

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT
FOR THE INTERIM PERIOD ENDED AT 30 JUNE 2020

REVIEW REPORT RELATED TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi
Board of Management

Introduction

1. We have reviewed the accompanying condensed consolidated financial statements of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi (the Company) and its subsidiaries (the "Group") as of 30 June 2020, which comprise the statement of consolidated financial position and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows with the summary of the important accounting policies and other explanatory notes for the six-month-period then ended. The management of the Company is responsible for the preparation and fair presentation of these interim financial information in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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

Significant Uncertainty Regarding Continuity Concept

3. As of 30 June 2020, it is seen that the Group has a period loss of TRY 112,072,066 and accumulated losses of TRY 39,223,035 and as of the same date, short-term liabilities are TRY 5,127,805 more than current assets. Although the Group has lost 2/3 of its equity and legal reserves according to Article 376 of the Turkish Commercial Code, as explained in detail in footnote 2.a of the financial statement by the Group management, it is stated that the equity and legal reserves is preserved when the foreign exchange losses arising from foreign currency liabilities which are not yet fulfilled are added to the total equity. However, this issue does not affect the opinion given by us.

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi as of 30 June 2020, and of its financial performance and its cash flows for the six months then ended in accordance with the financial reporting standards endorsed by the Turkish Accounting Standards.

ATA Uluslararası Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Member Firm of Kreston International

Seyfettin Erol
Partner

Istanbul 19 August 2020

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MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2020**

(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Reviewed</i>	<i>Audited</i>
	Footnote	Current Period	Prior Period
ASSETS	References	30.06.2020	31.12.2019
Current Assets		845,975,959	731,777,880
Cash and Cash Equivalents	4	17,965,289	30,933,504
Trade Receivables		173,454,741	124,239,432
<i>Trade Receivables from Related Parties</i>	6-7	49,423,207	46,036,187
<i>Trade Receivables from Third Parties</i>	7	124,031,534	78,203,245
Other Receivables		16,838,235	13,888,782
<i>Other Receivables from Related Parties</i>	6-9	-	6,367,331
<i>Other Receivables from Third Parties</i>	9	16,838,235	7,521,451
Inventories	11	540,846,405	466,218,932
Biological Assets	12	584,439	3,814,567
Prepaid Expenses	13	6,745,583	5,172,751
Current Tax Assets	14	665,497	601,656
Other Current Assets	23	88,875,770	86,908,256
Non-Current Assets		894,515,773	798,537,085
Other Receivables	9	119,749	155,520
Investments Valued by Equity Pick-up Method	15	166,564,430	161,886,255
Investment Properties	16	66,125,000	66,075,000
Tangible Assets	17	571,263,595	487,389,051
Right of Use Assets	18	624,414	947,363
Intangible Assets	19	9,418,133	9,994,902
Prepaid Expenses	13	26,769,789	34,666,257
Deferred Tax Assets	30	53,630,663	37,422,737
TOTAL ASSETS		1,740,491,732	1,530,314,965

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2020

(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Reviewed</i>	<i>Audited</i>
	Footnote	Current Period	Prior Period
LIABILITIES	References	30.06.2020	31.12.2019
Current Liabilities		851,103,764	827,606,353
Short Term Borrowings		356,651,193	384,853,677
- Bank Loans	8	356,651,193	384,853,677
Current Installments of Long Term Financial Borrowings		195,597,303	148,034,318
- Bank Loans	8	190,591,969	143,584,954
- Leasing Payables	8	4,512,938	3,865,231
- Other Current Installments of Long Term Financial Borrowings	8	492,396	584,133
Trade Payables		226,559,488	267,149,534
Trade Payables to Related Parties	6-7	116,417	-
Trade Payables to Third Parties	7	226,443,071	267,149,534
Employee Benefit Liabilities	22	18,880,464	13,910,161
Other Payables		38,368,328	2,452,989
Other Payables to Related Parties	6-9	21,437,058	85,050
Other Payables to Third Parties	9	16,931,270	2,367,939
Derivative Instruments	10	27,525	-
Deferred Income	13	7,422,911	4,032,874
Current Tax Liabilities of Period Profit	30	959,178	-
Current Provisions		6,637,374	7,172,800
Provision for employee benefits	21	6,152,119	6,735,719
Other current provisions	21	485,255	437,081
Non-Current Liabilities		826,884,381	521,646,259
Long Term Borrowings		763,353,428	468,143,313
- Bank Loans	8	760,940,331	464,022,276
- Leasing Payables	8	2,183,058	3,659,549
- Other Long Term Borrowings	8	230,039	461,488
Long Term Provisions		55,845,888	48,560,363
Long Term Provisions for Employee Benefits	21	55,845,888	48,560,363
Deferred Tax Liabilities	30	7,685,065	4,942,583
Equity		62,503,587	181,062,353
Parent Company's Equity		86,026,983	196,126,309
Paid in Capital	24.1	250,000,000	250,000,000
Inflationary Adjustments of Shareholder's Equity	24.2	485,133	485,133
Effect of mergers involving undertakings or businesses subject to common control	3	(25,567,435)	(25,567,435)
Accumulated Other Comprehensive Income or Expenses not to be Reclassified on Profit or Loss			
Defined Benefit Plans Re-Measurement Gains / (Losses)	24.3	1,943,924	(28,816)
Restricted Reserves		10,460,462	10,460,462
Legal Reserves	24.4	10,460,462	10,460,462
Retained Earnings / Losses	24.5	(39,223,035)	(25,858,051)
Net Profit / (Loss) for the Period		(112,072,066)	(13,364,984)
Minority Interests	24.6	(23,523,396)	(15,063,956)
TOTAL LIABILITIES AND EQUITY		1,740,491,732	1,530,314,965

The accompanying notes form an integral part of these financial statements

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE PERIOD OF 1 JANUARY-30 JUNE 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Rewieved</i>	<i>Rewieved</i>	<i>Unrewieved</i>	<i>Unrewieved</i>
	Footnote	Current Period	Prior Period	Prior Period	Prior Period
	References	01.01- 30.06.2020	01.01- 30.06.2019	01.04- 30.06.2020	01.04- 30.06.2019
Revenu	25.1	622,918,851	561,781,628	290,941,114	313,886,347
Cost of Sales (-)	25.2	(536,912,274)	(491,365,074)	(230,738,519)	(282,249,597)
Gross Profit / (Loss)		86,006,577	70,416,554	60,202,595	31,636,750
General Administrative Expenses (-)	26.3	(16,253,900)	(11,465,969)	(7,960,813)	(4,413,508)
Marketing Expenses (-)	26.2	(18,019,950)	(13,814,568)	(8,980,153)	(6,748,166)
Research and Development Expenses (-)	26.1	(952,111)	(2,741,871)	-	(2,480,867)
Other Operating Income	27.1	24,224,273	20,339,157	10,811,765	8,300,453
Other Operating Expenses (-)	27.2	(25,189,222)	(19,709,332)	(3,060,817)	(10,429,846)
Operating Profit / (Loss)		49,815,667	43,023,971	51,012,577	15,864,816
Income from Investment Activities	28.1	8,200	2,185,812	3,300	2,185,636
Expenses from Investment Activities (-)	28.2	-	(700,214)	-	(688,830)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	28.3	4,678,175	2,280,113	1,238,880	1,100,517
Operating Activity Profit/(Loss) Before Financial Expense		54,502,042	46,789,682	52,254,757	18,462,139
Financial Income	29.1	7,919,913	6,726,125	4,442,935	3,394,952
Financial Expenses (-)	29.2	(195,958,779)	(104,993,960)	(96,554,693)	(45,516,835)
Operating Activity Profit/(Loss) Before Taxation		(133,536,824)	(51,478,153)	(39,857,001)	(23,659,744)
Operating Activity Tax Income/(Expense)					
Current Tax Income/(Expense)	30	(959,178)	(340,646)	(508,799)	(340,646)
Deferred Tax Income/(Expense)	30	13,959,802	2,733,225	(1,282,042)	103,667
Current Period Operating Activity Profit / (Loss)		(120,536,200)	(49,085,574)	(41,647,842)	(23,896,723)
Profit/(Loss) for the Period		(120,536,200)	(49,085,574)	(41,647,842)	(23,896,723)
Distribution of the Period Income/(Loss)					
Minority Interests	24.6	(8,464,134)	(3,899,902)	(2,837,895)	(1,408,931)
Parent Company's Shares	31	(112,072,066)	(45,185,672)	(38,809,947)	(22,487,792)
Earnings Per Share	31	(0.4483)	(0.1807)	(0.1552)	(0.0900)
Other Comprehensive Income					
Income (Expenses) not to be Reclassified on Profit or (Loss)					
- Defined Benefit Plans Re-Measurement Gains (Losses)		2,471,792	(1,005,445)	1,059,359	(1,172,302)
- Deferred Tax Income / (Expense)		(494,358)	201,089	(211,872)	234,460
Other Comprehensive Income		1,977,434	(804,356)	847,487	(937,842)
Total Comprehensive Income/(Expense)		(118,558,766)	(49,889,930)	(40,800,355)	(24,834,565)
Distribution of Total Comprehensive Income					
Minority Interests		(8,459,440)	(3,905,243)	(2,836,205)	(1,416,919)
Parent Company's Shares		(110,099,326)	(45,984,687)	(37,964,150)	(23,417,646)

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS OF 1 JANUARY – 30 JUNE 2020
(Currency – Turkish Lira “TRY” unless expressed otherwise.)

					Accumulated Other Comprehensive Income and Expenses that will not be Reclassified to Profit or Loss			Accumulated profits			
	Footnote	Paid in Capital	Adjustments of Shareholders' Equity	Effect of Mergers Involving Undertakings or Businesses Subject to Common Control	Defined Benefit Plans Re-Measurement Gains (Losses)	Restricted Reserves	Accumulated Profit/Loss	Net Profit/Loss For The Period	Parent Company's Equity	Minority Interests	Total Equity
Balances reported at 01.01.2019		250,000,000	485,133	(25,567,435)	239,108	10,209,777	95,896,998	(72,953,293)	258,310,288	(10,726,104)	247,584,184
Adjustment related to corrections		-	-	-	-	-	(34,809,593)	(13,741,478)	(48,551,071)	-	(48,551,071)
Balances revised at 01.01.2019	24	250,000,000	485,133	(25,567,435)	239,108	10,209,777	61,087,405	(86,694,771)	209,759,217	(10,726,104)	199,033,113
Transfers	24	-	-	-	-	250,685	(86,945,456)	86,694,771	-	-	-
Total Comprehensive Income/(Loss)		-	-	-	(799,015)	-	-	(45,185,672)	(45,984,687)	(3,905,243)	(49,889,930)
- Profit/(Loss) for the Period	24	-	-	-	-	-	-	(45,185,672)	(45,185,672)	(3,899,902)	(49,085,574)
- Other Comprehensive Income/(Expense)	24	-	-	-	(799,015)	-	-	-	(799,015)	(5,341)	(804,356)
Balances at 30.06.2019	24	250,000,000	485,133	(25,567,435)	(559,907)	10,460,462	(25,858,051)	(45,185,672)	163,774,530	(14,631,347)	149,143,183
Balances at 01.01.2020	24	250,000,000	485,133	(25,567,435)	(28,816)	10,460,462	(25,858,051)	(13,364,984)	196,126,309	(15,063,956)	181,062,353
Transfers	24	-	-	-	-	-	(13,364,984)	13,364,984	-	-	-
Total Comprehensive Income/(Loss)		-	-	-	1,972,740	-	-	(112,072,066)	(110,099,326)	(8,459,440)	(118,558,766)
- Profit/(Loss) for the Period	24	-	-	-	-	-	-	(112,072,066)	(112,072,066)	(8,464,134)	(120,536,200)
- Other Comprehensive Income/(Expense)	24	-	-	-	1,972,740	-	-	-	1,972,740	4,694	1,977,434
Balances at 30.06.2020	24	250,000,000	485,133	(25,567,435)	1,943,924	10,460,462	(39,223,035)	(112,072,066)	86,026,983	(23,523,396)	62,503,587

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF 30 JUNE 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Rewieved</i> Current Period	<i>Rewieved</i> Prior Period
	Footnote References	01.01- 30.06.2020	01.01- 30.06.2019
CASH FLOWS FROM THE OPERATING ACTIVITIES		(84,216,452)	(74,912,402)
Profit/(Loss) for the Period			
Current Period Operating Activity Profit / (Loss)		(120,536,200)	(49,085,574)
Adjustments Related with Net Profit/Loss for The Period		148,736,499	77,739,430
Adjustments for depreciation, amortisation expenses	17-18-19	18,679,297	15,880,065
Adjustments to Impairment (Cancellation)			
- Adjustments to Impairment (Cancellation) in Receivables	7	(16,949)	-
Adjustments related to the provisions			
- Adjustments for employee termination benefits	21-26.2-26.3	9,262,959	4,797,376
- Adjustment for provision for expenses and lawsuits	21	48,174	(229,372)
- Adjustment for other provisions or reversals	21	(583,600)	2,193,196
Adjustments for interest income and expenses			
- Adjustments for interest expenses	8-30	7,002,218	4,287,262
- Unearned income from futures sale	27.1	3,049,703	4,229,259
- Deferred financial expense arise from forward purchasing	27.2	(4,365,145)	(4,566,848)
Adjustments for fair value income or loss			
- Adjustments for financial instruments fair value losses /(profits)	10-29	27,525	168,196
Adjustment for unrealized currency translation differences		134,616,038	56,194,723
Adjustments for retained earnings of investments subject to equity pick-up method			
- Adjustment for retained earnings of subsidiaries	15	(4,678,175)	(2,280,113)
Tax payments/returns	30	(13,465,444)	(2,934,314)
Changes in the Company Capital		(114,216,031)	(103,550,511)
Adjustments for increase/decrease in financial assets	5	-	6,668,303
Adjustments for increase/decrease in trade receivables			
- Adjustments for increase/decrease in trade receivables from related parties	6-7	(3,387,020)	13,065,500
- Adjustments for increase/decrease in trade receivables from third parties	7	(48,861,043)	8,752,630
Adjustments for increase/decrease in other receivables related to the operations			
- Adjustments for increase/decrease in other receivables from related parties related to the operations	6-9	6,367,331	(4,328,853)
- Adjustments for increase/decrease in other receivables from third parties related to the operations	9-14-23	(11,312,368)	(15,800,452)
Adjustments for increase/decrease in inventories	11	(74,627,473)	(140,523,691)
Adjustments related to the increase/decrease in biological assets	12	3,230,128	2,512,177
Adjustments for increase/decrease in prepaid expenses	13	6,323,636	(16,843,658)
Adjustments for increase/decrease in trade payables			
- Adjustments for increase/decrease in trade payables to related parties	6-7	116,417	(6,633,643)
- Adjustments for increase/decrease in trade payables to third parties	7	(36,341,318)	48,914,958
Increase/decrease in employee benefits liabilities	22	4,970,303	3,051,903
Adjustments for increase/decrease in other payables related to the operations			
- Adjustments for increase/decrease in other payables from related parties related to the operations	6-9	21,352,008	4,530,265
- Adjustments for increase/decrease in other pavables from third parties related to the operations	9	14,563,331	(5,439,793)
Increase/decrease in deferred tax	13	3,390,037	(1,476,157)
Cash Flow from Operating Activities		(85,175,630)	(74,896,655)
Tax payments/returns	30	959,178	(15,747)

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF 30 JUNE 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Rewieved</i> Current Period	<i>Rewieved</i> Prior Period
	Footnote References	01.01- 30.06.2020	01.01- 30.06.2019
NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES		(101,704,123)	(4,912,108)
Proceeds from sale of property, plant, equipment and intangible assets			
- Proceeds from sale of tangible assets	17	-	8,987,541
Cash outflows from purchase of property, plant, equipment and intangible assets			
- Cash outflows from purchase of tangible assets	17	(101,555,239)	(23,188,732)
- Cash outflows from purchase of intangible assets	19	(98,884)	(2,220,917)
Cash outflows from purchase of investment property	16	(50,000)	(10,000)
Dividends Received	29	-	11,520,000
CASH FLOW PROVIDED BY FINANCIAL ACTIVITIES		172,952,360	55,682,301
Cash inflows from financial liabilities			
- Cash inflows from bank loans		570,389,999	410,634,010
Cash outflows from financial liabilities			
- Cash outflows for bank loans		(396,285,669)	(353,724,014)
- Cash outflows from other financial liabilities	8	(323,186)	(442,708)
Cash outflows from finance leases	8	(828,784)	(784,987)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN EXCHANGE CURRENCY DIFFERENCES (A+B+C)		(12,968,215)	(24,142,209)
CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE		(12,968,215)	(24,142,209)
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	4	30,933,504	30,662,280
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	17,965,289	6,520,071

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 30 JUNE 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi (“The Company”), its Subsidiaries and Equity participations are referred as “Group” in the accompanying consolidated financial statements.

