ACISELSAN ACIPAYAM SELÜLOZ
SANAYİ VE TİCARET ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AS OF
31 DECEMBER 2019 AND
INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF THE REPORT AND THE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH (TURKISH COPY IS AUTHORITATIVE)

To the General Assembly of Acıselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Acıselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing ("TSA") issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr   Mersis Numaramız: 0-1460-0224-0500015

Key audit matters	How our audit addressed the key audit matters
Fair value measurements of lands buildings and investment properties: **(Refer to the Notes 2, 8 and 9)** In accordance with TAS 16, “Property, Plant and Equipment” lands and buildings, and in accordance with TAS 40 “Investment Properties” investment properties are measured at fair value on the financial statements. Based on the valuations performed by an independent professional valuer as at 31 December 2019, the carrying values of the lands and buildings before tax increased by TRY1,822,022 and credited to the revaluation reserve in equity, net of applicable deferred income tax in the financial position. On the other hand based on the valuations performed by an independent professional valuer as at 31 December 2019, the carrying values of investment properties increased by TRY 5,628,192 and credited to statement of profit and loss net of applicable deferred income tax in the financial position. The assessment of the carrying values of lands, buildings and investment properties was a key audit matter, since the total amount of aforementioned lands, buildings and investment properties as of 31 December 2019 represents a significant share of the total assets of the Company, and these valuations include significant estimations and assumptions.	The following audit procedures were addressed in our audit work on the fair value measurement of lands, buildings and investment properties: • We assessed the competency, capability and objectivity of the independent professional valuer who was appointed by Company management, in accordance with relevant audit standards. • We tested completeness of the data used by the independent professional valuation company appointed by the Company management such as m2, location of the property, zoning conditions by reconciliation with the Company’s records on a sample basis. • On the other hand reasonableness of estimates and assumptions such as discount rate, arms length price for each m^2, construction prices for each m^2, are considered together with the assistance of our external expert • In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuer who was appointed by the Company management. • The compliance of the disclosures of fair value determination of lands, buildings and investment properties in the financial statements in accordance with the relevant accounting standards were evaluated.

4. Other Matter

Financial statements of the Company as at and for the year ended 31 December 2018 were audited by another auditor whose report, dated 18 February 2019, expressed an unqualified opinion on those statements.

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

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

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

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

6. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 13 February 2020.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Karakurt, Partner
Partner

İstanbul, 13 February 2020

INDEX **PAGE**

ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 31 December 2019	Prior Period 31 December 2018
ASSETS			
Current Assets		**18,628,141**	**15,418,210**
Cash and cash equivalents	29	2,233,195	2,444,241
Trade receivables	4	7,443,405	4,179,144
Trade receivables from third parties	*4*	*7,443,405*	*4,179,144*
Other receivables	5	1,266,781	604,933
Other receivables from third parties		*1,266,781*	*604,933*
Inventories	6	5,974,409	6,934,224
Prepaid expenses	7	1,108,702	226,668
Assets related to current tax	23	-	121,081
Other current assets	15	601,649	907,919
Non-Current Assets		**30,819,940**	**22,753,468**
Financial investments		1,260	1,260
Investment properties	8	18,900,000	13,148,960
Property, plant and equipment	9	11,877,063	9,550,590
Intangible assets	10	41,521	46,822
Other non-current assets		96	5,836
TOTAL ASSETS		**49,448,081**	**38,171,678**

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

ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 31 December 2019	Prior Period 31 December 2018
LIABILITIES AND EQUITY			
Current Liabilities		**4,326,296**	**4,142,944**
Short-term borrowings	25	47,788	701,932
Trade payables	4	2,271,640	2,401,738
Trade payables to related parties	*3*	-	*147,132*
Trade payables to third parties		2,271,640	*2,254,606*
Short-term provisions for employee benefits	13	308,553	586,875
Other payables	5	*21,246*	14,163
Deferred income	7	460,946	239,359
Current tax liabilities	23	581,019	-
Short-term provisions for employee benefits	13	221,455	126,022
Other current liabilities	15	413,649	72,855
Non-Current Liabilities		**3,240,030**	**2,314,475**
Long-term provisions for employee benefits	13	862,145	580,011
Deferred tax liability	23	2,377,885	1,734,464
EQUITY		**41,881,755**	**31,714,259**
Share capital	16	10,721,700	10,721,700
Treasury shares (-)	16	(20,450)	(20,450)
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		12,653,590	11,041,338
Gain on revaluation of property, plant and equipment	*22*	*12,653,590*	*11,041,338*
Restricted reserves appropriated from profit	16	420,292	220,393
Retained earnings		8,800,860	1,534,767
Net profit for the period		9,305,763	8,216,511
TOTAL LIABILITIES AND EQUITY		**49,448,081**	**38,171,678**

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

ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 1 January - 31 December 2019	Prior Period 1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	17	42,939,006	31,972,324
Cost of sales (-)	17	(34,800,370)	(25,839,492)
Gross profit from trade activities		**8,138,636**	**6,132,832**
Administrative expenses (-)	18	(2,108,177)	(1,618,411)
Marketing expenses (-)	18	(1,053,807)	(771,586)
Other income from operating activities	19	946,532	2,191,899
Other expenses from operating activities (-)	19	(705,323)	(644,444)
Operating profit		**5,217,861**	**5,290,290**
Income from investing activities	20	5,998,585	4,788,047
Operating profit before finance expense		**11,216,446**	**10,078,337**
Finance expenses	21	(148,582)	(238,325)
Profit before tax		**11,067,864**	**9,840,012**
Current tax expense	23	(1,328,450)	(1,035,693)
Deferred tax (expense) / income	23	(433,651)	(587,808)
Profit for the period		**9,305,763**	**8,216,511**
Earning per share	24	0.868	0.767
Other comprehensive income:			
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property, plant and equipment	9	1,822,022	965,234
Gain / (loss) on remeasurement of defined benefit plans	13	-	114,598
Tax relating to other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			-
Deferred tax expense	23	(209,770)	(126,059)
Total comprehensive income		**10,918,015**	**9,170,284**

ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TL))

			Accumulated Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to			Retained Earnings		
	Share Capital	**Treasury Shares**	**Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans**	**Gain / Loss on Revaluation and Remeasurement**	**Restricted Reserves Appropriated from Profit**	**Prior Years' Profit**	**Net Profit for the Period**	**Equity**
Balances as of 1 January 2018 (Opening balances)	**10,721,700**	**(20,450)**	**(91,678)**	**10,179,243**	**126,259**	**431,801**	**1,839,175**	**23,186,050**
Transfers	-	-	-	-	94,134	1,745,041	(1,839,175)	-
Comprehensive income for the period	-	-	91,678	862,095	-	-	8,216,511	9,170,284
Dividends	-	-	-	-	-	(642,075)	-	(642,075)
Balances as of 31 December 2018 (Closing balances)	**10,721,700**	**(20,450)**	**-**	**11,041,338**	**220,393**	**1,534,767**	**8,216,511**	**31,714,259**
Balances as of 1 January 2019 (Opening balances)	**10,721,700**	**(20,450)**	**-**	**11,041,338**	**220,393**	**1,534,767**	**8,216,511**	**31,714,259**
Transfers	-	-	-	-	199,899	8,016,612	(8,216,511)	-
Comprehensive income for the period	-	-	-	1,612,252	-	-	9,305,763	10,918,015
Dividends	-	-	-	-	-	(750,519)	-	(750,519)
Balances as of 31 December 2019 (Closing balances)	**10,721,700**	**(20,450)**	**-**	**12,653,590**	**420,292**	**8,800,860**	**9,305,763**	**41,881,755**

