fixed assets	(314,757,760)	(73,853,770)
Right of use assets	(804,904,522)	(799,910,607)
Other short term liabilities	50,888,580	67,667,969
Finance lease payables	929,153,721	862,934,894
Prior year losses	830,635,334	1,003,923,389
	942,488,447	1,315,268,174

Deferred tax assets / (liabilities) :	31 December 2020	31 December 2019
Reserve for onerous contract and other contingencies	16,014,404	16,180,434
Provision for impairment in fixed assets	-	597,584
Inventory valuation differences	17,782,607	27,439,571
Other current assets	(2,921,602)	(4,981,480)
Provision for employment termination benefit	19,419,211	15,177,745
Tangible and intangible fixed assets	(48,395,808)	(14,770,754)
Right of use assets	(160,980,904)	(159,982,121)
Other short term liabilities	10,177,715	14,886,953
Finance lease payables	185,830,826	175,418,179
Prior year losses	166,127,067	200,784,678
	203,053,516	270,750,789

(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 2020	31 December 2019
2021	-	312,597,059
2022	333,516,534	344,549,152
2023	-	1,880,547
2024	342,196,223	344,896,631
2025	154,922,577	-
	830,635,334	1,003,923,389

The movements of deferred tax asset and liability as of 31 December 2020 and 2019 are as follows:

Deferred tax asset / (liability) movements:	31 December 2020	31 December 2019
Openning balance at 1 January	270,750,789	179,757,217
Current year income/(loss)	(32,051,027)	87,966,854
Acquired deferred tax asset with business combination	(35,646,246)	3,026,718
Closing balance at 31 December	203,053,516	270,750,789

Tax reconciliation	31 December 2020	31 December 2019
Income before tax / (loss)	(272,121,698)	(431,047,642)
Effective tax rate	22%	22%
Calculated tax	59,866,774	94,830,481
Disallowable expenses	(9,352,750)	(2,420,370)
Exemptions and discounts	2,182,241	-
Deferred tax expense arising from tangible fixed asset valuation	(4,352,873)	-
Current period losses not subject to deferred tax calculation	(66,150,696)	(160,917)
Effect of prior years' losses removed in the scope of tax base increase	(7,185,081)	(7,121,602)
Other	(7,058,642)	2,839,262
	(32,051,027)	87,966,854

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

26. LOSS PER SHARE

Due to the simultaneous capital decrease and increase realized by the Group, the number of share in circulation of the Group decreased from 70,0000,0000,0000 to 12,777,376,572 (Note 17).

Weighted average number of shares and basic earnings per share for the years ended 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Opening, number of shares (Note 17)	70,000,000,000	70,000,000,000
Share disposal	(59,575,564,604)	-
Share addition	2,352,941,176	-
Closing, number of shares (total)	12,777,376,572	70,000,000,000
Weighted average number of shares (Note 17)	63,968,850,091	70,000,000,000
Net loss for the period	(304,172,725)	(343,080,788)
Loss per share (Kr)	(0.0048)	(0.0049)
Loss per share (TRY)	(0.4755)	(0.4901)

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Cash and cash equivalents (Note 3)	31 December 2020	31 December 2019
Akbank T.A.Ş.	382,040,612	156,820,099
	382,040,612	156,820,099

Trade receivables from related parties (Note 5)	31 December 2020	31 December 2019
Carrefour World Trade	8,179,132	16,460,398
Avivasa Emeklilik ve Hayat A.Ş.	800,477	-
Akbank T.A.Ş.	290,149	105,989
Teknosa İç ve Dış Ticaret A.Ş.	174,327	-
Socomo SA	163,069	163,069
Hacı Ömer Sabancı Holding A.Ş.	71,431	30,400
Carrefour Global Sourcing Asia	52,936	249
Akçansa Çimento Sanayi ve Ticaret A.Ş.	46,569	329,886
Ak Finansal Kiralama A.Ş.	36,918	36,918
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	9,648	-
Carrefour Nederland BV	-	165,829
Other	931,225	643,271
	10,755,881	17,936,009

Financial Liabilities (Note 4)	31 December 2020	31 December 2019
Akbank T.A.Ş.	456,880,461	679,818,883
Burgan Bank A.Ş.	-	50,157,500
Ak Finansal Kiralama A.Ş.	-	24,140,310
	456,880,461	754,116,693

Other short term payables to related parties (Note 6)	31 December 2020	31 December 2019
Hacı Ömer Sabancı Holding A.Ş.	17,333,959	7,031,377
Carrefour Partenariat International	5,614,948	4,352,612
	22,948,907	11,383,989