The entities mentioned below are applied “Full Consolidation Method”:

- Menderes Tekstil Sanayi ve Ticaret A.Ş.
- Smyrna Seracılık Ticaret A.Ş.
- Tan Elektrik Üretim A.Ş.
- Akça Enerji Üretim Otoprodüktör Grubu A.Ş.

The entities mentioned below are applied by “Equity Pick up Method”:

- Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Menderes Tekstil Sanayi ve Ticaret A.Ş.

The Company produces cotton press, electric energy, yarn, fabric, valances, dust ruffles, ruffled and tailored shams, comforter shells, printed towels and linens in integrated cotton and synthetic textile establishment.

The Company address registered on the Trade Registry Gazette is Adalet Mahallesi, Manas Bulvarı, No:47/A 42. Kat Bayraklı, İzmir.

As of 30 June 2020, 4,216 personnel are employed by the Company and average number of personnel is 4,037 for the period of 01.01-30.06.2020.

Company shares are traded in the Borsa İstanbul since 2000.

Production Capacity (Textile)

According to the capacity report from Denizli Industrial Chamber dated 20 April 2020, numbered 174 and valid until 20 April 2022, the Company annual production capacity is as follows: (Companies production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts in a day):

Products	Unit	Quantity
Cotton yarn (is used in its production)	Kg	5,438,718
Raw fabric woven (is used in its production))	m ²	59,151,060
Knitted fabric (is used in its production))	Kg	1,004,400
Linens	Kg	19,477,500
Pillow case	Kg	5,670,000
Sheet	Kg	7,218,750
Fabric painting (is used in its production)	Kg	3,744,000
Fabric printing (is used in its production)	Kg	14,121,000
Digital fabric printing (is used in its production)	Kg	1,573,719

Production Capacity (Energy)

According to the capacity report from Denizli Industrial Chamber dated 08 March 2019, numbered 107 and valid until 13 March 2021, the Company annual production capacity is as follows:

	Unit	Quantity
Electricity energy	Kilowatt hour	161,827,000
Steam (is used in its production)	Joule	617,569,920,000
Hot water (is used in its production)	Joule	238,360,320,000

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Smyrna Seracılık Ticaret A.Ş.

Smyrna Seracılık Ticaret A.Ş. was established in 2007 in İzmir. It is engaged in agricultural production. In the Trade Registry Gazette numbered 7296 and dated 21 April 2009, the Company name has been changed from Smyrna Organik Tarım Sanayi ve Ticaret A.Ş. to Smyrna Seracılık Ticaret A.Ş. The Company has been included to the complete consolidation in 2009.

Smyrna Seracılık Ticaret A.Ş. has operated on the existing area which is 204,272 m²

Capacity Report 1 (Sarayköy)

According to the capacity report from Denizli Industrial Chamber dated 16 May 2019, numbered 249 and valid until 17 May 2021, The Company production capacity is as follows:

Product	Unit	Quantity
Tomato	Ton	6,480

The Company recorded address to the trade registry is Köyiçi Mevkii, Tosunlar Kasabası Sarayköy, Denizli.

As of 30 June 2020, 270 personnel are employed by the Company and the average number of personnel is 250 for the period of 01.01-31.06.2020.

Akça Enerji Üretim Otoprodüktör Grubu A.Ş.

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. is established on 13 July 1998 in Denizli. It is engaged in producing electricity, hot water and steam. The Company annual electricity production capacity production is 185,656,000 kilowatt.

As of 30 June 2020, 35 personnel are employed by the Company and the average number of personnel is 36 for the period of 01.01-30.06.2020.

Tan Elektrik Üretim A.Ş.

Tan Elektrik Üretim A.Ş. was established in İzmir on 18 July 2006 as “MTT Elektrik Üretim A.Ş.” The Company name was changed to “Tan Elektrik Üretim A.Ş.” on 9 November 2006. Main activity of Company is building production facilities, joining in to operation, renting, generating electricity and marketing electricity to customers. The Company annual electricity production capacity production is 133,070,400 kilowatt. Tan Elektrik Üretim A.Ş. started producing electricity at October 2014.

As of 30 June 2020, 12 personnel are employed by the Company and the average number of personnel is 12 for the period of 01.01-30.06.2020

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. was established in 2006. Headquarter of the Company is in İzmir. Company operates vehicle inspection stations which are privatized within the context of law numbered 4046, in Aydın, Manisa, Denizli and İzmir for 20 years. Company has integrated 21 established and 8 mobile vehicle inspection stations. License rights have been started in 2008 and will continue until 2028.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.a.Basis of Presentation

Compliance Statement

The Group is predicate on Turkish Commercial Code ("TCC"), tax legislation of the Republic of Turkey and the Uniform Chart of Accounts issued by the Ministry of Finance while maintaining its legal accounting records and preparing statutory financial statements. Financial statements, except financial assets and liabilities which are signified by the fair value, on the basis of historical cost in Turkish Lira ("TRY") have been prepared. Financial statements prepared in accordance with the historical cost basis and in order to make fair presentation in accordance with IAS / IFRS, to the legal records required adjustments and reclassifications are reflected. Paid in capital, premiums on shares and restricted reserves in equity are reflected with their statutory accounting records.

The Preparation of Financial Statements

The accompanying consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets"(the Communiqué) announced by the Capital Markets Board (CMB) (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676, also put into place by Public Oversight, Accounting and Auditing Standards Authority(POA). TAS; Turkish Accounting Standards, Turkish Financial Reporting Standards and related annexes and interpretations.

The accompanying financial statements of the Group are prepared in accordance with the CMB's announcement dated 07 June 2013 "Announcements on Financial Statements and Footnote Formats". In addition, The accompanying consolidated financial statements are prepared in accordance with resolution No 30 TAS taxonomy published by POAASA on 2 June 2016 and in accordance with the TAS taxonomy announced by POAASA as current "2019 TFRS including TFRS-15 Revenue from contracts with customers and TFRS-16 Leases on 15 April 2019.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the consolidated financial statements of the Group have been prepared accordingly.

Approval of Financial Statements

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 19 August 2020 Boards of Directors have authority to change financial statements.

Currency Measurement and Reporting Currency

As of 30 June 2020 and 31 December 2019, Group's functional and reporting currency unit is represented in TRY compared to previous periods.

Rounding of amounts presented in financial statements

The financial information given in TRY has been rounded to the nearest full TRY value.

Offsetting

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

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Going Concern

The Group prepared the consolidated financial statements assuming that the Group will continue as a going concern and does not expects any going concern risk. The gross profit of the Group as of 30 June 2020 is TRY 86,006,577. As of 30 June 2020, the Group's previous years loss is TRY 39,223,035, the net loss for the parent company's is TRY 112,072,066, and its short-term liabilities exceed its current assets by TRY 5,127,805.

With the Communiqué of Ministry of Trade published in the Official Gazette dated 15 September 2018 regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code No. 6102 (“TCC”), it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded from the calculation of loss of capital and excess of liabilities over assets. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TRY 233,870,540 will be excluded from the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. In conclusion, it is seen that total equity and legal reserves have preserved.

The Covid-19 outbreak, declared as a pandemic by the World Health Organization (WHO) on 11 March 2020, and the measures taken against the pandemic continue to cause disruptions in operations and negatively affect economic conditions in all countries affected by the pandemic.

As a result, asset prices, liquidity, exchange rates, interest rates and many other issues are affected and the future remains uncertain due to the effects of the pandemic. The Group management closely monitors all developments, makes detailed evaluations and takes the necessary measures in order to minimize the possible negative effects of the Covid-19 epidemic on activities, financial status, financial performance and cash flows.

Basis of Consolidation

The capital structure of subsidiaries and participations are as follows:

Subsidiaries	Consolidation Method	Menderes' share		
		Direct Share	Indirect Share	Total Share
Smyrna Seracılık Ticaret A.Ş.	Full Consolidation	%79.17	-	%79.17
Tan Elektrik Üretim A.Ş.	Full Consolidation	%66.00	%1.90	%67.90
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	Full Consolidation	%68.00	%12.42	%80.42

Participations	Consolidation Method	Menderes' share		
		Direct Share	Indirect Share	Total Share
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	Equity Pick up	%48.00	-	%48.00

Investments in associates are accounted via using the equity method. These are entities in which the Group generally holds between 20% and 50% of the voting rights, or where the Group has significant influence, as well as not having control over the operations of the Group.

Subsidiaries are included in consolidation as of the date of transition to the controlling the Group and they are excluded from the scope of consolidation as of the date of completion of the control.

The share of minority shareholders in the net assets and operating results of the Subsidiaries are presented as minority interest in the consolidated balance sheet and income statement.

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In the accompanying consolidated financial statements, results of operations and assets and liabilities of associates are accounted for using the equity method of accounting. According to the equity method, associates in the consolidated financial statements are shown on the basis of the amount obtained by subtracting the cost value from the net assets of the subsidiary after deducting any impairment in the associate. Losses that exceed the share of the Group in the associate are not recognized in the records. Additional loss is due to the fact that the Group has been exposed to legal or implied liability or has made payments on behalf of an affiliate or business partnership.

As of 30 June 2020 and 31 December 2019, the capital structure of subsidiaries and participations are as follows:

Menderes Tekstil Sanayi ve Ticaret A.Ş. (Parent Company)

	30.06.2020	31.12.2019
	<u>Ratio %</u>	<u>Ratio %</u>
Public Offered Shares	46.88	46.88
Akça Holding A.Ş.	50.73	50.73
Other	2.39	2.39
	%100	%100

Akça Holding A.Ş.(Controlling Shareholder of Menderes Tekstil Sanayi ve Ticaret A.Ş)

	30.06.2020	31.12.2019
	<u>Ratio %</u>	<u>Ratio %</u>
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	53.57	28.51
Rıza Akça	21.67	34.19
Dilek Göksan	10.83	17.10
Ahmet Bilge Göksan	10.83	17.10
Menderes Tekstil Pazarlama A.Ş.	3.10	3.10
	%100	%100

Smyrna Seracılık Ticaret A.Ş. (Subsidiary)

	30.06.2020	31.12.2019
	<u>Ratio %</u>	<u>Ratio %</u>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	79.17	79.17
Rıza Akça	10.31	10.31
Ahmet Bilge Göksan	5.16	5.16
Dilek Göksan	5.16	5.16
Other	0.20	0.20
	%100	%100

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Tan Elektrik Üretim A.Ş. (Subsidiary)

	30.06.2020	31.12.2019
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	66.00	66.00
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	28.00	28.00
Smyrna Seracılık A.Ş.	2.40	2.40
Akça Holding A.Ş.	2.00	2.00
Other	1.60	1.60
	%100	%100

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (Subsidiary)

	30.06.2020	31.12.2019
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	68.00	68.00
Tan Elektrik Üretim A.Ş.	18.29	18.29
Akça Holding A.Ş.	7.01	7.01
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	4.29	4.29
Selin Tekstil Sanayi Ticaret A.Ş.	2.22	2.22
Akçasaraylı Tekstil Ltd. Şti.	0.19	0.19
	%100	%100

Aktur Araç Muayene İstasyon İşletmeleri A.Ş. (Participation)

	30.06.2020	31.12.2019
	Ratio %	Ratio %
Zeybekçi Holding A.Ş.	50.00	50.00
Menderes Tekstil Sanayi ve Ticaret A.Ş.	48.00	48.00
Akça Holding A.Ş.	2.00	2.00
	%100	%100

2.b. Changes in Accounting Policies

A group only could change its accounting policy under following circumstances;

- If a standard or interpretation makes it necessary or
- If the change make effect of operations or incidents on financial position and performance or cash flows more appropriate and reliable.

Financial statements have to be comparable to see trends in financial position of companies, performance and cash flows for users of financial statements. Accordingly why, if the change is not granting one of above conditions, each interim and fiscal periods has to be applied same accounting policy.

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Group’s financial statements as at and for the year ended 31 December 2019.

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2.c. Changes in Accounting Estimates and Errors

The accompanying financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by group management to be compatible with statements required by Capital Market Board. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

During the retrospective analysis, it was determined that in the financial transactions with Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş, which is a related party of the Group, the exchange rate differences calculated in TRY were inadvertently added to the USD balance in the currency valuation made in the March, June, and September 2013.

As a result of the period ended on 31 December 2013, the amount of liability, which should have been shown as USD 8,555,320, was increased by USD 9,228,663 and reported as USD 17,783,982.

As a result of the correction of the USD 9,228,663 principal receivable that occurred in favor of the Company due to incorrect currency evaluations performed during the 2013 operating period, a total of TRY 54,820,102, including TRY 19.696,735 principal and foreign exchange difference and TRY 35,123,367 foreign exchange difference adjustment in other years, was retrospectively corrected (Note: 35). The summary of the differences resulting from the foreign currency valuation of the related balance as of previous periods is as follows;

	01 January - 30 June 2019		Revised
	Reported	Adjustment	
Profit and Loss Statement			
Financial Expenses	(100,433,155)	(4,560,805)	(104,993,960)
Total		(4,560,805)	

2.d. Comparative Information and Previous Periods Adjustments

For the purpose of conducting a comparison of financial position and performance trend, Group's current financial statements are prepared comparative with previous periods. Comparative information is reclassified to be compatible with the presentation of current financial statements, when necessary.

The Group has presented the financial statements dated 30 June 2020 with financial statements dated 31 December 2019, the profit or loss and other comprehensive income statement, cash flow statement and the statement of changes in equity for the period of 01 January - 30 June 2020 with 01 January - 30 June 2019 comparatively. It performed reclassifications for the period of January- 30 June 2019 in order to compare financial statements and performance trends. The related reclassifications have no impact on net profit / (loss) for the period.

TRY 3,088,827 of personnel expense shown in " Research and Development Expenses " account in profit or loss for the period ended 01 January - June 30, 2019 and other comprehensive income is classified under " Cost of sales" account.

2.e. New and amended standards and interpretations

The Company has applied the new and amended standards and interpretations issued by the POA as of 1 January 2020 and related to its field of activity.

The new standards, amendments and interpretations which are effective as at 30 June 2020 are as follows:

Effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRS’s:

- i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in TAS 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. The amendments will not have an impact on the financial position or performance of the Company.

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. The amendments will not have an impact on the financial position or performance of the Company.

Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The new standards, amendments and interpretations which are not yet effective as at 30 June 2020 are as follows:

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. The amendments will not have an impact on the financial position or performance of the Company.

TAS 1, “Presentation of financial statements” amendment regarding the classification of liabilities; Valid for annual reporting periods starting on January 1, 2022 or after this date. TAS 1 describes these narrow changes in the "presentation of financial statements" standard that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. The amendment also clarifies what it means to “pay” an obligation of TAS 1. The Group is evaluating the impact of the standard on its financial position and performance.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

- **Amendments to IFRS 3,** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual Improvements causes minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

2.f. Summary of Significant Accounting Policy

Revenue Recognition

Group recognises revenue based on the following five principles in accordance with the TFRS 15 - “Revenue from Contracts with Customers” standard effective from 1 January 2018:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Group evaluates each contracted obligation separately and respective obligations, which are committed to deliver the goods or perform services, are determined as separate performance obligations. Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

The goods or services are transferred when the control of the goods or services is delivered to the customers. Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Group’s collection right of the consideration for the goods or services,
- b) customer’s ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer’s ownership of significant risks and rewards related to the goods or services,
- e) customer’s acceptance of goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Interest Income

Interest income is accrued using the effective interest method which brings the remaining principal amount and expected future cash flows to the net book value of the related deposit during the expected life of the deposit.

Interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Dividend income is recorded as income of the collection right transfer date. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

Inventories

Inventories are valued at the lower of cost or net realizable value. Inventory costs include purchasing costs. The unit cost of inventories is determined average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Biological Assets

Group’s biological assets consist of planted tomatoes. Uncultivated tomatoes are reflected in the consolidated financial statements after the provision for impairment is booked, if there is a decrease in cost due to the absence of an active market.

Tangible Assets

Tangible assets are reflected with adjusted cost value according to the inflationary accounting effective for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated depreciation.

Tangible assets are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line basis with prorates method based on the estimated useful lives of the assets. Expenses for the repair of property, plant and equipment are normally charged as an expense.

Economic useful lives of assets approximately are as follows:

	<u>Year</u>
Land improvements	10-40
Buildings	30-50
Machinery, plant and equipments	5-15
Energy facilities	20-25
Motor vehicles	5-10
Fixtures and fittings	3-20

Intangible Assets

Intangible assets are reflected with adjusted cost value according to the inflationary accounting effective for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated amortization.

Intangible assets comprise acquired usage rights, information systems, research and development expenses and other identified rights. They are recorded at acquisition cost and amortized on a straight-line based on pro-rata over their estimated useful lives for a period not exceeding between 10% and 20% for a year.