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

ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 1 January- 31 December 2019	Prior Period 1 January- 31 December 2018
A. Cash flows from operating activities			
Profit for the period		**9,305,763**	**8,216,511**
Adjustments to reconcile profit for the period			
- Adjustments related to depreciation and amortization expenses	9, 10	510,300	399,444
- Adjustments to provision for / (reversal of) impairment	4	*469,742*	*182,405*
- Adjustments related to provisions		720,123	263,245
- Adjustments related to provisions for employee benefits	13	*720,123*	*263,245*
- Adjustments related to interest income	20	(317,615)	(648,303)
- Adjustments related to interest expense	21	90,915	200,725
- Adjustments related to gain on fair value of investment properties	8	(5,628,192)	(4,100,588)
- Adjustments related to tax expense	23	1,762,101	1,623,501
- Adjustments related to proceeds from disposal of non-current assets	20	(52,778)	(39,156)
		6,860,359	**7,760,441**
Cash outflows from operating activities			
- Adjustments related to increase in trade receivables	4	(3,734,003)	(1,000,503)
- Adjustments related to increase in other receivables		(540,767)	(332,256)
- Adjustments related to (increase)/decrease in inventories	6	959,815	(2,499,288)
- (Increase) / decrease in prepaid expenses	7	(882,034)	(58,617)
- Adjustments related to increase in trade payables	4	(130,098)	1,410,026
- Decrease in payables for employee benefits		(278,322)	(41,909)
- Adjustments related to decrease in other payables	15	347,877	23,557
- Increase in deferred income	7	221,587	65,900
- Adjustments related to increase in other operating assets		312,010	(458,796)
		3,136,424	4,868,555
Cash generated from operations			
- Payments related to provision for employee benefits	13	(342,556)	(42,518)
- Tax payments	23	(747,431)	(1,367,280)
		2,046,437	**3,458,757**

AUDITED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 1 January- 31 December 2019	Prior Period 1 January- 31 December 2018
B. Cash flows from investing activities			
- Proceeds from disposal of property, plant and equipment		243,420	97,630
- Payments for property, plant and equipment and intangible assets	9, 10	(1,200,092)	(2,117,808)
- Payments for acquisition of investment properties	8	(122,848)	(1,008,372)
- Cash advances and debts (given) / repayments, net		-	2,199,167
- Cash advances and debts (given) / repayments to related parties, net	*3*	-	*2,199,167*
- Interest received		317,615	899,232
		(518,485)	**2,366,646**
C. Cash flows from financing activities			
- Cash inflows from borrowings	25	-	75,000
- Cash used for repayment of borrowings	25	(654,144)	(815,871)
- Dividends paid	16	(750,519)	(636,002)
- Interest paid		(90,915)	(207,264)
		(1,495,578)	**(1,584,137)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(211,046)	281,812
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	28	2,444,241	2,162,429
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	28	**2,233,195**	**2,444,241**

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Acıselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. ("the Company"), was incorporated in Denizli on 12 April 1973.

The Company's address and principal place of business is Aşağı Mahallesi Acıselsan Cad. No: 25 Acıpayam / Denizli.

The Company operates in production, purchase and sale of cellulose and cellulose derivatives, production, purchase and sale of sodium carboxymethyl derivatives, importation, exportation and trade of any chemical substance, and utilization of production-related waste.

The Company's certificates of shares have been traded in Borsa İstanbul since 2012.

As of 31 December 2019, the average blue-collar personnel number of the Company is 44, and average white-collar personnel number is 10 (31 December 2018: 44 blue-collar, 10 white-collar).

The Company does not have any consolidated associate and subsidiary.

Verusa Holding A.Ş. is the immediate parent of the Company.

Dividend payable

As of the reporting date, the Company management has not taken any resolution related to dividend policy. Dividends are subject to approval of the shareholders in the annual general assembly meeting.

Approval of financial statements

Board of Directors has approved the financial statements and delegated authority for publishing it on 13 February 2020. General Assembly has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance to TFRS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") and Interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The accompanying financial statements have been prepared on the historical cost basis except for revaluation of investment properties, lands and buildings.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Currency Used

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

Preparation of financial statements in hyperinflationary periods

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TAS. Accordingly, the Company did not apply TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in its financial statements for the accounting periods starting 1 January 2005.

Comparative Information, Adjustment and Reclassification of Prior Period Financial Statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period financial statements, and material differences are disclosed.

2.2 Changes in the Accounting Policies

Significant changes in accounting policies and accounting errors are applied retrospectively and prior periods financial statements are adjusted accordingly. The Company has not made a significant change in its accounting policies in the current year except for new and revised standards disclosed in Note 2.4.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively. The Company has not made a material change related to accounting estimates in the current year.

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2019:

- **Amendment to IFRS 9, "Financial instruments";** effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- **IFRS 16, "'Leases'";** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, 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.

  These changes do not have a significant impact on the financial position and performance of the Company.

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37, 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards (cont'd)

a) Standards, amendments and interpretations applicable as at 31 December 2019: (cont'd)

- IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

These changes do not have a significant impact on the financial position and performance of the Company.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

  i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in IAS 1 about immaterial information.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies

Related Parties

In terms of these financial statements, the partners who have control, joint control or significant effectiveness over the Company, Verusa Group Companies, senior management staff and board members of the Company or Verusa Holding as the main partner, are controlled by them, Companies that are controlled jointly or have important activities on them are accepted and expressed as related parties (Note 3).
a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and other subsidiary is associated to the others).

(ii) •The entity's other entity (or a member of a group to which the other entity is a member) if it is an affiliate or joint venture,

(ii) Both entities are joint ventures of the same third party.

(iv)One entity is a joint venture of a third entity and the other entity is an affiliate of the third entity.

(v) The entity has a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting business itself has such a plan, the sponsoring employers are also associated with the reporting business.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue

The Company's revenue mainly comprise sales of cellulose and cellulose derivatives and sodium carboxymethyl derivatives.

The Compnay recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods or services are transferred to the customer when the control is transferred over time or at a point in time.

The Company recognizes revenue based on the following main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when the performance obligations are fulfilled

According to this model, firstly, the committed goods or services are evaluated in each contract with customers and each commitment made to transfer the said goods or services is determined as a separate performance obligation. Afterwards, it is determined whether performance obligations will be fulfilled over time or at a certain time. The company transfers control of a good or service over time and therefore fulfills its performance obligations regarding the relevant sales over time, it measures the progress towards the absolutely fulfillment of the performance obligations in question and takes the revenue to the financial statements over time. Revenue related to performance obligations, which is a commitment transfer of goods or services are recognized when the control of goods or services are transfer the customer liablity.

The Company recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) The Company can identify each party's rights regarding the goods or services to be transferred,
(c) The Company can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

In accordance with the relevant paragraphs of TFRS 15, the performance obligation is fulfilled at a certain time, not spread over time and the Company takes into account indicators for the transfer of control, including, but not limited to:

- the ownership of the right to collect goods or services,
- the customer's constructive possession of the goods or services,
- transfer of the constructive possession of the goods or services,
- the ownership of the property's significant risks and returns
- takes into account the conditions that the customer accepts the good or service.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Other Revenues

Other income generated by the company is accounted for in accordance with the following principles:

- Rental income - are taken into account on the accrual basis, taking into account the essence of the contract,
- Interest income - valid interest rate and effective interest method within the time to maturity,
- Dividend income - is recognized on the date when it is entitled to receive a dividend payment.

