Fina Enerji Holding
Anonim Şirketi
And Its Subsidiaries

Consolidated Financial Statement
As At and For The Year Ended As At
31 December 2020
With
Independent Auditor's Report

29 June 2021

This report includes 3 pages of independent auditor's report and 96 pages of consolidated financial statements together with their explanatory notes.

Fina Enerji Holding Anonim Şirketi
and its Subsidiaries

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fina Enerji Holding A.Ş.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fina Enerji Holding A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (*IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Consolidated financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2020.

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

DRT BAĞIMSIZ DENETİM VE SMMM A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul, 30 June 2021

Fina Enerji Holding A.Ş. and Its Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	**31 December 2020**	**31 December 2019**
ASSETS			
Current assets			
Cash and cash equivalents	*5*	289,418	241,041
Trade receivables	*7*	103,732	73,528
- Due from related parties	*4*	*1,343*	*1,810*
- Due from third parties		*102,389*	*71,718*
Other receivables	*8*	15,733	1,054
- Due from third parties		*15,733*	*1,054*
Inventories	*16*	112,231	--
Derivative financial instruments	*17*	842	30,618
Prepaid expenses	*9*	164,480	16,995
Current tax assets	*25*	1,342	5,411
Other current assets	*16*	136,828	95,898
Total current assets		**824,606**	**464,545**
Non-current assets			
Other receivables	*8*	1,132	1,826
- Due from third parties		*1,132*	*1,826*
Financial investments	*12*	50	50
Prepaid expenses	*9*	79,040	55,035
Property and equipment	*10*	7,231,987	5,073,166
-Mining assets	*10*	*1,643,516*	*1,230,135*
-Other property and equipment	*10*	*5,588,471*	*3,843,031*
Intangible assets		143,002	104,882
- Goodwill	*11*	*11,782*	*11,782*
- Other intangible assets	*11*	*131,220*	*93,100*
Deferred tax assets	*25*	1,521,926	973,559
Other non-current assets	*16*	46,348	80,503
Total non-current assets		**9,023,485**	**6,289,021**
Total assets		**9,848,091**	**6,753,566**

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

Fina Enerji Holding A.Ş. and Its Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

LIABILITIES	***Notes***	**31 December 2020**	**31 December 2019**
Current liabilities			
Short term loans and borrowings	*6*	1,314,588	409,191
Short term portion of long term loans and borrowings	*6*	1,650,813	1,349,706
Derivative financial instruments	*17*	1,569	52,454
Trade payables	*7*	224,396	141,344
- Due to related parties	*4*	*75*	*64*
- Due to third parties		*224,321*	*141,280*
Payables due to employee benefits	*15*	16,471	9,577
Other payables	*8*	24,039	25,923
- Due to related parties	*4*	*20,034*	*23,105*
- Due to third parties		*4,005*	*2,818*
Contract liabilities	*9*	9,078	4,660
Deferred revenue	*9*	1,485	617
Current tax liability	*25*	--	2,327
Short-term provisions		4,482	3,482
- Provisions for employee benefits	*14*	*3,930*	*3,039*
- Other short-term provisions		*552*	*443*
Other current liabilities	*16*	18,729	10,890
Total current liabilities		**3,265,650**	**2,010,171**
Non-current liabilities			
Long term loans and borrowings	*6*	3,689,123	2,726,629
Trade payables	*7*	47,948	51,542
- Due to third parties		*47,948*	*51,542*
Other payables		659,000	--
- Due to related parties		*659,000*	--
Deferred revenue	*9*	144	1,329
Long-term provisions		18,380	15,826
- Provisions for employee benefits	*14*	*6,390*	*4,478*
- Other non-current provision	*14*	*11,990*	*11,348*
Deferred tax liabilities	*25*	558,325	450,021
Other non-current liabilities		4,665	4,722
Total non-current liabilities		**4,977,585**	**3,250,069**
EQUITY			
Paid-in capital	*18*	291,349	291,349
Items that will not be reclassified to profit or loss, accumulated		2,198,941	1,718,658
- Fair value reserve		*2,201,425*	*1,720,653*
- Actuarial effect from defined pension plans		*(2,484)*	*(1,995)*
Capital reserves	*18*	189,187	189,187
Restricted reserves	*18*	3,594	1,993
Accumulated losses		(1,078,539)	(1,241,106)
Net (loss) / profit for the year		(422,458)	163,983
Equity attributable to owners of the Company		**1,182,074**	**1,124,064**
Non-controlling interests	***18***	**422,782**	**369,262**
Total equity		**1,604,856**	**1,493,326**
Total equity and liabilities		**9,848,091**	**6,753,566**

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

Fina Enerji Holding A.Ş. and Its Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Note	1 January- 31 December 2020	1 January- 31 December 2019
Profit or loss			
Revenues	*19*	1,153,832	866,610
Cost of revenues	*19*	(788,603)	(532,013)
Gross profit		**365,229**	**334,597**
General administrative expenses	*20*	(43,613)	(31,281)
Marketing expenses	*20*	(2,431)	(3,496)
Impairment losses on trade and other receivables, net	*24*	(1,292)	(1,583)
Other income	*21*	5,356	3,157
Other expenses	*21*	(6,048)	(7,120)
Operating profit		**317,201**	**294,274**
Finance income	*23*	149,111	172,786
Finance costs	*23*	(1,398,186)	(509,326)
Net finance costs		**(1,249,075)**	**(336,540)**
Loss before tax for the year		**(931,874)**	**(42,266)**
Taxation income		**560,694**	**397,389**
- Current tax expense	*25*	--	(2,964)
- Deferred tax benefit	*25*	560,694	400,353
(Loss) / Profit for the year		**(371,180)**	**355,123**
Other comprehensive income items that will not to be reclassified to profit or loss			
Change in fair value reserves	*10,18*	603,767	782,093
Actuarial losses from defined benefit plans		(611)	(470)
Deferred tax expense	*25*	(120,631)	(156,391)
Total other comprehensive income		**482,525**	**625,232**
Total comprehensive income		**111,345**	**980,355**

Profit/(Loss) attributable to:			
Owners of the Company		(422,458)	163,983
Non-controlling interests	*27*	51,278	191,140
Profit/(Loss) for the year		**(371,180)**	**355,123**
Total comprehensive Income attributable to:			
Owners of the Company		57,825	779,615
Non-controlling interests	*27*	53,520	200,740
Total comprehensive income for the year		**111,345**	**980,355**

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

Fina Enerji Holding A.Ş. and Its Subsidiaries

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

		Items that will not be reclassified to profit or loss				**Accumulated Profit/(Losses)**				
	Paid in capital	***Fair value reserve***	***Actuarial losses from defined pension plans***	***Capital reserves***	***Restricted reserves***	***Previous years' losses***	***Net Profit/(Loss) for the year***	***Total equity attributable to equity owners of the group***	***Non-controlling Interest***	***Total equity***
Balance as at 1 January 2019	**291,349**	**1,104,579**	**(1,553)**	**189,187**	**2,140**	**(800,354)**	**(440,801)**	**344,547**	**168,302**	**512,849**
Net profit for the year	--	--	--	--	--	--	163,983	**163,983**	191,140	**355,123**
Other comprehensive income/(expense) (Note 18,25)	--	616,074	(442)	--	--	--	--	**615,632**	9,600	**625,232**
Total comprehensive income	**--**	**616,074**	**(442)**	**--**	**--**	**--**	**163,983**	**779,615**	**200,740**	**980,355**
Transactions with owners of the Company, recognised directly in equity										
Transfers	--	--	--	--	256	(441,057)	440,801	--	--	--
Capital contribution by NCI in the consolidated subsidiaries (Note 18)	--	--	--	--	--	--	--	--	**122**	**122**
Capital contribution by the parent company on behalf of NCI in the consolidated subsidiaries (Note 18)	--	--	--	--	--	(98)	--	**(98)**	**98**	--
Dividend distribution through the reserves (Note 18)	--	--	--	--	(403)	403	--	--	--	--
Balance as at 31 December 2019	**291,349**	**1,720,653**	**(1,995)**	**189,187**	**1,993**	**(1,241,106)**	**163,983**	**1,124,064**	**369,262**	**1,493,326**
Balance as at 1 January 2020	**291,349**	**1,720,653**	**(1,995)**	**189,187**	**1,993**	**(1,241,106)**	**163,983**	**1,124,064**	**369,262**	**1,493,326**
Net loss for the year	--	--	--	--	--	--	(422,458)	**(422,458)**	51,278	**(371,180)**
Other comprehensive income/(expense) (Note 18,25)	--	480,772	(489)	--	--	--	--	**480,283**	2,242	**482,525**
Total comprehensive income	--	**480,772**	**(489)**	--	--	--	**(422,458)**	**57,825**	**53,520**	**111,345**
Transactions with owners of the Company, recognized directly in equity										
Transfers	--	--	--	--	1,416	162,567	(163,983)	--	--	--
Effect of business combination (Note 18)	--	--	--	--	185	--	--	**185**	--	**185**
Balance as at 31 December 2020	**291,349**	**2,201,425**	**(2,484)**	**189,187**	**3,594**	**(1,078,539)**	**(422,458)**	**1,182,074**	**422,782**	**1,604,856**

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

Fina Enerji Holding A.Ş. and Its Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	**1 January-31 December 2020**	**1 January-31 December 2019**
A. Cash flows from operating activities		**415,469**	**387,705**
(Loss) / Profit for the year		**(371,180)**	**355,123**
Adjustments to reconcile cash flow		**897,973**	**43,859**
Depreciation and amortization charge	*22*	103,734	68,111
Provision for doubtful receivables	*24,7*	2,348	2,050
Write off receivables for the unfeasible projects	*24*	--	845
Gain on disposal of tangible and intangible assets, net	*10,21*	(2,398)	(1,994)
Write off capitilized costs	*10,21*	--	4,077
Derivative transactions	*23*	50,236	(56,590)
Provision for employee termination indemnities (including interest costs)	*14*	2,153	1,594
Provision for vacation pay liability	*14*	891	976
Provision for litigation and claims		109	179
Effect of business combination		185	--
Loss from liquidation of non-consolidated entity	*21*	--	1,320
Interest income and expense	*23*	222,184	166,676
Unrealized foreign exchange losses	*23*	1,064,049	245,451
Adjustments to other cash flows from the finance activities		15,176	8,553
Income tax benefit, net	*25*	(560,694)	(397,389)
Changes in working capital		**(135,706)**	**(39,428)**
Change in trade receivables		(33,608)	(42,547)
Change in payables related to employee benefits		6,894	5,439
Change in other receivables, other current assets and other non-current assets		(83,983)	(49,759)
Change in trade payables		60,220	23,084
Change in inventories		(96,413)	--
Change in deferred revenue		5,286	4,681
Change in other payables and other liabilities related with operating activities		5,898	19,674
Cash flows generated from operating activities		**24,382**	**28,151**
Employee termination indemnity paid	*14*	(852)	(454)
Collection received from doubtful receivables	*7*	1,056	1,312
Interest received		22,436	32,319
Taxes paid	*25*	1,742	(5,026)

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

B. Cash flows used in investing activities		**(1,408,853)**	**(473,235)**
Proceeds from sales of tangible and intangible assets	*10*	3,267	2,087
Advance payment for pre-emption rights or share rights	*16*	--	(8,793)
Proceeds from advances received back from pre-emption rights or share rights, upon cancellation	*16*	--	57,608
Change in prepayments		(171,490)	(26,488)
Cash inflow / (outflows) from derivatives		(1,781)	17,211
Cash outflows from tangible assets recognized through "asset acquisition"	*10*	--	(2,171)
Cash outflows from intangible assets recognized through "asset acquisition"	*11*	--	(2,182)
Acquisition of tangible assets (mining assets included)	*10,6*	(1,236,853)	(507,690)
Acquisition of intangible assets	*11*	(1,996)	(2,817)
C. Cash flows provided from financing activities		**1,025,384**	**205,397**
Proceeds from loans and borrowings	*6*	4,154,584	1,836,178
Change in blocked deposits		(16,415)	(42,560)
Changes in other receivable and payables due to/from related parties, net		636,985	(4,479)
Capital contribution by non controlling interests in the consolidated subsidiaries	*18*	--	122
Repayment of loans and borrowings	*6*	(3,113,205)	(1,309,109)
Cash flows from derivative transactions, related to investing activities, net		(69,564)	(125,090)
Other finance cost paid		(15,176)	(8,553)
Interest paid	*6*	(551,825)	(158,323)
Net increase in cash and cash equivalents before translation effect of foreign currency (A+B+C)		**32,000**	**102,656**
D. Translation effect of foreign currency at cash and cash equivalents	***23***	**(38)**	**(6,219)**
Net increase in cash and cash equivalents (A+B+C+D)		**31,962**	**96,437**
E. Cash and cash equivalents at the beginning of the period	***5***	**139,545**	**43,108**
Cash and cash equivalents at the end of the period(A+B+C+D+E)	***5***	**171,507**	**139,545**

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

Notes to the consolidated financial statements

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

1 Reporting Entity

Fina Enerji Holding Anonim Şirketi ("Fina Enerji Holding" or "Company") was established for development and construction of energy projects and wholesale and trade of electricity on 2007.

Fina Enerji Holding is owned and managed by Fina Holding A.Ş. ("Fina Holding"). As at 31 December 2020 Fina Enerji Holding has 28 subsidiaries ("Subsidiaries") (2019: 30) (all together will be referred to as "the Group" herein and after).

The nature of the operations of the subsidiaries and effective ownership interest of the Group are listed below:

Subsidiary	Operation Scope	2020 Effective ownership Rate (%)	2019 Effective ownership Rate (%)
Fina Elektrik Enerjisi İthalat İhracat Ve Toptan Satış A.Ş. ("Fina Elektrik")	Electricity wholesale	99.99	99.99
Fina Enerji Mühendislik Mütaahhitlik Dış Ticaret Montaj ve Servis A.Ş. ("FEM") (*****)	Engineering and consultancy services	--	99.99
Ütopya Elektrik Üretim A.Ş	Power Generation-wind power plants	84.99	84.99
Ziyaret RES Elektrik Üretim Sanayi ve Ticaret A.Ş. (******)	Power Generation-wind power plants	--	99.99
Manres Elektrik Üretim A.Ş (******)	Power Generation-wind power plants	99.99	99.99
Çanres Elektrik Üretim A.Ş	Power Generation-wind power plants	99.99	99.99
Öres Elektrik Üretim A.Ş	Power Generation-wind power plants	99.99	99.99
Osres Elektrik Üretim A.Ş(*)	Power Generation-wind power plants	99.99	99.99
Aysu Enerji Sanayi ve Ticaret A.Ş.	Power Generation-wind power plants	99.99	99.99
Serin Enerji Elektrik Üretim Dağıtım Sanayi Ve Ticaret A.Ş.	Power Generation-wind power plants	99.99	99.99
Borares Enerji Elektrik Üretim A.Ş.	Power Generation-wind power plants	99.99	99.99
Kavram Enerji Elektrik Üretim A.Ş.	Power Generation-wind power plants	100.00	100.00
İstres Elektrik Üretim A.Ş.(*)	Power Generation-wind power plants	99.99	99.99
Yares Elektrik Üretim A.Ş.(*)	Power Generation-wind power plants	99.99	99.99
Balres Elektrik Üretim A.Ş. (***)	Power Generation-solar power plants	99.99	99.99
Ovayel Elektrik Üretim A.Ş. (*)	Power Generation-wind power plants	99.99	99.99

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

Subsidiary	Operation Scope	31 December 2020 Effective ownership Rate (%)	31 December 2019 Effective ownership Rate (%)
Polyak Eynez Enerji Üretim Madencilik Sanayi Ve Ticaret A.Ş. ("Polyak") (*)	Power Generation-mine, mine exploration	51.00	51.00
Anres Elektrik Üretim A.Ş.(*)	Power Generation-mine, mine exploration	99.99	99.99
Binres Elektrik Üretim A.Ş.(*)	Power Generation-wind power plants	99.99	99.99
Eceres ElektrikÜretim A.Ş.(*)	Power Generation-wind power plants	99.99	99.99
Geyres Elektrik ÜretimA.Ş.(*)	Power Generation-wind power plants	99.99	99.99
Kıres Elektrik Üretim A.Ş.(*)	Power Generation-wind power plants	99.99	99.99
Sapres Elektrik Üretim A.Ş.(*)	Power Generation-wind power plants	99.99	99.99
Zeres Elektrik Üretim A.Ş.(*)	Power Generation-wind power plants	99.99	99.99
Adayel Elektrik Üretim A.Ş.(***)	Power Generation-solar power plants	99.00	99.00
Beyres Elektrik Üretim A.Ş.(***)	Power Generation-solar power plants	99.00	99.00
Gülres Elektrik Üretim A.Ş.(***)	Power Generation-solar power plants	99.00	99.00
Elayel Elektrik Üretim A.Ş. (***)	Power Generation-solar power plants	99.00	99.00
Girişim Araştırma Geliştirme ve Müşavirlik Hizm. A.Ş. (******)	Investment research and development	--	99.99
Ares Elektrik Üretim A.Ş. ("Ares") (****)	Power Generation-wind power plants	100.00	100.00
Tekno Rüzgar Enerji Yatırım Üretim ve Ticaret A.Ş. ("Tekno") (**)	Elektrik Üretim- rüzgar enerjisi santrali	99.99	--

(*) Non-operating entities or entities that have just recently started its operations at the reporting dates.