Investment Properties

Land and buildings held for the purpose of obtaining rent or capital gains, or both, are classified as "investment property", rather than for use in the production of goods and services or for sale for administrative purposes or during normal course of business. The investment properties of the Group are revalued based on the expertise report prepared by ROTA Taşınmaz Değerleme ve Danışmanlık A.Ş. Investment properties (except land) are depreciated on a straight-line basis in accordance with the useful life and acquisition date.

Investments are revaluated for possible impairment, and if the carrying amount of an investment property exceeds to the recoverable amount of the investment property at the end of the evaluation, the provision is reduced to its recoverable amount. Recoverable amount is recognized as the higher of net cash flows from the current use of the investment property and the net selling price.

Impairment of Assets

The carrying amounts of the Group’s assets other than goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. When an indication of impairment exists, the Group compares the carrying amount of the asset with its net realizable value which is the higher of value in use or fair value less costs to sell. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss is recognized immediately in the comprehensive statement of income. The increase in carrying value of the assets (or a cash generated unit) due to the reversal of recognized impairment loss shall not exceed the carrying amount of the asset (net of amortisation amount) in case where the impairment loss was reflected in the consolidated financial statements in prior periods. Such a reversal is accounted for in the comprehensive statement of income.

Right-of-Use Assets

The Group recognises right-of-use assets at the commencement of the lease(i.e, the date of underlying asset is available for use)Right-of-use assets are measured at cost,less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- (a) the amount of lease liabilities recognised,
- (b) lease payments made at or before the commencement date less any lease incentives received.
- (c) initial direct costs incurred.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term,the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

At the commencement date of the lease, the measurement of the lease liabilities include:

- (a) Fixed payments,
- (b) The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs,
- (c) The amounts expected to be paid by the Group under residual value guarantees.
- (d) The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and
- (e) The payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the Group measures the amount of lease liabilities as follows :

- (a) The amount of lease liabilities is increased to reflect the accretion of interest and
- (b) Reduces for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short – term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (ie, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of income over the period of the borrowings.

In case of foreign exchange income in the financing activities, the related income is deducted from the total of capitalized financial expenses.

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

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

Financial Assets

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “financial investments”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below;

- 12 Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Trade Receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are measured at amortized cost, using the effective interest rate method,. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Group has preferred to apply “simplified approach” defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 1 year). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under “Other Operating Income/Expenses” in the consolidated statement of income or loss.

The Group collects some of its receivables through factoring. The receivables that are subject to the factoring transaction are deducted from their respective receivables accounts, if the collection risk is undertaken by the Factoring Group. The amounts at Group's collection risk continue to be transferred to the Consolidated Financial Statements and advances received from the factoring companies are presented as debts from factoring transactions under the "Borrowings" account in the Consolidated Financial Statements.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments.

Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Financial liabilities are classified as equity instruments and other financial liabilities.

Equity instruments

Financial liabilities related to non-controlling share put options are reflected in the financial statements in conformity with their discounted value of them own redemption plan. The discounted value of the financial liability which is the subject of the put option is estimated to be the fair value of the financial asset.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method

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The Effects of Exchange Rates

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TRY as the rates in the balance sheet date. Foreign exchange and losses are reflected to the financial statements.

The foreign currency rates for USD, EUR, GBP and CHF used at the end of the period are as following:

	30.06.2020	31.12.2019
USD	6.8422	5.9402
EUR	7.7082	6.6506
GBP	8.4282	7.7765
CHF	7.2161	6.0932

Effects of Change in Currency Rate

Assets and liabilities in foreign currency and purchase and sale commitments create exchange risk. Foreign exchange risk stemming from depreciation or appreciation of Turkish Lira managed by top management by following the currency position of the Group and taking position according to approved limits.

Earnings per Share / (Loss)

The amount of gain / loss per share is calculated by dividing the period gain/ loss of the Group with weighted average share unit in the period.

In Turkey, companies can increase their share capital by making distribution of “bonus shares” to existing shareholders from Inflation adjustment difference in shareholder’s equity. For the purpose of the earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of “bonus shares” issued without corresponding change in resources by giving them retroactive effect for the period in which they were issued and each earlier period.

Investments Subject to Equity Pick-up Method

Equities valued with equity pick-up method are carried at their initial acquisition cost. This amount is accounted by equity pick-up method by restating subject to Group accounting policies calculating the share of Group from the net assets.

Employee Benefits / Severance Pay

- **Provision for severance pay**

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. As of 30 June 2020, such payments are calculated on the basis of 30 days’ pay limited to a maximum of TRY 6,730 (31 December 2019: TRY 6,380) per year of employment at the rate of pay applicable at the date of retirement.

Group used “Projection Method” to calculate the termination benefits and the duration to be completed based on the past experience and discounted with rate of Treasury bond at balance sheet date. The calculated profits and losses are reflected in income statements.

The ratios of the basic assumptions used on the balance sheet date are as follows:

	30.06.2020	31.12.2019
Interest rate	%12.60	%11.76
Inflation rate	%6.70	%5.40
Discount rate	%5.53	%6.03

Employee Benefits / Severance Pay

- **Social Insurance Premium**

Group, pays social security contribution to social security organization compulsorily. So long as the Group pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid.

Taxes

Taxes on income for the period comprise current tax and the change in the deferred taxes. The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates enacted by the balance sheet date. Deferred tax is accounted for using the “liability” method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is accounted by temporary differences between the values of assets and liabilities in financial statements using “liability method” and the values of financial statements for the legal purpose. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit. Net deferred tax assets created from term differences deducted in proportion as tax allowances in conditions of there is no certain information for the coming periods.

Provisions, Conditional Liabilities and Conditional Assets

Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Conditional liabilities and conditional assets

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Derivative Financial Instruments and Instruments to Protect from Risk

The Group’s derivative financial instruments include foreign currency forward contracts and interest rate swap transactions.

At the end of valuation, the derived financial instruments which are appreciated with the reasonable value and associated with income statement will be reflected as a result of valuation to the income sheet.

It has been calculated with comparison of the revalued gains and losses in the forward purchase and sale agreements of foreign currency with the foreign exchange spot rate as of balance sheet date and the revalued original amount calculated with linear method with valid foreign exchange spot rate as of starting date of agreements. Amounts related with income statement have been classified as income/expense accruals under other receivables and other payables in the balance sheet.

Statement of Cash Flow

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group’s activities. The Group has preferred to present the cash inflows and outflows from operating activities in the financial statements in indirect way.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Subsequent Events

Although subsequent events arise after the explanation of the financial information to the public or any announcement related to profitability, it encloses all the events with balance sheet date and authorization date for the diffusion of the balance sheet. Group adjusts the amounts in the financial statements if there exists any events necessitates adjustment.

Related Parties

In the presence of one of the following criteria, parties are considered as related to the Group,

- (a) Directly, or indirectly through one or more intermediaries, the party,
- (i) Controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) Has an interest in Group that gives it significant influence over the Group; or
- (iii) Has joint control over the Group;
- (b) The party is an associate of the Group,
- (c) The party is a joint venture, in which the Group is a venture,
- (d) The party is member of the key management personnel of the Group or its parent,
- (e) The party is a close member of the family of any individual referred to in (a) or (d),
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e),
- (g) The party has a defined benefit plan for the employees of the Group or a related party of the Group

Transactions with related parties are transfer of resources or obligations between related parties, regardless of whether a price is charged. Group interacts with its related parties within the frame of ordinary business activities (Note 6).

Details of related parties are as follows:

Akça Holding A.Ş. “Akça Holding”

Akça Holding A.Ş. was established in 1994 in İzmir. It is engaged in providing financial support to the group firms.

Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş. “Osman Akça Tarım Ürünleri”

Osman Akça Tarım Ürünleri İthalat ve İhracat San. ve Tic. A.Ş. was established on 25 July 1985. Head quarter of The Company is in İzmir. Main activity is established to process the fruit and agricultural products.

Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. “Akçasaraylı Tekstil”

Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. was established in 1990 in İzmir. It is engaged of the sale of textile products.

A trademark lease contract was made between Menderes Tekstil San. and Tic. A.Ş. and Akça Saraylı Tekstil San. ve Tic. Ltd. Şti. Regarding to this signed contract, Akça Saraylı Tekstil San. ve Tic. Ltd.Şti. is obliged to pay 2% of its annual net sales to Menderes Tekstil San. ve Tic. A.Ş. as a leasing fee. Consequently, Akça Saraylı Tekstil San. ve Tic. Ltd. Şti. leased the trademarks of Mendereshome Store-Menderesstore-Menderestore.

Ak-San Sigorta ve Aracılık Hizmetleri Ltd. Şti. “Aksan Sigorta”

Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti. was established on 13 March 1997. Head quarter of the Company is in İzmir. Main activity is insurance intermediary services.

Related parties that do not have any significant activity with the Group are as follows:

Akçamen Tekstil Sanayi ve Ticaret A.Ş.

Selin Tekstil Sanayi ve Ticaret A.Ş.

Menderes Tekstil Pazarlama A.Ş.

Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.

2.g. Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

Deferred Tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax bases and statutory tax financial statements. Such differences usually arise from the fact that certain income and expense items are included in the tax base amounts and financial statements prepared in accordance with TAS at different periods. The Group has unused tax losses that can be deducted from future profits and deferred tax assets consisting of other deductible temporary differences. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and other taxable assets are taken into consideration and tax planning strategies that can be used when necessary are taken into account.

As of 30 June 2020, deferred tax asset is recognized for temporary losses on taxable temporary differences amounting to TRY 56,749,714 which can be foreseen on temporary differences arising from tax deductions and can be utilized in the period in which the tax deduction period can be utilized

Provision for severance pay

The present value of the retirement pay liability is determined on an actuarial basis using certain assumptions. These assumptions are used in determining the net expense of the termination compensation liabilities and include the rate of reduction. Any change in the underlying assumptions affect the recorded value of the termination indemnity obligation. Actuarial losses and gains are recognized in the statement of comprehensive income in the period in which they are incurred.

The group determines the appropriate reduction rate at the end of each year. This rate is used to calculate the present value of estimated future cash outflows necessary to meet the retirement benefit obligations.

Deferred financing income / expense:

The calculation of the amortized cost of trade receivables and payables by using the effective interest method is based on the expected collection and payment dates of the receivables and payables.

Useful lives:

Tangible and intangible assets are amortised and depreciated on useful lives.

Provisions for litigation:

When setting aside the provision for legal claims the probability of losing the related case and the results to expect to be suffered in the event that the legal counsel of the Group and management of the Group make their best estimates to calculate the provision

Investment property impairment:

The Group makes a comparison with the valuation report issued by the licensed real estate valuation company at Capital Market Board when evaluating as to whether any indication that there is a decrease in the value of the investment properties.

Distinction of tangible assets and Investment properties:

The Group has classified the properties which it owns and rented as investment properties

The used assumptions are indicated in the related accounting policies or footnotes.

2.h. Segment Reporting

The Group has three business segments determined by the management based on information available for the evaluation of performances and the allocation of resources. These divisions are; textile (Menderes Tekstil), agriculture sector (Menderes Tekstil and Smyrna) and energy sector (Akça Enerji and Tan Elektrik) . These segments are managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns. When evaluating the segments’ performance, Group Management is utilizing the financial statements prepared in accordance with TFRS (Note 3).

Operating segments are reported in a manner consistent with the reporting provided to the Group’s chief operating decision-maker. The Group’s chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its profit or loss is 10% or more of the combined profit or loss or its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

2.i. Accounting of Business Mergers under Common Control

Public Oversight Accounting and Auditing Standard Authority (POA) has published principal related with transaction under common control in official journal as of 21 July 2013. Due to making up the difference related to applied accounting policies, the accounting principles those are indicated below must be applied hierarchically.

- i) Goodwill should not be included in the financial statements by the reason of accounting through the business mergers including common control business method (pooling of interest),
- ii) While using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of beginning of the reporting period when common control occurs and should be presented by comparatively from the beginning of reporting period when common control occurred,
- iii) The financial statements must be reorganized in accordance with the TAS rules including business accounting when group controller Group of consolidation obtains the controlling companies shares those are in business combinations, also for the following periods,
- iv) Due to removal of possible asset-liability mismatch after business mergers subject to common control, “Effect of the Mergers Subject to Common Control” account under the shareholders equity is used as an equaliser.

This decision will enter into force on the date of publication to be valid on annual reporting periods after 31 December 2012. Companies that have different applications of accounting principles should consider the stated accounting principles as change in accounting policy, and make necessary corrections from the first annual financial statements and companies who are obliged to make interim period reporting must give information about the topic in the footnotes

On 18 July 2016, the Group acquired the share of Tan Elektrik Üretim A.Ş. (Tan Elektrik) management privilege from the Group (nomination of more than one half of the members of the board of directors) by paying TRY 1,800,000 to common control Smyrna Seracılık Ticaret A.Ş., equal to 15% of total shares. With the general assembly meeting decision held on 21 December 2016 , paid-in capital of the Tan Elektrik increased from TRY 12,000,000 to TRY 30,000,000 and the increased portion of TRY 18,000,000 was fully paid by the Group. With this capital increase, the Group 's direct shares in Tan Elektrik increased to 66% and direct + indirect shares increased to 67.90%. With the extraordinary general meeting decision held on 21 December 2016 , paid-in capital of the Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (subsidiary of the Group) increased from TRY 28,000,000 to TRY 70,000,000 and the increased portion of TRY 42,000,000 was fully paid by the Group. With this capital increase, the Group 's direct shares in Akça Enerji increased to 68% and direct + indirect shares increased to 80.42%.

Group evaluate the purchasing transaction by method “combination of rights” within the frame of “Accounting of Business Combinations Under Common Control” oriented resolution (2013-2) Applying the Turkish Accounting Standards published by Public Oversight Accounting and Auditing Standards Authority. Group reorganize consolidate financial statements as if actualize purchasing transaction as start of reporting period that occurred common control and Group rendered consolidate financial statements as comparative dating from start of reporting period. Goodwill or negative goodwill is not calculated as a result of these transactions. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired Group is directly accounted under shareholder’s equity as effect of combinations including business subject to common control.

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NOTE 3 – SEGMENT REPORTING

30 June 2020	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
ASSETS					
Cash and Cash Equivalents	13,663,978	548,642	3,752,669	-	17,965,289
Trade Receivables	114,123,368	48,194,979	11,136,394	-	173,454,741
Other Receivables	112,355,772	316,870	366,094	(96,200,501)	16,838,235
Inventories	502,859,873	36,621,778	1,364,754	-	540,846,405
Biological Assets	-	584,439	-	-	584,439
Prepaid Expenses	5,118,036	826,233	801,314	-	6,745,583
Current Tax Assets	208,220	454,875	2,402	-	665,497
Other Current Assets	77,566,124	6,046,241	5,263,405	-	88,875,770
Current Assets	825,895,371	93,594,057	22,687,032	(96,200,501)	845,975,959
Financial Investments	82,180,000	1,142,000	12,800,010	(96,122,010)	-
Other Receivables	52,260	15,682	51,807	-	119,749
Investments Valued by Equity Pick-up Method	166,564,430	-	-	-	166,564,430
Investment Properties	66,125,000	-	-	-	66,125,000
Tangible Assets	183,259,811	16,528,804	371,474,980	-	571,263,595
Right of use assets	480,170	4,399	139,845	-	624,414
Intangible Assets	9,411,721	981	5,431	-	9,418,133
Prepaid Expenses	2,087,321	329,949	24,352,519	-	26,769,789
Deferred Tax Assets	30,209,609	716,562	25,964,689	(3,260,197)	53,630,663
Non-Current Assets	540,370,322	18,738,377	434,789,281	(99,382,207)	894,515,773
TOTAL ASSETS	1,366,265,693	112,332,434	457,476,313	(195,582,708)	1,740,491,732
LIABILITIES					
Financial Borrowings	356,649,245	1,948	-	-	356,651,193
Current Installments of Long Term Financial Borrowings	130,058,133	6,525	65,532,645	-	195,597,303
Trade Payables	191,448,973	15,067,534	20,042,981	-	226,559,488
Employee Benefits Liabilities	17,696,676	855,861	327,927	-	18,880,464
Derivative financial instruments	27,525	-	-	-	27,525
Other Payables	37,700,642	61,483,300	35,384,887	(96,200,501)	38,368,328
Deferred Income	3,214,263	342,506	3,866,142	-	7,422,911
Current Tax Liabilities of Period Profit	-	959,178	-	-	959,178
Current Provisions	5,830,486	336,218	470,670	-	6,637,374
Current Liabilities	742,625,943	79,053,070	125,625,252	(96,200,501)	851,103,764
Long Term Borrowings	354,950,090	-	408,403,338	-	763,353,428
Provisions For Long Term Employee Benefits	53,960,003	1,589,434	296,451	-	55,845,888
Deferred Tax Liabilities	1,060,708	671,866	9,212,688	(3,260,197)	7,685,065
Non-Current Liabilities	409,970,801	2,261,300	417,912,477	(3,260,197)	826,884,381
Paid in Capital	250,000,000	12,000,000	108,000,000	(120,000,000)	250,000,000
Inflationary Adjustments of Shareholders' Equity	485,133	-	-	-	485,133
Effect of Mergers Involving Undertakings or Businesses Subject to Common Control	-	-	-	(25,567,435)	(25,567,435)
Accumulated other comprehensive income / expense not to be reclassified on profit or loss	-	-	-	-	-
Defined Benefit Plans Re-Measurement Gains / (Losses)	1,939,189	62,254	(55,927)	(1,592)	1,943,924
Restricted Reserves	10,147,245	313,217	127,759	(127,759)	10,460,462
Retained Earnings / Losses	52,006,849	(1,163,921)	(154,700,001)	64,634,038	(39,223,035)
Net Profit / Loss for the Period	(100,909,467)	19,806,514	(39,433,247)	8,464,134	(112,072,066)
Minority Interest	-	-	-	(23,523,396)	(23,523,396)
SHAREHOLDERS' EQUITY	213,668,949	31,018,064	(86,061,416)	(96,122,010)	62,503,587
TOTAL LIABILITIES AND EQUITY	1,366,265,693	112,332,434	457,476,313	(195,582,708)	1,740,491,732