Trade receivables

Trade receivables arising from providing products or services to a buyer by the company are shown as net off from deferred financial income. Short-term receivables without a determined interest rate are shown in the original invoice values if the interest accrual effect is not very large (Note 4).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. Objective evidence is when the receivable is in the litigation or execution phase or preparation, the buyer falls into significant financial difficulty, the buyer is in default, or there will be an unpredictable delay will occur.The amount of provision is the difference between the carrying amount and the recoverable amount

Trade payables

Trade payables are recorded at their fair value at the date they are included in the financial statements and at the reduced cost value in the following period (Note 4).

Going concern basis

The Company has prepared its financial statements with the going concern basis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment

Lands and buildings are reflected in the financial statements by deducting the depreciation and depreciation provisions from distribution costs, acquisition of tangible assets until the balance sheet date. Lands and lands, buildings are reflected in the financial statements based on the fair value determined in the valuation studies carried out by an independent professional valuation company as of 31 December 2019 (Note 9). On the date of the revaluation, the accumulation of the relevant tangible fixed asset subject to the appraisal has been revalued by netting the cost of the asset and the subsequent periods.

Increases in the carrying values of lands and buildings resulting from revaluation are credited to the revaluation fund account under equity in the balance sheet, by deducting the deferred tax effect. Valuation increases related to the assets whose impairment was previously reflected in the comprehensive income statement are recorded in the comprehensive income statement in the amount of the said impairment. The decreases corresponding to the increases in the fund of the same asset in the previous period are deducted from the fund; all other decreases are reflected in the comprehensive income statement. Every year, the difference between the depreciation calculated on the revalued amount (depreciation reflected in the comprehensive income statement) and the depreciation on the pre-revaluation cost of the asset is transferred from the revaluation fund to the accumulated profits by deducting the related deferred tax effect.

Buildings are activated and depreciated when their capacities are fully ready for use and their physical condition will meet the specified production capacity. It is estimated that the scrap value of tangible assets is not significant.

Advances given for tangible assets purchases are followed under prepaid expenses under fixed assets until the related asset is activated. In each reporting period, the scrap value of tangible assets is reviewed and necessary adjustments are made prospectively.

Depreciation is calculated by applying linear depreciation method over the tangible assets that are revaluated or expressed at the date of balance sheet (Note 9). Lands are not depreciated, assuming they have an infinite life.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

Economic useful lives of property, plant and equipment are as follows:

	Years
Land improvements	8-25 year
Buildings	30 year
Machinery and equipment	3-20 year
Motor vehicles	4-5 year
Furniture and fixtures	3-20 year
Other tangible fixed assets	4-10 year

Expenditures after activation are added to the cost of the related asset or reflected to the financial statements as a separate asset if it is highly likely to provide economic benefits in the future and the cost of the related expenditure is reliably measured. Tangible assets; it is reviewed for impairment under conditions that indicate that the movable values may be more than their recoverable values. In order to detect impairment, assets are grouped at the lowest level (cash generating units), which are cash generating units. If the value of a tangible asset is more than its recoverable value, the allowance is separated and the book value is reduced to its recoverable value. The recoverable value is the higher of the tangible asset's value in use or the net sales price after deducting the expenses for the sale of the asset.

If the property, plant and equipment that is subject to this impairment is revalued, the impairment is deducted from the fund corresponding to the increases in the revaluation fund in the previous periods and the remaining amount is associated with the comprehensive income statement.

Maintenance and repair expenses are recorded as expense in the comprehensive income statement of the period they occur. The Company removes the carried values from the balance sheet, regardless of whether the parts that are replaced in accordance with the renewals made are depreciated independently from other departments. Major renewals are depreciated based on the shorter remaining life of the relevant tangible asset or the economic life of the renewal itself. Profit or loss obtained from disposal of tangible assets is determined according to the value of tangible assets and is recorded in the related income and expense accounts. In the disposal of the revalued tangible asset, the amount in the revaluation fund related to the disposal of the disposed asset is transferred to the account of previous years' profits by deducting the deferred tax effect.

Intangible Assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired seperately are carried at cost less accumulated impairment losses.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-15 years).

Derecognition of intangible assets

An intangible asset is derecognized 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, are recognized in profit or loss when the asset is derecognized.

Financial assets

Classification and measurement

The Company classified its financial assets in two categories; financial assets carried at amortized cost or financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Company's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the balance sheet.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. The Compnay make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss.

Financial assets, the fair value of which is reflected in other comprehensive income, include "financial investments" in the statement of financial position. In case the assets with fair value difference recorded in other comprehensive income are sold, the valuation difference classified into other comprehensive income is classified in previous years' profits.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial assets (cont'd)

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial instruments	Available for sale financial assets	Fair value through other comprehensive income
Trade receivables	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost

Financial liabilities	**Original classification under IAS 39**	**New classification under IFRS 9**
Financial borrowings	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Other payables	Amortized cost	Amortized cost

Changes regarding the classification of financial assets and liabilities within the scope of TFRS 9 are summarized below. Changes in the classifications made within this scope have no effect on the measurement of financial assets.

Effects of Exchange Differences

Foreign Currency Transaction and Balance Amounts

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;

Earnings Per Share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Investment Properties

As of December 31, 2019, after the evaluation made by the Company management, the lands that are not used by the Company have been classified as investment properties, and the Company has depreciated the investment properties in the time from their fair values to measurement and for the purpose of determining a possible impairment. . The Company management has evaluated the difference between the carrying values and fair values of the investment properties according to the first recognition measurement principles in accordance with the standards of TAS 16 "Property, Plant and Equipment" and the said "Fair Valuation and Measurement Gains" account under equity. It is accounted for.

Instead of being used in the production of goods and services or for administrative purposes or during the normal course of business, the land held for the purpose of obtaining rent or appreciation or both are classified as investment properties. Investment properties are reflected in the financial statements at the fair value determined in the valuation studies performed by an independent professional valuation company as of 31 December 2019. In subsequent measurements, gains or losses arising from fair value changes are accounted for in the income statement.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

Current and deferred tax for the period

The tax is included in the statement of profit or loss, provided it is not related to a transaction that is accounted directly under equity. Otherwise, the tax is also accounted under equity together with the related transaction.

Employee Benefits

Termination and retirement benefits

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

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Statement of Cash Flows

In the cash flow statement, cash flows related to the period are classified and reported based on business, investment and financial activities. Cash flows from operating activities indicate cash flows from the activities of the Company. Cash flows related to investment activities show the cash flows used and obtained by the Company in investment activities (fixed asset investments and financial investments). Cash flows related to financing activities show the resources used by the Company in financing activities and repayments of these resources. Cash and cash equivalents include cash and bank deposits, and short-term investments with high liquidity that can easily be converted into a specific amount of cash, with a maturity of 3 months or less.

Capital and Dividends

Ordinary shares are classified as capital. The capital increase made to the existing shareholders is recorded with the nominal value approved. Dividends distributed over ordinary shares are recorded as profit distribution in the period they are announced.

Netting / Offsetting

Any item that is important in terms of content and amount, even in a similar nature, is shown separately in the financial statements. Non-significant amounts are aggregated in terms of items that are similar in terms of their bases or functions. As a result of the fact that the essence of the transaction and the event requires the deduction, the display of this transaction and the event over the net amounts or the monitoring of the assets after the deduction of the impairment is not considered as a violation of the non-deduction rule. As a result of the transactions carried out by the Company within the normal business flow, the revenues obtained from the income defined in the section titled "Revenue" are shown on the basis of their net values, provided that they comply with the substance of the transaction or event.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Segment Reporting

The business segments are evaluated in parallel with the internal reporting and strategic departments submitted to the bodies or individuals authorized to make decisions regarding the activities of the Company. The bodies and individuals authorized to make strategic decisions regarding the activities of the Company are defined as the senior executives of the Company in order to make decisions regarding the resources to be allocated to these departments and evaluate the performance of the departments.