(**) Tekno has a renewable energy generation license numbered 9161-14 / 04429, which authorizes wind energy-based electricity generation activities for 49 years from 6 February 2020. Within the scope of the electricity generation licence, Tekno's main production activity region has been determined as Balya district of Balıkesir Province. As of the reporting date, it has installed electrical capacity by 44 MWe. Following the receipt of the production license granted from EMRA, in accordance with contract for pre-emption rights of Tekno's shares, the share transfer process of Tekno was completed on 12 March 2020 in return for an advance of Euro 9,460 and TL 15,259 during the closing process.

Acquisition of Tekno has been evaluated as of the share transfer transaction date and reporting period within the scope of accounting for business combinations that are also allowed to be applied early within the scope of IFRS 3. Taking into account the phases of inputs and the process that are the basic functions of an enterprise, and the outputs which the process and inputs could have the ability to generate, it was evaluated that the foregoing acquisition was in the form of "asset acquisition" at the date of acquisition. However, depending on the start of the electricity generation with partial start-up processes towards the end of the current reporting period and the acceleration in the investment processes, it has been assessed that the "conversion to operation" process has been completed.

1 Reporting entity *(continued)*

(***) All shares, except one share, of the entities operating in the solar energy sector where Fina Energy Holding had own 99% of direct shares were transferred to Ziyaret, which is also indirectly owned by the Company by 99%. However, since the Company maintained its 99% interest and control over these transferred companies even subsequent to the transaction, this transfer did not cause any significant difference in terms of consolidated financial statements.

(****) All shares of Ares, which will operate in the Van region, with an installed power capacity of 50 MWe, has been acquired by Fina Enerji Holding during the previous year with the decision letter dated 11 July 2019 and numbered 32231 of the Head of Electricity Market Department, which positively evaluates the demand of the Company within the framework of the relevant legislation. In return for the transfer of Ares shares, the Company will have to make cash payments to the seller party for a total consideration of Euro 8,500, including Euro 750 in advance on the signature date and Euro 7,750 totally in installments, within 21 months at the latest after the fully-commissioning of the energy wind powerplant.

Acquisition of Ares, has been evaluated as of the share transfer transaction date and reporting period within the scope of accounting for business combinations that are also allowed to be applied early within the scope of IFRS 3. Taking into account the phases of inputs and the process that are the basic functions of an enterprise, and the outputs which the process and inputs could have the ability to generate, it was evaluated that the foregoing acquisition was in the form of "asset acquisition" and the "transformation into the business" process has not been completely realized even as of 31 December 2019.

However, depending on the start of the electricity generation with partial start-up processes towards the end of the current reporting period and the acceleration in the investment processes, it has been assessed that the "conversion to operation" process has been completed.

(*****) Aysu has a renewable energy generation license numbered 3490-13/2137, which authorizes wind energy-based electricity generation activities for 49 years from 11 November 2020. Within the scope of the electricity generation licens, Tekno's main production activity region has been determined as Karadere district of Kırklareli Province. As of the reporting date, it has installed electrical capacity by 15 MWe.

Aysu operates mainly in construction of wind power generation facility, energy generation and sales. Based on the share transfer agreements dated 2 November 2020, total of 86.95% of Aysu's shares owned by Fina Enerji Holding A.Ş. was transferred to 31.77%, 29.83% and 25.35% for a total consideration amount of TL 95,000 together with all its rights and obligations thereof to Çanres, Öres ve Manres, respectively, of which shares by 99.99% have been also owned and controlled by Fina Enerji Holding A.Ş. Regarding this share transfer process, the necessary conformity approval was granted by EMRA on 1 December 2020, with the letter numbered 32380407-110.01.01.01. The entire consideration amount subject to the related share transfer transaction has been paid in cash on 3 January 2020, through advance payment of TL 95,000 in accordance with contract for pre-emption rights of Aysu's shares dated 2 January 2020.

However, since the Company maintained its 99% interest and control over these transferred companies even subsequent to the transaction, this transfer did not cause any significant difference in the consolidated financial statements.

(******) In accordance with articles 19/3-b and 20 of the Corporate Tax Law No.5520, articles 159 and 179 of the Turkish Commercial Code ("TCC") and other legislation provisions, business combination of Ziyaret, FEM and Girişim under legal entity of Manres ("Merger Transaction") was registered on 21 July 2020 ("Merger Date"). This merger was also published in the Official Gazette numbered 10124 on 23 July 2020. As a result of the merger, the legal entities of the Ziyaret, FEM and Girişim was ended, and all their assets and liability positions thereof were transferred to Manres as of Merger Date in accordance with the principle of complete succession ("Külli Halefiyet" as original Turkish law terminology). However, since Fina Enerji Holding maintained its indirect shareholding by 99.99% and control over these companies transferred prior to this share transfer, also over Manres, this transfer did not cause a significant difference in the consolidated financial statements.

1 Reporting entity *(continued)*

As at 31 December 2020, 10 wind powerplants with the total capacity of 335.45 MWe (31 December 2019: 331.7, 10 plants) and 4 solar powerplant projects with the total capacity of 25 MWe (31 December 2019: 24.7 MWe capacity, 4 projects) are operated by the Group. Additionally, studies for the construction of 4 new wind powerplants with the total planned capacity of 194 MWe have been conducted by the Group on-going basis except that capacity extension plans for the outstanding project of the Group as well. Besides to the operational powerplants, Fina Elektrik was established for wholesale-retail distribution and trade of electricity and Polyak was established for coal mine research and extraction operations.

As at the reporting date, the number of employees of the Group is 2,008 (31 December 2019: 1,092). Fina Enerji Holding's registered address is as follows;

Kısıklı Caddesi Sarkuysan Ak İş Merkezi No:4, A Blok, Kat:1
34662 İstanbul/Türkiye
Web: http://www.finaenerji.com

2 Basis of preparation of financial statements

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements were approved by the Group management on 29 June 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial assets and liabilities measured at fair value and the operating powerplants (as disclosed in note 2.6.4 (ii) in further details) that are measured at fair value.

(c) Comparative information

The accompanying consolidated financial statements are prepared comparatively to present the tendency in the financial position, financial performance and cash flows of the Group. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassified and material differences are explained in related notes. The reclassifications made for the items presented in the comparative previous financial statements and notes as of 31 December 2019 were summarized as follows:

(a) Amount by TL 7,382 reported under interest expenses related to financial borrowings was reclassified as foreign exchange losses. Due to this reclassification made, there has been no change in the consolidated income statements in respect of main captions, however related items have been revized in the consolidated statement of cash flows, the details of unrealized foreign exchange losses under the respective footnote and credit risk management disclosures as well accordingly.

(b) There was a presentational mistatement between items "License right" and "additions" presented in the movement of intangible assets, in which license right of Ares and additions has been restated as TL 51,525 and 2,817. Accordingly, the relevant lines in the intangible asset note and the consolidated cash flow statement were restated.

(c) The Group subsidiary operating in electricity wholesale reclassified amounting to TL 4,660 from "Deferred revenue" to "Contract liabilities", which mainly comprises advances received from customers and expected to be recognised as revenue for the future period.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

2 Basis of preparation of financial statements *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) Comparative information *(continued)*

(d) The Group adjusted transfer of mining asset and non-mining asset as of opening balances and restated movement as follows:

	Land	ARO costs	Mining site development cost	Total
Cost				
Balance at 1 January 2019, previously reported	**9,918**	**6,610**	**813,148**	**829,676**
Reclassification	--	--	(35,968)	**(35,968)**
Balance at 1 January 2019, Restated	**9,918**	**6,610**	**777,180**	**793,708**
Additions, previously reported	317	4,738	744,778	**749,833**
Additions, restated	--	--	(313,406)	**(313,406)**
Balance at 31 December 2019, restated	**10,235**	**11,348**	**1,208,552**	**1,230,135**

	Power plant	Land, land improvements and buildings	Vehicles	Furniture and fixtures	Machinery and equipment	Construction in progress	Leasehold improvements	Total
Cost								
Balance at 1 January 2019, previously reported	**2,475,561**	**16,175**	**590**	**4,300**	**104,788**	**34,381**	**528**	**2,636,323**
Reclassification	--	--	--	--	--	35,968	--	**35,968**
Balance at 1 January 2019, Restated	**2,475,561**	**16,175**	**590**	**4,300**	**104,788**	**70,349**	**528**	**2,672,291**
Additions, previously reported	2,149	34,044	379	680	121,076	26,302	837	185,467
Additions, restated	--	--	--	--	--	313,406	--	313,406
Transfers	--	4	--	--	4,592	(4,596)	--	--
Additions through asset acquisitions	--	--	--	335	--	1,991	--	2,326
Disposal	--	(127)	(68)	--	--	(4,077)	--	(4,272)
Transfers between the tangible assets	89,542	(9,396)	--	(48)	(79,275)	--	(823)	--
Transfers from intangible assets	2,451	--	--	--	--	--	--	2,451
Settlement off depreciation	(66,841)	--	--	--	--	--	--	(66,841)
Change in fair value reserve (Net basis disclosure)	782,093	--	--	--	--	--	--	782,093
Balance at 31 December 2019, restated	**3,284,955**	**40,700**	**901**	**5,267**	**151,181**	**403,375**	**542**	**3,886,921**

2 Basis of preparation of financial statements *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) Functional and presentation currency

The financial statements are presented in Turkish Lira ("TL"), which is the Group's functional currency. All other currencies are stated in thousand TL unless otherwise stated.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2.2 Changes in accounting policy

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its comparative consolidated financial statements as at and for the year ended 31 December 2020.

2.3 IFRS amendments and comments

New and amended IFRS Standards that are effective for the current year

A number of new standards and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

2 Basis of preparation of financial statements *(Continued)*

2.3 IFRS amendments and comments *(Continued)*

New and amended IFRS Standards that are effective for the current year *(Continued)*

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16 and has not restated prior period figures. The Group does not have any Covid-19-Related Rent Concessions before 1 june 2020.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32**.**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

2 Basis of preparation of financial statements *(Continued)*

2.3 IFRS amendments and comments *(Continued)*

New and amended IFRS Standards that are effective for the current year *(Continued)*

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

2 Basis of preparation of financial statements *(Continued)*

2.3 IFRS amendments and comments *(Continued)*

New and revised IFRS Standards in issue but not yet effective *(Continued)*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 will be effective to annual reporting periods beginning on or after 1 January 2023.7

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

2 Basis of preparation of financial statements *(Continued)*

2.3 IFRS amendments and comments *(Continued)*

New and revised IFRS Standards in issue but not yet effective *(Continued)*

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2 Basis of preparation of financial statements *(Continued)*

2.3 IFRS amendments and comments *(Continued)*

New and revised IFRS Standards in issue but not yet effective *(Continued)*

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2 Basis of preparation of financial statements *(Continued)*

2.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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 to realize the asset and settle the liability simultaneously.

2.5 Financial position

The accompanying consolidated financial statements are prepared assuming that the Group will continue as a going concern and those foregoing consolidated financial statements does not indicate any risk related to the going concern principle. The Group has gross revenue and operating profit with the amount of TL 365,229 and TL 338,860, respectively. In the accompanying consolidated financial statements, the Group has total equity attributable to the main equity holders of the Group amounts to TL 1,182,074 as at and for the year ended 31 December 2020. The Group's current assets are less than its current liabilities by TL 2,441,044. In addition, as explained in Note 26, the Group's foreign currency exposure arises mainly from loans and borrowings denominated in foreign currencies. However, electricity sales of power plants within the scope of Renewable Energy Resources Supporting Mechanism ("RERSM") are based in foreign currency and provides natural hedge against the foreign currency risk as well.

The Group management expects that consolidated profitability targets will be reached up in middle term as its start-up operations get matured together with the commissioning of new power plants under construction and development as of the reporting date. As cash flows are generated upon reaching up the targeted profitability levels, those will be directed to repayments of financial debt mostly denominated in foreign currencies, there will also be a reduction in finance costs.

2.6 Significant Accounting Policies

Significant accounting policies applied during the preparation of the consolidated financial statements are summarized as follows.

2.6.1 Basis of consolidation

The accompanying consolidated financial statements include the accounts of the parent company Fina Enerji Holding and its subsidiaries on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the same date of preparation of the consolidated financial statements.

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group has control over an entity when the Group has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of the Group's returns. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies

2.6.1 Basis of consolidation (Continued)

(i) Business combinations (Continued)

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisition of legal entity Ares, has been evaluated as of the share transfer transaction date and current reporting period within the scope of accounting for business combinations that are also allowed to be applied early within the scope of IFRS 3. Taking into account the phases of inputs and the process that are the basic functions of an enterprise, and the outputs which the process and inputs could have the ability to generate, it was evaluated that the acquisition was in the form of "asset acquisition" and the "transformation into the business" process has not been completely realized as of 31 December 2019. However, depending on the start of the electricity generation with partial start-up processes towards the end of the current reporting period and the acceleration in the investment processes, it has been assessed that the "conversion to operation" process has been completed.

Acquisition of legal entity Tekno has been evaluated as of the share transfer transaction date and reporting period within the scope of accounting for business combinations that are also allowed to be applied early within the scope of TFRS 3. Taking into account the phases of inputs and the process that are the basic functions of an enterprise, and the outputs which the process and inputs could have the ability to generate, it was evaluated that the foregoing acquisition was in the form of "asset acquisition" at the date of acquisition. However, depending on the start of the electricity generation with partial start-up processes towards the end of the current reporting period and the acceleration in the investment processes, it has been assessed that the "conversion to operation" process has been completed.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

2 Basis of preparation of financial statements *(Continued)*

2.6.1 Basis of consolidation (Continued)

(iii) Non-controlling interest

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The shares, which the Group remained ownership afterwards, are recognized as financial assets according to its classification or equity accounted investment based upon the level of the continuing controlling power or significant influence.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.6.2 Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, except for those at fair value through the profit or loss statement ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable and payable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through the other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.2 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

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

Financial assets – Business model assessment: Policy

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the purpose of the business model; to manage daily liquidity, to sustain the particular interest income or might be to adjust the maturity of financial assets to the maturity of the debts that fund these assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

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

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.2 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

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

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

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

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

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

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

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.2 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

At the reporting date, the Group does have financial assets stated as measured at amortized cost such as "cash and cash equivalents" and "trade and other receivables". Besides, the Group also has derivative instrument reclassified as "Financial assets at FVTPL".

Trade and other receivables

Short-term trade receivables are measured at the invoice amount unless the effect of imputing interest is significant. In the event that there is a situation that indicates that the Group will not be able to collect all amounts in due course, allowance for impairment is established for the trade receivables. The amount of this allowance is the difference between the carrying amount of the receivable and the amount of the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the trade receivable.

The Group has preferred to apply the simplified approach defined in IFRS 9 in the context of the impairment calculations of trade receivables, which are accounted for at amortized cost in the consolidated financial statements and which do not include a significant financing component (less than a year). With this approach, the Group measures the allowances for losses on trade receivables from an amount equal to expected lifetime credit losses where trade receivables are not impaired for certain reasons (except for impairment losses). In the measurement of expected credit losses for trade receivables, certain provisioning ratios are calculated based on the number of days that the maturities of trade receivables are exceeded and these rates are reviewed and revised whenever necessary, in each reporting period. Each reporting period is calculated and re-evaluated.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents include cash on hand and demand/time deposits. Deposits under blockage are classified under cash and cash equivalents.

Financial liabilities

Financial liabilities of the Group are comprised of loans and borrowings, trade and other payables and derivative instruments.

Financial liabilities are classified as measured at amortised cost or FVTP. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

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

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.2 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial assets (Continued)

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

Financial liabilities

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

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

(iv) Offsetting

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

(v) Derivative financial instruments

The Group involves in derivative transactions mainly so as to manage borrowing cost up to acceptable level. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. The Group engages in currency forward, swap and accumulator options contracts. However, these derivatives are not designated in a hedge relationship that qualifies for hedge accounting and subsequent to initial recognition, all changes in its fair value are recognised immediately in profit or loss. The Group measures non-physical electricity purchase and sales contracts with their fair value.

(vi) Impairment

Financial assets and contractual assets

The Group recognises loss allowances for expected credit loss ("ECL")s on:

- financial assets measured at amortised cost;

The Group measures loss allowances for trade receivable and contractual assets at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.2 Financial instruments (Continued)

(vi) Impairment (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(vii) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of tax effect.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.3 Borrowing costs

All borrowing costs that cannot be associated with capital expenditures in progress are recognized through the profit or loss in the period which they occur.

2.6.4 Property and equipment

(i) Mining assets

Mining assets consist of land, land improvements and buildings, mine development costs, and rehabilitation assets including deferred stripping costs whereafter they are measured at cost less accumulated amortisation and impairment. The depreciation starts when the production begins in the mining area. Depreciation of mining assets are included in production costs of related mining areas.

Development costs incurred to evaluate and develop new ore bodies, or to define mineralisation in existing ore bodies, road construction, or to establish or expand productive capacity are capitalised. Mine development costs are capitalised to the extent they provide probable access to reserves, have future economic benefits and they are attributable to an area of interest or those that can be reasonably allocated to the area of interest. Development costs include sinking shafts, construction of underground galleries, roads and tunnels. Costs of producing coal is recognised in the statement of comprehensive income. In cases where it is difficult to separate the development costs from the exploration and evaluation costs, the entire costs are recognised as expense.