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31 December 2019	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
ASSETS					
Cash and Cash Equivalents	29,872,164	739,196	322,144	-	30,933,504
Trade Receivables	70,243,437	46,819,176	7,176,819	-	124,239,432
Other Receivables	46,342,093	315,923	6,124,334	(38,893,568)	13,888,782
Inventories	394,521,680	71,196,223	501,029	-	466,218,932
Biological Assets	-	3,814,567	-	-	3,814,567
Prepaid Expenses	3,978,425	156,024	1,038,302	-	5,172,751
Current Tax Assets	211,159	380,262	10,235	-	601,656
Other Current Assets	71,194,050	5,780,609	9,933,597	-	86,908,256
Current Assets	616,363,008	129,201,980	25,106,460	(38,893,568)	731,777,880
Financial Investments	82,180,000	1,142,000	12,800,010	(96,122,010)	-
Other Receivables	53,249	15,682	86,589	-	155,520
Investments Valued by Equity Pick-up Method	161,886,255	-	-	-	161,886,255
Investment Properties	66,075,000	-	-	-	66,075,000
Tangible Assets	170,201,928	17,511,047	299,676,076	-	487,389,051
Right of use assets	712,113	30,792	204,458	-	947,363
Intangible Assets	9,986,748	1,237	6,917	-	9,994,902
Prepaid Expenses	1,413,428	90,091	33,162,738	-	34,666,257
Deferred Tax Assets	21,113,398	652,086	20,677,035	(5,019,782)	37,422,737
Non-Current Assets	513,622,119	19,442,935	366,613,823	(101,141,792)	798,537,085
TOTAL ASSETS	1,129,985,127	148,644,915	391,720,283	(140,035,360)	1,530,314,965
LIABILITIES					
Financial Borrowings	381,401,005	3,452,672	-	-	384,853,677
Current Installments of Long Term Financial Borrowings	90,357,387	43,144	57,633,787	-	148,034,318
Trade Payables	131,486,160	101,285,131	34,378,243	-	267,149,534
Employee Benefits Liabilities	12,920,547	663,548	326,066	-	13,910,161
Other Payables	2,159,505	14,755,917	24,431,135	(38,893,568)	2,452,989
Deferred Income	1,771,983	-	2,260,891	-	4,032,874
Current Provisions	6,436,900	327,378	408,522	-	7,172,800
Current Liabilities	626,533,487	120,527,790	119,438,644	(38,893,568)	827,606,353
Long Term Borrowings	157,214,448	-	310,928,865	-	468,143,313
Provisions For Long Term Employee Benefits	47,078,771	1,249,286	232,306	-	48,560,363
Deferred Tax Liabilities	1,531,752	679,259	7,751,354	(5,019,782)	4,942,583
Non-Current Liabilities	205,824,971	1,928,545	318,912,525	(5,019,782)	521,646,259
Paid in Capital	250,000,000	12,000,000	108,000,000	(120,000,000)	250,000,000
Inflationary Adjustments of Shareholders' Equity	485,133	-	-	-	485,133
Effect of Mergers Involving Undertakings or Businesses Subject to Common Control	-	-	-	(25,567,435)	(25,567,435)
Accumulated other comprehensive income / expense not to be reclassified on profit or loss	-	-	-	-	-
Defined Benefit Plans Re-Measurement Gains / (Losses)	(14,554)	41,279	(58,643)	3,102	(28,816)
Restricted Reserves	10,147,245	313,217	127,759	(127,759)	10,460,462
Retained Earnings / Losses	43,982,784	381,407	(130,519,534)	60,297,292	(25,858,051)
Net Profit / Loss for the Period	(6,973,939)	13,452,677	(24,180,468)	4,336,746	(13,364,984)
Minority Interest	-	-	-	(15,063,956)	(15,063,956)
SHAREHOLDERS' EQUITY	297,626,669	26,188,580	(46,630,886)	(96,122,010)	181,062,353
TOTAL LIABILITIES AND EQUITY	1,129,985,127	148,644,915	391,720,283	(140,035,360)	1,530,314,965

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30 June 2020	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Revenue	406,016,940	160,515,232	56,707,182	(320,503)	622,918,851
Cost of Sales (-)	(363,533,418)	(147,012,191)	(26,726,495)	359,830	(536,912,274)
GROSS PROFIT/LOSS	42,483,522	13,503,041	29,980,687	39,327	86,006,577
General Administrative Expenses (-)	(14,823,278)	(830,711)	(732,759)	132,848	(16,253,900)
Marketing Expenses (-)	(17,262,768)	(757,182)	-	-	(18,019,950)
Research and Development Expenses (-)	(952,111)	-	-	-	(952,111)
Other Operating Income	12,989,174	10,031,336	1,388,155	(184,392)	24,224,273
Other Operating Expenses (-)	(24,574,989)	(387,273)	(239,177)	12,217	(25,189,222)
OPERATING PROFIT/LOSS	(2,140,450)	21,559,211	30,396,906	-	49,815,667
Income from Investing Activities	8,200	-	-	-	8,200
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	4,678,175	-	-	-	4,678,175
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES	2,545,925	21,559,211	30,396,906	-	54,502,042
Financial Income (+)	10,019,772	102,861	478,535	(2,681,255)	7,919,913
Financial Expenses (-)	(123,530,854)	(973,493)	(74,135,687)	2,681,255	(195,958,779)
OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION	(110,965,157)	20,688,579	(43,260,246)	-	(133,536,824)
Operating Activity Tax Income / (Expense)					
- Income/Expense Tax for the period	-	(959,178)	-	-	(959,178)
- Deferred Tax Income/Expense	10,055,690	77,113	3,826,999	-	13,959,802
PROFIT/(LOSS) FOR THE PERIOD	(100,909,467)	19,806,514	(39,433,247)	-	(120,536,200)

30 June 2019	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Revenue	416,963,441	108,620,194	36,470,224	(272,231)	561,781,628
Cost of Sales (-)	(378,367,837)	(93,619,922)	(19,644,020)	266,705	(491,365,074)
GROSS PROFIT/LOSS	38,595,604	15,000,272	16,826,204	(5,526)	70,416,554
General Administrative Expenses (-)	(10,257,508)	(599,817)	(678,533)	69,889	(11,465,969)
Marketing Expenses (-)	(12,351,650)	(1,462,918)	-	-	(13,814,568)
Research and Development Expenses (-)	(2,741,871)	-	-	-	(2,741,871)
Other Operating Income	18,826,504	807,057	769,959	(64,363)	20,339,157
Other Operating Expenses (-)	(16,862,715)	(2,206,654)	(639,963)	-	(19,709,332)
OPERATING PROFIT/LOSS	15,208,364	11,537,940	16,277,667	-	43,023,971
Income from Investing Activities	-	-	2,185,812	-	2,185,812
Expense from Investing Activities(-)	(688,830)	-	(11,384)	-	(700,214)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	2,280,113	-	-	-	2,280,113
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES	16,799,647	11,537,940	18,452,095	-	46,789,682
Financial Income (+)	7,652,065	125,669	715,871	(1,767,480)	6,726,125
Financial Expenses (-)	(64,752,010)	(1,681,013)	(40,328,417)	1,767,480	(104,993,960)
OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION	(40,300,298)	9,982,596	(21,160,451)	-	(51,478,153)
Operating Activity Tax Income / (Expense)					
- Income/Expense Tax for the period	-	(340,646)	-	-	(340,646)
- Deferred Tax Income/Expense	2,079,788	59,857	593,580	-	2,733,225
PROFIT/(LOSS) FOR THE PERIOD	(38,220,510)	9,701,807	(20,566,871)	-	(49,085,574)

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30 June 2020	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Assets by Segments					
Investment Property	66,125,000	-	-	-	66,125,000
Total Tangible Assets (Net Book Value)	183,259,811	16,528,804	371,474,980	-	571,263,595
Right of Use Assets (Net Book Value)	480,170	4,399	139,845	-	624,414
Total Intangible Assets (Net Book Value)	9,411,721	981	5,431	-	9,418,133
Purchases of Tangible and Intangible Assets	22,269,179	201,958	79,182,986	-	101,654,123
Purchases of Investment Property	50,000	-	-	-	50,000
Depreciation Expenses	10,018,266	1,210,850	7,450,181	-	18,679,297
Total Assets in Foreign Currency	81,685,235	2,013,043	27,668,422	-	111,366,700
Total Liabilities in Foreign Currency	834,767,927	-	481,646,298	-	1,316,414,225
Net Foreign Currency Asset/ Liabilities	(753,082,692)	2,013,043	(453,977,876)	-	(1,205,047,525)
Financial Payables	841,657,468	8,473	473,935,983	-	1,315,601,924
- USD	113,964,367	-	112,655,444	-	226,619,811
- EUR	598,405,727	-	361,089,686	-	959,495,413
- TRY	129,287,374	8,473	190,853	-	129,486,700
Export	331,765,704	19,661,700	-	-	351,427,404
Import	179,772,894	-	59,073,477	-	238,846,371
Total Debt	1,152,596,744	81,314,370	543,537,729	(99,460,698)	1,677,988,145
Cash Equivalents	(13,663,978)	(548,642)	(3,752,669)	-	(17,965,289)
Net Debt	1,138,932,766	80,765,728	539,785,060	(99,460,698)	1,660,022,856
Total Equity	213,668,949	31,018,064	(86,061,416)	(96,122,010)	62,503,587
Total Capital	1,352,601,715	111,783,792	453,723,644	(195,582,708)	1,722,526,443
Net Debt/Total Capital Ratio	84.20%	72.25%	118.97%		96.37%

31 December 2019	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Assets by Segments					
Investment Property	66,075,000	-	-	-	66,075,000
Total Tangible Assets (Net Book Value)	170,201,927	17,511,048	299,676,076	-	487,389,051
Right of Use Assets (Net Book Value)	712,113	30,792	204,458	-	947,363
Total Intangible Assets (Net Book Value)	9,986,748	1,237	6,917	-	9,994,902
Purchases of Tangible and Intangible Assets	44,476,218	1,099,322	58,460,397	-	104,035,937
Purchases of Investment Property	62,424	-	-	-	62,424
Depreciation Expenses	19,727,957	2,425,096	11,797,124	-	33,950,177
Total Assets in Foreign Currency	68,777,428	3,757,407	34,905,637	-	107,440,472
Total Liabilities in Foreign Currency	759,839,662	-	389,389,210	-	1,149,228,872
Net Foreign Currency Asset/ Liabilities	(691,062,234)	3,757,407	(354,483,573)	-	(1,041,788,400)
Financial Payables	628,972,840	3,495,816	368,562,652	-	1,001,031,308
- USD	90,632,384	-	105,569,875	-	196,202,259
- EUR	517,320,607	-	262,752,667	-	780,073,274
- TRY	21,019,849	3,495,816	240,110	-	24,755,775
Export	948,451,111	23,384,506	-	-	971,835,617
Import	489,138,822	472,348	24,969,560	-	514,580,730
Total Debt	832,358,458	122,456,335	438,351,169	(43,913,350)	1,349,252,612
Cash Equivalents	(29,872,163)	(739,196)	(322,145)	-	(30,933,504)
Net Debt	802,486,295	121,717,139	438,029,024	(43,913,350)	1,318,319,108
Total Equity	297,626,669	26,188,580	(46,630,886)	(96,122,010)	181,062,353
Total Capital	1,100,112,964	147,905,719	391,398,138	(140,035,360)	1,499,381,461
Net Debt/Total Capital Ratio	72.95%	82.29%	111.91%		87.92%

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Information On The Geographical Region

On a country basis distribution of revenue obtained from the Group’s textile sector export activities are as follows:

Region	01.01.- 30.06.2020	01.01.- 30.06.2019
Germany	64%	67%
Italy	8%	9%
Netherlands	7%	4%
Russia	4%	3%
England	3%	2%
France	3%	2%
Poland	2%	2%
China	1%	3%
U.S.A.	2%	3%
United Arab Emirates	1%	1%
Other	5%	4%
	100%	100%

Information About Major Clients

The sales activities of the Group are determined according to fluctuations in the domestic and overseas markets and competition conditions. It is taken care of to not to concentrate on a specific sector, country, person and Group in terms of dissolving risks. Even so, as of 30 June 2020, the share of the largest buyer in the revenue from textile sector operations is 56.83% (30 June 2019: 66.56%). The customer mentioned is a major international supplier and the commercial relation between the customer and the Group has been maintained for many years.

The share of the largest buyers in the revenue from agriculture sector operations is 85.39%. (30 June 2019: 80.63%) Domestic sales of dried fruits (grape, fig and apricot) produced by Menderes as subcontractors are made in accordance with the "Sales Agreement" signed between Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş., the related party of the Group and Osman Akça exports these products to different customers abroad.

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NOTE 4 – CASH AND CASH EQUIVALENTS

As of 30 June 2020 and 31 December 2019 the details of cash and cash equivalents are as follows:

	30.06.2020	31.12.2019
Cash	177,257	81,002
Banks	17,788,032	30,852,502
<i>Demand deposits</i>	3,520,222	5,783,889
<i>Time deposits</i>	14,267,810	25,068,613
	17,965,289	30,933,504

As of 30 June 2020 and 31 December 2019 maturity schedule of time deposits in the cash and cash equivalents are as follows:

	30.06.2020	31.12.2019
Within 1 month	14,267,810	25,068,613
	14,267,810	25,068,613

As of 30 June 2020, effective interest rates of time deposits in TRY 8.62% (31.12.2019: in TRY 11.04 %.)

As of 30 June 2020, there is no deposit pledge on the Group's bank deposits. (31.12.2019: None.)

NOTE 5 – FINANCIAL INVESTMENTS

Short term financial investments

None.

Long term financial investments

None.