The Company's senior executives follow the Company's activities on the basis of the main product group and as domestic and international activities. On the other hand, each of the main product with sales channels in the group customer specifications and requirements of the Company "be the same legislation affecting in activities and Company" in Turkey because of not great importance in the total activities of the activities of the outside is not reported according to the financial information section.

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements requires the Company management to use estimates and assumptions affecting the reported amounts of assets and liabilities, and determining liabilities and guarantees that are probable to occur as of the reporting of the statement of finanical position and income and expense amounts as of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and recıgnized in the statement of profit or loss for the period in which they are incurred.

Deferred Tax Related to Investment Properties

The management concluded that none of the economic benefits from investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, to calculate deferred tax liability and deferred tax asset from the Company's investment properties. In accordance with the amendments to the tax law on 5 December 2017, return on sales of investment properties are subject to tax at the rate of 11% for 3 years of 2018, 2019 and 2020 (Note 23), and at the rate of 10% for and after 2021. Deferred tax liability is calculated at the rate of 10% on the difference between the fair value and tax base of investment properties since the Company has planned to hold its investment properties until 2021.

Fair value measurements of the Company's freehold land and buildings

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurements of the Company's freehold land and buildings as at 31 December 2019 were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company, and by the Company management. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year. Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. is authorized by CMB, and render services in accordance with capital market regulations.

According to the provisions in IAS 36 "Impairment of Assets" standard, the values determined by the peer value approach method were first reflected in the financial statements, and it was concluded that there are no impairment indicators.

(Amounts are expressed in Turkish Lira (TL))

3. RELATED PARTY DISCLOSURES

Details of transactions between the Company and other related parties are disclosed below:

Balances with related parties	31 December 2019 Trade payables	31 December 2018 Trade payables
Ata Elektrik Enerjisi Toptan Satış A.Ş.	-	147,132

Transactions with related parties	1 January - 31 December 2019 Interest income	lectricity expenses	Other expenses
<u>Shareholders</u>			
Verusa Holding A.Ş.	290,570	-	-
<u>Other companies controlled by the parent</u>			
Ata Elektrik Enerjisi Toptan Satış A.Ş.	-	1,413,500	-
	290,570	1,413,500	-

Transactions with related parties	1 January - 31 December 2018 Interest income	lectricity expenses	Other expenses
<u>Shareholders</u>			
Verusa Holding A.Ş.	108,604	-	-
<u>Other companies controlled by the parent</u>			
Ata Elektrik Enerjisi Toptan Satış A.Ş.	72,378	964,339	-
Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş.	464,961	-	-
Investco Holding A.Ş.	-	-	68,301
	645,943	964,339	68,301

Compensation of key management personnel:

Key management personnel consists of members of Board of Directors and the general manager. The compensation of key management personnel is consisted of payments to the management personnel in scope of the attendance fee.

The compensation of key management during the period are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Salaries and other short term benefits	548,555	469,147

(Amounts are expressed in Turkish Lira (TL))

4. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

The details of the Company's trade receivables as of balance sheet date are as follows:

Current trade receivables	31 December 2019	31 December 2018
Trade receivables	8,247,524	4,463,521
Notes receivable	-	50,000
Allowance for doubtful receivables (-)	(804,119)	(334,377)
	7,443,405	4,179,144

Trade receivables comprise receivables from customers for products sold in normal workflow. The maturity of trade receivables that are classified as current trade receivable is generally 45 days (31 December 2018: 45). The Company has trade receivables to collect its contractual cash flows, and measures these receivables at amortized cost by using effective interest method.

The Company measures impairment on trade receivables in accordance with lifetime expected credit loss. Expected credit losses in trade receivables is estimated by using provision matrix created by considering the past default experience of customers, analyzing present financial position and taking into consideration the general economic conditions of the industry in which the customer operates and the conditions in the reporting period. As of 31 December 2019, the Company's allowances for doubtful receivables is TL 804,119 (31 December 2018: TL 334,377).

Movements of allowance for doubtful receivables are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Opening balance	334,377	151,972
Charge for the period (Note 18)	469,742	187,078
Reversal of provisions	-	(4,673)
Closing balance	804,119	334,377

Explanations about the nature and level of risks related to trade receivables are provided in Note 26.

(Amounts are expressed in Turkish Lira (TL))

4. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

The details of the Company's trade payables as of balance sheet date are as follows:

Current trade payables	31 December 2019	31 December 2018
Trade payables	2,271,640	2,193,606
Due to related parties (Note 3)	-	147,132
Notes payable	-	61,000
	2,271,640	2,401,738

The weighted average maturity for trade payables is 24 days (31 December 2018: 24 days).

5. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

Other Current Receivables	31 December 2019	31 December 2018
VAT receivable	533,807	234,005
Deposits and guarantees given (*)	502,559	370,928
Other	230,415	-
	1,266,781	604,933

(*) It comprises deposits and guarantees given to customs and banks.

b) Other Payables

Other Current Payables	31 December 2019	31 December 2018
Other	21,246	14,163

6. INVENTORIES

	31 December 2019	31 December 2018
Raw materials	4,650,381	5,915,130
Work in process	478,386	431,758
Finished goods	838,323	583,386
Other inventory	7,319	3,950
	5,974,409	6,934,224

The cost of inventories amounting to TL 25,985,170 (2018: TL 19,372,321) is recognized as an expense under the cost of goods sold.

(Amounts are expressed in Turkish Lira (TL))

7. PREPAID EXPENSES AND DEFERRED INCOME

Short-Term Prepaid Expenses	31 December 2019	31 December 2018
Order advances given for inventory purchase	1,079,945	211,632
Prepaid expenses	28,757	15,036
	1,108,702	226,668

Short-Term Deferred Income	31 December 2019	31 December 2018
Order advances received	460,946	239,359

8. INVESTMENT PROPERTIES

	Land
Opening balance as of 1 January 2019	13,148,960
Additions during the period	122,848
Gain on change of fair value (Note 20)	5,628,192
Closing balance as of 31 December 2019	18,900,000

	Land
Opening balance as of 1 January 2018	8,040,000
Additions during the period	1,008,372
Gain on change of fair value (Note 20)	4,100,588
Closing balance as of 31 December 2018	13,148,960

Fair value measurement of the Company’s investment properties

The fair value measurements of the Company’s freehold land and buildings as at 31 December 2019 and 2018 were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company, and by the Company management.

157 islands, 97 parcels , which are located in the active accounts of the Company, outside the industrial area where the production facilities, warehouses and administrative building are located; The zoning plan amendment process on land and plots with a total size of 171,432 m2 registered in 265 island, 8 parcel and 93 parcel numbers has been completed.

In addition to the 25,450 m2 industrial land that the Company currently owns, as a result of the new zoning plan change, it has been transformed into a 128.320 m2 industrial area after the necessary abandonments related to other lands and lands in the Company's assets.

In this context, with the 25,450 m2 owned and the newly acquired 128,320 m2, the size of the land, which is the industrial area of the Company, has increased to 153,770 m2.

(Amounts are expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December 2019 and 2018 are as follows:

		Fair value as of the reporting date		
	31 December 2019	Level 1 TL	Level 2 TL	Level 3 TL
Land	18,900,000	-	18,900,000	-

		Fair value as of the reporting date		
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Land	13,148,960	-	13,148,960	-

There were no transfers between Levels 1 and 2 during the period.