The depreciation starts when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Development costs incurred during the production phase are capitalised and depreciated to the extent that they have future economic benefits. The development cost is allocated at initial recognition to its significant components (such as mine fields) and each component is depreciated separately by respective units of production method, considering the attributable area of interest. The major overhauls that extend the future economic benefits throughout the life of mine are capitalised as future benefits will flow to the Group. Other than major overhauls, repairs are expensed as incurred. Depreciation and amortisation of development costs are calculated principally by the units of production method based on estimated proven and probable reserves of attributable area of interests.

Mine development costs at each mine site; The total amount of coal extracted from the relevant mine during the period is depreciated over the amortization rate found by dividing it by the total observable and probable processable remaining coal reserve amount in that mine site. The observable and probable reserves in each mining site represent the known and measurable resource that can be extracted and processed economically in the foreseeable future. The rehabilitation and mine closure costs of the mine sites that arise due to the mine site development activities and the production made; are recognized to the consolidated financial statements of the Group on the basis of discounted cash outflows at the reporting date, stemmed from expenditures that are likely to be made during the closure and rehabilitation of mines. The foregoing provisions are discounted to the value of the reporting date with the discount rate applied which is pre-tax and does not include the risk related to the estimation of future cash flows, taking into account the interest rate and the risk related to the liability, and the calculations are reviewed in each reporting period.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.4 Property and equipment (Continued)

(i) Mining assets (Continued)

The provision for the rehabilitation and mine closure is capitalised in the cost of the related mining asset (recognised as separately as "rehabilitation asset" or "asset retirement obligation"). Changes in estimates of this provision are added to, or deducted from, the cost of the related asset subject to certain limits unless the related mine fields are depleted and the operation of coal mine extraction in the fields is ceased. The rehabilitation assets are depreciated using the lower of their useful life or units of production method which is the ratio of the number of ore extracted from the open pit areas during the period from the respective areas of interest to the remaining proven and probable coal reserves in the respective open pit mine field. The cost of ongoing current programs to prevent and control pollution, and the effect of changes in estimates regarding the provision for the mine field depleted and on which coal mine extraction activity is ceased, is charged against the statements of profit or loss as incurred.

Exploration and evaluation costs

Exploration costs are expensed as incurred. When a decision is taken that a mining property is capable of commercial production (when the Group management are able to demonstrate that future economic benefits are probable, which will be the establishment of increased proven and probable reserves at the relevant location) and legal permissions are obtained (e.g. mining license) for a specific area of interest; all further pre-production expenditure, including the costs related to property acquisitions and mineral and surface rights together with evaluation activities such as geological, geochemical studies and drilling for further technical feasibility (such as in-field exploration) in the relevant area of interest, are capitalised.

The Group management considers whether there is an impairment indicator such as significant decrease in resource and reserve, serious mine accidents, expiration or permanent cancellation of rights as at reporting dates.

(ii) Powerplants (Operating)

When the Group's power plants (operating) are subject to revaluation, the carrying amount of power plant are adjusted to revalued amount. At the date of revaluation, the accumulated depreciation of powerplant (operating) are eliminated against the gross carrying amount of those power plants. Any increase arising on the revaluation of power plant is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously recognized. A decrease in the carrying amount arising on the revaluation of such power plants is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on power plant is charged through the profit or loss. On the subsequent sale or taken off the operation of a revalued powerplant, the attributable revaluation surplus remaining in revaluation reserve of the asset is transferred directly to retained earnings. Unless the asset is disposed, the revaluation fund is not transferred to the retained earnings.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.4 Property and equipment (Continued)

(ii) Powerplants (Operating) (Continued)

At the reporting date, the Group's powerplants were given with its license maturity information and the subsidiary under which those are under operation as follows. The useful life for the powerplants stated at fair value in valuation report studies prepared in accordance with discounted cash flow ("DCF") approach were used considering the license maturity year as given in the table below.

Powerplants (Operation)	Entity	Operation area	License maturity
Karadere	Aysu Enerji Sanayi ve Ticaret A.Ş.	Wind energy	2060
Karova	Borares Enerji Elektrik Üretim A.Ş.	Wind energy	2060
Şadıllı	Çanres Elektrik Üretim A.Ş.	Wind energy	2061
Uluborlu	Kavram Enerji Yatırım Üretim ve Ticaret A.Ş.	Wind energy	2060
Günaydın	Manres Elektrik Üretim A.Ş.	Wind energy	2060
Salman	Öres Elektrik Üretim A.Ş.	Wind energy	2060
Ormandıra	Serin Enerji Elektrik Üretim Dağ. Paz. Sanayi ve	Wind energy	2061
Bergama	Ütopya Elektrik Üretim Sanayi ve Ticaret A.Ş.	Wind energy	2056
Ziyaret	Manres Elektrik Üretim A.Ş..	Wind energy	2053
Kızılcaterzi	Osres Elektrik Üretim A.Ş.	Wind energy	2061
Bağlama	Ares Elektrik Üretim A.Ş.	Wind energy	2068
Tayakadın	İstres Elektrik Üretim A.Ş.	Wind energy	2060
Yalova	Yares Elektrik Üretim A.Ş.	Wind energy	2060
Pazarköy	Tekno Rüzgar Enerji Yatırım Üretim ve Ticaret A.Ş.	Wind energy	2069
Çardak	Balres Elektrik Üretim A.Ş.	Solar energy	Planned life
Acıpayam	Balres Elektrik Üretim A.Ş.	Solar energy	Planned life
Kocadere	Balres Elektrik Üretim A.Ş.	Solar energy	Planned life
Kocabaş	Balres Elektrik Üretim A.Ş.	Solar energy	Planned life
Kocabaş	Adayel Elektrik Üretim A.Ş.	Solar energy	Planned life
Kocabaş	Beyres Elektrik Üretim A.Ş.	Solar energy	Planned life
Kocabaş	Elayel Elektrik Üretim A.Ş.	Solar energy	Planned life
Kocabaş	Gülres Elektrik Üretim A.Ş.	Solar energy	Planned life

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.4 Property and equipment (Continued)

(iii) Non-mining assets

Items of property and equipment other than mining assets including ones under ongoing investment processes, are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost of materials and direct labor;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognised in "other income" or "other expense" through the profit or loss.

Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefit associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property and equipment other than mining assets are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is recognized on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation is recognized through the profit or loss unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and the useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and construction in progress (unless it is ready to use) is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

	Useful lives(On Average/Interval)
Powerplants	Remaining licence period
Buildings and land improvements	5-50 year
Motor vehicles	2-5 year
Furniture and fixtures	2-20 year
Machinery and equipment	3-25 year

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.4 Property and equipment (Continued)

(iii) Non-mining assets (Continued)

Depreciation (Continued)

Leasehold improvements are amortized over the shorter of periods of the respective leases and their useful lives, also on a straight-line basis. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The useful life of solar power plants are taken into account in the planned and expected service life of the power plants.

2.6.5 Intangible assets

(i) Goodwill and other intangibles

The excess of cost of the total consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination was recognized as goodwill. Goodwill is not amortized and is tested for impairment annually or more often when the circumstances indicate that the goodwill is impaired. When the cost of the acquisition is lower than the fair value of the identifiable assets, liabilities and contingent liabilities acquired in a business combination, the difference is recognized as income (gain on a bargain purchase (negative goodwill)).

The initial recognition of the business combination is accounted for provisionally if the fair values of the identifiable assets, liabilities and contingent liabilities acquired in a business combination can only be recognized, or the cost of a business combination is measured, only using provisional amounts. The provisional business combination accounting shall be completed in the 12 months following the date of acquisition and the adjustments, including those on goodwill, shall be recognized retrospectively.

Other intangible assets of the Group have finite useful lives, and are measured at cost less accumulated amortisation and any accumulated impairment losses, if any.

The carrying value of goodwill is reviewed at each reporting date and if necessary, permanent impairment amount are subject to be adjusted. In scope of IFRS 3, the carrying value of goodwill is reviewed at each year end so as to recognize the impairment losses if any.

License acquired through asset acquisition

Ares

Ares has been evaluated as of the share transfer transaction date and each reporting period within the scope of accounting for business combinations that are also allowed to be applied early within the scope of IFRS 3. Taking into account the phases of inputs and the process that are the basic functions of an enterprise, and the outputs which the process and inputs could have the ability to generate, it was evaluated that the acquisition was in the form of "asset acquisition" and the "transformation into the business" process has not been completely realized as of 31 December 2019.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.5 Intangible assets (Continued)

License acquired through asset acquisition (Continued)

Ares (Continued)

In return for the transfer of Ares shares, the Company will have to make cash payments to the seller for a total consideration of Euro 8,500, including Euro 750 in advance on the signature date and Euro 7,750 (recognised on historical cost at the date of transfer of Ares share) in total which will constitute the gross value of the acquired license and will be recognized in intangible assets on a historical cost. Since the valuation is applied for only for ready for use turbines of the 14 turbines that has been commissioned, the gross value calculated for ready for use turbine has been reduced from net book value of license at the date of commissioning and the remaining amount has been amortized over the remaining license life, considering the assumption that each turbine has an equivalent value. For the subsequent measurements of the license, when the asset acquisition transaction were transferred to business, an impairment test will be applied upon earlier of each year or in case of triggering event.

Tekno

Tekno has been evaluated as of the share transfer transaction date and reporting period within the scope of accounting for business combinations that are also allowed to be applied early within the scope of IFRS 3. Taking into account the phases of inputs and the process that are the basic functions of an enterprise, and the outputs which the process and inputs could have the ability to generate, it was evaluated that the acquisition was in the form of "asset acquisition". However, depending on the start of the electricity generation with partial start-up processes towards the end of the current reporting period and the acceleration in the investment processes, it has been assessed that the "conversion to operation" process has been completed. In return for the transfer of Tekno shares, the Company paid for a total consideration of TL 81,610, including Euro 9,460 in advance on the signature date and TL 81,610 in total which constitute the gross value of the acquired license and recognized in intangible assets on a historical cost. Since the valuation is applied for only for ready for use turbines of the 12 turbines that has been commissioned, the gross value calculated for ready for use turbine has been reduced from net book value of license at the date of commissioning and the remaining amount has been amortized over the remaining license life, considering the assumption that each turbine has an equivalent value. For the subsequent measurements of the license, when the asset acquisition transaction were transferred to business, an impairment test will be applied upon earlier of each year or in case of triggering event.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.5 Intangible assets (Continued)

(ii) Subsequent expenditures

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognized through profit or loss as incurred.

(iii) Amortization

Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

Purchased software program rights are amortized for 3 to 15 years whereas the amortization of production license are amortized over the remaining license period unless the respective powerplant commence or is almost accepted to be ready commence to operate. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.6.6 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.6 Leases (Continued)

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

The Group presents right-of-use assets in “tangible/intangible assets” and lease liabilities in ‘loans and borrowings’ in the statement of financial position.

Short-term leases and leases of low-value assets

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

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.7 Impairment on assets

(i) Financial assets

The Group's accounting policy related to the impairment of financial assets was given in note 2.6.2.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-live intangible assets are tested annually for impairment. Since the tangible assets measured at the revaluated value are explained through the accounting policies of other tangible assets, no further disclosure were given herein.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.8 Employee benefits

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. Reserve for employee severance indemnity is computed using the ceiling amounts applicable for each year of employment which were TL 7,117 and (31 December 2019: TL 6,380) respectively on the basis of total gross wages of 30 workdays and the other benefits and principals.

In the accompanying consolidated financial statements, the Group has recognized a reserve for employee termination indemnity calculated by using actuarial methods and discounted by using the current market yield at the balance sheet date on government bonds, in accordance with International Accounting Standards (IAS) No.19 "Employee Benefits".

The principal assumptions used in the calculation of the total liability in the accompanying consolidated financial statements at 31 December were as follows:

	2020	**2019**
	%	**%**
Expected interest rate	13	11.5
Expected salary / wage increase	9	7

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term vacation pay liability if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. In accordance with the existing labor law in Turkey, the Group is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.9 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Contractual obligations

Main operations of the Group are to involve in wholesale of electricity to group companies and to other players in the market. The Group involves in commitment with the parties having role of buyer and seller in order to sell/purchase minimum level of electricity for fixed term or specific period. Especially, bilateral agreements with suppliers enable the Group to manage its purchasing position according to estimated electricity sales of related parties.

The electricity agreements includes the terms and conditions in case of either seller or buyer side. Due to the fact that the electricity could not be stored and the impossibility of determination of from whom the Group purchases the electricity used, it is impractical to prepare gross margin analysis on a contractual basis. Instead, the management monitors whether if the Group has an outstanding onerous contract during/at the reporting date through the comparison of the fixed sales price rates with the average current market price buying rates.

Obligations upon improper estimations

If the Group management does not reliably estimate the volume of purchasing and selling of electricity, the Group has to involve additional purchase/sell transactions from Enerji Piyasaları İşletme A.Ş. ("EPİAŞ") or other parties in the market leading the Group incur incremental costs in both of sales/purchase transaction to satisfy the contractual commitments.

Provisions for EMRA regulations

In case of incompliance with the Electricity Market Act numbered 6446 as well as with the regulations and communiqués promulgated by Energy Market Regulation Authority ("EMRA"), EMRA has the right to send a letter notifying the reason and related penalty fee with payment maturity to the Group. Although those penalties generally are paid in advance, some payments could be delayed until the final confirmation is reached in case of disagreement with EMRA. Based on the final conclusions as a result of assessment made by the Legal Department of the Group and assumption/analysis made by the Group management, required provision is made on the consolidated statement of the financial position as the notification is received.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.10 Revenue

IFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Company defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as:

(a) a performance obligation either a good or service that is distinct;

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

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Company concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.10 Revenue (Continued)

Variable consideration

The Company identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognition of revenue

The Company recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or

-The customer controls the asset as the entity creates or enhances it, or

- Company's performance does not create an asset for which the entity has an alternative use and there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used. If a performance obligation is not satisfied over time, then the Company recognize revenue at the point in time at which it transfers control of the good or service to the customer. The Company recognizes a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Contract modifications

The Company recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.10 Revenue (Continued)

Electricity sales

Due to the fact that the electricity could not be stored, the purchase and sales realises at the same time and accordingly revenue and cost of revenue are recognised at the transaction time. Monthly invoicing is made at the month ends, when the Group prepares invoices for rendering services to its customers during one month period. Revenue based on electricity used by the customers, is recognized on an accrual basis when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue is measured reliably, and recovery of the consideration and the inflow of economic benefits related with the transaction are probable. Net revenues represent the invoiced value of electricity used less sales discounts.

The Group management monitors closely at period ends and the delays of 5-10 days in electricity usage count do not have a significant impact on the accompanying financial statements. The Group's electricity generation subsidiaries sold electricity to EPİAŞ and Aydem Elektrik Perakende Satış AŞ ("Aydem") with feed-in tariff price of Renewable Energy Resources Support Mechanism ("RERSM"). By nature, this service realizes at the same time which the electricity generated as one transaction and accordingly revenue is recognised at the transaction time.

2.6.11 Finance income and expenses

Finance income, mainly comprised of interest income, gains from derivative transactions, foreign exchange gains and proceeds, including those from related parties. Interest income, is recognized in profit or loss on an accrual basis.

Finance expenses mainly comprised of interest expense on borrowings and for right-of-use assets under IFRS 16, losses from derivative transactions, foreign exchange losses, commission expenses, bank charges and similar finance costs.

Borrowing costs of a qualifying asset that is not directly related to purchase, construction or production of the asset is recognized in profit or loss by using the effective interest rate method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position based on subsidiaries consolidated.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.12 Corporate income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss ;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if the required conditions met.

Mining Investments

The Group obtained the investment incentive certificate obtained on 16 June 2014 from Ministry of Economy for mining zone in Kınık, İzmir. Due to the fact that the investment subject to the incentive certificate is included in the priority investment, if the investment amount is more than 1 billion Turkish Lira and above, tax incentive is added to the investment contribution rate by 10 points and 50% is applied.

In this context, according to the incentive certificate, 80% tax reduction will be applied for the upcoming taxable income until it reaches 50% of the portion of the investments counted within the scope of the incentive certificate. The tax discount rate shall be applied by 80% over the upcoming taxable income for the portion subject to incentive scope.

In accordance with the article 32/A of Corporate Tax Law, the income generated over the eligible investments through the certificate granted by the Treasury Undersecretary of Turkey will be subject to the discounted tax rate until reaching the total contribution right over the total eligible investment. Besides, according to 2nd article of the communique operation start date is determined as date of completion of the investment or the application date for the visa of licence for the completion of the investment, if earlier.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.12 Corporate income taxes (Continued)

(iii) Corporate income tax and dividend applications

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

Advance tax is declared by the 14th of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Tax payments that are made in advance during the year are being deducted from the total final tax liability of the fiscal year. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns on the 25th date of the four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filling during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous period.

75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2018. However, according to the amendments by Law numbered 7061, this rate for immovable property is reduced from 75% to 50% and tax declarations starting from 2019 will be calculated using 50%.In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The receivable amount from those sales should be collected by the end of the second calendar year following the year of sale.

(iv) Witholding tax application

As per the decision no, 2006/10731 of the Council of Ministers published in the Official Gazette no,26237 dated 23 July 2006, certain duty rates included in the articles no,15 and 30 of the new Corporate Tax Law no,5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased from 10 percent to 15 percent.