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NOTE 6 – RELATED PARTY TRANSACTIONS

i) Due from / to related parties:

a) Trade receivables from related parties (Note 7):

	30.06.2020	31.12.2019
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	46,522,941	43,494,527
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	3,112,119	2,881,678
Menderes Tekstil Pazarlama A.Ş.	11,919	-
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	-	5,694
Unearned Interests	(223,772)	(345,712)
	49,423,207	46,036,187

b) Trade payables to related parties (Note 7):

	30.06.2020	31.12.2019
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	117,100	-
Unearned Interests	(683)	-
	116,417	-

c) Other receivables from related parties (Note 9):

	30.06.2020	31.12.2019
Akça Holding A.Ş.	-	6,367,331
	-	6,367,331

d) Other payables to related parties (Note 9):

	30.06.2020	31.12.2019
Rıza Akça	161,705	85,050
Ahmet Bilge Göksan	61,988	-
Ali Atlamaz	52,822	-
Cemal İpekoğlu	22,495	-
Akça Holding A.Ş.	160,871	-
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	20,977,177	-
	21,437,058	85,050

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ii) Major sales to related parties and major purchases from related parties

a) Sales to related parties:

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	137,453,348	88,035,238	60,757,795	47,511,942
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	1,499,702	2,465,355	212,861	1,008,105
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	130	29,167	130	-
	138,953,180	90,529,760	60,970,786	48,520,047

b) Purchases from related parties:

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	22,950,237	17,944,862	10,193,762	9,546,758
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	118	3,390	-	-
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	3,522	2,305	1,954	1,346
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	-	3,183	-	-
	22,953,877	17,953,740	10,195,716	9,548,104

c) Fixed asset purchases from related parties:

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Aktur Araç Muayene İstasyon İşletmesi A.Ş.	-	7,945,000	-	2,620,000
	-	7,945,000	-	2,620,000

d) Participation sales to related parties (Share sale of Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.):

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Akça Holding A.Ş.	-	5,962,871	-	-
	-	5,962,871	-	-

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iii) Other income and expenses resulting from transactions with related parties:

a Benefits provided to senior management (Member of the board of directors, general manager and deputy general manager), gross:

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Benefits provided to senior management	575,580	399,292	297,983	204,768
	575,580	399,292	297,983	204,768

b Service expenses paid to related parties

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Akça Holding A.Ş.	475,990	429,328	228,140	276,823
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	213,396	160,565	116,879	88,281
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	23,413	-	8,673	-
	712,799	589,893	353,692	365,104

c Rent income from related parties:

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	87,600	65,100	39,770	32,550
Akça Holding A.Ş.	72,600	64,740	36,300	32,370
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	65,400	59,700	32,700	29,850
Menderes Tekstil Pazarlama A.Ş.	3,000	3,000	1,500	1,500
Akçamen Tekstil Sanayi Ticaret A.Ş.	3,000	3,000	1,500	1,500
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	3,000	3,000	1,500	1,500
	234,600	198,540	113,270	99,270

d Rent expenses paid to related parties:

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Aktur Araç Muayene İstasyon İşletmesi A.Ş.	-	30,000	-	-
	-	30,000	-	-

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e Service income from related parties:

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	86,543	84,670	31,319	48,098
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	219,663	-	215,769	-
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	58,750	-	58,750	-
Menderes Tekstil Pazarlama A.Ş.	1,134	-	-	-
	366,090	84,670	305,838	48,098

f Foreign exchange income from related parties (Note 29.1):

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	9,083,109	5,380,290	6,866,221	4,773,071
	9,083,109	5,380,290	6,866,221	4,773,071

g Interest income from related parties (Note 29.1):

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	4,561	216,737	-	73,360
Rıza Akça	-	32,198	-	-
Akça Holding A.Ş.	99,495	166,104	-	57,855
	104,056	415,039	-	131,215

h Foreign Exchange paid to related parties (Note 29.2):

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	5,078,094	-	1,128,431
	-	5,078,094	-	1,128,431

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i) Maturity difference expenses from related parties

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Osman Akça Tar. Ürün. İth. İhr. San. ve Tic. A.Ş.	777,223	-	468,545	-
	777,223	-	468,545	-

j) Interest expenses paid to related parties

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Akça Holding A.Ş.	700	-	700	-
	700	-	700	-

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NOTE 7 – TRADE RECEIVABLES AND TRADE PAYABLES

Short Term Trade Receivables

	30.06.2020	31.12.2019
Trade receivables	110,755,483	69,252,570
Cheques and notes	3,889,647	2,095,093
Unearned interest on trade receivables	(1,112,761)	(614,056)
Doubtful trade receivables	65,554	65,554
Provision for doubtful receivables (-)	(65,554)	(65,554)
Income accruals	10,499,165	7,469,638
Trade Receivables From Third Parties	124,031,534	78,203,245
Trade receivables from related parties (Note 6-i-a)	49,400,627	46,169,445
Income accruals from related parties (Note 6-i-b)	246,352	212,454
Unearned interests on related party receivables (Note 6-i-a)	(223,772)	(345,712)
Trade Receivables From Related Parties	49,423,207	46,036,187
Total Short-Term Trade Receivables	173,454,741	124,239,432

As of 30 June 2020, the average maturity of trade receivables are 29 days. (31 December 2019: 23 days).

Maturity schedule of notes receivables as of 30 June 2020 and 31 December 2019 are as follows:

	30.06.2020	31.12.2019
1-30 days	1,279,810	167,033
31-60 days	39,000	215,590
61-90 days	224,002	799,192
91-120 days	1,251,835	272,068
121-150 days	-	641,210
151-180 days	11,000	-
181-210 days	10,000	-
211-240 days	1,074,000	-
	3,889,647	2,095,093

As of 30 June 2020 and 31 December 2019 provision for doubtful receivables movement schedule is as follows:

	30.06.2020	31.12.2019
Opening balance	65,554	731,311
Collections made during the period	-	(665,757)
Closing Balance	65,554	65,554

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Short Term Trade Payables

	30.06.2020	31.12.2019
Trade payables	187,895,950	234,316,122
Unearned interests on trade payables	(1,837,133)	(2,777,931)
Notes payables	30,157,843	25,893,282
Unearned interests on payables	(252,119)	(250,681)
Expense accruals	10,478,530	9,968,742
Trade Payables To Third Parties	226,443,071	267,149,534
Payables to related parties (Note 6-i-b)	117,100	-
Unearned interests on notes payables to related parties (Note 6-i-b)	(683)	-
Trade Payables to Related Parties	116,417	-
Total Short Term Trade Payables	226,559,488	267,149,534

As of 30.06.2020 ,the average maturity of trade payables are 83 days. (31 December 2019: 61 days).

As of 30 June 2020, the surety bond amounting to USD 6,177,839 (TRY 42,270,013) and EUR 189,327 (TRY 1,459,370) were given for trade payables of the Group by bank. (31.12.2019: USD 19,963,413 (118,586,666 TRY) and EUR 337,922 (2,007,324 TRY)) (Note 20)

As of 30 June 2020 and 31 December 2019 maturity breakdown of notes payables are as follows:

	30.06.2020	31.12.2019
1 – 30 days	12,475,493	13,498,290
31 – 60 days	9,362,470	10,520,205
61 – 90 days	4,024,138	1,874,787
91 – 120 days	2,694,526	-
121 – 150 days	690,000	-
151 – 180 days	911,216	-
	30,157,843	25,893,282

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NOTE 8 – FINANCIAL BORROWINGS

	30.06.2020	31.12.2019
Short Term Borrowings:		
TRY borrowings	9,827,875	21,213,539
USD borrowings	51,931,924	60,766,162
EUR borrowings	294,766,964	302,820,056
Credit card liabilities (TRY)	124,430	53,920
Short Term Financial Borrowings	356,651,193	384,853,677
Lease Payables:		
EUR lease payables, net	4,512,938	3,865,231
Operating lease payable:		
Operating lease payables, net	492,396	584,133
Bank Borrowings:		
TRY borrowings	40,820,950	-
USD borrowings	37,563,853	46,365,510
EUR borrowings	112,207,166	97,219,444
Current Installments of Long-Term Borrowings	195,597,303	148,034,318
Long Term Lease Payables:		
EUR lease payables, net	2,183,058	3,659,549
Operating lease payable:		
Operating lease payables, net	230,039	461,488
Long Term Bank Borrowings:		
TRY borrowings	77,991,010	2,442,695
USD borrowings	137,124,034	89,070,587
EUR borrowings	545,825,287	372,508,994
Long Term Financial Borrowings	763,353,428	468,143,313
Total Financial Liabilities	1,315,601,924	1,001,031,308

As of 30 June 2020 and 31 December 2019 maturity analysis of borrowings and other financial borrowings are as follows:

	30.06.2020	31.12.2019
Within 3 months	269,777,813	205,725,724
Between 3 - 12 months	277,465,349	322,712,907
Between 1 - 5 years	607,973,893	356,864,778
More than 5 years	152,966,438	107,157,498
	1,308,183,493	992,460,907

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As of 30 June 2020 and 31 December 2019 maturity schedule of long term bank borrowings are as follows:

	30.06.2020	31.12.2019
Between 1-2 years	367,096,874	169,246,045
Between 2-3 years	105,592,284	77,388,571
Between 3-4 years	69,194,018	54,897,437
Between 4-5 years	48,087,327	47,894,727
Between 5-6 years	43,652,450	35,718,984
Between 6-7 years	40,328,899	32,408,892
Between 7-8 years	28,649,067	27,154,840
Between 8-9 years	16,563,008	11,262,512
Between 9-10 years	12,890,111	4,803,941
Between 10-11 years	10,882,957	3,246,327
Between 11-12 years	9,001,693	-
Between 12-13 years	9,001,643	-
	760,940,331	464,022,276

As of 30 June 2020, effective interest rates for TRY, USD and EUR bank loans are 8.91%, 4.82 % and 2.98% (31.12.2019: TRY 10.19% USD 6.32% and EUR 3.09%).

The Group has guarantee by its shareholders and related companies in lending

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 134,950,000 (TRY 923,354,890), 25,000,000 EUR (TRY 192,705,000) and 97,310,000 TRY.

As of 30 June 2020 and 31 December 2019 the details of financial leasing borrowings of Group are as follows:

	30.06.2020	31.12.2019
Short term lease payables	4,737,285	4,067,742
Cost of deferred lease payables (-)	(224,347)	(202,511)
	4,512,938	3,865,231
	30.06.2020	31.12.2019
Long term lease payables	2,222,863	3,712,415
Cost of deferred lease payables (-)	(39,805)	(52,866)
	2,183,058	3,659,549

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As of 30 June 2020, the repayment schedule of lease payables are as follows::

	Lease payables	Cost of deferred lease payables	Total liabilities
Between 0 – 1 years	4,737,285	(224,347)	4,512,938
Between 1 – 2 years	2,222,863	(39,805)	2,183,058
	6,960,148	(264,152)	6,695,996

As of 31 December 2019, the repayment schedule of lease payables are as follows:

	Lease payables	Cost of deferred lease payables	Total liabilities
Between 0 – 1 years	4,067,742	(202,511)	3,865,231
Between 1 – 2 years	3,239,725	(52,866)	3,186,859
Between 2 – 3 years	472,690	-	472,690
	7,780,157	(255,377)	7,524,780

As of 30 June 2020 and 31 December 2019, details of operating lease payables are as follows:

	30.06.2020	31.12.2019
Operating lease payables	722,435	1,045,621
	722,435	1,045,621

As of 30 June 2020 and 31 December 2019, the repayment schedule of operating lease payables are as follows:

	30.06.2020	31.12.2019
Between 0 – 1 years	492,396	584,133
Between 1 – 2 years	148,868	322,235
Between 2 – 3 years	81,171	139,253
	722,435	1,045,621

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	30.06.2020	31.12.2019
Deposit and guarantees given	912,024	678,326
VAT return receivables	15,921,242	6,839,591
Other receivables	4,969	3,534
Other Receivables from Third Parties	16,838,235	7,521,451
Receivables from shareholders (Note 6-i-c)	-	6,367,331
Other Receivables From Related Parties	-	6,367,331
Total Other Current Receivables	16,838,235	13,888,782

Other Non-Current Receivables

	30.06.2020	31.12.2019
Deposits and guarantees given	119,749	155,520
	119,749	155,520

Other Current Payables

	30.06.2020	31.12.2019
Deposit and guarantees received	22,400	22,400
Taxes and funds payable	1,519,653	2,337,550
Deferred Social Insurance Premium and tax payments	15,268,014	-
Other various debts	121,203	7,989
Other Payables to Third Parties	16,931,270	2,367,939
Payables to shareholders (Note 6-i-d)	21,437,058	85,050
Other Payables to Related Parties	21,437,058	85,050
Total Other Current Payables	38,368,328	2,452,989

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NOTE 10 – DERIVATIVE INSTRUMENTS

	30.06.2020	31.12.2019
Expense accruals of forward exchange	27,525	-
	27,525	-

NOTE 11 – INVENTORIES

	30.06.2020	31.12.2019
Raw materials	187,799,079	191,876,939
Semi-finished products	228,371,924	174,959,398
Finished goods	88,901,574	27,181,623
Trade goods	2,012,359	348,368
Other inventories	692,626	1,425,775
Agricultural products (Figs, Apricot and Grape)	33,068,843	70,426,829
	540,846,405	466,218,932

All inventories of the Group are covered by insurance coverage

NOTE 12 – BIOLOGICAL ASSETS

Current Biological Assets

	30.06.2020	31.12.2019
Biological assets (Tomato)	584,439	3,814,567
	584,439	3,814,567

The Group’s biological assets consist of tomatoes. Tomatoes in growing process have been shown in the consolidated financial statements with their cost and after impairment provisions (if any) since they do not have any active markets.

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NOTE 13 – PREPAID EXPENSES AND DEFERRED INCOME

Short Term Prepaid Expenses

	30.06.2020	31.12.2019
Order advances given	4,224,393	1,925,611
Prepaid expenses	2,512,282	2,940,391
Advances given for business purposes	8,908	306,749
	6,745,583	5,172,751

Long Term Prepaid Expenses

	30.06.2020	31.12.2019
Advances given for purchases of tangible assets	26,353,516	34,258,875
Prepaid expenses	416,273	407,382
	26,769,789	34,666,257

Short Term Deferred Income

	30.06.2020	31.12.2019
Advances received	7,366,911	3,892,874
Deferred income	56,000	140,000
	7,422,911	4,032,874

NOTE 14 – ASSETS RELATED TO CURRENT PERIOD TAX

	30.06.2020	31.12.2019
Prepaid taxes and funds	665,497	601,656
	665,497	601,656

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NOTE 15 – INVESTMENTS VALUED BY EQUITY PICK-UP METHOD

As of 30 June 2020 and 31 December 2019 the companies accounted by equity pick up method are as follows:

	30.06.2020	Share (%)	31.12.2019	Share (%)
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	166,564,430	% 48	161,886,255	% 48
	166,564,430		161,886,255	

The total assets, liabilities and owner’s equity of the investments which are evaluated by the equity pick up method with their summary of income statement related to the periods ended 30 June 2020 and 31 December 2019 are as follows:

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

	30.06.2020	31.12.2019
Current assets	117,905,558	108,331,619
Non-current assets	290,981,854	266,237,399
Total Assets	408,887,412	374,569,018
Current liabilities	45,493,367	20,187,572
Non-current liabilities	16,384,815	17,118,414
Parent company’s equity	347,009,230	337,263,032
Total Assets	408,887,412	374,569,018
Sales, net	210,808,539	401,792,251
Cost of sales	(205,624,132)	(390,638,946)
Net profit / (loss)	13,252,122	21,651,249

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NOTE 16 – INVESTMENT PROPERTIES

Cost Value	Lands	Total
01 January 2019 opening balance	60,500,000	60,500,000
Additions	62,424	62,424
Fair value	5,512,576	5,512,576
31 December 2019 closing balance	66,075,000	66,075,000
Additions	50,000	50,000
30 June 2020 closing balance	66,125,000	66,125,000

The Group’s investment properties consist of lands with zoning permits. The details of the properties are as follows;

	Manisa	İzmir
01 January 2019 opening balance	2,500,000	58,000,000
Addition	-	62,424
Value Decrease/increase	100,000	5,412,576
31 December 2019 closing balance	2,600,000	63,475,000
Addition	-	-
Value Decrease/increase	-	-
30 June 2020 closing balance	2,600,000	63,475,000

As of 30 June 2020 and 31 December 2019, the lands that are shown as investment property are revaluated by Rota Gayrimenkul Değerleme ve Danışmanlık A.Ş. The fair values determined in the valuation studies carried out on 25 February 2020 are reflected in the accompanying consolidated financial statements.

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NOTE 17 – TANGIBLE ASSETS

Cost Value	Land	Land Improvements	Buildings	Property, plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Special costs	Total
01 January 2019 opening balance	4,765,171	82,673,963	92,133,408	496,734,647	3,380,347	16,320,181	10,822,867	9,175	706,839,759
Additions	-	2,543	8,928,877	10,350,267	-	1,072,242	83,247,787	-	103,601,716
Disposals	-	-	-	(16,115,713)	-	(1,763)	(13,690)	-	(16,131,166)
Transfers	-	-	5,814,761	36,173,360	-	14,200	(46,233,767)	-	(4,231,446)
31 December 2019 closing balance	4,765,171	82,676,506	106,877,046	527,142,561	3,380,347	17,404,860	47,823,197	9,175	790,078,863
Additions	-	-	55,900	1,765,427	-	348,597	99,484,199	-	101,654,123
Disposals	-	-	-	(4,320)	-	(23,005)	-	-	(27,325)
Transfers	-	11,250,226	-	97,444,363	-	-	(108,793,473)	-	(98,884)
30 June 2020 closing balance	4,765,171	93,926,732	106,932,946	626,348,031	3,380,347	17,730,452	38,513,923	9,175	891,606,777
Accumulated Depreciation									
01 January 2019 opening balance	-	24,864,286	21,157,056	221,625,931	1,292,326	8,925,796	-	917	277,866,312
Additions	-	4,913,057	2,185,842	22,073,534	55,612	2,651,889	-	1,835	31,881,769
Disposals	-	-	-	(7,058,093)	-	(176)	-	-	(7,058,269)
31 December 2019 closing balance	-	29,777,343	23,342,898	236,641,372	1,347,938	11,577,509	-	2,752	302,689,812
Additions	-	2,670,174	1,086,937	12,934,325	27,799	960,542	-	918	17,680,695
Disposals	-	-	-	(4,320)	-	(23,005)	-	-	(27,325)
30 June 2020 closing balance	-	32,447,517	24,429,835	249,571,377	1,375,737	12,515,046	-	3,670	320,343,182
31.12.2019, Net Book Value	4,765,171	52,899,163	83,534,148	290,501,189	2,032,409	5,827,351	47,823,197	6,423	487,389,051
30.06.2020, Net Book Value	4,765,171	61,479,215	82,503,111	376,776,654	2,004,610	5,215,406	38,513,923	5,505	571,263,595

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As of 30 June 2020, the depreciation expense of tangible assets for the period is TRY 17,680,695 (31 December 2019: TRY 31,881,769).