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost Value									
Opening balance as of 1 January 2019	3,558,500	501,120	4,426,985	3,512,437	670,363	340,048	110,385	157,921	13,277,759
Additions	5,152	24,189	-	446,729	190,932	120,298	-	406,777	1,194,077
Disposals	-	-	-	-	(241,775)	-	-	-	(241,775)
Gain on valuation of property, plant and equipment	1,546,348	-	275,674	-	-	-	-	-	1,822,022
Transfers from constructions in progress	-	-	-	555,147	-	-	-	(555,147)	-
Closing balance as of 31 December 2019	5,110,000	525,309	4,702,659	4,514,313	619,520	460,346	110,385	9,551	16,052,083
Accumulated Depreciation									
Opening balance as of 1 January 2019	-	101,415	2,176,985	1,101,393	177,089	157,858	12,429	-	3,727,169
Charge for the period	-	31,857	70,674	210,475	128,433	44,287	13,258	-	498,984
Çıkışlar	-	-	-	-	-	-	-	-	-
Closing balance as of 31 December 2019	-	133,272	2,247,659	1,311,868	254,389	202,145	25,687	-	4,175,020
Carrying value as of 31 December 2019	5,110,000	392,037	2,455,000	3,202,445	365,131	258,201	84,698	9,551	11,877,063

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land improvements	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost Value									
Opening balance as of 1 January 2018	2,520,000	126,120	4,116,409	2,470,016	451,695	181,232	19,430	416,130	10,301,032
Additions	-	375,000	43,287	67,476	324,983	124,184	90,955	1,091,923	2,117,808
Disposals	-	-	-	-	(106,315)	-	-	-	(106,315)
Gain on valuation of property, plant and equipment	899,078	-	66,156	-	-	-	-	-	965,234
Transfers from constructions in progress	139,422	-	201,133	974,945	-	34,632	-	(1,350,132)	-
Closing balance as of 31 December 2018	3,558,500	501,120	4,426,985	3,512,437	670,363	340,048	110,385	157,921	13,277,759
Accumulated Depreciation									
Opening balance as of 1 January 2018	-	77,589	2,070,985	953,024	151,085	131,458	4,556	-	3,388,697
Charge for the period	-	23,826	106,000	148,369	73,845	26,400	7,873	-	386,313
Disposals	-	-	-	-	(47,841)	-	-	-	(47,841)
Closing balance as of 31 December 2018	-	101,415	2,176,985	1,101,393	177,089	157,858	12,429	-	3,727,169
Carrying value as of 31 December 2018	3,558,500	399,705	2,250,000	2,411,044	493,274	182,190	97,956	157,921	9,550,590

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The following useful lives are used in the calculation of depreciation:

	Useful Life
Land improvements	8-25 years
Buildings	30 years
Plant, machinery and	3-20 years
Motor vehicles	4-5 years
Furniture and fixtures	3-20 years
Other fixed assets	4-10 years

Depreciation and amortization expense of TL325,370 (31 December 2018: TL 268,188) has been charged in 'cost of goods sold', TL157,682 (31 December 2018: TL 97,052) in 'general administrative expenses' and TL27,248 (31 December 2018: TL 34,204) in 'marketing, selling and distribution expenses'.

There is no pledge and mortgage on property, plant and equipment detailed above.

Fair value measurement of the Company's freehold land and buildings

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation,. The fair value measurements of the Company's freehold land and buildings as at 31 December 2019 were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company.

Details of the Company's freehold land and buildings and information about the fair value hierarchy as at 31 December 2019 and 2018 are as follows:

		Fair value as of the reporting date		
	31 December 2019	Level 1 TL	Level 2 TL	Level 3 TL
Land	5,110,000	-	5,110,000	-
Building	2,455,000	-	2,455,000	-

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Fair value measurement of the Company's freehold land and buildings (cont'd)

		Fair value as of the reporting date		
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Land	3,558,500	-	3,558,500	-
Building	2,250,000	-	2,250,000	-

There were no transfers between Level 1 and Level 2 during the period.

The net book values of the Company's freehold land and buildings when valued based historical cost are as follows:

	31 December 2019	31 December 2018
Cost	1,790,311	1,790,311
Accumulated depreciation	(535,337)	(488,073)
Net book value	1,254,974	1,302,238

10. INTANGIBLE ASSETS

Cost Value	Rights
Opening balance as of 1 January 2019	96,719
Additions	6,015
Closing balance as of 31 December 2019	102,734
Accumulated Amortization	
Opening balance as of 1 January 2019	49,897
Charge for the period	11,316
Closing balance as of 31 December 2019	61,213
Carrying value as of 31 December 2019	41,521

(Amounts are expressed in Turkish Lira (TL))

10. INTANGIBLE ASSETS (cont'd)

Cost Value	Rights
Opening balance as of 1 January 2018	96,719
Additions	-
Closing balance as of 31 December 2018	96,719
Accumulated Amortization	
Opening balance as of 1 January 2018	36,766
Charge for the period	13,131
Closing balance as of 31 December 2018	49,897
Carrying value as of 31 December 2018	46,822

The useful lives are used in the calculation of amortization are as follows:

	Useful life
Rights	3-15 years

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

None (31 December 2018: None).

12. COMMITMENTS

None (31 December 2018: None).

13. EMPLOYEE BENEFITS

	31 December 2019	31 December 2018
Due to personnel	150,751	116,817
Employment termination benefits payable (*)	45,288	387,844
Social security premiums payable	112,514	82,214
	308,553	586,875

(*) Employment termination benefits payable comprise the retirement pay amount that the Company pays in installments.

Short-term provisions for employee benefits

	31 December 2019	31 December 2018
Unused vacation provision	221,455	126,022

13. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits

Provision for employee termination benefits:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of and reaches the retirement age (58 for women, 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL6,379.86 for each period of service at 31 December 2019 (31 December 2018: TL5,434.42).

Employee termination benefit is not subject to any kind of funding legally. Provision for employee termination benefit is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 *Employee Benefits* stipulates the development of the Company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4.86% real discount rate (31 December 2018: 5.45%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 2.34% (2018: 1.34%) for employees with 0-15 years of service, and 0% for those 16 or more years of service. Ceiling amount for retirement pay is revised annually, and the ceiling amount of TL 6,730.15 which is effective since 1 January 2020 is used in the calculation of Company's provision for retirement pay liability (1 January 2019: TL 6,017.60).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

If the discount rate had been 1% (lower)/higher, provision for employee termination benefits would (increase) TL 101,085 and decrease by TL 95,023.

If the anticipated turnover rate had been 1% lower / (higher) while all other variables were held constant, provision for employee termination benefits would decrease by TL 32,886 and increase by TL 37,879.

(Amounts are expressed in Turkish Lira (TL))

13. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits (cont'd)

Employee termination benefits (cont'd):

Movement of provision for employee termination benefits for the reporting periods 31 December 2019 and 2018 is as follows:

	2019	2018
Provision as of 1 January	580,011	853,738
Service cost	603,007	239,318
Interest cost	21,683	31,915
Actuarial (gain) / loss	-	(114,598)
Employment termination benefits payable (*)	-	(387,844)
Employment termination benefits paid	(342,556)	(42,518)
Provision as of 31 December	862,145	580,011

(*) Classified under payables related to employee benefits.