There is a withholding tax liability when making dividend distributions and this liability is accrued at the time of dividend payment. The dividends distribution to the entities other than resident taxpayer and limited taxpayer entities which earn income through its office operating in Turkey or through permanent representative office are subject to withholding tax liability by 15%. When applying the withholding rates regarding the dividend distributions made to limited taxpayers entities and persons, the withholding rates included in the relevant Double Tax Prevention Agreements are also taken into consideration. The transfer of previous years' profits to the capital is not regarded as dividend distribution, so it is not subject to withholding tax.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.12 Corporate income taxes (continued)

(v) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The provisions concerning to the "thin capitalization" are stated in the Article 12 of new corporate tax law. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the Group at the beginning of the related year during the current year, the exceeding portion of the borrowing will be treated as thin capital.

The financial borrowings were regarded as thin capitalization provided with;

- The borrowings obtained directly or indirectly from the shareholders of the companies or related entities defined therein foregoing legislation,

- Used for/in the entity,

- Borrowings exceeds three times of the beginning of the related year shareholders' equity of the Group at any time during the related year.

(vi) Transfer pricing

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.13 Subsequent events

Subsequent events represents the events after reporting date comprising any event between the reporting date and the date of authorization for the financial statements' issue to the benefit or loss of the entity. Conditions of subsequent events are as follows:

- to have new evidences of subsequent events as of reporting date (adjusting events after reporting date); and

- to have evidences of showing related subsequent events occurred after reporting date (non adjusting events after reporting date).

The Group adjusts its consolidated financial statements according to the new condition if adjusting events arise subsequent to the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements.

2.6.14 Expenses

Expenses are accounted on an accrual basis. Activities related expenses are recognized when incurred.

2.6.15 Related parties

Parties are considered related to the Company (or Group) if:

(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 parent, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the 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 as 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 or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d);

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

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

2 Basis of preparation of financial statements *(Continued)*

2.6 Significant Accounting Policies *(Continued)*

2.6.16 Dividends

Dividend receivables are recognized as income in the period that they are declared. Dividends payable as an element of profit, the General Assembly decided to distribute dividends are recognized in the financial statements in the period that they are declared.

2.6.17 Statement of cash flows

In the consolidated cash flow statement, cash flows are classified as operating, investing and financing activities.

Cash flows from operating activities shows the cash flows from main operations of the Group including electricity wholesales, electricity retail sales and sales of electricity produced.

Cash flows from investing activities represent the cash flows used in / provided from investing activities (tangible and intangible investments).

Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Cash and cash equivalents are cash, bank deposits and other short term investments whose maturity are less than 3 months after purchasing date, having high liquidity without having risks of significant change of value.

2.7 Significant accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2 Basis of preparation of financial statements *(Continued)*

2.7 Significant accounting estimates and assumptions *(Continued)*

Information about critical judgement together with assumptions that might have significant effect through the consolidated financial statements of the Group are included in the following notes:

Note 4- Other payables to related parties

Group management has classified the short and long term liabilities for other payables to related parties, based on forecasted cash flows.

Note 7–Impairment of trade receivables

Note 8– Other receivable and payables to third parties

Note 10– Research and development expenses

Note 10-11 – Useful lives of tangible and intangible fixed assets and impairment

Note 10-14 – Provision for cost of Asset Retirement Obligation ("ARO") for mining investments

Note 14 – Provision for employee benefits

Note 16 – Advance payment

Group management has evaluated the foreign currency denominated advances given for pre-exemption rights to obtain shares to the extent that its respective terms of contract together with the outstanding case at the reporting date makes more reasonable to state those at their recoverable value.

Note 25 – Deferred tax assets and liabilities

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Note 10– Fair value measurement of operating powerplants

The valuation report was issued by the independent valuation company as accredited by Capital Market Board of Turkey on 31 December 2020 (31 December 2019: valuation report with release date of 31 December 2019).

The valuation techniques and parameters used in foregoing valuation studies were given as follows:

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

2 Basis of preparation of financial statements *(Continued)*

2.7 Significant accounting estimates and assumptions *(continued)*

Note 10– Fair value measurement of operating powerplants (continued)

Powerplants (Operation)	Entity	Operation area	Method	Discount rate (Euro)	Capacity factors (Gross) Interval %	Unit sale price interval (Per Mw)	Period used in INAs
Karadere	Aysu Enerji Sanayi ve Ticaret A.Ş.	Wind energy	INA	7.97%	38-42%	41-74 Euro	2021-2060
Karova	Borares Enerji Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	27-31%	43-74 Euro	2021-2060
Şadıllı	Çanres Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	35-39%	41-74 Euro	2021-2061
Uluborlu	Kavram Enerji Yatırım Üretim ve Ticaret A.Ş.	Wind energy	INA	7.97%	27-31%	42-73 Euro	2021-2060
Günaydın	Manres Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	29-33%	40-74 Euro	2021-2060
Salman	Öres Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	32-36%	41-74 Euro	2021-2060
Ormandıra	Serin Enerji Elektrik Üretim Dağ. Paz. Sanayi ve Ticaret A.Ş.	Wind energy	INA	7.97%	35-39%	42-75 Euro	2021-2061
Bergama/ Düzova	Ütopya Elektrik Üretim Sanayi ve Ticaret A.Ş.	Wind energy	INA	7.97%	30-34%	32-68 Euro	2021-2056
Ziyaret	Manres Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	38-42%	32-65 Euro	2021-2053
Kızılcaterzi	Osres Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	29-33%	44-76 Euro	2021-2061
Bağlama	Ares Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	26-30%	45-85 Euro	2021-2068
Pazarköy	Tekno Rüzgar Enerji Yatırım Üretim ve Ticaret A.Ş.	Wind energy	INA	7.97%	21-25%	45-85 Euro	2021-2069
Tayakadın	İstres Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	30-34%	45-76 Euro	2021-2060
Yalova	Yares Elektrik Üretim A.Ş.	Wind energy	INA	7.97%	32-36%	45-76 Euro	2021-2060
Çardak	Balres Elektrik Üretim A.Ş.	Solar energy	INA	7.97%	20-22%	40-108 Euro	2021-2043
Acıpayam	Balres Elektrik Üretim A.Ş.	Solar energy	INA	7.97%	23-25%	42-108 Euro	2021-2043
Kocadere	Balres Elektrik Üretim A.Ş.	Solar energy	INA	7.97%	17-19%	43-108 Euro	2021-2043
Kocabaş	Balres Elektrik Üretim A.Ş.	Solar energy	INA	7.97%	21-23%	43-108 Euro	2021-2043
Kocabaş	Adayel Elektrik Üretim A.Ş.	Solar energy	INA	7.97%	21-23%	43-108 Euro	2021-2043
Kocabaş	Beyres Elektrik Üretim A.Ş.	Solar energy	INA	7.97%	21-23%	43-108 Euro	2021-2043
Kocabaş	Elayel Elektrik Üretim A.Ş.	Solar energy	INA	7.97%	21-23%	43-108 Euro	2021-2043
Kocabaş	Gülres Elektrik Üretim A.Ş.	Solar energy	INA	7.97%	21-23%	43-108 Euro	2021-2043

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

3 Segment reporting

Segment results that are reported to the Group's Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group has not disclosed segment information since it mainly operates in the energy sector in the field of electricity production including the related construction services together with the wholesale/retail within the borders of Turkey.

4 Related party disclosures

For the purpose of consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and associates, investments and joint venture partners are considered and referred to as the related parties. A significant portion has been eliminated and remaining after the elimination of transactions with related parties is not material to the Group in accordace with IAS 24 " Related Party Disclosures". These transactions were carried out during the normal course of business in accordance with the market conditions.

(a) Balances due from/to related parties

Current term- trade receivables from related parties

As at 31 December, due from the related parties are as follow:

	31 December 2020	31 December 2019
Fiba CP Gayrimenkul Yönetim Hizmetleri	613	988
Fiba Summa Adi Ortaklığı	323	510
Anadolu Japan	263	--
Özyeğin Üniversitesi	34	149
Marka Mağazacılık A.Ş.	81	110
Gelecek Varlık Yönetimi A.Ş.	21	40
Other	8	13
	1,343	**1,810**

Trade receivables from related parties comprised of electricity retail sales to the Group companies. There is no collateral given or received from related parties for trade receivables and payables. Average collection period of the trade receivables is between 15-30 days. Interest rate as average by 19.1% and 3% during the current year, for TL and Euro denominated receivables respectively, have been applied (2019:19.1% and 3%, respectively).

Other payables to related parties

As at 31 December, other short term payables to related parties are as follow:

	31 December 2020	31 December 2019
Fiba Holding A.Ş.	19,951	23,082
Other	83	23
Total	**20,034**	**23,105**

These balances consist of the remaining amounts provided to the Group from its related parties for financing. An annual interest rate of 7.99-15.19% in TL inter-company balance was applied during 2020 (2019: 10.00-22.70% annually). There is no collateral received or given to the related parties within the scope of these balances.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

4 Related party disclosures *(Continued)*

(a) Balances due from/to related parties *(Continued)*

Other payables to related parties (continued)

As at 31 December, other long term payables to related parties are as follow:

	31 December 2020	31 December 2019
Fiba Holding A.Ş.	659,000	--
Total	**659,000**	**--**

Trade payables to related parties

As at 31 December, trade payables to related parties are as follow:

	31 December 2020	31 December 2019
Fiba Holding A.Ş.	53	54
Other	22	10
Total	**75**	**64**

There is no collateral received or given to the related parties within the scope of these balances.

Cash and cash equivalents

As at 31 December, cash and cash equivalents from related parties are as follow:

	31 December 2020	31 December 2019
Credit Europe NV (Time deposit)	102,446	97,289
Fibabanka A.Ş. (Time deposit)	1,811	62,563
Subtotal for time deposits	**104,257**	**159,852**
Fibabanka A.Ş. (Demand deposit)	40,557	676
Credit Europe SA (Demand deposit)	--	25
Subtotal for demand deposits	**40,557**	**701**
Grand total	**144,814**	**160,553**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

4 Related party disclosures *(Continued)*

(a) Balances due from/to related parties *(Continued)*

Time deposits details in related parties	Maturity	Interest rate	31 December 2020
TL	January 2021	14.75%-16.10%	104,257
Total			**104,257**
Time deposits details in related parties	**Maturity**	**Interest rate**	**31 December 2019**
TL	January 2020	12.00%	97,289
EUR	January 2020	0.01%	62,563
Total			**159,852**

At the reporting dates, the loan positions from the related parties were given with the terms details as follows:

Related parties	Maturity	Interest rate range	31 December 2020
Credit Europe Russia -USD	2025	5.00% - 7.00%	220,774
Fibabanka - EUR	2024	EURIBOR + 6%	120,976
CEB NV – TL	2021	15.00% - 17.00%	102,499
Fibabanka – EUR	2024	5.00% - 7.00%	50,331
Related parties	**Vade**	**Interest rate range**	**31 December 2019**
Fibabanka - EUR	2024	% 5.00 - % 7.00	137,217
CEB NV – TL	2020	% 11.00 - % 13.00	97,309
Fibabanka – TL	2020	% 12.00	25,559

At the reporting dates, the derivative positions from the related parties operating in banking were given as follows:

	31 December 2020	31 December 2019
Fibabanka A.Ş.	842	3,688
Derivative instruments	**842**	**3,688**
Fibabanka A.Ş.	(1,030)	(24,653)
Credit Europe S.A	--	(428)
Derivative instruments	**(1,030)**	**(25,081)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

4 Related party disclosures *(Continued)*

(b) Transactions with related parties

For the years ended 31 December, income recognized from the related parties were given as follows:

Income from related parties	Nature of transaction	2020	2019
Fibabanka A.Ş.	Derivative transactions	31,190	5,596
Fiba CP Gayrimenkul Yönetim Hizmetleri	Electricity sales	9,352	7,596
Credit Europe N.V.	Interest from time deposits	5,558	289
Fiba Summa Adi Ortaklığı	Electricity sales	3,657	3,804
Anadolu Japan Turizm A.Ş.	Electricity sales	3,046	--
Marka Mağazacılık A.Ş.	Electricity sales	1,127	1,417
Özyeğin Üniversitesi	Electricity sales	633	1,967
Güven Varlık Yönetimi A.Ş.	Electricity sales	337	335
Fibabanka A.Ş.	Interest from time deposits	317	1,230
Other	Miscallenaus	92	84
Total		**55,309**	**22,318**

For the years ended 31 December, expense recognized (including cost capitalized) from the related parties were given as follows:

Expense due to related parties	Nature of transaction	2020	2019
Fiba Holding A.Ş. (Note 23) (*)	Intercompany charges (excluding from Banks)	22,853	11,632
Fibabanka A.Ş.	Finance cost &derivative transactions	21,195	39,067
Credit Europe N.V.	Interest expense	5,824	309
Fiba Emeklilik ve Hayat A.Ş.	Insurance services	843	371
Credit Europe Russia	Finance cost	559	--
Girişim Alacak Yönetim A.Ş.	Consultancy services	54	115
Credit Europe S.A	Finance cost &derivative transactions	--	658
Total		**51,328**	**52,152**

(*) The amount of TL 838 of interest expenses incurred in 2020 was recognized in the finance costs, whereas the remaining part was capitalized through the construction in progress (2019: TL 4,479).

There is no collateral received or given to the related parties within the scope of these transactions.

(c) Transactions with key management personnel

As of the current reporting date, benefits provided for key management personnel amounted TL 15,845 (31 December 2019: TL 17,338).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

5 Cash and cash equivalents

As at 31 December, cash and cash equivalents comprised the following:

	31 December 2020	31 December 2019
Bank deposit	285,676	241,019
- Time deposit	*241,847*	*235,179*
- Demand deposit	*43,829*	*5,840*
Other cash and cash equivalents (*)	3,721	--
Cash	21	22
Cash and cash equivalents	**289,418**	**241,041**
Restricted cash at banks	(114,190)	(101,496)
Restricted credit card receivables	(3,721)	--
Cash and cash equivalents- for statement of cash flows	**171,507**	**139,545**

As of 31 December, interest rates and maturity dates of time deposits is as follows:

31 December 2020	Maturity	Interest rate interval	31 December 2020
TL	January 2021	9.40% - 18.75%	240,352
EUR	January 2021	0.02%	1,495
Total			**241,847**
31 December 2019	**Maturity**	**Interest rate interval**	**31 December 2019**
TL	January 2020	8.50% - 12.00%	172,616
EUR	January 2020	0.01%	62,563
Total			**235,179**

(*) These are cash equivalents which are liquid assets securing the futures exchange transactions to be performed in Derivatives Market of Turkey ("VIOP").

As at 31 December 2020, bank accounts include a blockage amounting to TL 2,534 on the Takasbank accounts due to electricity sales and purchase transactions (31 December 2019: TL 251) and TL 351 on various bank accounts for direct debiting systems ("DDS") (31 December 2019: TL 165). Other than those mentioned herein, the Group's time deposit accounts with less than 3 months maturity and amounting to TL 110,535 were pledged to secure the loans utilized from the same financial institution with same maturity at 31 December 2020 (31 December 2019: TL 97,289). The Group has a deposits of TL 770 (31 December 2019: TL 3,791) securing the futures exchange transactions performed in VIOP starting within the current period.

The Group's exposure to interest, credit, currency risk for cash and cash equivalents are disclosed in Note 26.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

6 Loan and borrowings

As at 31 December, financial liabilities comprised the following:

Short term liabilities	**31 December 2020**	**31 December 2019**
Short term bank borrowings	1,314,588	409,191
Short term portion of long term financial liabilities	1,650,813	1,349,706
Short term portion of long term bank borrowings	*1,495,293*	*1,293,103*
Short term portion of long term finance lease liabilities	*153,693*	*55,176*
Short term portion of long term finance lease liabilities (IFRS 16 Effect)	*1,827*	*1,427*
Total short term financial liabilities	**2,965,401**	**1,758,897**
Long term financial liabilities		
Long term bank borrowings	3,312,713	2,393,379
Long term finance lease liabilities	373,427	329,457
Long term finance lease liabilities (IFRS 16 Effect)	2,983	3,793
Total long term financial liabilities	**3,689,123**	**2,726,629**
Total financial liabilities	**6,654,524**	**4,485,526**

As of 31 December, the terms and conditions of outstanding short term loans comprised the following:

			31 December 2020		
	Currency	**Nominal interest rate range**	**Maturity**	**Nominal value**	**Carrying amount**
Secured borrowings	EUR	1.40% - 6.00%	2021	349,333	351,865
Secured borrowings	USD	5.00% - 6.00%	2021	63,178	63,302
Secured borrowings	TL	9.5% - 21.00%	2021	876,600	899,421
				1,289,111	**1,314,588**

			31 December 2019		
	Currenc y	**Nominal interest rate range**	**Maturity**	**Nominal value**	**Carrying amount**
Secured borrowings	EUR	2.50% - 7.00%	2020	100,025	101,584
Secured borrowings	TL	11.00% - 25.00%	2020	286,450	307,607
				386,475	**409,191**

As at 31 December 2020, Fina Holding A.Ş. and/or Fiba Holding A.Ş. are the guarantors for loans and borrowings, whereas in rare cases secured only by Fina Enerji Holding AŞ as being its sole guarantor for the loans utilized by its subsidiaries are classified as unsecured liabilities. Other than those mentioned herein, the Group's time deposit accounts with less than 3 months maturity and amounting to TL 110,535 were pledged to secure the loans utilized from the same financial institution with the same maturity at 31 December 2020 (31 December 2019: TL 97,289).