As of 30 June 2020, fixed assets are insured by TRY 17,601,895, EUR 25,954,700 (TRY 200,064,019), USD 171,442,430 (TRY 1,173,043,395). (31 December 2019: TRY 14,182,700, EUR 26,094,700 (TRY 173,545,412), USD 156,855,763 (TRY 931,754,603).

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions are USD 134,950,000 (TRY 923,354,890), EUR 25,000,000 (TRY 192,705,000) and TRY 97,310,000.

As of 30 June 2020, net book value of leasing machines is TRY 10,775,327 (31.12.2019: 11,292,663 TRY).

As of 30 June 2020 and 31 December 2019, the Group has no borrowing costs.

NOTE 18 – RIGHT OF USE ASSETS

Cost Value	Lands	Buildings	Plants	Vehicles	Total
01 January 2019 opening balance	-	-	-	-	-
Change in accounting policy	216,676	1,062,977	158,360	537,487	1,975,500
31 December 2019 closing balance	216,676	1,062,977	158,360	537,487	1,975,500
Additions	-	-	-	-	-
30 June 2020 closing balance	216,676	1,062,977	158,360	537,487	1,975,500
Accumulated Depreciation					
01 January 2019 opening balance	-	-	-	-	-
Change in accounting policy	43,335	544,607	127,568	312,627	1,028,137
31 December 2019 closing balance	43,335	544,607	127,568	312,627	1,028,137
Additions	43,335	96,872	26,393	156,349	322,949
30 June 2020 closing balance	86,670	641,479	153,961	468,976	1,351,086
31.12.2019, Net Book Value	173,341	518,370	30,792	224,860	947,363
30.06.2020, Net Book Value	130,006	421,498	4,399	68,511	624,414

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NOTE 19 – INTANGIBLE ASSETS

Cost Value	Rights	Research and Development Expenses	Other Intangible Assets	Total
01 January 2019 opening balance	501,522	6,636,579	885,257	8,023,358
Additions	282,780	-	151,441	434,221
Disposals	(115,272)	-	-	(115,272)
Transfer	34,137	4,197,309	-	4,231,446
31 December 2019 closing balance	703,167	10,833,888	1,036,698	12,573,753
Transfer	-	98,884	-	98,884
30 June 2020 closing balance	703,167	10,932,772	1,036,698	12,672,637
Accumulated Depreciation				
01 January 2019 opening balance	496,483	524,028	633,341	1,653,852
Additions	20,567	834,045	185,659	1,040,271
Disposals	(115,272)	-	-	(115,272)
31 December 2019 closing balance	401,778	1,358,073	819,000	2,578,851
Additions	53,075	544,990	77,588	675,653
30 June 2020 closing balance	454,853	1,903,063	896,588	3,254,504
31.12.2019, Net Book Value	301,389	9,475,815	217,698	9,994,902
30.06.2020, Net Book Value	248,314	9,029,709	140,110	9,418,133

As of 30 June 2020, the amortization expense of intangible assets for the period is TRY 675,653 (31 December 2019: TRY 1.040,271).

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NOTE 20 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 30 June 2020 and 31 December 2019, the Group's guarantee / security / mortgage (“GSM”) position are as follows:

Guarantees, security and mortgage “(GSM)” given by the Group	30.06.2020	31.12.2019
A. Total Amount of GSM given on behalf of legal entity	2,699,630,953	2,410,330,176
B. Total Amount of GSM given for partnerships which included in full consolidation	172,961,696	56,734,140
C. Total Amount of GSM given for the purpose of guaranteeing third party loans to carry the regular trade activities	None	None
D. Total Amount of other GSM given	None	None
i. Total Amount of GSM given for the Parent Group	None	None
ii. Total Amount of GSM Given for Other Group Companies not Included in B and C Clauses	None	None
iii. Total Amount of GSM Given for Third Parties not Included in C Clause	None	None
Total	2,872,592,649	2,467,064,316

There is no guarantee given by the Group for the loans in favor of related parties. For credit contracts of the Group USD 114,250,000 (TRY 781,721,350), EUR 7,500,000 (TRY 57,811,500) and TRY 122,500,000 guarantee are provided by related parties (Akça Holding and Osman Akça) (31 December 2019: USD 114,250,000 (TRY 678,667,850), EUR 7,500,000 (TRY 49,879,500) and TRY 122,500,000).

As of 30 June 2020, the details of the guarantee given for the subsidiary Tan Elektrik’s financial borrowings to investment are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Commerzbank AG	EUR	16,049,010	7.7082	123,708,979
AKA European Export&Trade Bank	EUR	6,389,652	7.7082	49,252,717
				172,961,696

As of 30 June 2020, details of mortgage on lands and buildings given to financial institutions are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	TRY	97,310,000	1.0000	97,310,000
Türkiye Vakıflar Bankası T.A.O	USD	134,950,000	6.8422	923,354,890
Türkiye Vakıflar Bankası T.A.O	EUR	25,000,000	7.7082	192,705,000
				1,213,369,890

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As of 30 June 2020, details of the guarantee letters given are as follows:

Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Electricity and Natural Gas Distribution Companies	TRY	14,802,545	1.0000	14,802,545
Energy Market Regulatory Authority	TRY	2,025,902	1.0000	2,025,902
Customs Administration	TRY	12,758,140	1.0000	12,758,140
Credit Guarantee	USD	13,100,600	6.8422	89,636,925
Credit Guarantee	EUR	27,604,800	7.7082	212,783,319
Credit Guarantee	TRY	10,000,000	1.0000	10,000,000
Employment commitment	TRY	160,000	1.0000	160,000
Food, Agriculture Livestock Directorate	TRY	625,669	1.0000	625,669
Public Institutions	TRY	1,349,076	1.0000	1,349,076
				344,141,576

As of 30 June 2020, bank details of the guarantee letters given are as follows:

Bank Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O.	TRY	41,663,331	1.0000	41,663,331
Türkiye Vakıflar Bankası T.A.O.	EUR	8,740,000	7.7082	67,369,668
Türkiye Vakıflar Bankası T.A.O.	USD	9,000,000	6.8422	61,579,800
Türkiye Finans Katılım Bankası A.Ş.	TRY	58,000	1.0000	58,000
Halk Bank A.Ş.	USD	2,000,000	6.8422	13,684,400
Halk Bank A.Ş.	EUR	16,650,000	7.7082	128,341,530
Denizbank A.Ş.	USD	1,796,500	6.8422	12,292,012
Denizbank A.Ş.	EUR	2,214,800	7.7082	17,072,121
Türkiye Finans Katılım Bankası A.Ş.	USD	304,100	6.8422	2,080,713
				344,141,576

As of 30 June 2020, avals which are given to trade receivables by the Group are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	USD	6,177,839	6.8422	42,270,013
Türkiye Vakıflar Bankası T.A.O	EUR	189,327	7.7082	1,459,370
				43,729,383

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As of 30 June 2020, bank details of the general borrowing contracts are as follows:

General Borrowing Contracts:	FX Currency	FX Amount	FX Rate	TRY Equivalent
Albarakaturk A.Ş.	TRY	15,000,000	1.0000	15,000,000
Denizbank A.Ş.	USD	9,000,000	6.8422	61,579,800
Türk Eximbank	USD	25,000,000	6.8422	171,055,000
Finansbank A.Ş.	TRY	13,000,000	1.0000	13,000,000
Halk Bankası A.Ş.	TRY	10,000,000	1.0000	10,000,000
İşbankası A.Ş.	USD	9,500,000	6.8422	65,000,900
Odea Bank A.Ş.	TRY	33,000,000	1.0000	33,000,000
Şekerbank A.Ş.	USD	3,750,000	6.8422	25,658,250
Şekerbank A.Ş.	TRY	2,500,000	1.0000	2,500,000
Şekerbank A.Ş.	EUR	7,500,000	7.7082	57,811,500
Türkiye Finans katılım Bankası A.Ş.	TRY	30,000,000	1.0000	30,000,000
Akbank T.A.Ş.	TRY	4,000,000	1.0000	4,000,000
Vakıfbank A.Ş.	USD	65,000,000	6.8422	444,743,000
Turkland Bank A.Ş.	TRY	15,000,000	1.0000	15,000,000
Arap Türk Bankası A.Ş.	USD	2,000,000	6.8422	13,684,400
				962,032,850

As of 30 June 2020, details of the guarantee notes given are as follows:

Guarantee Notes Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türk Eximbank	USD	872,500	6.8422	5,969,820
Türk Eximbank	EUR	1,527,500	7.7082	11,774,275
Türk Eximbank	TRY	1,275,000	1.0000	1,275,000
				19,019,095

As of 30 June 2020, bank details of the bonds are as follows:

Bond	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türk Eximbank	USD	1,500,000	6.8422	10,263,300
Türk Eximbank	EUR	4,289,132	7.7082	33,061,487
Türkiye Cumhuriyeti Merkez Bankası	EUR	15,275,000	7.7082	117,742,755
				161,067,542

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NOTE 21 – PROVISIONS

Other Short Term Provisions

	30.06.2020	31.12.2019
Provision for the lawsuits	485,255	437,081
Provision for unused vacation	6,152,119	6,735,719
	6,637,374	7,172,800

	30.06.2020	31.12.2019
Unused vacation provisions at beginning of period	6,735,719	3,897,322
Provisions during the period	(583,600)	2,838,397
Closing balance	6,152,119	6,735,719

Long Term Provisions for Employee Benefits

	30.06.2020	31.12.2019
Provision for severance pay	55,845,888	48,560,363
	55,845,888	48,560,363

For the period of 01 January – 30 June 2020, the average personnel number including subcontractors employed by the Group is 4,336. (01.01-31.12.2019: 4,285). The rate of retirement probability used is 97%. (01.01-31.12.2019: % 97).

For the period ended at 30 June 2020 and 31 December 2019 the movement schedule of severance pay provision is as follows:

	30.06.2020	31.12.2019
Balance of 01 January	48,560,363	35,840,240
Increase in the period	12,471,960	18,082,812
Interest cost	1,536,734	2,331,624
Payments during the period	(4,251,378)	(8,030,600)
Actuarial profit/(loss)	(2,471,791)	336,287
Balance at the end of the period	55,845,888	48,560,363

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NOTE 22 – EMPLOYEE BENEFIT LIABILITIES

	30.06.2020	31.12.2019
Due to personnel	14,483,554	10,038,352
Social security deductions payable	4,396,910	3,871,809
	18,880,464	13,910,161

NOTE 23 – OTHER CURRENT ASSETS AND LIABILITIES

Other Current Assets

	30.06.2020	31.12.2019
VAT carried forward	88,875,770	86,908,256
	88,875,770	86,908,256

NOTE 24 – SHARE CAPITAL

24.1 Paid in Capital

As of 30 June 2020 and 31 December 2019, Group’s paid in capital was divided into 250,000,000 shares as each valued at TRY 0,01 nominally 25,000,000,000 shares.

As of 30 June 2020 and 31 December 2019, Group’s paid in capital is as follows:

	30.06.2020		31.12.2019	
Shareholders:	Share (%)	TRY	Share (%)	TRY
Public Offered Shares	46.88%	117,189,944	46.88%	117,189,944
Akça Holding A.Ş.	50.73%	126,829,500	50.73%	126,829,500
Other	2.39%	5,980,556	2.39%	5,980,556
Total	100.00%	250,000,000	100.00%	250,000,000

According to Group’s main article of association, more than half of the Members of Board required to be elected from the candidates which are pointed out from A Group shareholders (TRY 100,000).

24.2 Inflation Adjustments of Shareholders’ Equity

	30.06.2020	31.12.2019
Inflation adjustment of shareholders’ equity	485,133	485,133
	485,133	485,133

24.3 Accumulated Other Comprehensive Income/(Expenses) not to be reclassified on Profit or Loss

24.3.1 Defined Benefit Plans Re-Measurement Gains (Losses)

	30.06.2020	31.12.2019
Defined Benefit Plans Re-Measurement Gains (Losses)	1,943,924	(28,816)
	1,943,924	(28,816)

24.4 Restricted Reserves

According to the Turkish Commercial Code, the general statutory reserves are allocated as 5% of the annual profit until 20% of the Group 's paid-up capital is reached. The other legal reserves are allocated at a rate of 10% of the total amount to be distributed to the shareholders after paying the shareholders a profit share of five percent. According to the Turkish Commercial Code, general legal reserves can only be used to cover losses, to keep operating at a time when things are not going well, or to take measures to prevent unemployment and mitigate its consequences, if it does not exceed the half of capital or capital removed.

	30.06.2020	31.12.2019
Legal reserves	10,460,462	10,460,462
	10,460,462	10,460,462

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5 %, until the total reserve reaches a maximum of 20 % of the Group’s share capital. The second legal reserve is appropriated at the rate of 10 % of all distributions in excess of 5 % of the Group’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50 % of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Profit Distribution

Public companies distribute their profit shares according to the Communiqué No: II-19.1, which is effective from 1 February 2014 of the CMB.

The partnerships distribute their profits within the framework of the profit distribution policies to be determined by the general assemblies and in accordance with the provisions of the related legislation by the decision of the general assembly. Within the scope of the said communiqué, a minimum distribution ratio has not been determined. Companies pay dividends in the manner specified in their articles of incorporation or profit distribution policies. In addition, dividends may be paid in installments of equal or different consistency, and cash dividend advances may be distributed over the profit on the interim period financial statements.

Unless the dividends determined according to the TCC are reserved for the shareholders in the Articles of Association or in the profit distribution policy; the profit share determined for the shareholders cannot be distributed to the shareholders as long as the dividend determined for the shareholders is paid in cash, as it is not decided whether the other reserves will be allocated, the profit will be distributed to the beneficiaries, the members of the board of directors, partnership employees and persons other than the shareholders.

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24.5 Retained Earnings/ Losses

The accumulated profits other than net period profit are shown in this item. Extraordinary reserves which are essentially accumulated profits and therefore unrestricted are also considered to be accumulated profits and are shown in this item.