14. EXPENSES BY NATURE

	1 January- 31 December 2019	1 January- 31 December 2018
Raw material expenses	(26,283,472)	(19,592,624)
Personnel expenses	(5,311,190)	(4,087,921)
Production overheads	(4,769,304)	(3,304,052)
Depreciation and amortization expenses (Note 9,10)	(510,300)	(399,444)
Export expenses	(265,133)	(311,511)
Consultancy expenses	(260,865)	(196,892)
Tax expenses	(151,645)	(87,085)
Lawyer expenses	(100,607)	(37,208)
Insurance expenses	(69,579)	(75,001)
Maintenance and repair expenses	(36,493)	(12,188)
Energy expenses	(27,000)	(16,200)
Change in inventories of finished goods (Note 6)	254,937	198,596
Change in inventories of work in progress (Note 6)	46,628	27,977
Other expenses	(478,331)	(335,936)
	(37,962,354)	(28,229,489)

(Amounts are expressed in Turkish Lira (TL))

15. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2019	31 December 2018
Deferred VAT	-	167,624
Other VAT	537,759	263,905
Other	63,890	476,390
	601,649	907,919

Other Current Liabilities	31 December 2019	31 December 2018
VAT payable	327,562	-
Tax and funds payable	81,152	69,607
Other current liabilities	4,935	3,248
	413,649	72,855

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2019 and 2018, the Company's paid-in capital held is as follows:

Shareholders	31 December 2019	%	31 December 2018	%
Verusa Holding A.Ş.	5,071,149	% 47.30	5,071,149	% 47.30
Public shares	5,650,551	% 52.70	5,650,551	% 52.70
Nominal capital	10,721,700	%100	10,721,700	%100

Public shares of the Company's capital are traded in Borsa İstanbul (BİST). The Company adopted the registered share capital, and the ceiling amount of the Company's registered share capital is TL30,000,000; and its issued share capital is TL10,721,700 (31 December 2018: TL 10,721,700). The capital is divided into 10,721,700 shares with a par value of TL 1; there is no privileged share.

b) Reserves on Retained Earnings

	31 December 2019	31 December 2018
Legal reserves	420,292	220,393

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital according to Turkish Commercial Law. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves can only be used if it does not exceed the capital or issued capital for close the losses, continue the business when business is not going well or end the unemployment and to take suitable precuations to reduce the results of unemployment.

(Amounts are expressed in Turkish Lira (TL))

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

c) Treasury Shares

	31 December 2019	31 December 2018
Treasury shares	(20,450)	(20,450)

The Company has purchased shares from BIST with the nominal amount of TL20,450 in consideration of TL74,643 in 2016. The nominal amount of share purchased is recognized in treasury shares under equity, and the difference amounting to TL54,193 between purchase value and nominal share value is recognized in retained earnings under equity.

Profit Distribution:

The Board of Directors has not taken any resolution on the dividend payment for the current year as of the reporting date.

Listed companies process their profit distributions according to the II-19.1 numbered CMB profit distribution communique that is effective as of 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communique does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation.

In the 3 May 2019 dated General Assembly, cash dividend amounting to TL750,519 is decided to be distributed and the profit distribution was realized on 24 June 2019.

(Amounts are expressed in Turkish Lira (TL))

17. REVENUE AND COST OF SALES

a) Sales	1 January-31 December 2019	1 January-31 December 2018
Domestic Sales		
Detergent	3,515,943	2,130,479
Technical Dye	117,348	112,283
Technical Glue	2,195,506	2,009,062
Low Viscosity Drilling	3,863,702	1,109,621
Other	718,742	1,015,163
Export Sales		
Detergent	18,988,849	19,424,114
Technical Dye	1,972,130	1,588,646
Technical Glue	1,409,469	1,666,543
Low Viscosity Drilling	1,976,616	1,197,538
Technical Pac	8,249,282	1,876,811
Other	83,087	4,817
Sales returns (-)	(117,323)	(16,625)
Sales discounts (-)	(34,345)	(146,128)
	42,939,006	31,972,324

b) Cost of Sales	1 January-31 December 2019	1 January-31 December 2018
Raw materials	(26,283,472)	(19,592,624)
Personnel expenses (*)	(3,720,526)	(2,894,931)
Production overheads	(4,769,304)	(3,304,052)
Depreciation and amortization expenses (Note 9, 10)	(325,370)	(268,188)
Change in work-in-progress inventories (Note 6)	46,628	27,977
Change in finished goods inventories (Note 6)	254,937	198,596
	(34,797,107)	(25,833,222)
Cost of merchandises sold	(3,263)	(6,270)
	(34,800,370)	(25,839,492)

(*) Expenses from provisions for employment termination benefits are recognized under personnel expenses.

(**) The freight expenses classfied under the marketing expenses amounting to TL 1,062,215 is classified at general manufacturing expenses under the cost of sales.

(Amounts are expressed in Turkish Lira (TL))

18. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January-31 December 2019	1 January-31 December 2018
Administrative expenses (-)	2,108,177	1,618,411
Marketing expenses (-)	1,053,807	771,586
	3,161,984	2,389,997

Administrative expenses (-)	1 January-31 December 2019	1 January-31 December 2018
Personnel expenses (*)	1,299,263	998,060
Consultancy expenses	112,707	165,756
Depreciation and amortization expenses (Note 9, 10)	157,682	97,052
Tax expenses	151,645	87,085
CMB and Borsa İstanbul expenses	40,819	28,784
Energy expenses	27,000	16,200
Lawyer expenses	100,607	37,208
Maintenance and repair expenses	36,493	12,188
Communication expenses	13,759	9,975
Other expenses	168,202	166,103
	2,108,177	1,618,411

(*) Expenses from provisions for employment termination benefits are recognized under personnel expenses.

Marketing expenses (-)	1 January-31 December 2019	1 January-31 December 2018
Export expenses	265,133	311,511
Personnel expenses	291,401	194,930
Insurance expenses	69,579	75,001
Depreciation and amortization expenses (Note 9, 10)	27,248	34,204
Exhibition expenses	148,158	31,136
Other expenses	252,288	124,804
	1,053,807	771,586

(Amounts are expressed in Turkish Lira (TL))

19. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended in 31 December 2019 and 2018 are as follows:

Other Income from Operating Activities

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign exchange gains from operations	836,283	2,174,570
Other income	110,249	17,329
	946,532	2,191,899

The details of other expenses from operating activities for the years ended in 31 December 2019 and 2018 are as follows:

Other Expenses from Operating Activities

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign exchange losses from operations	219,132	379,459
Provision for doubtful receivables	469,742	187,078
Other expenses	16,449	77,907
	705,323	644,444

20. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

The details of income from investment activities for the years ended in 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Increase on fair values of investment properties (Note 8)	5,628,192	4,100,588
Interest income	317,615	648,303
Gain on disposal of property, plant and equipment	52,778	39,156
	5,998,585	4,788,047

(Amounts are expressed in Turkish Lira (TL))

21. FINANCE EXPENSES

	1 January- 31 December 2019	1 January- 31 December 2018
Interest expenses on bank loans	90,915	200,725
Commission expenses	57,667	37,600
	148,582	238,325

22. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

Properties Revaluation Reserve

	31 December 2019	31 December 2018
Properties revaluation reserve	12,653,590	11,041,338

Properties revaluation reserve	1 January- 31 December 2019	1 January- 31 December 2018
Opening balance	11,041,338	10,179,243
Gain on revaluation of land and buildings	1,822,022	965,234
Deferred tax liability arising from revaluation	(209,770)	(103,139)
Closing balance	12,653,590	11,041,338

(Amounts are expressed in Turkish Lira (TL))

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2019	31 December 2018
Current tax liability:		
Current corporate tax provision	1,328,450	1,035,693
Less: prepaid taxes and funds	747,431	1,156,774
	581,019	(121,081)

Tax expense in the statement of profit or loss:	1 January-31 December 2019	1 January-31 December 2018
Tax expense comprises:		
Current tax expense	1,328,450	1,035,693
Deferred tax income relating to the origination and reversal of temporary differences	433,651	587,808
Total tax expense	1,762,101	1,623,501

Tax recognized directly in equity

Deferred tax	1 January-31 December 2019	1 January-31 December 2018
Charged directly to equity:		
- Revaluations of property, plant and equipment	(209,770)	(103,139)
- Actuarial income or expense	-	(22,920)
Total deferred tax expense charged directly to equity	(209,770)	(126,059)

Corporate Tax:

The Company is subject to corporation tax applicable in Turkey. The Company's current period results of operations for the estimated necessary tax liabilities accounted in the financial statements.