Trade payables to related parties (Note 5)	31 December 2020	31 December 2019
Teknosa İç ve Dış Ticaret A.Ş.	14,420,213	207,278
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	14,028,560	19,009,208
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	9,759,805	10,965,704
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	5,912,736	19,356,747
Aksigorta A.Ş.	215,069	292,697
Carrefour Hypermarches SAS	189,885	189,885
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	106,350	106,350
Avivasa Emeklilik ve Hayat A.Ş.	199	93,028
Other	72,906	35,604
	44,705,723	50,256,501

(*) The Group has not given any collateral for borrowings to related parties. As of 31 December 2020, the weighted interest average of the loans received from Akbank T: A: Ş: is 8.86 % (2019: 12.8%), There is not a loan debt that is taken from the Burgan Bank A.Ş. (2019: 12.0%).and there is not a USD borrowing to Ak Finansal Kiralama A.Ş. (2019: 4.5%).

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Purchases from related parties (goods)	31 December 2020	31 December 2019
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	270,686,974	255,436,013
Teknosa İç ve Dış Ticaret A.Ş.	36,216,316	2,601,952
	306,903,290	258,037,965

Purchases from related parties (services)		
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	116,718,512	96,280,431
Sabancı Dijital Teknoloji Hizmetler A.Ş.	16,419,095	20,165,258
Aksigorta A.Ş.	8,230,539	6,894,921
Teknosa İç ve Dış Ticaret A.Ş.	600,573	84,595
Other	107,102	105,983
	142,075,821	123,531,188

Rent income from related parties		
Teknosa İç ve Dış Ticaret A.Ş.	2,034,148	1,453,317
Akbank T.A.Ş.	1,112,414	1,218,500
	3,146,562	2,671,817

Rebates and other income from related parties		
Carrefour World Trade	40,161,493	16,369,719
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Ticaret A.Ş.	6,783,874	5,179,565
Teknosa İç ve Dış Ticaret A.Ş.	3,435,875	2,906,596
Akbank T.A.Ş.	2,246,098	286,063
Akçansa Çimento Sanayi ve Ticaret A.Ş.	1,621,195	346,704
Temsa Ulaşım Araçları Sanayi Ve Ticaret A.Ş	964,350	-
Carrefour Global Sourcing Asia	632,114	794,888
Hacı Ömer Sabancı Holding A.Ş.	350,024	110,472
Avivasa Emeklilik ve Hayat A.Ş.	348,917	412,980
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	276,783	58,580
Ak Yatırım Menkul Değerler A.Ş.	239,154	1,040
Aksigorta A.Ş.	232,410	111,740
Carrefour Romania	202,762	-
Çimsa Çimento Sanayi ve Ticaret A.Ş.	155,790	307,380
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	82,613	-
Sabancı Dijital Teknoloji Hizmetler A.Ş.	20,025	440,147
Carrefour Nederland BV	-	150,749
Other	99,540	93,568
	57,853,017	27,570,191

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other expenses to related parties	31 December 2020	31 December 2019
Hacı Ömer Sabancı Holding A.Ş.	27,183,011	21,885,870
Carrefour Partenariat International	24,174,833	15,994,830
Aksigorta A.Ş.	1,464,219	-
Avivasa Emeklilik ve Hayat A.Ş.	702,436	-
Ak Yatırım Menkul Değerler A.Ş.	188,208	50,274
Sabancı Dijital Teknoloji Hizmetler A.Ş.	90,000	585,389
Other	294,788	-
	54,097,495	38,516,363

Interest income from related parties	31 December 2020	31 December 2019
Akbank T.A.Ş.	6,570,061	4,573,096

Interest expense and credit card commission to related parties		
Akbank T.A.Ş.	76,522,407	123,882,275
Ak Finansal Kiralama	740,413	1,549,331
Burgan Bank A.Ş.	5,353,685	157,500

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

(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 four 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 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Total bank loans	1,116,319,417	1,197,493,670
Total lease liabilities	929,153,721	888,519,110
Less: Cash and cash equivalents	(913,853,836)	(506,901,093)
Net liabilities	1,131,619,302	1,579,111,687
Total share capital	127,773,766	700,000,000
Net liabilities / share capital ratio	885.64%	225.59%

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 2020	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits and Credit Card Receivables**
Maximum net credit risk as of balance sheet date (i)	10,755,881	66,558,627	-	61,107,090	879,607,921
	-	-	-	-	-
- The part of maximum risk under guarantee with collateral etc. (ii)	-	22,051,162	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	10,755,881	9,304,269	-	61,107,090	879,607,921
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	-	57,254,358	-	-	-
- The part under guarantee with collateral etc.	-	17,792,218	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	30,592,104	-	-	-
- Impairment (-)	-	(30,592,104)	-	-	-
- The part of net value under guarantee with collateral etc.	-	2,072,553	-	-	-
- 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 2019	Related Party	Third Party	Related Party	Third Party	Bank Deposits and Credit Card Receivables
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	368,992	-	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	-	45,896,443	-	-	-
- 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)