	30.06.2020	31.12.2019
Previous Years Profits/(Losses)	(39,223,035)	(25,858,051)
	(39,223,035)	(25,858,051)

24.6 Minority Interest

The details of the minority interests as of 30 June 2020 are as follows

30 June 2020	Total Shareholders' Equity	Profit/(Loss) of the Period	Parent Group Share	Minority Interest	Minority part of Shareholders' Equity	Minority part of Profit/(Loss)	Minority Total comprehensive income / (loss)
Smryna	15,795,781	4,584,231	79.17%	20.83%	3,290,787	955,048	959,418
Tan Elektrik	(5,430,716)	(13,555,271)	67.90%	32.10%	(3,064,923)	(4,351,242)	(4,351,776)
Akça Enerji	(80,630,701)	(25,877,976)	80.42%	19.58%	(23,749,260)	(5,067,940)	(5,067,082)
					(23,523,396)	(8,464,134)	(8,459,440)

The details of the minority interests as of 31 December 2019 are as follows:

31 December 2019	Total Shareholders' Equity	Profit/(Loss) of the Period	Parent Group Share	Minority Interest	Minority part of Shareholders' Equity	Minority part of Profit/(Loss)	Minority Total comprehensive income / (loss)
Smryna	11,190,575	(1,545,328)	79.17%	20.83%	2,331,369	(321,943)	(314,391)
Tan Elektrik	8,126,219	5,758,202	67.90%	32.10%	1,286,853	1,848,383	1,849,816
Akça Enerji	(54,757,105)	(29,938,670)	80.42%	19.58%	(18,682,178)	(5,863,186)	(5,873,277)
					(15,063,956)	(4,336,746)	(4,337,852)

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NOTE 25 – SALES AND COST OF SALES

25.1 Sales

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Domestic sales	271,871,702	212,627,757	125,090,167	107,744,431
Export sales	351,427,404	349,242,846	166,011,391	207,635,717
Other sales	3,469,129	2,435,773	1,759,034	379,025
	626,768,235	564,306,376	292,860,592	315,759,173
Sales returns	(858,011)	(662,935)	(485,730)	(157,177)
Other discounts	(2,991,373)	(1,861,813)	(1,433,748)	(1,715,649)
Sales Income, (net)	622,918,851	561,781,628	290,941,114	313,886,347

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25.2 Cost of Sales

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Direct material expenses	334,167,223	380,369,746	154,144,881	194,819,303
Direct labor expenses	95,104,641	76,909,360	45,959,925	41,815,413
General production expenses	34,644,169	34,979,586	17,186,842	21,558,106
Depreciation expenses	8,981,895	8,051,147	4,404,917	4,007,686
<u>Change in semi-finished goods</u>				
1. Beginning semi-finished goods(+)	174,959,398	123,914,118	-	-
2. Ending semi-finished goods (-)	(228,371,924)	(194,846,035)	(32,894,132)	(3,344,667)
Cost of finished goods produced	419,485,402	429,377,922	188,802,433	258,855,841
<u>Changes in finished goods inventory</u>				
1. Beginning inventory (+)	27,181,623	16,245,387	-	-
2. Ending inventory (-)	(88,901,574)	(75,211,158)	(43,480,715)	(38,052,695)
Cost of finished goods sold	357,765,451	370,412,151	145,321,718	220,803,146
<u>Cost of merchandises</u>				
1. Beginning merchandise inventory (+)	348,368	906,815	-	-
2. Purchases during the period (+)	4,001,930	3,374,792	1,760,426	1,475,974
3. Ending merchandise inventory (-)	(2,012,359)	(385,182)	(1,303,810)	(221,343)
Cost of merchandises sold	2,337,939	3,896,425	456,616	1,254,631
Cost of other service rendered	499,384	607,144	252,990	198,508
Cost of other sales	133,646,133	83,323,590	60,222,847	43,755,789
Cost of biological assets	14,726,022	12,335,245	9,065,842	7,067,798
Depreciation of biological assets	1,210,850	1,146,499	606,360	589,644
Energy costs	19,276,314	13,702,346	10,516,553	5,560,594
Energy depreciation	7,450,181	5,941,674	4,295,593	3,019,487
Cost of sales, net	536,912,274	491,365,074	230,738,519	282,249,597

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As of 01 January – 30 June 2020 and 2019, for each main production group, quantities of goods and services

	Unit	01.01.- 30.06.2020	01.01.- 30.06.2019
Yarn	Kg	5,533,807	6,970,474
Raw Clothing	Mt2	51,914,763	64,822,445
Finishing Cloth	Mt2	82,750,018	85,812,152
Lining	Mt2	6,366,253	9,056,405
Linens, Sheets, Curtains, Pillows.	Quantity	8,492,896	9,878,943
Electricity	Kwh	109,395,300	100,771,841
Cotton Waste	Kg	160,561	242,257
Piece of Cloth	Kg	1,549,835	1,669,885
Yarn Waste	Kg	189,840	356,820
Textile Trash Powder	Kg	36,420	130,850
Tomato	Kg	3,762,166	4,027,788
Dried Figs	Kg	3,645,148	421,569
Dried Apricot	Kg	340,852	186,777
Dried Grape	Kg	6,928,212	5,651,121

As of 01 January – 30 June 2020 and 2019, for each main sales group, quantities of goods and services:

	Unit	01.01.- 30.06.2020	01.01.- 30.06.2019
Yarn	Kg	160,085	874,539
Raw Clothing	Mt2	333	5,744
Finishing Cloth	Mt2	8,329,596	5,836,469
Lining	Mt2	7,528,482	9,741,792
Linens, Sheets, Curtains, Pillows	Quantity	7,602,751	8,928,313
Electricity	Kwh	85,552,360	65,281,850
Cotton Waste	Kg	221,690	261,630
Piece of Cloth	Kg	1,482,035	1,627,380
Yarn Waste	Kg	189,840	356,820
Textile Trash Powder	Kg	36,420	130,850
Tomato	Kg	3,770,507	4,081,738
Dried Figs	Kg	3,645,148	421,569
Dried Apricot	Kg	340,852	186,777
Dried Grape	Kg	6,928,212	5,651,121

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NOTE 26 – RESEARCH AND DEVELOPMENT GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Research and development expenses	952,111	2,741,871	-	2,480,867
Marketing, sales and distribution expenses	18,019,950	13,814,568	8,980,153	6,748,166
General administrative expenses	16,253,900	11,465,969	7,960,813	4,413,508
	35,225,961	28,022,408	16,940,966	13,642,541

26.1 Research and Development Expenses

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Direct Material expenses	399,695	1,815,397	-	1,730,932
Personnel expenses	503,604	833,257	-	670,649
Other expenses	48,812	93,217	-	79,286
	952,111	2,741,871	-	2,480,867

26.2 Marketing Expenses

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Personnel expenses	5,633,468	4,128,956	2,873,839	1,865,080
Export expenses	9,365,591	7,390,148	5,294,721	3,159,754
Domestic sales transportation expense	1,545,283	234,164	280,545	183,907
Depreciation expenses	208,844	143,454	137,514	81,889
Other expenses	1,249,211	1,205,731	393,534	951,667
Fair expense	17,553	712,115	-	505,869
	18,019,950	13,814,568	8,980,153	6,748,166

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26.3 General Administrative Expenses

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Personnel expenses	8,799,476	4,931,052	4,465,971	2,761,834
Insurance expenses	928,200	448,311	495,091	51,065
Vehicle and office rental expenses	57,565	117,905	57,565	117,905
Education and consultancy expenses	837,531	736,386	450,671	308,031
Office expenses	296,270	324,912	26,140	47,057
Capital market expenses	108,482	158,919	160	68,708
Repair and maintenance expenses	39,635	40,999	14,279	5,004
Travelling expenses	244,493	443,425	72,497	158,674
Membership expenses	120,081	128,523	53,020	24,563
Tax and duty expenses	1,194,208	938,844	184,744	176,186
Shares in holding cost (*)	592,622	524,369	285,398	324,841
Provision for severance pay expense	717,889	250,878	404,857	(71,301)
Provision for unused personnel leave	608,446	964,245	286,943	(47,477)
Depreciation expenses	827,527	597,291	519,538	326,160
Other expenses	881,475	859,910	643,939	162,258
	16,253,900	11,465,969	7,960,813	4,413,508

(*) Regarding expenses consists of personnel expenses reflected to the Group by Akça Holding.

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NOTE 27 – OTHER OPERATING INCOME/ (EXPENSES)

27.1 Other Income From Operating Activities

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Reversal of unnecessary provision	16,949	244,372	-	28,859
Insurance compensation income	577,184	-	577,184	-
Foreign exchange gains related to commercial activities	9,388,015	8,494,142	2,195,213	3,342,317
Discount income / expenses on payables, net	3,049,703	4,229,259	347,408	(841,144)
Foreign exchange gains from related parties related to commercial activities (6-iii-f)	9,083,109	5,380,290	6,866,221	4,773,071
Rental income	370,281	412,244	233,471	283,162
Other income and profit	1,739,032	1,578,850	592,268	714,188
	24,224,273	20,339,157	10,811,765	8,300,453

27.2 Other Expenses From Operating Activities (-)

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Commission expenses	-	1,365,712	-	1,365,712
Foreign exchange gains related to commercial activities	19,360,678	11,124,938	1,921,969	7,814,937
Discountincome/expenses on receivables,net	4,365,145	4,566,848	(6,627)	603,224
Donation expenses	1,152,735	2,000,000	1,055,028	-
Other expenses and losses	310,664	651,834	90,447	645,973
	25,189,222	19,709,332	3,060,817	10,429,846

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NOTE 28 – INVESTMENT ACTIVITIES INCOME / EXPENSE

28.1 Income from Investment Activities

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Profit on sale of fixed assets	8,200	2,185,812	3,300	2,185,636
	8,200	2,185,812	3,300	2,185,636

28.2 Expenses from Investment Activities

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Losses on sale of fixed assets	-	700,214	-	688,830
	-	700,214	-	688,830

28.3 Profit / Loss From Investments Evaluated by Equity Pick-up Method

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Shares related with investment valued by the equity pick-up method	4,678,175	2,280,113	1,238,880	1,100,517
	4,678,175	2,280,113	1,238,880	1,100,517

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NOTE 29 – FINANCIAL INCOME / EXPENSES

29.1 Financial Income

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Interest income	722,613	707,451	452,024	486,674
Maturity differences income from related parties (6-iii-g)	104,056	415,039	-	131,215
Foreign exchange income regarding financial activities	6,453,894	5,172,346	3,809,086	2,390,674
Exchange difference income from futures contracts	639,350	431,289	181,825	386,389
	7,919,913	6,726,125	4,442,935	3,394,952

29.2 Financial Expenses (-)

	01.01.- 30.06.2020	01.01.- 30.06.2019	01.04.- 30.06.2020	01.04.- 30.06.2019
Interest expenses	22,432,485	20,346,313	11,903,791	11,816,464
Maturity differences expenses from related parties (6-iii-i)	700	-	700	-
Foreign exchange losses regarding financial activities	165,523,180	71,349,081	80,381,273	28,287,035
Foreign expenses for related parties (6-iii-h)	-	5,078,094	-	1,128,431
Commission expenses of borrowings	5,556,072	5,332,272	2,969,091	2,854,462
Financial expenses from right of use assets	75,594	19,846	17,520	19,846
Maturity difference expenses	776,515	82,444	467,837	38,581
Foreign exchange losses arising from futures contracts	36,475	1,480,335	36,475	1,305,785
Other financial expenses	1,557,758	1,305,575	778,006	66,231
	195,958,779	104,993,960	96,554,693	45,516,835

NOTE 30 –TAX ASSETS AND LIABILITIES

Group is liable to corporation tax valid in Turkey. The necessary provisions are made on the attached financial statements for expected tax liabilities related to the group’s current period activity results.

Corporation tax rate that will be accrued over corporation tax base is calculated over the tax base that remains after adding expenses recorded as expense in determination of commercial earnings that are non-deductible from tax base and subtracting tax-exempt profit, tax- free income and other deductions (if there are losses from previous years and used investment allowances if preferred).

The applied effective interest rate in the year of 2020 is 22% (2019: 22%)

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 22% in 2020 (2019: 22%).

There is no absolute and certain confirmation procedure related to tax evaluation in Turkey. Companies prepare their tax return between 1-25 Aprils coming after the related year’s balancing period (for the companies having special account period, between 1-25 of fourth month following the closing of period). These tax returns and related accounting records may be inspected and changed by tax department in five years.

There are some exceptions on Corporation Tax Law. These exceptions that Group will possibly utilize are explained as below;

Taxable losses

According to Turkish Tax Legislation, deduction of financial losses which are decelerated on financial statements, are possible to deduct from profit of the Group with the condition not exceeding 5 years. However, financial losses are not possible to be set-off from previous year profits.

Issue Premium Exemption

The Premium income provided by the disposing of stocks, formed whiles the establishments of Incorporated Companies or while increasing their capital, below their nominal values is an exemption from Corporation tax.

The Real Estate and Subsidiary Share Sales Gain Exemption

The 75% of income of corporations composed of subsidiary shares, real estates, privilege, and promoter’s stock and perpetual bonds are exemptions of Corporation tax as of 31 December 2018 for two years. However, this rate has been decreased from 75% to 50% for the real estate’s regarding to new updates over the rule numbered 7061 and the rate shall be used as 50% for the tax declarations as of 2019.

Investment Allowance Exemptions

Post abolishment of the law numbered 5479, temporary 69 th article is added to Income Tax Legislation related investment allowance.

According to this execution, Income and Corporation Taxpayers,

a. As of 31 December 2005, its existence is subject and the investment allowance amount that was not able to be deducted from 2005 earnings,

b. In the extent of investment incentive certificate which were issued and based on the application before 24 April 2003, ante abolishment of Income Tax Legislation numbered 193 and dated 09 April 2003 and law numbered 4842, in the extent of certificate the commenced investment projects relying on 1, 2, 3, 4, 5 and 6th the article of appendix and the ones commenced after 01 January 2006,

c. In the extent of abolished 19th article of Income Tax Legislation numbered 193, they started investments prior to 01 January 2006, in terms of economical and technical completeness the ones started post the date,

In terms of regulatory provisions effective on 31 December 2005, calculated amounts of exemptions from investment allowances, again in the extent of legal provisions valid on 31 December 2005 (including tax rate related legal provisions) was deducted merely from earnings of 2006, 2007 and 2008. However, with the decision numbered 2006/95, which was taken during the meeting of the Constitutional Court on 15 October 2009, the phrase “... only related to the years 2006, 2007 and 2008...” which was a part of the Temporary Article 69 of the Income Tax Law was cancelled and the cancellation became effective from the date the decision has been published in the Official Gazette on 8 January.2010. According to the decision, the investment incentive amount outstanding that cannot be deducted from 2008 taxable income previously will be deducted from taxable income of the subsequent profitable years.

Regarding the cancellation decision taken by the Constitutional Court, an amendment was made in the 69th article in Income Tax Regulation using the regulation numbered 6009 and dated 23/07/2010. Consequently, in compliance with the cancellation decision of the Constitutional Court, the year limitation has been abolished and investment allowance has been limited to 25% of the profit. Corporate tax ratio of 30% in the previous regulation for the ones who benefit from investment allowance has been decreased to the effective corporate tax with the amendment made.

Within the frame of the Communiqué “Decision regarding Government Incentive Assistance in Investment” dated 16 July 2009 and numbered 2009/01, newly investing companies are held subject to investment incentives based on the some regions.

Investment incentives and grants are; discount in corporation and income taxes (differs from region to region), provision for the investment, interest support.

Group is qualified for the investment incentives stated above due to the current and future investment expenditures. The investment area is within the 2nd Region according to the law numbered 5520, article 32/A; so the Group is qualified for 55% discount on corporation tax rate, which reduces corporation tax rate to 9% in accordance with Communiqué, 20% of total investment expenditures will be deducted from accrued corporation tax amount in the coming periods.

Withholding tax

In addition to Corporation tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 income tax stoppage rate was changed as 15%. Dividends that are added to capital without distribution are not subject to income tax stoppage. It is necessary to make tax withholding at 19.8% over investment allowance balance utilized based on investment incentive certificate taken before 24 April 2003. 40% or 30% of group activities directly related to production investment certificate investment expenses made after this date can be deducted. Tax withholding cannot be made on investment expenses without incentive certificate.

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Deferred Tax:

The potential deferred tax assets/(liabilities) of the Group represents the tax effects of temporary differences, arising between the financial statements reported for Communiqué purposes and the statutory tax financial statements. Such differences arise due to the different treatment of certain items of income and expense included in the Communiqué financial statements compared to the local tax return, in accordance with applicable tax laws.

As of balance sheet date, accumulated temporary differences and deferred tax assets and liabilities prepared by using current applicable tax rate is as follows:

	30.06.2020		31.12.2019	
	Cumulative temporary differences	Deferred tax / (liability))	Cumulative temporary differences	Deferred tax / (liability))
<u>Deferred tax assets:</u>				
Unearned interests on receivables	1,336,533	267,307	959,768	211,149
Severance pay provision	55,845,888	11,169,178	48,560,363	9,712,072
Unused vacation provisions	6,152,119	1,230,424	6,735,719	1,481,858
Reversal of capitalized financial expenses (except land, buildings)	99,610,964	19,922,193	75,396,642	15,079,328
Reversal of capitalized financial expenses (land, buildings)	31,432,117	3,143,212	31,432,118	3,143,212
Deductible retained losses	56,749,714	11,349,943	18,364,982	4,040,296
Foreign exchange	1,872,171	374,434	2,403,629	528,798
Effect of other corrections	30,869,857	6,173,972	14,663,724	3,226,024
Deferred tax assets		53,630,663		37,422,737
<u>Deferred tax liabilities:</u>				
Tangible assets (land, building, land improvements and depreciations), net	33,023,607	6,604,720	14,330,502	2,866,100
Unearned interests on payables	2,089,935	417,987	3,028,612	666,294
Adjustments related to financial debts	987,872	197,574	715,218	157,349
Investment property increase in value	1,069,127	106,913	1,069,127	106,913
Effect of other corrections	1,789,356	357,871	3,229,594	710,511
Insurance indemnity accrual	-	-	1,979,172	435,416
Deferred tax liabilities		7,685,065		4,942,583
Deferred tax assets / (liabilities), net		45,945,598		32,480,154

The Group calculates deferred tax assets and liabilities considering the effect of temporary differences arising from the different evaluations between the statutory financial statements prepared in accordance with TAS / TFRS issued by the Group and its financial statements. These temporary differences usually result from the recognition of income and expenses in different reporting periods according to TAS / TFRS and Tax Code.

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 05 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the said law, deferred tax assets and liabilities are recognized in the consolidated financial statements as of 31 December 2019 with a tax rate of 22% for the portion of temporary differences that will have a tax effect in 2018, 2019 and 2020 and 20% for temporary differences and 20% for 2021 and for after this year.