The corporate tax rate to be accrued over the taxable corporate income is the deduction of the expenses that cannot be deducted from the tax base and the tax exemptions, non-taxable income and other discounts (if any, previous year losses and investment discounts used if preferred). it is calculated.

The effective tax rate in 2019 is 22% (2018: 22%).

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

(Amounts are expressed in Turkish Lira (TL))

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax:

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually are results in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2018: 22%).

Deferred tax (assets)/liabilities base:	31 December 2019	31 December 2018
Revaluation differences	(25,164,887)	(17,714,673)
Depreciation / amortization differences of property, plant and equipment and other intangible assets	(288,518)	(161,648)
Provision for employment termination benefits	862,145	580,011
Adjustment related to periodicity of sales	-	11,055
Unused vacation liabilities	221,455	126,022
Other	507,894	171,206
	(23,861,911)	(16,988,027)

Deferred tax (assets)/liabilities:	31 December 2019	31 December 2018
Revaluation differences	2,760,776	1,988,187
Depreciation / amortization differences of property, plant and equipment and other intangible assets	(60,162)	(72,736)
Provision for employment termination benefits	(172,429)	(116,002)
Adjustment related to periodicity of sales	-	(2,432)
Unused vacation liabilities	(48,720)	(27,725)
Other	(101,580)	(34,828)
	2,377,885	1,734,464

(Amounts are expressed in Turkish Lira (TL))

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Movement of deferred tax (assets)/liabilities for years ended 31 December 2019 and 2018 are as follows:

Movement of deferred tax (assets)/liabilities	2019	2018
Opening balance as of 1 January	1,734,464	1,020,597
Charged to profit or loss	433,651	587,808
Charged to equity	209,770	126,059
Closing balance as of 31 December	2,377,885	1,734,464

The reconciliation of the current period tax expense with profit for the period is as follows:

Reconciliation of tax provision:	1 January- 31 December 2019	1 January- 31 December 2018
Profit from continuing operations	11,067,864	9,840,012
	% 22	% 22
Income tax rate 22% (2018: 22%)	2,434,930	2,164,803
Tax effects of:		
- expenses that are not deductible in determining taxable profit	41,709	10,727
- exemption from gain on sale of properties - deferred tax effect	(672,357)	(492,071)
- other	(42,181)	(59,958)
Income tax expense recognised in profit or loss	1,762,101	1,623,501

24. EARNINGS PER SHARE

	1 January- 31 December 2019	1 January- 31 December 2018
Weighted Average Number of Ordinary Shares Outstanding During the Period with Nominal Amount of TL 1	10,721,700	10,721,700
Net Profit for the Period	9,305,763	8,216,511
Earning per Share (TL)	0.868	0.767

(Amounts are expressed in Turkish Lira (TL))

25. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Borrowings	31 December 2019	31 December 2018
Bank loans	47,788	701,932
Total financial borrowings	47,788	701,932

The borrowings are repayable as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	47,788	701,932
To be paid between 1-2 years	-	-
	47,788	701,932

		31 December 2019	
Currency	Weighted average effective interest rate	Kısa vadeli	Uzun vadeli
TL	%29.47	47,788	-
		47,788	-

		31 December 2018	
Currency	Weighted average effective interest rate	Kısa vadeli	Uzun vadeli
TL	%23.45	701,932	-
		701,932	-

There is no covenants on bank loans that the Company is required to be comply with.

(Amounts are expressed in Turkish Lira (TL))

25. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

Reconciliation of liabilities arising from financing activities

Cash and non-cash changes regarding the Company's liabilities arising from financing activities are given in the table below. Liabilities arising from financing activities are cash flows classified or to be classified in cash flows arising from financing activities in the Company's cash flow statement.

				Non-cash changes	
	1 January 2019	Financing cash inflows	Financing cash outflows	Interest accrual	31 December 2019
Bank loans	701,932	-	(654,144)	-	47,788
	701,932	-	(654,144)	-	47,788

				Non-cash changes	
	1 January 2018	Financing cash inflows	Financing cash outflows	Interest accrual	31 December 2018
Bank loans	1,449,342	75,000	(815,871)	(6,539)	701,932
	1,449,342	75,000	(815,871)	(6,539)	701,932

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity items comprising debt, which includes the borrowings disclosed in Note 25, cash and cash equivalents, issued capital, reserves and retained earnings.

The Company's Board of Directors analyzes the capital structure if it is required, in addition to its routine meetings. During these analyses, the Board evaluates the cost of capital and the risks associated to each capital classification. Depending on the evaluations of the Board, the Company aims to balance the capital structure with new loan acquisition or the repayment of existing loans as well as dividend payments and new share issuance.

In addition and consistent with others in the industry, the Compnay management monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents.

The Company's strategy has not been changed from 2017. As of 31 December 2019 and 2018, the gearing ratio is as follows:

b) Financial Risk Factors:

The Company's activities expose it to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management programme generaly focuses on uncertainty in financial markets and minimizing potential negative effects on Company's financial performance.

Risk management is performed by the Committee of Early Detection of Risk in accordance with the policies approved by the Board of Directors. In accordance with the risk policies, financial risk is identified, evaluated, and some instruments are used to decrease risk by working together with the Company's operation units.

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company monitors the credibility of the parties with whom they perform transactions The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. Additionally, the Company management evaluates the trade payables and financial assets on a customer and asset basis at the end of the period and ensures that the required provisions for the non-collectible amounts are reflected in the financial statements. In this context, the Company management believes that the Company's credit risk has decreased significantly as of the reporting date.

Overview of the Company's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As of 31 December 2019, the Company's maximum exposure to credit risk due to failure to discharge an obligation by the counterparties arises from:

- The carrying amount of financial assets in the statement of financial position.

In order to minimize the credit risk, the Company has performed credit ratings considering the default risks of the counterparties and categorized the related parties. The Company's current credit risk rating methodology includes the following categories:

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

Overview of the Company's exposure to credit risk (cont'd)

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime expected credit losses
Doubtful	Amount is >120 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime expected credit losses – not credit impaired
In default	Amount is >360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime expected credit losses – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Company's financial assets and other items, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

31 December 2019	Note	Lifetime expected credit losses?	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables (i)	4, 5	(804,119)	9,514,305	(804,119)	8,710,186
Bank deposits	28	(-)	2,233,195	(-)	2,233,195

31 December 2018	Note	Lifetime expected credit losses?	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables (i)	4, 5	(334.377)	5,118,454	(334,377)	4,784,077
Bank deposits	28	(-)	2,444,241	(-)	2,444,241

(i) For trade receivables, the Company has applied the simplified approach in TFRS 9 to measure the loss allowance at lifetime expected credit losses. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Details of credit risk by class of financial instruments	**Receivables**			
	Trade Receivables Other Party	**Other Receivables Related Party**	**Deposits at Banks**	**Financial Investments**
31 December 2019				
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	7,443,405	-	2,232,856	1,260
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	6,869,413	-	2,232,856	1,260
B. Net book value of financial assets that are past due but not impaired	573,992	-	-	-
C. Net book value of the impaired assets				
- Past due (gross amount)	804,119	-	-	-
- Impairment (-)	(804,119)	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
- Not past due (gross amount)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
		-		
D. Off-balance sheet items include credit risk	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.
(**) Guarantees consist of guarantee letters, guarantee checks and mortgages obtained from the customers.