As of the reporting date, on the sake of further security purposes contemplated from the loans agreements of all wind powerplants, pledge (share pledge and/or commercial enterprise) has been established in favor of lenders except for Osres/Kızılcaterzi, Ares/Bağlama, Yares/Yalova, İstres/Tayakadın and Tekno/Pazarköy powerplants. On the other hand, there are partial financial leases established within the scope of the sell&lease back transactions made in 2018 based on some equipment to be re-financed in such manner. As at 31 December, the Group has complied with its covenants.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

6 Loans and borrowings *(Continued)*

As of 31 December, the terms and conditions of long-term loans and borrowings are given below:

31 December 2020					
	Currency	**Nominal interest rate**	**Maturity**	**Nominal Value**	**Carrying amount**
Secured bank borrowings	EUR	Euribor + 0.55% - Euribor + 6.0%	2021-2032	2,030,054	1,943,770
Secured bank borrowings	TL	9.00% - 21.00%	2021-2024	770,553	791,991
Secured bank borrowings	USD	Libor + 0.90% -Libor + 6.15%/7.50%	2021-2036	2,182,231	2,072,245
Financial lease	TL	15,47%-15,77%	2021-2023	14,636	14,731
Financial lease	EUR	3,70%-7,50%	2021-2025	511,191	512,389
Financial lease (IFRS 16)	TL	26%-32%	2021-2050	4,810	4,810
				5,513,475	**5,339,936**

31 December 2019					
	Currency	**Nominal interest rate**	**Maturity**	**Nominal Value**	**Carrying amount**
Secured bank borrowings	EUR	Euribor + 0.55%-Euribor +8%	2020-2032	2,169,758	2,092,865
Secured bank borrowings	TL	10.55% - 24.50%	2020-2023	805,529	967,792
Secured bank borrowings	USD	4.62% - Libor + 6.15%	2020-2026	620,830	625,825
Financial lease	EUR	3.70% - 5.50%	2020-2025	381,272	382,230
Financial lease	TL	29.24%	2020-2025	2,376	2,403
Financial lease (IFRS 16)	TL	26-32%	2021-2050	5,220	5,220
				3,984,985	**4,076,335**

As at 31 December, net carrying value based on repayment plans on bank borrowings is presented at the table below.

	31 December 2020	**31 December 2019**
Between 0-6 months	1,762,535	841,404
Between 6-12 months	1,047,346	860,890
Between 1-2 years	1,155,546	927,534
Between 2-5 years	1,285,305	1,089,556
More than 5 years	871,862	376,289
Total	**6,122,594**	**4,095,673**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

6 Loans and borrowings *(Continued)*

As at 31 December, net carrying value based on repayment plans on lease liabilities (including IFRS 16 effect during the current year) is presented at the table below.

	31 December 2020	31 December 2019
Between 0-6 months	68,742	23,496
Between 6-12 months	86,778	33,107
Between 1-2 years	172,367	89,956
Between 2-5 years	203,066	231,886
More than 5 years	977	11,408
Total	**531,930**	**389,853**

The movement of the loans and borrowing for the year ended 31 December 2020 for statement of consolidated cash flow purposes were given as follows:

	Opening	Cash flows from borrowings, net(*)	Interest expense	Borrowing cost capitalized	Interest payment	Unrealized exchange losses(**)	Closing
Bank borrowings	**4,095,673**	1,075,706	194,174	338,424	(518,996)	937,613	**6,122,594**
Lease liabilities	**389,853**	35,878	28,431	--	(32,829)	110,597	**531,930**
Total		**1,111,584**	**222,605**	**338,424**	**(551,825)**	**1,048,210**	**6,654,524**

The movement of the loans and borrowing for the year ended 31 December 2019 for statement of consolidated cash flow purposes were given as follows:

	Opening	Cash flows from borrowings, net(*)	Opening Effect through IFRS 16	Interest expense	Borrowing cost capitalized	Interest payment	Unrealized exchange losses(**)	Closing
Bank borrowings	**3,099,496**	566,004	--	181,672	166,836	(140,958)	222,623	**4,095,673**
Financial lease	**164,251**	204,402	4,563	12,844	--	(17,365)	21,158	**389,853**
Total	**3,263,747**	**770,406**	**4,563**	**194,516**	**166,836**	**(158,323)**	**243,781**	**4,485,526**

(*) During the current year, the Group purchased tangible assets acquired through finance lease amounting to TL 70,205 (TL 35,878 on net basis considering repayment amounting to TL 34,327) During the previous year, the Group purchased tangible assets acquired through finance lease amounting to TL 243,337 (TL 204,402 on net basis considering repayment amounting to TL 38,935) under tangible assets and recognized opening effect through IFRS 16 amounting to TL 4,563 under intangible assets.

(**) Recognized directly through profit or loss (Note 23).

The Group's exposure to interest, liquidity, currency risk for loans and borrowings are disclosed in Note 26.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

7 Trade receivables and payables

Short term trade receivables

As at 31 December, short term trade receivables comprised the following:

	31 December 2020	31 December 2019
Trade receivables	102,389	71,718
Doubtful receivables	13,645	12,353
Trade receivables from related parties (Note 4)	1,343	1,810
Allowance for doubtful receivables	(13,645)	(12,353)
Total	**103,732**	**73,528**

Provision for doubtful receivables are determined by considering the uncollectible receivables related with previous periods. Trade receivables of the Group mainly comprise of receivables related with electricity wholesaling and retailing and sale of electricity production transactions.

At the reporting date, the Group has income accrual for electricity sales made to EPİAŞ and Aydem, but not yet invoiced, amounting to TL 27,423 and TL 1,888, respectively (31 December 2019: TL 16,355 and TL 1,504). The Group's subsidiary, FET, recognized income accrual for electricity sales to the other customers by the total amount of TL 17,537 (31 December 2019: TL 12,419) as recognized under trade receivables.

The average collection period of the trade receivables is 15-30 days whereas it varies depending upon the contracts made with the customers (31 December 2019: 15-30 days).

Movement of impairment for doubtful receivables for the years ended at 31 December is as follows:

	31 December 2020	31 December 2019
Balance as at 1 January	**12,353**	**11,615**
Collected during the year (Note 24)	(1,056)	(1,312)
Allowance for the year (Note 24)	2,348	2,050
Total	**13,645**	**12,353**

Short term trade payables

As at 31 December, short term trade payables comprised the following:

	31 December 2020	31 December 2019
Payables to mining and powerplants investments	146,799	95,809
Türkiye Elektrik İletim AŞ ("TEİAŞ")	14,651	11,888
Payables to asset acquisition contract	22,832	--
Payables to electricity distribution firms	10,829	7,345
Payables to electricity wholesale firms	1,148	6,112
Other trade payables	28,137	20,190
Total	**224,396**	**141,344**

At the reporting date, the Group has expense accrual recognized through trade payables by the amount of TL 38,752 (31 December 2019: TL 23,356).

The further disclosures of credit, liquidity and currency risk that the Group is exposed to with respect to the trade receivables and payables are included in Note 26.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

7 Trade receivables and payables *(Continued)*

Long term trade payables

At the current reporting date, the Group has long term trade payable amounting to TL 47,948 due to asset acquisition of Ares (31 December 2019: TL 51,542). In return for the transfer of Ares shares, the Company will have to make cash payments cash to the seller party for a total consideration of Euro 8.5 million, including Euro 0.75 million in advance on the signature date and Euro 7.75 million, within 21 months in installments totally at the latest after the fully-commissioning of the energy wind power plant to be constructed.

8 Other receivables and payables

As at 31 December, other short and long term receivables comprised the following:

Other short term receivables	31 December 2020	31 December 2019
Income accrual from MAPEG (*)	12,900	--
Receivables from personnel	299	319
Receivables from tax authorities	132	103
Receivables from EMRA	1,000	--
Receivables from guarantees to be returned	715	--
Advances for debt follow-up	287	278
Other receivables	400	354
Total	**15,733**	**1,054**

Other long term receivables	31 December 2020	31 December 2019
Receivables from EMRA	--	1,000
Deposits and guarantees given	681	493
Other	451	333
Total	**1,132**	**1,826**

(*) Income accrual from MAPEG consists of employer incentive fee related to underground personnel earned in fiscal year and will be paid in 2021.

As at 31 December, other short term payables comprised the following:

	31 December 2020	31 December 2019
Due to related parties (Note 4)	20,034	23,105
Municipal consumption tax	2,225	1,591
Payable for Türkiye Radyo ve Televizyon Kurumu ("TRT") and energy fund	1,314	697
Other payables	466	530
Total	**24,039**	**25,923**

As at 31 December, other long term payables comprised the following:

	31 December 2020	31 December 2019
Due to related parties (Note 4)	659,000	--
Total	**659,000**	**--**

The further disclosures of credit, liquidity and currency risk that the Group is exposed to with respect to the other receivables and payables are included in Note 26.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

9 Prepaid expenses and deferred revenue

Prepaid expenses

As at 31 December, prepaid expenses under current assets comprised the following:

Current assets	**31 December 2020**	**31 December 2019**
Prepaid expenses related to mining investment	87,400	--
Prepaid financing expenses (*)	57,254	--
Prepaid insurance and services expenses	4,632	7,056
Advances given to suppliers	7,009	6,220
Job advances	194	162
Other prepaid expenses	7,991	3,557
Total	**164,480**	**16,995**

(*) The amount consists of the financing insurance premium portion that falls within the credit tranche that is expected to be used within the next year, provided to Euler Hermes via the creditor of Tekno/Pazarköy project, for which the project financing has been initiated but has not been utilized yet, has been reclassified as prepaid financing expenses.

As at 31 December, prepaid expenses under non-current assets comprised the following:

Non-current assets	**31 December 2020**	**31 December 2019**
Advances given for properties and equipment purchases (*)	79,033	55,020
Other prepaid expenses	7	15
Total	**79,040**	**55,035**

(*) Advances given for properties and equipment purchases are mainly comprised of advance payments made for ongoing wind powerplant constructions and mining investment by the Group.

Deferred revenue

As at 31 December, short term portion of deferred revenue comprised the following:

Short term	**31 December 2020**	**31 December 2019**
Advances received	894	26
Deferred revenue (*)	591	591
Total	**1,485**	**617**

(*)The deferred portion of excess of sales proceeds over the carrying amount as a result of sale and lease back transaction made during 2018.

As at 31 December 2020, the non-current term portion of the deferred revenue is TL 144 which is arising from the sale and lease back (31 December 2019: TL 1,329).

Contract liabilities

As of 31 December 2020, contract liabilities mainly consists of cash collection from customer of a subsidiary of the Group operating in electricity wholesale amounting to TL 9,078 (31 December 2019: TL 4,660) which is expected to be recognised as revenue for the future period. These amount are occurred when prepayment was made by customer according to customer contract.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

10 Property and equipment

As at 31 December, the net book value of property and equipment are disclosed below;

	31 December 2020	31 December 2019
Mining assets	1,643,516	1,230,135
Non-mining assets	5,588,471	3,843,031
	7,231,987	**5,073,166**

Mining assets

At 31 December, mining assets consist of land, asset retirement obligation ("ARO") costs upon mining operation terminated and mining site development cost including deferred stripping costs and the net book value of those were disclosed as follows:

	Land	ARO costs	Mining site development cost	Total
Cost				
Balance at 1 January 2019, previously reported	**9,918**	**6,610**	**813,148**	**829,676**
Reclassification	--	--	(35,968)	**(35,968)**
Balance at 1 January 2019, restated	**9,918**	**6,610**	**777,180**	**793,708**
Additions, previously reported	317	4,738	744,778	**749,833**
Additions, restated	--	--	(313,406)	**(313,406)**
Balance at 31 December 2019	**10,235**	**11,348**	**1,208,552**	**1,230,135**
Additions	--	642	415,843	**416,485**
Disposal	(1)	--	--	**(1)**
Balance at 31 December 2020	**10,234**	**11,990**	**1,624,395**	**1,646,619**
Accumulated depreciation				
Balance at 31 December 2019	**--**	**--**	**--**	**--**
Additions	--	--	3,103	**3,103**
Balance at 31 December 2020	**--**	**--**	**3,103**	**3,103**
Balance at 31 December 2019	**10,235**	**11,348**	**1,208,552**	**1,230,135**
Balance at 31 December 2020	**10,234**	**11,990**	**1,621,292**	**1,643,516**

Mining site development costs include personnel expenses capitalized, attributable depreciation charges, direct material, service costs and capitalized borrowing cost.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

10 Property and equipment *(Continued)*

Non-mining assets

Movement of cost and related accumulated depreciation for non-mining assets, during the years ended 31 December were as follows:

	Power plant (in operation)	Land, land improvements and buildings	Vehicles	Furniture and fixtures	Machinery and equipment	Construction in progress	Leasehold improvements	Total
Cost								
Balance at 1 January 2019, previously reported	**2,475,561**	**16,175**	**590**	**4,300**	**104,788**	**34,381**	**528**	**2,636,323**
Reclassification	--	--	--	--	--	35,968	--	**35,968**
Balance at 1 January 2019, restated	**2,475,561**	**16,175**	**590**	**4,300**	**104,788**	**70,349**	**528**	**2,672,291**
Additions	2,149	34,044	379	680	121,076	26,302	837	185,467
Additions, restated	--	--	--	--	--	313,406	--	313,406
Transfers	--	4	--	--	4,592	(4,596)	--	--
Additions through Asset Acquisitions	--	--	--	335	--	1,991	--	2,326
Disposal	--	(127)	(68)	--	--	(4,077)	--	(4,272)
Transfers between the tangible assets (*)	89,542	(9,396)	--	(48)	(79,275)	--	(823)	--
Transfers from intangible assets (*)	2,451	--	--	--	--	--	--	2,451
Settlement off depreciation	(66,841)	--	--	--	--	--	--	(66,841)
Change in fair value reserve (Net basis disclosure) (Note 18)	782,093	--	--	--	--	--	--	782,093
Balance at 31 December 2019	**3,284,955**	**40,700**	**901**	**5,267**	**151,181**	**403,375**	**542**	**3,886,921**
Additions	1,193	13,090	502	2,964	186,944	1,029,823	7,181	1,241,697
Transfers	--	16,027	--	165	307,763	(324,610)	655	--
Additions through Asset Acquisitions	--	--	--	--	--	3,053	--	3,053
Disposal	--	--	(522)	(688)	(3,605)	--	(23)	(4,838)
Transfers between the tangible assets (*)	284,334	(15,073)	(386)	(1,625)	(94,920)	(164,691)	(7,639)	--
Transfers from intangible assets (*)	22,166	--	--	--	--	--	--	22,166
Settlement off depreciation	(91,236)	--	--	--	--	--	--	(91,236)
Change in fair value reserve (Net basis disclosure) (Note 18)	603,767	--	--	--	--	--	--	603,767
Balance at 31 December 2020	**4,105,179**	**54,744**	**495**	**6,083**	**547,363**	**946,950**	**716**	**5,661,530**
Accumulated depreciation								
Balance at 1 January 2019	**--**	**29,029**	**794**	**2,582**	**162,750**	**--**	**428**	**195,583**
Current year depreciation	66,058	855	114	521	10,923	--	44	78,515
Additions through Asset Acquisitions	--	--	--	155	--	--	--	155
Disposals	--	(34)	(68)	--	--	--	--	(102)
Transfers between the tangible assets (*)	750	(97)	--	(5)	(644)	--	(4)	--
Transfers from intangible assets	33	--	--	--	--	--	--	33
Settlement off depreciation	(66,841)	--	--	--	--	--	--	(66,841)
Balance at 31 December 2019	**--**	**2,932**	**440**	**3,143**	**36,879**	**--**	**496**	**43,890**
Current year depreciation	89,904	3,506	109	823	29,939	--	48	124,329
Disposals	--	--	(417)	(530)	(3,081)	--	(15)	(4,043)
Transfers between the tangible assets (*)	1,213	(70)	(33)	(338)	(732)	--	(40)	--
Transfers from intangible assets	119	--	--	--	--	--	--	119
Settlement off depreciation	(91,236)	--	--	--	--	--	--	(91,236)
Balance at 31 December 2020	**--**	**6,368**	**99**	**3,098**	**63,005**	**--**	**489**	**73,059**
Balance at 1 January 2019, restated	**2,475,561**	**13,967**	**196**	**1,828**	**78,188**	**70,349**	**72**	**2,640,161**
Balance at 31 December 2019, restated	**3,284,955**	**37,768**	**461**	**2,124**	**114,302**	**403,375**	**46**	**3,843,031**
Balance at 31 December 2020	**4,105,179**	**48,376**	**396**	**2,985**	**484,358**	**946,950**	**227**	**5,588,471**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

10 Property and equipment *(Continued)*

Non-mining assets

(*) Current year transfers were presented due to transition approach from cost model to fair value so as to be consistent with the Group accounting policies upon partial commissioning of Ares/Bağlama, Yares/Yalova, İstres/Tayakadın and Tekno/Pazarköy windpowerplants (31 December 2019: Osres/Kızılcaterzi project as fully commissioned). The remaining part of Ares, Yares, İstres and Tekno were measured at cost until commissioning date thereof.

As of the reporting date, on the sake of further security purposes contemplated from the loans agreements of all wind powerplants, pledge (share pledge and/or commercial enterprise) has been established in favor of lenders except for Osres/Kızılcaterzi, Ares/Bağlama, Yares/Yalova, İstres/Tayakadın and Tekno/Pazarköy powerplants. On the other hand, there are partial financial leases established within the scope of the sell&lease back transactions made in 2018 based on some equipment to be re-financed in such manner.