Credit Risk Management (Continued)

	Receivables	
31 December 2020	**Trade receivables**	**Other receivables**
Past due 1-30 days	24,384,352	-
Past due 1-3 months	13,193,627	-
Past due 3-12 months	8,241,456	-
Past due 1-5 years	11,434,924	-
Past due more than 5 years	-	-
Total past due receivables	57,254,359	-

	Receivables	
31 December 2019	**Trade Receivables**	**Other Receivables**
Past due 1-30 days	10,841,361	-
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	45,896,443	-

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 2020

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	1,116,319,417	1,166,746,318	419,430,782	747,315,536	-	-
Financial lease liabilities	929,153,721	1,752,283,961	84,510,941	253,532,823	899,494,614	514,745,583
Trade payables	2,189,055,991	2,208,828,397	1,878,604,983	330,223,414	-	-
Other payables	62,668,373	62,668,373	62,668,373	-	-	-
Total liabilities	4,297,197,502	5,190,527,049	2,445,215,079	1,331,071,773	899,494,614	514,745,583

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	864,378,800	1,696,363,424	82,171,416	246,972,234	880,268,001	486,951,773
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	3,780,469,766	4,748,301,332	1,847,441,938	1,306,623,996	1,107,283,625	486,951,773

Market risk management

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 2020		
	TRY Equivalents (Functional currency)	**USD**	**EUR**
1. Trade receivables	9,184,822	25,240	999,073
2. Liquid assets	34,080,739	40,130	3,750,726
3. CURRENT ASSETS (1+2)	43,265,561	65,370	4,749,799
4. Other	40,416,864	4,462,932	850,000
5. NON-CURRENT ASSETS	40,416,864	4,462,932	850,000
6. TOTAL ASSETS (3+5)	83,682,425	4,528,302	5,599,799
7. Trade payables	646,481	76,216	9,660
8. Other payables	5,614,948	-	623,336
9. Financial liabilities	-	-	-
10. Non-monetary other liabilities	534,528	72,819	-
11. CURRENT LIABILITIES (7+8+9+10)	6,795,957	149,035	632,996
12. Financial liabilities	27,700,626	-	3,075,148
13. NON-CURRENT LIABILITIES	27,700,626	-	3,075,148
14. TOTAL LIABILITIES (11+13)	34,496,583	149,035	3,708,144
15. Net foreign currency liability position (6-14)	49,185,842	4,379,267	1,891,655
16. Net monetary foreign currency asset / liability position (6-14-10)	48,651,314	4,306,448	1,891,655

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

	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

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 2020	
	Income / Expense	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation of USD against TRY		
1 - US Dollar net asset / liability	3,214,601	(3,214,601)
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	3,214,601	(3,214,601)
In case of 10% appreciation of EUR against TRY		
4 - Euro net asset / liability	1,703,984	(1,703,984)
5 - Part of hedged from Euro risk (-)	-	-
6- Euro net effect (4 +5)	1,703,984	(1,703,984)
TOTAL (3 + 6)	4,918,585	(4,918,585)

	31 December 2019	
	Income / Expense	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation of USD against TRY		
1 - US Dollar net asset / liability	621,656	(621,656)
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect (1 +2)	621,656	(621,656)
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)	1,743,636	(1,743,636)

(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 2020**	**31 December 2019**
Financial lease payables	929,153,721	888,519,110
Bank loans	1,116,319,417	1,197,493,670
Sensitivity to %1 appreciation / depreciation of interest	1,116,319	1,197,494

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 2020	**Financial assets at amortized cost**	**Financial liabilities at amortized cost**	**Net book value**	**Note**
Financial assets				
Cash and cash equivalents	913,853,836	-	913,853,836	(3)
Trade receivables	66,558,627	-	66,558,627	(5)
Due from related parties	10,755,881	-	10,755,881	(27)
Other financial assets	61,107,090	-	61,107,090	(6)
Financial liabilities				
Borrowings	-	1,116,319,417	1,116,319,417	(4)
Financial lease payables	-	929,153,721	929,153,721	(4)
Trade payables	-	2,144,350,268	2,144,350,268	(5)
Due to related parties	-	67,654,630	67,654,630	(27)
Short Term Provisions	-	64,997,430	64,997,430	(13)
Other financial liabilities (*)	-	39,719,468	39,719,468	(6)-(16)

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)
Short Term Provisions	-	71,341,004	71,341,004	(13)
Other financial liabilities (*)	-	19,082,736	19,082,736	(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

None.