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Details of credit risk by class of financial instruments	**Receivables**			
	Trade Receivables	**Other Receivables**		
31 December 2018	**Other Party**	**Related Party**	**Deposits at Banks**	**Financial Investments**
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	4,179,144	-	2,444,076	1,260
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	3,605,152	-	2,444,076	1,260
B. Net book value of financial assets that are past due but not impaired	573,992	-	-	-
C. Net book value of the impaired assets	-	-	-	-
- Past due (gross amount)	334,377	-	-	-
- Impairment (-)	(334,377)	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
- Not past due (gross amount)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.
(**) Guarantees consist of guarantee letters, guarantee checks and mortgages obtained from the customers.

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Trade Receivables	**31 December 2019**	**31 December 2018**
1 - 30 days overdue	-	-
1 - 3 months overdue	-	-
1 - 12 months overdue	-	-
1 - 5 years overdue	1,106,778	334,377
Less: Provisions for impairment	(804,119)	(334,377)
Toplam	**302,659**	**-**

The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

In the impairment tests, the payments made after the reporting period have been concluded that the receivables that the related receivables originated were not impaired as a result of the payment performance of the previous periods. It has been working with relevant customers for a long time and there are no significant amounts they do not pay.

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below shows the Company's non-derivative and financial liabilities with maturity distribution with repayment periods in accordance with the contract. Financial liabilities are prepared without discounting and based on the earliest dates to pay. Interests to be paid on the said liabilities are included in the table below. The amount announced when the receivables or debts are not fixed is determined by using the interest rate obtained from the yield curves at the date of the report.

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

Liquidity risk table:

Since the Company takes into account the expected maturity for its non-derivative financial liabilities, the cash flows resulting from financial liabilities based on the expected maturity are presented seperately:

31 December 2019

Contract terms	Carrying Valu	Total contracted cash outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Financial liabilities					
Bank loans	47,788	56,390	56,390	-	-
Trade payables	2,271,640	2,271,640	2,271,640	-	-
Other payables	21,246	21,246	21,246	-	-
Total liabilities	2,340,674	2,349,276	2,349,276	-	-

31 December 2018

Contract terms	Carrying Valu	Total contracted cash outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Financial liabilities					
Obligations under finance leases	701,932	712,639	492,251	220,388	-
Trade payables	2,401,738	2,418,559	2,418,559	-	-
Other payables	14,163	14,163	14,163	-	-
Total liabilities	3,117,833	3,145,361	2,924,973	220,388	-

b) Financial Risk Factors (cont'd)

b.3) Market risk management

The Company's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are also supplemented by sensitivity analysis.

In the current year, there has been no change in the Company's market risk subjected and its management and measurement methods for the risks subjected, in comparison with the prior year.

b.3.1) Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of he balance sheet date are as follows:

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 December 2019		
	TL Equivalent (Functional Currency)	**USD**	**Euro**
1. Trade Receivables	5,577,069	759,031	160,628
2a. Monetary Financial Assets	2,730,817	446,283	12,000
2b. Non-Monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	8,307,886	1,205,314	172,628
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	8,307,886	1,205,314	172,628
10. Trade Payables	125,444	14,735	5,701
11. Financial Liabilities	-	-	-
12a. Other Monetary Financial Liabilities	458,486	75,971	1,083
12b. Other Non-Monetary Financial Liabilities	-	-	-
13. CURRENT LIABILITIES	583,930	90,706	6,784
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-
18. TOTAL LIABILITIES	583,930	90,706	6,784
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency liability position	7,723,956	1,114,608	165,844
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	7,723,956	1,114,608	165,844
22. Fair value of foreign currency hedged financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3) Market risk management (cont'd)

b) Financial Risk Factors (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 December 2018		
	TL (Functional Currency)	**USD**	**Euro**
1. Trade Receivables	3,408,434	484,788	142,338
2a. Monetary Financial Assets	63,152	12,004	-
2b. Non-Monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	3,471,586	496,792	142,338
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	3,471,586	496,792	142,338
10. Trade Payables	131,722	18,736	5,500
11. Financial Liabilities	-	-	-
12a. Other Monetary Financial Liabilities	230,748	43,861	-
12b. Other Non-Monetary Financial Liabilities	-	-	-
13. CURRENT LIABILITIES	362,470	62,597	5,500
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-
18. TOTAL LIABILITIES	362,470	62,597	5,500
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency liability position	3,109,116	434,195	136,838
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	3,109,116	434,195	136,837
22. Fair value of foreign currency hedged financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Interest rate sensitivity

The Company is exposed to foreign exchange risk primarily with respect to US Dollar and EURO. The following table details the Company's sensitivity to a 10% increase and decrease in US Dollar and EURO against TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

	31 December 2019	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
1 - US Dollar net asset / liability	662,099	(662,099)
2- US Dollar net effect	662,099	(662,099)
In case 10% appreciation in EURO against TL		
3 - EURO net asset / liability	110,296	(110,296)
4- EURO net effect	110,296	(110,296)
Total (2 + 4)	772,395	(772,395)

	31 December 2018	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
1 - US Dollar net asset / liability	228,426	(228,426)
2- US Dollar net effect	228,426	(228,426)
In case 10% appreciation in EURO against TL		
3 - EURO net asset / liability	82,485	(82,485)
4- EURO net effect	82,485	(82,485)
Total (2 + 4)	310,911	(310,911)

b.3.2) Interest rate risk management

The Company borrows only at fixed interest rates. Therefore, the Company is not subject to interest rate risk.

(Amounts are expressed in Turkish Lira (TL))

27. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

Categories of financial instruments and fair values

31 December 2019	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Note
Financial assets				
Cash and cash equivalents	2,233,195	-	2,233,195	28
Trade receivables	7,443,405	-	7,443,405	4
Financial liabilities				
Borrowings	-	47,788	47,788	25
Trade payables	-	2,271,640	2,271,640	4
Other payables to related parties	-	21,246	21,246	3

31 December 2018	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Note
Financial assets				
Cash and cash equivalents	2,444,241	-	2,444,241	28
Trade receivables	4,179,144	-	4,179,144	4
Financial liabilities				
Borrowings	-	701,932	701,932	25
Trade payables	-	2,401,738	2,401,738	4
Other payables to related parties	-	14,163	14,163	3

(Amounts are expressed in Turkish Lira (TL))

27. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Fair Value of Financial Instruments (cont'd)

The fair value of financial assets and liabilities is assigned as below:

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

28. NOTES ON STATEMENT OF CASH FLOWS

	31 December 2019	31 December 2018
Cash on hand	339	165
Cash at banks	2,232,856	2,444,076
Demand deposits	*2,232,856*	*631,076*
Time deposits	-	*1,813,000*
	2,233,195	2,444,241

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 26.

The maturity and interest rates of the Company's time deposits as of 31 December 2019 and 2018 are detailed as follows:

Original currency	Maturity	Interest rate	Original balance	31 December 2018
Turkish Lira	January 2019	%21.5	1,813,000	1,813,000
				1,813,000

29. EVENTS AFTER THE REPORTING PERIOD

None.