At 31 December, the reconciliation for acquisition of tangible assets for the consolidated statement of cash flows is presented as follows:

Acquisition of tangible assets (mining assets included)	**2020**	**2019**
Mining assets	416,484	436,427
Non-mining assets	1,241,697	498,873
Additions presented in the cost movement	**1,658,181**	**935,300**
Adjustment for statement of cash flows purposes, during the year	**(421,328)**	**(427,610)**
Capitalized borrowing costs (Note 6)	*(338,424)*	*(166,836)*
ARO costs	*(642)*	*(4,738)*
Lease additions during the year (Further disclosure given below)	*(70,205)*	*(243,337)*
Capitalized amortization and depreciation charge (Note 22)	*(12,057)*	*(12,699)*
Additions presented for statement of cash flows	**1,236,853**	**507,690**
Capitalized personnel costs	(63,370)	(79,842)
Total cost of purchase excluding the personnel costs	**1,173,483**	**427,848**

Depreciation and amortization expenses according to their nature are explained in Note 22. The Group has capitalized depreciation expense amounting TL 12,057 (31 December 2019: TL 12,699) over the construction in progress at the reporting date.

The Group has capitalized borrowing costs amounting to TL 723,223 which were directly attributable to the acquisition, construction, or production of a qualifying asset in the consolidated financial statements as at 31 December 2020 (31 December 2019: TL 384,799).

During the current year, the Group purchased tangible assets acquired through finance lease amounting to TL 70,205 (TL 35,878 on net basis considering repayment amounting to TL 34,327) under tangible asset.

During the current year, the Group purchased tangible assets acquired through finance lease amounting to TL 243,337 (TL 204,402 on net basis considering repayment amounting to TL 38,935) under tangible assets and recognized opening effect through IFRS 16 amounting to TL 4,563 under intangible assets.

The Group has capitalised personnel costs amounting to TL 63,370 which were directly attributable to the construction, or production of a qualifying asset in the consolidated financial statements as at 31 December 2020 (31 December 2019: TL 79,842).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

10 Property and equipment *(Continued)*

Non-mining assets

Transfers to machninery&equipments from construction in progress during the current period are mainly attributable to partial commissioning of Ares/Bağlama, Yares/Yalova, İstres/Tayakadın and Tekno/Pazarköy powerplants which are ready to generate electricity. Transfers to machninery&equipments from construction in progress during the previous period are mainly attributable to fully commissioning of Osres powerplant.

If cost model was continued to be applied for the measurement of powerplant (in operation) of the Group during the current year, the total net book value thereof at 31 December 2020 would be amounting to TL 1,117,273 (31 December 2019: TL 1,060,560).

As of reporting dates, the reconciliation table for disposal of tangible assets for the consolidated statement of cash flows statements is presented as follows:

Disposal of tangible assets	**2020**	**2019**
Cost of disposals	4,838	4,272
Accumulated depreciation of disposals, tangible asset	(4,043)	(102)
Net amount of deducted accumulated depreciation of disposals, intangible asset	74	--
Net book value of disposals presented in the movement	**869**	**4,170**
Adjustment	**--**	**(4,077)**
Write off capitalized costs for the unfeasible projects (Note 24)	--	*(4,077)*
Net book value of disposals, adjusted (A)	***869***	***93***
Gain on sale of tangible assets, net (Note 21)	725	142
Sale of scrapped items (Note 21)	1,673	1,852
Gain on sale for statement of cash flows (B)	**2,398**	**1,994**
Proceed from disposals for statement of cash flows (C=A+B)	**3,267**	**2,087**

As of reporting dates, the Group has all-in risk insurance policies and/or cover letters with to cover all the operation powerplants of the Group.

Current year transfers in both of tangible and intangible assets were presented due to transition approach from cost model to fair value so as to be consistent with the Group accounting policies upon partial commissioning of Ares/Bağlama, Yares/Yalova, İstres/Tayakadın and Tekno/Pazarköy windpowerplants (31 December 2019: Osres/Kızılcaterzi project as fully commissioned).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

10 Property and equipment *(Continued)*

Non-mining assets

The reconciliation table for cash flows regarding Ares' share transfer was given as follows:

Reconciliation table	**Current Period**
Tangible assets **(D)**	**2,171**
Cost (Note 10)	*2,326*
Accumulated depreciation (Note 10)	*(155)*
Intangible assets	**51,527**
Cost (Note 11)	*51,527*
Accumulated amortization (Note 11)	**--**
Net book value of addition through asset acquisition, total (A)	**53,698**
Contingent consideration to be paid, recognized through trade payable (Note 7)	51,542
Unrealized currency exchange losses (Not 23)	(2,197)
Contingent liability stated at transaction date (B)	**49,345**
Net book value of addition through asset acquisition, total (A)	53,698
Contingent liability stated at transaction date (B)	49,345
Net cash out flow (C)=(B)-(A)	**(4,353)**
Cash outflows from tangible assets recognized through asset acqusition **(D)**	(2,171)
Cash outflows from intangible assets recognized through asset acqusition	(2,182)
Net cash out flow (C)	**(4,353)**

The reconciliation table for cash flows regarding Tekno's share transfer was given as follows:

Reconciliation table	**31 December 2020**
Purchase price (B)	**81,610**
Transfer purchase price to Tekno (Before, receivables from former shareholder)	15,258
Property and equipment	3,053
Other assets	877
*Intangible assets **(K)***	137
Net book value of addition through asset acquisition, total (A)	**19,325**
Licence value of Pazarköy (Tekno) (C)=(B)-(A)	**62,285**
*Intangible assets **(K)***	137
Net book value of intangible assets through asset acquisition (Note 11)	**62,422**
Advances given deduction (Note 16)	66,352
Additional purchase price at share transfer date	15,258
Total purchase price (D)	**81,610**
Net book value of addition through asset acquisition, total (A)	19,325
Licence value of Pazarköy (Tekno) (C)=(B)-(A)	**62,285**
Non-cash items	**81,610**
Advances given deduction (Note 16)	66,352
Transfer purchase price to Tekno (Before, receivables from former shareholder)	15,258
Total cash outflow according to Tekno share transfer in 2020	**--**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

11 Intangible assets

Movement of cost and related accumulated amortization of intangible assets during the years ended 31 December were as follows:

	Other intangibles	*Total*
Net book value at 1 January 2019	**38,906**	**38,906**
Additions through Asset Acquisition, (cost value)	51,227	51,227
Additions	3,117	3,117
Initial cost of right-of-use assets under IFRS 16	4,563	4,563
Transfer to tangible assets (Note 10)	(2,418)	(2,418)
Current year charge of right-of-use assets under IFRS 16	(393)	(393)
Current year charge	(1,902)	(1,902)
Net book value at 31 December 2020	**93,100**	**93,100**
Additions through Asset Acquisition, (cost value)	62,422	62,422
Transfer to operating powerplant (Ares) (*)	(14,342)	(14,342)
Transfer to operating powerplant (Tekno) (*)	(5,123)	(5,123)
Other transfer to property and equipment (*)	(2,582)	(2,582)
Disposals (Note 10)	(74)	--
Additions	1,996	1,996
Current year charge of IFRS 16	(483)	(483)
Current year charge	(3,694)	(3,694)
Net book value at 31 December 2020	**131,220**	**131,220**

(*) As of 31 December 2020, total amount of transfer to property and equipment is TL 22,407 (Note 10).

Current year transfers in both of tangible and intangible assets were presented due to transition approach from cost model to fair value so as to be consistent with the Group accounting policies upon partial commissioning of Ares/Bağlama, Yares/Yalova, İstres/Tayakadın and Tekno/Pazarköy windpowerplants (31 December 2019: Osres/Kızılcaterzi project as fully commissioned).

License Acquired Through Asset Acquisition

Ares

Share transfer of the acquired entity, Ares, has been evaluated as of the transaction date and reporting period within the scope of accounting for business combinations that are also allowed to be applied early within the scope of TRFS 3. Taking into account the phases of inputs and the process that are the basic functions of an enterprise, and the outputs which the process and inputs could have the ability to generate, it was evaluated that the acquisition was in the form of "asset acquisition" and the "transformation into the business" process has not been completely realized as of 31 December 2019. In return for the transfer of Ares shares, the Company will have to make cash payments cash in installments to the seller party for a total consideration of Euro 8,500, including Euro 750 in advance on the signature date and Euro 7,750 million within 21 months totally at the latest after the fully-commissioning of the energy wind power plant to be constructed. This license acquired through asset acquisition was recognized at its historic cost amounting to TL 51,525 together with other intangible asset amounting to TL 2. As of 31 December 2020, the valuation is applied for only for ready for use turbines of the 14 turbines that has been commissioned, the gross value calculated for ready for use turbine has been reduced from net book value of license at the date of commissioning and the remaining amount has been amortized over the remaining license life, considering the assumption that each turbine has an equivalent value.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

11 Intangible assets *(continued)*

License Acquired Through Asset Acquisition (continued)

Ares (continued)

Consideration amount prior to the transfer	12,284
Contingent liabilities subsequent to the transfer	49,345
Total consideration amount	**61,629**
Net asses value at the transfer's date	10,104
License value, gross at the transfer's date	**51,525**
Amortization during the year 2019	(458)
Amortization during the year 2020	(992)
Transfer to powerplant upon partial commissioning (2020)	(14,342)
License value, net	**35,733**

Tekno

Acquisition of Tekno, has been evaluated as of the share transfer transaction date and reporting period within the scope of accounting for business combinations that are also allowed to be applied early within the scope of IFRS 3. Taking into account the phases of inputs and the process that are the basic functions of an enterprise, and the outputs which the process and inputs could have the ability to generate, it was evaluated that the acquisition was in the form of "asset acquisition". However, depending on the start of the electricity generation with partial start-up processes towards the end of the current reporting period and the acceleration in the investment processes, it has been assessed that the "conversion to operation" process has been completed. In return for the transfer of Tekno shares, the Company paid for a total consideration of TL 81,610, including Euro 9,460 in advance on the signature date and TL 81,610 in total which constitute the gross value of the acquired license and recognized in intangible assets on a historical cost. As of 31 December 2020, the valuation is applied for only for ready for use turbines of the 12 turbines that has been commissioned, the gross value calculated for ready for use turbine has been reduced from net book value of license at the date of commissioning and the remaining amount has been amortized over the remaining license life, considering the assumption that each turbine has an equivalent value.

Transfer of advances given for pre-emption rights (Note 16)	66,352
Additional consideration during transfer	15,258
Total consideration amount	**81,610**
Net asset value during transfer	19,326
License value of Tekno, gross	**62,284**
Amortization charge	(1,007)
Transfer to powerplant upon partial commissioning (2020)	(5,123)
License value of Tekno, net	**56,154**

Goodwill

Company	**Purchase method**	**Purchase cost**	**Fair value (at the transaction's date)**	**Purchase date**	**Percentage of shares purchased (%)**	**2020**	**2019**
Aysu	Cash basis	12,832	4,131	May 2012	100	8,701	8,701
Ütopya	Cash basis	3,760	846	February 2009	80	3,081	3,081
						11,782	**11,782**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

11 Intangible assets *(Continued)*

Key assumptions used in discounted cash flow projections

Annual Impairment testing for CGU's

Fair value of two cash generating unit's powerplants have been calculated by the Group Management based upon report together with the sub-works prepared by the independent expert (Note 2.7). All CGU's impairment tests were based on value in use as at the reporting date which was determined using discounted cash flow method.

Financial projections prepared by the management were used in "value in use" analysis of each CGU.

As a result of the impairment testing performed on CGU basis, no impairment loss was recognised as at the reporting date.

Key assumptions used in discounted cash flow projections

Key assumptions used in calculation of recoverable amounts are discount rates. These assumptions which were based on the Group's business plans approved by the Board of Directors are as follows:

	Discount rate (Euro Cash Flows) %
Aysu	7.97 (2019: 7.76)
Ütopya	7.97 (2019: 7.76)

The discount rate used in discounted cash flows is determined as the discount rate used in valuation reports of the powerplants prepared by independent valuation experts.The cash-flows figures used for the year 2021 which is the first year of projection period in line with the Group's financial budget as approved by Board of Directors.

The estimated recoverable amounts of CGUs exceed their respective carrying amounts. Thus, the Group management concluded that there is no indication of impairment due to an expected or probable change in key assumptions such as EBITDA growth and discount rates. Recoverable amounts of CGU's are not sensitive to the reasonable changes in key assumptions.

12 Financial investment

Long term financial investments

As at 31 December, long term financial investments comprised the following:

	2020 Carrying amount	2020 Ownership rate%	2019 Carrying amount	2019 Ownership rate%
EPİAŞ	50	0.08%	50	0.08%
Total	**50**		**50**	

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

13 Commitments

Guarantees, Pledges and Mortgages

As at the reporting date, the guarantees, pledges and mortgages ("GPM") given by the Group are as follows:

	31 December 2020	31 December 2019
Bank guarantees used in project financing (*)	--	326,796
Guarantees given to government authorities (**)	93,544	78,931
Guarantees given to suppliers	40,573	35,836
Total	**134,117**	**441,563**

(*) Kavram and Borares had non-cash credit line with the local lender which provides bank guarantee to the non-resident lender through life of long term project finance contract. Upon undertaking of cash loan by this local lender with same terms and conditions previously provided to the non-resident lender, previously required structure of bank guarantee together with the liability has been released off at the date of undertaking.

(**) At the reporting date, whilst Group's subsidiary in mining approaches starting operation cycle, the volumes of guarantee letters given to the government institutions have increased by nature of business.

Regulatory environment

As of reporting date, there is no violation of the Group's generation licensed wind energy and unlicensed solar energy subsidiaries within the scope of the respective legislations.

Financial covenants

As at 31 December, there is not any breach of financial covenants.

Security liabilities

During one year subsequent to the reporting date, on the sake of further security purposes contemplated from the loans agreements, pledge over share certificates and commercial enterprise of Osres/Kızılcaterzi, Ares/Bağlama, Yares/Yalova, İstres/Tayakadın and Tekno/Pazarköy will be established in favor of project lenders over the lives of respective loan and security agreements.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

14 Provision, contingent assets and liabilities

Short term provision

As at 31 December, the details of other short-term provisions comprised the following:

	31 December 2020	31 December 2019
Vacation pay liability	3,930	3,039
Provision for litigation and claims	552	443
Total	**4,482**	**3,482**

Short term provisions for employee benefits

Short term provisions for employee benefits comprise of vacation pay liabilities. As at 31 December, vacation pay liabilities comprised the following:

Vacation pay liability	2020	2019
Balance at 1 January	**3,039**	**2,063**
Change during the year, net	891	976
Balance at 31 December	**3,930**	**3,039**

Litigation and claims related unintentional missing and illegal usage

At the reporting date, there have been outstanding lawsuits filed by some customers against the Group upon return demand regarding with the unintentional missing and illegal usage fees charged over the electricity sales. The unintentional missing and illegal usage fees charged to all subscribers by the Group are repaid to electricity distribution firms without adding any margin over those amounts. Although such amounts were reclaimed from the Group through lawsuits, as a natural result of being the only counter-party to the electricity sales contracts, electricity distribution firms are legally notified to attend the relevant lawsuits as a participant. Law Code 6719 "Regarding The Amendments Brought About Some Laws Through Electricity Market Law" promulgated by the Trade Registry Gazette dated 17 June 2016 and numbered 29745 restricted the rights and authorization of related courts and arbitration committee down to only performing compliance audit in relation to the lawsuits initiated regarding the technical and non-technical losses. Since the issuance date of the code amendment, most of the pending lawsuits have been concluded in favor of the Group. Therefore, at the reporting date assessing the relevant lawsuits against the Group as a whole, it is not foreseen to be exposed to any material loss.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

14 Provision, contingent assets and liabilities *(Continued)*

Long term provision

As at 31 December, the details of other long-term provisions comprised the following:

	31 December 2020	31 December 2019
ARO expenses (Note 10)	11,990	11,348
Provision for severance payment	6,390	4,478
Total	**18,380**	**15,826**

Employee provisions for long-term benefits

Provision for severance payment

As at 31 December, provision for severance payment comprised the following:

	2020	2019
Balance at January 1	**4,478**	**2,785**
Service cost	1,852	1,227
Actuarial loss (*)	611	553
Interest cost	301	367
Payment made during the year	(852)	(454)
Balance at December 31	**6,390**	**4,478**

(*) For the year ended 31 December 2020 actuarial loss amounting to TL 611 was recognized through the comprehensive income statement (31 December 2019: TL 83 was capitalized through the investment, whereas remaining loss amounting to TL 470 was recognized through the comprehensive income statement).