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For the period ended at 30 June 2020 and 2019 movements of deferred tax assets and liabilities are as follows:

	01.01.- 30.06.2020	01.01.- 30.06.2019
Current corporation tax	(959,178)	(340,646)
Deferred tax assets/(liabilities), net	13,959,802	2,733,225
	13,000,624	2,392,579

Deferred Tax (Asset) / Liability Movements	01.01.- 30.06.2020	01.01.- 31.12.2019
Opening balance	32,480,154	34,795,658
Deferred tax income / (expense)	13,959,802	(2,382,761)
Actuarial (gain) / loss effect prior periods	(494,358)	67,257
Closing balance	45,945,598	32,480,154

NOTE 31 – EARNINGS PER SHARE

	01.01.- 30.06.2020	01.01.- 30.06.2019
Net profit / (loss) for the period	(112,072,066)	(45,185,672)
Weighted-average number of shares outstanding (per share with TRY 1 value)	250,000,000	250,000,000
Simple earnings and divided earnings per share (TRY)	(0.4483)	(0.1807)

NOTE 32 – FINANCIAL INSTRUMENTS

Financial assets	30.06.2020	31.12.2019
Liquid assets	17,965,289	30,933,504
Trade receivables	173,454,741	124,239,432
Other receivables	16,957,984	14,044,302
Financial liabilities		
Financial borrowings	1,308,905,928	993,506,528
Lease payables	6,695,996	7,524,780
Other payables	38,368,328	2,452,989
Trade payables	226,559,488	267,149,534

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NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial Instruments

Credit Risk

Group is subject to credit risk arising from trade receivables related to credit sales and deposits at banks. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary and making only cash based sales to customer considered as having a higher risk. Collect ability of trade receivables are evaluated by management depending on their past experiences and current economic condition, and presented in the financial statements net of adequate doubtful provision.

As of 30 June 2020, maximum net credit risk is as follows:

	Trade Receivables		Other Receivables		Bank
	Related Party	Third Party	Related Party	Third Party	Deposits
Maximum net credit risk as of balance sheet date (A+B+C+D+E))	49,423,207	124,031,534	-	16,957,984	17,788,032
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	49,423,207	124,031,534	-	16,957,984	17,788,032
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-
Teminat vs ile güvence altına alınmış kısmı	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	65,554	-	-	-
Impairment (-)	-	(65,554)	-	-	-
The part of net value under guarantee with collateral	-	-	-	-	-
etc.	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral	-	-	-	-	-
etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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As of 31 December 2019, maximum net credit risk is as follows:

	Trade Receivables		Other Receivables		Bank
	Related Party	Third Party	Related Party(*)	Third Party	Deposits
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	46,036,187	78,203,245	6,367,331	7,676,971	30,852,502
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	46,036,187	78,203,245	-	7,676,971	30,852,502
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	6,367,331	-	-
The part under guarantee with collateral etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	65,554	-	-	-
Impairment (-)	-	(65,554)	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
Not past due (gross carrying amount))	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(*) Other receivables amounting to TRY 6,367,331 including principal and maturity difference from Akça Holding A.Ş., one of the related parties of the Group were closed in February 2020.

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Liquidity risk

Liquidity risk is the Group’s possibility of not fulfilling net funding liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources, are reasons of liquidity risk.

As of 30 June 2020, Group’s liquidity risk table is as follows:

30 June 2020						
Maturities according to agreement	Book Value	Contractual total cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)	More than 5 Years (IV)
Financial Liabilities Non Derivatives	1,606,110,680	1,684,340,195	474,682,868	372,739,793	600,470,791	236,446,743
Financial borrowings	1,308,183,493	1,384,058,920	269,903,833	279,460,420	598,247,924	236,446,743
Financial leasing	6,695,996	6,960,149	1,207,378	3,529,904	2,222,867	-
Trade payables	226,559,488	228,649,425	178,493,876	50,155,549	-	-
- <i>Related parties</i>	116,417	117,100	117,100	-	-	-
- <i>Other parties</i>	226,443,071	228,532,325	178,376,776	50,155,549	-	-
Other liabilities	64,671,703	64,671,701	25,077,781	39,593,920	-	-
- <i>Related parties</i>	21,437,058	21,437,056	-	21,437,056	-	-
- <i>Other parties</i>	43,234,645	43,234,645	25,077,781	18,156,864	-	-
	1,606,110,680	1,684,340,195	474,682,868	372,739,793	600,470,791	236,446,743

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As of 31 December 2019, Group’s liquidity risk table is as follows:

31 December 2019						
Maturities according to agreement	Book Value	Contractual total cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)	More than 5 Years (IV)
Financial Liabilities Non Derivatives	1,287,531,245	1,360,613,991	462,806,197	346,085,034	402,493,181	149,229,579
Financial borrowings	992,460,907	1,064,951,326	189,916,712	327,383,302	398,421,733	149,229,579
Financial leasing	7,524,780	8,341,677	1,047,391	3,222,838	4,071,448	-
Trade payables	267,149,534	266,924,964	266,283,881	641,083	-	-
- Related parties	-	-	-	-	-	-
- Other parties	267,149,534	266,924,964	266,283,881	641,083	-	-
Other liabilities	20,396,024	20,396,024	5,558,213	14,837,811	-	-
- Related parties	85,050	85,050	85,050	-	-	-
- Other parties	20,310,974	20,310,974	5,473,163	14,837,811	-	-
	1,287,531,245	1,360,613,991	462,806,197	346,085,034	402,493,181	149,229,579

Interest Rate Risk

The Group’s financial liabilities exposure the Group to interest rate risk. The Group’s financial liabilities mainly consist of fixed rate borrowings. As of 30 June 2020, according to the current balance sheet position, in the case of 1% decrease / increase and keeping fixed all the variables the Group’s net profit will increase / decrease TRY 2,037,826

Foreign currency risk

The effects occurring from exchange rate fluctuation, in case of having foreign currency assets, liabilities, off-balance sheet liabilities, are foreign currency risk. Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of profit/loss. Monetary liabilities of the Group exceed monetary assets of the Group; in case of exchange rate rise, the Group is exposed to foreign currency risk.

As of 30 June 2020, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 120,504,754 more/less. (%20 evaluation/devaluation : 241,009,505 TRY).

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Foreign currency risk sensitivity

	Profit/ (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 10% against USD				
1- USD net asset / liability	(27,889,810)	27,889,810	(27,889,810)	27,889,810
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(27,889,810)	27,889,810	(27,889,810)	27,889,810
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(92,806,743)	92,806,743	(92,806,743)	92,806,743
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(92,806,743)	92,806,743	(92,806,743)	92,806,743
In the case of increasing / losing value of TRY by 10% against GBP				
7- GBP net asset / liability	190,240	(190,240)	190,240	(190,240)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	190,240	(190,240)	190,240	(190,240)
In the case of increasing / losing value of TRY by 10% against CHF				
10- CHF net asset / liability	1,559	(1,559)	1,559	(1,559)
11- Part of hedged from CHF risk (-)	-	-	-	-
12- CHF net effect(10+11)	1,559	(1,559)	1,559	(1,559)
TOTAL (3+6+9+12)	(120,504,754)	120,504,754	(120,504,754)	120,504,754

	Profit/ (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 20% against USD				
1- USD net asset / liability	(55,779,619)	55,779,619	(55,779,619)	55,779,619
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(55,779,619)	55,779,619	(55,779,619)	55,779,619
In the case of increasing / losing value of TRY by 20% against EUR				
4- EUR net asset / liability	(185,613,487)	185,613,487	(185,613,487)	185,613,487
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(185,613,487)	185,613,487	(185,613,487)	185,613,487
In the case of increasing / losing value of TRY by 20% against GBP				
7- GBP net asset / liability	380,482	(380,482)	380,482	(380,482)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	380,482	(380,482)	380,482	(380,482)
In the case of increasing / losing value of TRY by 20% against CHF				
10- CHF net asset / liability	3,119	(3,119)	3,119	(3,119)
11- Part of hedged from CHF risk (-)	-	-	-	-
12- CHF net effect(10+11)	3,119	(3,119)	3,119	(3,119)
TOTAL (3+6+9+12)	(241,009,505)	241,009,505	(241,009,505)	241,009,505

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As of 31 December 2019, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 104,178,841 more/less. (%20 evaluation/devaluation: 208,357,680 TRY).

Foreign currency risk sensitivity

	Profit/ (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 10% against USD				
1- USD net asset / liability	(30,758,594)	30,758,594	(30,758,594)	30,758,594
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(30,758,594)	30,758,594	(30,758,594)	30,758,594
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(74,231,773)	74,231,773	(74,231,773)	74,231,773
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(74,231,773)	74,231,773	(74,231,773)	74,231,773
In the case of increasing / losing value of TRY by 10% against GBP				
7- GBP net asset / liability	811,483	(811,483)	811,483	(811,483)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8))	811,483	(811,483)	811,483	(811,483)
In the case of increasing / losing value of TRY by 10% against CHF				
10- CHF net asset / liability	43	(43)	43	(43)
11- Part of hedged from CHF risk (-)	-	-	-	-
12- CHF net effect(10+11)	43	(43)	43	(43)
TOTAL (3+6+9+12)	(104,178,841)	104,178,841	(104,178,841)	104,178,841

	Profit/ (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 20% against USD				
1- USD net asset / liability	(61,517,187)	61,517,187	(61,517,187)	61,517,187
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(61,517,187)	61,517,187	(61,517,187)	61,517,187
In the case of increasing / losing value of TRY by 20% against EUR				
4- EUR net asset / liability	(148,463,545)	148,463,545	(148,463,545)	148,463,545
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(148,463,545)	148,463,545	(148,463,545)	148,463,545
In the case of increasing / losing value of TRY by 20% against GBP				
7- GBP net asset / liability	1,622,967	(1,622,967)	1,622,967	(1,622,967)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	1,622,967	(1,622,967)	1,622,967	(1,622,967)
In the case of increasing / losing value of TRY by 20% against CHF				
10- CHF net asset / liability	85	(85)	85	(85)
11- Part of hedged from CHF risk (-)	-	-	-	-
12- CHF net effect(10+11)	85	(85)	85	(85)
TOTAL (3+6+9+12)	(208,357,680)	208,357,680	(208,357,680)	208,357,680

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Risk of intensification of sales

During the reporting periods ending on 30 June 2020 and 2019, the risk of intensification of the Group's sales is due to sales from textile sector operations.

The sales activities of the Group are determined according to fluctuations in the domestic and overseas markets and competition conditions. It is taken care of to not to concentrate on a specific sector, country, person and Group in terms of dissolving risks. Even so, as of 30 June 2020, the share of the largest buyer in the revenue from textile sector operations is 56.83% (30 June 2019: 66,56%). The customer mentioned is a major international supplier and the commercial relation between the customer and the Group has been maintained for many years.

The share of the largest buyers in the revenue from agriculture sector operations is 85,39%.(30 June 2019: 80,63%) Domestic sales of dried fruits (grape, fig and apricot) produced by Menderes as subcontractors are made in accordance with the "Sales Agreement" signed between Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş., the related party of the Group and Osman Akça exports these products to different customers abroad

Percentage of total sales of two buyers with the largest share in total sales of the Group is given below:

Textile:

Customer	01.01.- 30.06.2020	01.01.- 30.06.2019
A Company	56.83%	66.56%
	56.83%	66.56%

Agriculture:

Customer	01.01.- 30.06.2020	01.01.- 30.06.2019
B Company	85.39%	80.63%
	85.39%	80.63%

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As of 30 June 2020, amounts of assets and liabilities of the Group in foreign currency are as follows:

	30 June 2020				
	TRY equivalent functional currency	USD	EUR	GBP	CHF
1. Trade Receivables	67,906,565	5,719,748	3,489,045	222,663	-
2a. Monetary Financial Assets (including cash and banks)	19,256,522	1,103,660	1,513,156	3,056	2,161
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current Assets (1+2+3)	87,163,087	6,823,408	5,002,201	225,719	2,161
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	24,203,614	13,827	3,127,709	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	24,203,613	13,827	3,127,709	-	-
9. Total Assets (4+8)	111,366,700	6,837,235	8,129,910	225,719	2,161
10. Trade Payables	115,323,822	12,403,019	3,951,621	-	-
11. Financial Liabilities	500,982,849	13,079,971	53,383,030	-	-
12a. Other monetary financial liabilities	14,975,180	2,074,782	101,075	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current Liabilities (10+11+12)	631,281,851	27,557,772	57,435,726	-	-
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	685,132,374	20,040,927	71,094,204	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	685,132,374	20,040,927	71,094,204	-	-
18. Total Liabilities	1,316,414,225	47,598,699	128,529,930	-	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	(1,205,047,525)	(40,761,464)	(120,400,020)	225,719	2,161
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1,205,047,524)	(40,761,464)	(120,400,020)	225,719	2,161
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	351,427,404	941,118	14,896,573	1,119,064	-
24. Imports(**)	238,846,371	24,579,086	11,310,994	1,166	340

(*) The Group has TRY 228,580,299 export for the period of 01.01.-30.06.2020

(**) Group has TRY 263,598 import for the period of 01.01.-30.06.2020.

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As of 31 December 2019, amounts of assets and liabilities of the Group in foreign currency are as follows:

31 December 2019	TRY equivalent functional currency	USD	EUR	GBP	CHF
1. Trade Receivables	64,587,607	4,444,105	4,522,078	1,043,426	-
2a. Monetary Financial Assets (including cash and banks)	8,122,514	695,630	599,837	81	70
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	1,887,308	317,718	-	-	-
4. Current Assets (1+2+3)	74,597,429	5,457,453	5,121,915	1,043,507	70
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	32,843,043	-	4,938,358	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	32,843,043	-	4,938,358	-	-
9. Total Assets (4+8)	107,440,472	5,457,453	10,060,273	1,043,507	70
10. Trade Payables	172,839,503	24,200,265	4,373,303	-	-
11. Financial Liabilities	511,036,405	18,035,028	60,732,074	-	-
12a. Other monetary financial liabilities	113,836	8,017	9,956	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current Liabilities (10+11+12)	683,989,744	42,243,310	65,115,333	-	-
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	465,239,128	14,994,543	56,561,595	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	465,239,128	14,994,543	56,561,595	-	-
18. Total Liabilities	1,149,228,872	57,237,853	121,676,928	-	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	(1,041,788,400)	(51,780,400)	(111,616,655)	1,043,507	70
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1,043,675,707)	(52,098,118)	(111,616,655)	1,043,507	70
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	971,835,617	31,822,692	25,123,689	2,461,220	-
24. Imports(**)	514,580,730	77,623,883	10,800,934	20,735	18,557

(*) The Group has TRY 614,474,396 export for the period of 01.01.-31.12.2019

(**) The Group has TRY 539,176 import for the period of 01.01.-31.12.2019.

NOTE 34 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available markets information in Turkey and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented here in are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are utilized for the current values of financial instruments which are predictable in practice;

Financial Assets

Monetary assets for which fair value approximates carrying value:

- Balances denominated in foreign currencies are converted at period exchange rates.
- The fair value of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying amounts in the financial statements.
- The carrying value of trade receivables, net of allowances for possible non-recovery of uncollectible are considered to approximate their fair values.

Financial Liabilities

Monetary liabilities for which fair value approximates carrying value:

- The fair value of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
- The fair values of long-term bank borrowings, which are denominated in foreign currencies and converted at period exchange rates, are considered to approximate their carrying values.
- The carrying amount of accounts payable and accrued expenses reported in the financial statements for estimated third party payer set TRY amounts approximates its fair values.

Capital Risk Management

In capital management, the Group aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Group follows capital by using debt to equity ratio. This rate is found by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from total payable amount (as shown in balance sheet, trade and other payables and loans). Total capital, as shown in balance sheet, is calculated by adding up equity and net debt.

As of 30 June 2020 and 31 December 2019, net debt / total equity ratio is as follows:

	30.06.2020	31.12.2019
Total debts	1,677,988,145	1,349,252,612
Liquid assets	(17,965,289)	(30,933,504)
Net debt	1,660,022,856	1,318,319,108
Total equity	62,503,587	181,062,353
Total capital	1,722,526,443	1,499,381,461
Net Debt/Total Capital	96%	88%

NOTE 35 - OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSED FOR CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

During the retrospective analysis, it was determined that in the financial transactions with Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş, which is a related party of the Group, the exchange rate differences calculated in TRY were inadvertently added to the USD balance in the currency valuation made in the March, June, and September 2013.

As a result of the period ended on 31 December 2013, the amount of liability, which should have been shown as USD 8,555,320 was increased by USD 9,228,663 and reported as USD 17,783,982.

As a result of the correction of the USD 9,228,663 principal receivable that occurred in favor of the Company due to incorrect currency evaluations performed during the 2013 operating period, a total of TRY 54,820,102 including TRY 19.696,735 principal and foreign exchange difference and TRY 35,123,367 foreign exchange difference adjustment in other years, was retrospectively corrected. The summary of the differences resulting from the foreign currency valuation of the related balance as of previous periods is as follows.