15 Payables due to employee benefits

As at 31 December, payables related to employee benefits are as follows:

	31 December 2020	31 December 2019
Payables due to employee	11,678	6,712
Social security premiums payable	4,793	2,865
Total	**16,471**	**9,577**

16 Inventories, other assets and liabilities

As at 31 December, ınventories are as follows:

	31 December 2020	31 December 2019
Spare parts (*)	84,687	--
Coal, finished goods	27,359	--
Run-of-mine coal, work in progress	185	--
Total	**112,231**	**--**

(*) Spare parts are used for the ongoing activities of the Group's mine, which continues to operate, and are expected to be used within the following year.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

16 Inventories, other assets and liabilities *(continued)*

Other assets *(continued)*

Other assets

As at 31 December, other current assets are as follows:

	31 December 2020	31 December 2019
Deferred VAT	136,734	95,832
Other	94	66
Total	**136,828**	**95,898**

As at 31 December, other non-current assets are as follows:

	31 December 2020	31 December 2019
Share pre-emption advances (*)	--	62,915
Deferred VAT	46,348	17,588
Total	**46,348**	**80,503**

(*) As at 31 December 2017, the Group made advance payment for pre-emption rights of Tekno Rüzgar Enerji Yatırım Üretim ve Ticaret A.Ş ("Pazarköy") which is located in Balıkesir, Balya region with a total planned installed capacity of 44 MW and Uygun Enerji Yatırım Üretim ve Ticaret A.Ş ("Adapazarı ") which is located in both Sakarya (Taraklı region) and Bolu (Göynük) regions with a total installed capacity of 80 MW amounting to Euro 1,892,000 and Euro 5,216,000 respectively, with the total consideration amount of Euro 7,108,000.

During 2018, the Group has signed agreement of pre-emption rights to acquire the shares of Barkan Enerji Yatırım Üretim ve Ticaret A.Ş. ("Şapdağı") which is located in Balıkesir, Havran region with a total planned installed capacity of 55 MW. Besides to that, Adapazarı project process as one of the previous year projects was ended up with cancellation as agreed reciprocally in compliance with the termination protocol and as a result, the total consideration paid until the termination date with the amount of Euro 9,128,000 were assigned to the outstanding projects in according to the referred amendment protocols thereof, Pazarköy and Şapdağı, Euro 5,633,556 and Euro 3,494,444, respectively. At the reporting date, including the total transfers during the current year, the Group has kept total advance receivable position for Pazarköy and Şapdağı projects with the total consideration amount of Euro 8,009,167 and Euro 9,406,944, respectively, totally up to Euro 17,416,111.

In accordance with the current developments and contractual rights in the project, the Group has unilaterally exercised its right to terminate the contract for Şapdağı project. The termination protocol was co-signed between the parties on 23 December 2019 regarding the respective pre-emption rights contract dated 22 November 2017, a total consideration amount of Euro 9,406,944 was refunded to the Group on 24 December 2019 by the seller company in cash. As of the reporting date, the Group has a total advance balance of Euro 9,460,000 considering the advance payment of Euro 1,450,833 for Pazarköy project during the current year.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

16 Inventories, other assets and liabilities *(Continued)*

For the current period ended, the movements of advance for pre-emption rights were given as follows;

	2020	2019
At 1 January	**62,915**	**104,984**
Addition during the year	--	8,793
Unrealized foreign exchange losses (Note 23)	3,437	6,746
Transfer to license right (Note 11)	(66,352)	--
Repayment from cancelled project	--	(57,608)
At 31 December	**--**	**62,915**

At the reporting date, the share transfer to the Group was realized on 12 March 2020 upon the production license granted by EMRA on 6 February 2020. On the date of transfer, all advance payment given for shares was classified to the licence recognized under intangible assets.

Other liabilities

As at 31 December, other liabilities are as follows:

Other short-term liabilities	31 December 2020	31 December 2019
Taxes and funds payables	18,697	10,849
Other	32	41
Total	**18,729**	**10,890**

17 Derivatives

As at 31 December, derivative instruments are as follows:

Assets	31 December 2020	31 December 2019
Foreign currency swaps	428	20,251
Forward contracts	414	10,367
Total	**842**	**30,618**
Liabilities		
Foreign currency swaps	(961)	(32,980)
Forward contracts	(608)	(19,474)
Total	**(1,569)**	**(52,454)**
Current portion	**(1,569)**	**(52,454)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

18 Capital reserves

Paid-in capital[1]

As at 31 December, the Company's nominal share capital and share structure is as follows:

	%	31 December 2020 (Number of shares)	%	31 December 2019 (Number of shares))
Fina Holding A.Ş.	87.64%	276,045,000	87.64%	276,045,000
Ayşe Can Özyeğin Oktay	6.33%	19,950,000	6.33%	19,950,000
Murat Özyeğin	6.03%	19,005,000	6.03%	19,005,000
Karani Güleç	--	--	--	--
Total	**100%**	**315,000,000**	**100%**	**315,000,000**
Unpaid capital		(23,651,250)		(23,651,250)
Paid in capital		**291,348,750**		**291,348,750**

As of 31 December 2020, nominal capital of the Company amounting to TL 315,000,000 comprised 315,000,000 shares and each has a value of TL 1 (31 December 2019: TL 315,000,000 comprised 315,000,000 shares and each has a value of TL 1).

Capital reserves and commitment payment

During the current period Fina Holding A.Ş. as the main shareholder entity has released transfer with the total consideration amount of TL 189,915,655 to the Company's account on step-by basis so as to strengthen the equity finance structure of the Company. In compliance with the Board of Directors' Resolution Minute dated with 19 November 2018 held by Fina Holding A.Ş. side, amount by TL 727,878 was considered as partial performance of capital commitment liability, whereas the remaining balance amounting to TL 189,187,777 was recognized as capital reserve in line with the respective provision 9 set in "Legislation about principles and procedures relating the application of article 376 of Turkish Commercial Code numbered 6102" which was put in effective with the issuance of trade registry gazette dated 15 September 2018.

[1] All figures were presented in full under this caption.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

18 Capital and reserves *(Continued)*

Paid-in capital *(Continued)*

Restricted reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 1/10 per annum of all cash distributions for the companies made dividend payment according to Capital Market Board ("CMB") regulations and 1/11 per annum of all cash distributions for the companies made dividend payment according to statutory regulations in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

During the previous period, if the total of the first and second legal reserves exceeded 50 percent of the Company's capital, in accordance with the provisions set out in Article 519 of the TCC, which regulates general restricted reserves, the reserves in the subsidiaries of the Company, total amounting to TL 403 was re-distributed through set off with accumulated gains losses. At the same time, as a result of dividend distributions made in some of the subsidiaries of the Group during the previous year, additional restricted reserves amounting to TL 256 have been distributed, and at 31 December 2019, the Group's restricted reserve amount on consolidated level has been at TL 1,993.

As a result of dividend distributions made in some of the subsidiaries of the Group, restricted reserves increased amounting to TL 1,601, including business combination result amounting to TL 185. As at 31 December 2020, the Group's restricted reserve amount on consolidated level is TL 3,594.

Actuarial losses from defined pension plans:

All actuarial losses are recognized through other comprehensive income under the financial statement caption of "Actuarial losses from defined pension plans" as a result of IAS 19 (2011).

Non-controlling interest

The interests not controlled directly or indirectly by the parent company was reclassified under "non-controlling interest" item in the consolidated statement of financial position.

The movement of non-controlling interest ("NCI") for the year ended 31 December was given as follows:

	2020	**2019**
Balance at 1 January	**369,262**	**168,302**
Net profit for the year attributable to non controlling interest	51,278	191,140
Net change in fair value reserve for the year attributable to non-controlling interest	2,242	9,600
Capital contribution by NCI in the consolidated subsidiaries	--	122
Capital contribution by the parent company on behalf of NCI in the consolidated subsidiaries	--	98
Balance at 31 December	**422,782**	**369,262**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

18 Capital and reserves *(Continued)*

Fair value reserve

Any increase arising from revaluation of power plant is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously recognized. A decrease in the carrying amount arising on the revaluation of such power plants is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on power plant is charged through the profit or loss. On the subsequent sale or taken off the operation of a revalued property, the attributable revaluation surplus remaining in revaluation reserve of the asset is transferred directly to retained earnings. Unless the asset is disposed, the revaluation fund is not transferred to the retained earnings.

Since starting from 31 December 2018, the cost model of the application methods in IAS 16 has been left and the revaluation model has been selected in order to reflect more reliable value of the power plants in operation of the Group. The movements related to the revaluation fund for the period ended 31 December are given below.

	2020	2019
Change in fair value reserve (Note 10)	603,767	782,093
Tax effect (Note 25)	(120,753)	(156,419)
Effect over total equity	**483,014**	**625,674**
Non-controlling interest (Note 18-NCI Movement)	2,242	9,600
Effect over total equity attributable to the equity owners of the Group, net off tax	**480,772**	**616,074**

19 Revenue and cost of revenue

For the years ended 31 December, revenue and cost of revenue comprised the following:

	2020	2019
Retail and wholesale electricity sales	897,510	550,455
Electricity sales of powerplant (**)	601,545	491,589
Retail service sales (*)	1,233	110
Other sales	954	635
Gross sales before elimination	**1,501,242**	**1,042,789**
Eliminated sales (Intra-group sales from powerplant entities to FET) (**)	(346,078)	(175,371)
Gross sales	**1,155,164**	**867,418**
Sales returns	(1,069)	(715)
Sales discounts	(263)	(93)
Net sales	**1,153,832**	**866,610**
Cost of electricity purchased out of the Group(**)	(529,843)	(354,784)
Cost of electricity sold of powerplant	(156,233)	(106,313)
Amortization &depreciation charge	(102,527)	(67,783)
Other costs	--	(3,133)
Cost of sales	**(788,603)**	**(532,013)**
Gross profit	**365,229**	**334,597**
Gross profit, excluding amortization& depreciation charge	**467,756**	**402,380**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

19 Revenue and Cost of Revenue *(Continued)*

(*) The amount comprised of other revenues generate from various retail service activities. "Retail service activities" are defined as various services such as invoicing and collection activities provided for the customers except for electricity purchase and sales in accordance with the regulation by "EMRA". The charge price is determined on basis of cost of services.

(**) The Group's electricity production companies started to sell electricity to Fina Elektrik starting from second half of the year 2019. The elimination effect of those sales as a result of consolidation accounting leads the current period figures to be presented as being diminished compared to corresponding previous period. Therefore on the sake of more reasonable and fair presentation way, the details for revenue and cost of sales was given as before and after elimination adjustment.

Cost of revenues	**2020**	**2019**
Cost of retail sales	(529,843)	(354,784)
Amortization and depreciation charges	(102,527)	(67,783)
Service expenses	(70,316)	(51,696)
System usage expenses	(31,350)	(21,257)
Personnel expenses	(14,273)	(11,493)
Insurance expenses	(5,272)	(4,365)
Others	(35,022)	(20,635)
Total	**(788,603)**	**(532,013)**

20 General administrative expenses and marketing expenses

For the years ended 31 December, general administrative expenses comprised the following:

General administrative expenses	**2020**	**2019**
Personnel expenses	(25,562)	(18,611)
Consultancy and outsourced expenses	(7,310)	(6,397)
Travel expenses	(2,351)	(1,999)
Rent expenses	(1,640)	(1,260)
Taxes and other duties	(2,162)	(830)
Depreciation and amortization expenses	(945)	(328)
Communication expenses	(298)	(309)
Insurance expenses	(41)	(27)
Other expenses	(3,304)	(1,520)
Total	**(43,613)**	**(31,281)**

For the years ended 31 December, marketing expenses comprised the following:

Marketing expenses	**2020**	**2019**
Dealer expenses	(1,000)	(118)
Personnel expenses	(789)	--
Depreciation and amortization expenses	(262)	--
Rent expenses	(198)	--
Remote sales service expenses	(57)	(527)
Promotion expenses	(32)	(132)
Sponsorship expenses	--	(2,719)
Others	(93)	--
Total	**(2,431)**	**(3,496)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

21 Other income and expenses

For the years ended 31 December, other income comprised the following:

	2020	**2019**
Gain on sale of scrapped items	1,673	1,852
Gain on disposal of tangible and intangible assets	1,787	142
Insurance reimbursement income	1,363	--
Others	533	1,163
Total	**5,356**	**3,157**

For the years ended 31 December, other expenses comprised the following:

	2020	**2019**
Donations	(2,429)	(919)
Loss on disposal of tangible assets	(1,062)	--
Licence return and decertification expenses	(537)	--
Loss from liquidation of non-consolidated entity (*)	--	(1,320)
Write off capitalized costs for the unfeasible projects	--	(4,077)
Others	(2,020)	(804)
Total	**(6,048)**	**(7,120)**

(*) Upon receipt of the liquidation decision of FETBV, which was taken unanimously in the respective General Assembly Decision dated 25 November 2019, was registered on 19 December 2019 it has been decided that the accumulated investment amounts together with the receivable balances (accrued interest) subject to the liquidation thereof was recognized through the profit or loss statement.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

22 Expenses by nature

For the years ended 31 December, expenses by nature of depreciation and amortization expenses comprised the following:

Depreciation and amortization expenses	**2020**	**2019**
Cost of sales	(102,527)	(67,783)
Capitalized over inventories	(15,818)	
Capitalized over construction in progress (Note 10)	(12,057)	(12,699)
General administrative expenses (Note 20)	(945)	(328)
Marketing expenses	(262)	--
Total	**(131,609)**	**(80,810)**
Tangible assets (Note 10)	(127,432)	(78,515)
Intangible assets (Note 11)	(3,694)	(1,902)
Effect through IFRS 16 (Note 11)	(483)	(393)
Total	**(131,609)**	**(80,810)**

Personnel expenses

For the years ended 31 December, expenses by nature of personnel expenses comprised the following:

	2020	**2019**
Capitalized over construction in progress (Note 10)	(63,370)	(79,842)
Capitalized over inventories and prepaid expenses	(47,215)	
General administrative expenses (Note 20)	(25,562)	(18,611)
Cost of sales (Note 19)	(14,273)	(11,493)
Marketing expenses	(789)	
Total	**(151,209)**	**(109,946)**

	2020	**2019**
Gross salary	(90,539)	(76,309)
Social security premiums	(20,808)	(13,218)
Bonus payments	(7,557)	(5,804)
Overtime charges	(17,520)	(5,779)
Social and other supportive payments	(8,262)	(4,387)
Others	(6,523)	(4,449)
Total	**(151,209)**	**(109,946)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

23 Finance income and finance cost

For the years ended 31 December, finance income and costs comprised the following:

Finance income	**2020**	**2019**
Income from derivative transactions	56,873	113,776
Interest income	22,436	32,319
Foreign exchange gains	67,119	26,691
Other	2,683	--
Total	**149,111**	**172,786**

Finance costs	**2020**	**2019**
Foreign exchange losses	(1,012,043)	(242,395)
Interest expense on borrowings (Note 6)	(221,844)	(193,311)
Loss from derivative transactions	(107,109)	(57,186)
Commissions expenses and bank charges	(11,233)	(7,295)
Interest expense due to related parties operating other than banking (Note 4)	(22,015)	(4,479)
Currency losses due to payable for the asset acquisition of Ares	(19,238)	(2,197)
Interest expense for right-of-use assets under IFRS 16 (Note 6)	(761)	(1,205)
Other finance cost	(3,943)	(1,258)
Total	**(1,398,186)**	**(509,326)**

For the year ended 31 December, unrealized foreign exchange gains and losses recognized through the profit or loss statement were given by source for statement of cash flows purposes as follows:

	2020	**2019**
Loans and borrowings (Note 6)	(1,048,210)	(243,781)
Payable due to the asset acquisition of Ares	(19,238)	(2,197)
Translation effect of foreign currency at cash and cash equivalents	(38)	(6,219)
Valuation of advances given for share pre-emption rights (Note 16)	3,437	6,746
Total unrealized losses, net	**(1,064,049)**	**(245,451)**

24 Impairment losses

For the years ended 31 December, the Group incurred impairment losses for receivable as follows:

	2020	**2019**
Allowance during the year (Note 7)	(2,348)	(2,050)
Write off receivables	--	(845)
Collection made during the year (Note 7)	1,056	1,312
Total	**(1,292)**	**(1,583)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

25 Taxation

For the years ended 31 December, the recognized taxes for the Group were given as follows:

Recognized through income and expense	**31 December 2020**	**31 December 2019**
Current tax expenses:		
Current corporation taxes expense	--	(2,964)
Tax amnesty expense	--	--
Deferred tax income:		
Deferred taxes income	560,694	400,353
Total taxation income	**560,694**	**397,389**

Recognized in other comprehensive income	**31 December 2020**	**31 December 2019**
Fair value effect	603,767	782,093
Actuarial difference	(611)	(470)
Total current year effect	**603,156**	**781,623**
Income tax on reported profit per domestic tax rate (%22)	**(132,694)**	**(171,957)**
Corporate income tax rate change effect	12,063	15,632
Unrecognized deferred tax over actuarial difference	--	(66)
Total taxation expenses directly in comprehensive income	**(120,631)**	**(156,391)**

Current tax assets/liabilities

As of 31 December, current tax assets and liabilities as follows:

	31 December 2020	**31 December 2019**
Current tax assets	1,342	5,411
Current tax liabilities	--	(2,327)
Net	**1,342**	**3,084**

The reconciliation of current tax position for the year ended 31 December was given as follows:

	31 December 2020	**31 December 2019**
At 1 January, net	**3,084**	**1,022**
Current tax expense during the period	--	(2,964)
Tax payment during the period	(1,742)	5,026
At 31 December, net	**1,342**	**3,084**

Tax income/ (expenses)

The reconciliation of the effective tax rates

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying statutory tax rate to loss before tax as shown in the following reconciliation:

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

25 Taxation *(Continued)*

Tax income/ (expenses) *(Continued)*

	%	2020	%	2019
(Loss) / Profit for the year		**(371,180)**		**355,123**
Less: Total tax benefit		560,694		397,389
Loss before taxes		**(931,874)**		**(42,266)**
Income tax on reported profit per domestic tax rate	**(22)**	**205,012**	**(22)**	**9,298**
Tax benefit for the investment incentives	(54)	501,262	(1,001)	423,149
Effect of change in unrecognised deferred tax assets	14	(132,321)	71	(30,080)
Non-deductible expenses	1	(6,439)	15	(6,470)
Income subject to tax exemptions	(6)	3,344	(6)	2,358
Corporate income tax rate change effect	1	(10,029)	2	(724)
Merger affect on unused tax losses	<1	(747)	<1	--
Others	<1	612	<1	(142)
Tax benefit for the years	**(60)**	**560,694**	**(941)**	**397,389**

Deferred tax asset/liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Unrecognised deferred tax assets and liabilities

As of 31 December, unrecognised deferred tax assets and liabilities as follows:

	2020	2019
Tax losses carried forward	214,535	144,122
Temporary differences	76,163	14,255
Total	**290,698**	**158,377**

Tax losses

The distribution of tax losses by years based on their exemption schedule is as follows;

	2020		2019	
Expiration year	**Recognized**	**Unrecognized**	**Recognized**	**Unrecognized**
2020	--	--	33,886	29,979
2021	26,303	68,867	57,855	37,846
2022	66,751	79,350	89,643	57,557
2023	164,521	488,315	200,343	455,709
2024	82,539	146,216	89,671	139,519
2025	441,127	289,926	--	--
Total	**781,241**	**1,072,674**	**471,398**	**720,610**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

25 Taxation *(continued)*

Deferred tax assets and liabilities *(continued)*

Recognised deferred tax assets and liabilities

As of 31 December, deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below.

	Assets		**Liabilities**		**Net Amount**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Investment incentives	1,409,212	907,950	--	--	**1,409,212**	**907,950**
Tax losses carried forward	156,248	94,628	--	--	**156,248**	**94,628**
Derivative financial instruments	--	3,665	1,335	--	**(1,335)**	**3,665**
Employee severance indemnity	1,097	200	--	--	**1,097**	**200**
Vacation pay liability	555	148	--	--	**555**	**148**
Tangible and intangible assets	--	--	583,048	483,587	**(583,048)**	**(483,587)**
Prepaid expenses	--	--	18,744	--	**(18,744)**	**--**
Other temporary differences	--	534	384	--	**(384)**	**534**
Sub total	**1,567,112**	**1,007,125**	**603,511**	**483,587**	**963,601**	**523,538**
Set off of tax	(45,186)	(33,566)	(45,186)	(33,566)	**--**	**--**
Deferred tax assets, net	**1,521,926**	**973,559**	**558,325**	**450,021**	**963,601**	**523,538**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

25 Taxation *(Continued)*

Deferred tax assets and liabilities *(continued)*

Deferred tax assets and liabilities and their movements during the years ended 31 December, those have been recognised in respect of the following items:

	1 January 2019	Recognized through profit/(loss)	Recognized through other comprehensive income	31 December 2019	Recognized through profit/(loss)	Recognized through other comprehensive income	31 December 2020
Investment incentives	484,801	423,149	--	**907,950**	501,262	--	**1,409,212**
Tax losses carried forward	98,846	(4,218)	--	**94,628**	61,620	--	**156,248**
Derivative financial instruments	52,836	(49,171)	--	**3,665**	(5,000)	--	**(1,335)**
Employee severance indemnity	366	(194)	28	**200**	775	122	**1,097**
Vacation pay liability	90	58	--	**148**	407	--	**555**
Tangible and intangible assets	(357,317)	30,149	(156,419)	**(483,587)**	21,292	(120,753)	**(583,048)**
Prepaid expenses	--	--	--	**--**	(18,744)	--	**(18,744)**
Other temporary differences	(46)	580	--	**534**	(918)	--	**(384)**
Total	**279,576**	**400,353**	**(156,391)**	**523,538**	**560,694**	**(120,631)**	**963,601**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures)

26.1 *Capital risk management*

The Group is trying to balance the debt to equity ratio in the normal course of the business, in the most effective way and aims to increase its profitability.

Cost of capital and the risks associated with each class of capital, are assessed by the top management together. Top management is trying to balance the capital structure by acquisition of new debt or repayment of existing debt as well as dividend payments, issuance of new shares. The general strategy of the Group is consistent as in previous years.

As of 31 December, rates of net debt/ paid-in capital are as follows:

	31 December 2020	**31 December 2019**
Total loans and borrowings	6,654,524	4,485,526
Less: Cash and cash equivalents	(289,418)	(241,041)
Net financial debt position	**6,365,106**	**4,244,485**
Total paid-in capital	291,349	291,349
Net financial debt/paid-in capital	**21.85**	**14.57**

26.2 Financial Risk Management

The Group has exposure to the following risks from its operations:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors, are responsible of the creation of the Group's risk management framework and supervision in general. Fina Holding A.Ş. and Fiba Holding A.Ş., the shareholders, strengthened corporate risk management processes by centralizing and determining the methodology to be applied on the risk management activities.

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.2 Financial Risk Management *(Continued)*

26.2.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The management of the Group covers these risks by limiting the average risk for counter party (except related parties) in all contracts and receiving guarantees if necessary.

Trade and other receivables

Since, within the scope of the YEKDEM tariff, the Group's generated electricity sales are made to Aydem and EPİAŞ of which invoicing-collection processes are regulated in accordance with the respective legislation, the credit risk of the Group's trade receivables is at rather acceptable level. In addition, the fact that one of the main partners of EPİAŞ, which is the market operator, is a state-owned enterprise (TEİAŞ) which constitutes a significant part of its sales volume, also supports keeping the credit risk process related to sales at a manageable level.

In monitoring customer credit risk, the other customers of which the Group made electricity sales on credit basis through Fina Elektrik are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Group's review includes external ratings, when available, and in some cases bank references. The Group accepts some customers provided with them make payment through direct debit system ("DDS") system so as to monitor their credit risk processes closely (especially in the electricity market as highly active player in form of a buyer). The Group also takes a letter of guarantee or on prepayment basis when it deems necessary to reduce the credit risk that may arise from customers with bilateral agreements.

The ownership rights of financial assets have the risk of counterpart's indebtness. Credit risk is distributed because of the high number of customer base, individually or collectively. If at the end of 3 months of due date, the related invoice is still unpaid, the Group claims against the debtors.

The Group applied the methodology of impairment analysis for trade and other receivables from customers in compliance with the credit loss model tailored to IFRS 9. The Group recognized expected credit losses not only for doubtful receivables, but also all receivable position including undue balances, as weighted by probability of default over the whole lifecycle during.

Cash and cash equivalents

As at the reporting date, the Group has cash and cash equivalents position by the amount of TL 289,397 (31 December 2019: TL 241,019). Cash and cash equivalents are held in the reputable banks operating in Turkey.

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.2 Financial Risk Management *(Continued)*

26.2.2 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due and to fund the increase in assets and the risk that is originating from transactions in illiquid markets.

The Group performs its liquidity management through regular collections mainly within the scope of RERSM and short-medium term financing loans when necessary. As of the reporting date, the Group plans to refinance all of the remaining amount of the financial borrowings followed under current liabilities after making payment with the net working capital generated during the following year by using contractual rights.

26.2.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Group is exposed to currency risk on investment purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Euro and USD.

Electricity sales of the Group's powerplant entities within the scope of RERSM are based in foreign currency and this provides naturally hedge for the foreign currency position risk in some portion.

Interest rate risk:

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate liabilities the Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as six-months euribor/libor and different types of interest. Risk management activities are aimed at optimizing net interest exposure, given market interest rate levels consistent with the Group's business strategies.

26.2.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.2 Financial Risk Management *(Continued)*

26.2.4 Operational risk *(Continued)*

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas.

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of emergency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit Unit of Fiba Holding A.Ş. and Fina Holding A.Ş.. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to senior management of the Group.

26.3 *Risk management disclosures*

26.3.1 Credit risk

	Receivables				Deposits in Banks	Derivatives	Total
	Trade Receivables (*)		Other Receivables (**)				
Current period	Related Party	Third Party	Related Party	Third Party			
Maximum credit risk exposure at reporting date (A+B+C+D)	**1,343**	**102,389**	**--**	**15,885**	**289,397**	**842**	**409,856**
- Portion of maximum risk covered by guarantees	--	22,944	--	--	--	--	22,944
A. Net book value of financial assets that are neither past due nor impaired	1,343	102,389	--	15,885	289,397	842	409,856
B. Carrying value of financial assets that are past due but not impaired	--	--	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	13,645	--	--	--	--	13,645
- Impairment (-)	--	(13,645)	--	--	--	--	(13,645)
- 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.	--	--	--	--	--	--	--
D. Elements including credit risk on off balance sheet	--	--	--	--	--	--	--

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.3 Risk management disclosures (Continued)

26.3.1 Credit risk (Continued)

Previous period	Receivables				Deposits in Banks	Derivatives	Total
	Trade Receivables (*)		Other Receivables (**)				
	Related Party	Third Party	Related Party	Third Party			
Maximum credit risk exposure at reporting date (A+B+C+D)	**1,810**	**71,718**	**333**	**1,735**	**241,019**	**30,618**	**347,233**
- Portion of maximum risk covered by guarantees	--	30,669	--	--	--	--	**30,669**
A. Net book value of financial assets that are neither past due nor impaired	1,810	71,718	333	1,735	241,019	30,618	**347,233**
B. Carrying value of financial assets that are past due but not impaired	--	--	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	12,353	--	--	--	--	**12,353**
- Impairment (-)		(12,353)	--	--	--	--	**(12,353)**
- 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.	--	--	--	--	--	--	--
D. Elements including credit risk on off balance sheet	--	--	--	--	--	--	--

* As at the reporting period, trade receivables by the total amount of TL 29,311 was comprised of balance due from EPİAŞ and Aydem of which collection process was regulated by the respective legislation and in the subsequent period (due course) respective collection was realized (31 December 2019: TL 17,859).
** Receivable from personnel and deposits and guarantees given are not considered in this financial caption.

Impairment losses

At the end of reporting period, the aging analysis of trade receivables and doubtful receivable movement are as follows:

	2020		2019	
	Gross	**Impairment**	**Gross**	**Impairment**
Neither past due nor impaired	103,732	--	73,528	--
Overdue 90 days	13,645	(13,645)	12,353	(12,353)
	117,377	**(13,645)**	**85,881**	**(12,353)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.3 Risk Management Disclosures *(Continued)*

26.3.2 Liquidity risk

As of 31 December, the contractual and expected maturities of financial liabilities including estimated interest payments are as follows:

Current period	Carrying amount	Total contractual cash flows (=I+II+III+IV+V)	Less than 6 months (I)	6-12 months (II)	1-2 years (III)	2-5 years (IV)	More than 5 years (V)
Non derivative financial liabilities	**(7,626,378)**	**(8,727,282)**	**(2,128,246)**	**(1,271,823)**	**(1,592,341)**	**(1,835,980)**	**(1,898,893)**
Loans and borrowings (*)	(6,654,524)	(7,497,100)	(1,886,172)	(1,248,991)	(1,463,971)	(1,711,782)	(1,186,184)
Trade payables (**)	(272,344)	(272,344)	(201,564)	(22,832)	(45,665)	(2,283)	--
Payables due to employee benefits	(16,471)	(16,471)	(16,471)	--	--	--	--
Other payables	(683,039)	(941,367)	(24,039)	--	(82,705)	(121,915)	(712,709)
Derivative financial liabilities	**(727)**	**(529)**	**(529)**	**--**	**--**	**--**	**--**
Inflows	842	302,434	302,434	--	--	--	--
Outflows	(1,569)	(302,963)	(302,963)	--	--	--	--
Total	**(7,627,105)**	**(8,727,811)**	**(2,128,775)**	**(1,271,823)**	**(1,592,341)**	**(1,835,980)**	**(1,898,893)**

Previous period	Carrying amount	Total contractual cash flows (=I+II+III+IV+V)	Less than 6 months (I)	6-12 months (II)	1-2 years (III)	2-5 years (IV)	More than 5 years (V)
Non derivative financial liabilities	**(4,713,912)**	**(5,185,091)**	**(1,072,111)**	**(1,011,265)**	**(1,134,321)**	**(1,460,906)**	**(506,487)**
Loans and borrowings (*)	(4,485,526)	(4,956,705)	(895,267)	(1,011,265)	(1,101,069)	(1,442,616)	(506,487)
Trade payables	(192,886)	(192,886)	(141,344)	--	(33,252)	(18,290)	--
Payables due to employee benefits	(9,577)	(9,577)	(9,577)	--	--	--	--
Other payables	(25,923)	(25,923)	(25,923)	--	--	--	--
Derivative financial liabilities	**(21,836)**	**4,842**	**18,007**	**(13,165)**	**--**	**--**	**--**
Inflows	30,618	981,829	643,646	338,183	--	--	--
Outflows	(52,454)	(976,987)	(625,639)	(351,348)	--	--	--
Total	**(4,735,748)**	**(5,180,249)**	**(1,054,104)**	**(1,024,430)**	**(1,134,321)**	**(1,460,906)**	**(506,487)**

(*) The Group performs its liquidity management through regular collections within the scope of RERSM and short-medium term financing loans when necessary. As of the reporting date, the Group plans to refinance all of the remaining amount of the financial borrowings followed under current liabilities after making payment with the net working capital generated during the following year by using contractual rights.

(**) Other payables mainly comprised contingent payables due to the seller because of Ares acquisition provided that the seller performs all terms and conditions required in due and satisfied course to the share transfer agreement. The cash-out flows from payables in foreign currency denominated are presented through converting at the current period-end rates and assumed that those cash out flows presented herein approaches the book value thereof.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.3 Risk Management Disclosures *(Continued)*

26.3.3 Market risk

26.3.3.1 Currency risk

At 31 December, the foreign currency exposure of the Group because of the open position is as follows:

Current Period

	TL Equivalent	USD	Euro
1. Trade receivables	456	--	50
2a. Monetary financial assets (included cash and bank accounts)	41,273	5,504	48
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
9. Total assets (1+2+3)	**41,729**	**5,504**	**98**
10. Trade payables	154,347	8,938	9,626
11. Financial liabilities	4,943,568	287,318	307,462
12a. Other monetary financial liabilities	--	--	--
12b. Other non-monetary financial liabilities	--	--	--
18. Total liabilities (10+11+12)	**5,097,915**	**296,256**	**317,088**
19. Statement of financial position net of derivative instruments denominated in foreign currency asset / (liability) position (19a-19b)	**(3,032)**	**154**	**(454)**
19a. Off-balance sheet derivative assets denominated in foreign currency	**16,723**	**2,254**	**--**
19b. Off-balance sheet derivative liabilities denominated in foreign currencies	**19,755**	**2,100**	**454**
20. Net foreign currency asset / (liability) position (9-18+19)	**(5,059,218)**	**(290,598)**	**(317,444)**
21. Net foreign currency asset / (liability) (position of monetary items) (IFRS 7.B23) (=1+2a-10-11-12a)	**(5,056,186)**	**(290,752)**	**(316,990)**
22. Fair value of financial instruments used for foreign currency hedging	**--**	**--**	**--**
23.Hedged portion of foreign currency assets	**--**	**--**	**--**
24. Hedged portion of foreign currency liabilities	**--**	**--**	**--**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.3 Risk Management Disclosures *(Continued)*

26.3.3 Market risk

26.3.3.1 Currency risk (Continued)

Previous Period

	TL Equivalent	USD	Euro
1. Trade receivables	2,740	103	320
2a. Monetary financial assets (included cash and bank accounts)	66,783	59	9,989
2b. Non-monetary financial assets	62,915	--	9,460
3. Other	--	--	--
9. Total assets (1+2+3)	**132,438**	**162**	**19,769**
10. Trade payables	118,339	7,745	10,876
11. Financial liabilities	3,202,504	105,354	387,436
12a. Other monetary financial liabilities	32	--	5
12b. Other non-monetary financial liabilities	--	--	--
18. Total liabilities (10+11+12)	**3,320,875**	**113,099**	**398,317**
19. Statement of financial position net of derivative instruments denominated in foreign currency asset / (liability) position (19a-19b)	**(725,254)**	**(62,500)**	**(53,227)**
19a. Off-balance sheet derivative assets denominated in foreign currency	125,635	21,150	--
19b. Off-balance sheet derivative liabilities denominated in foreign currencies	850,889	83,650	53,227
20. Net foreign currency asset / (liability) position (9-18+19)	**(3,913,691)**	**(175,437)**	**(431,775)**
21. Net foreign currency asset / (liability) (position of monetary items) (IFRS 7.B23) (=1+2a-10-11-12a)	**(3,251,352)**	**(112,937)**	**(388,008)**
22. Fair value of financial instruments used for foreign currency hedging	--	--	--
23.Hedged portion of foreign currency assets	--	--	--
24. Hedged portion of foreign currency liabilities	--	--	--

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.3 Risk Management Disclosures *(Continued)*

26.3.3 Market risk

26.3.3.1 Currency risk

Foreign currency sensitivity analysis

A 10 percent weakening / strengthening of the TL against the following currencies as at 31 December would have affect over the equity or the profit or loss performance by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Current period				
	Profit/loss		Equity	
	Profit/loss	Equity	Profit/loss	Equity
1- Net USD assets/liabilities	(216,003)	216,003	--	--
2- Hedged portion against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	**(216,003)**	**216,003**	--	--
4- Net Euro assets/liabilities	(289,919)	289,919	--	--
5- Hedged portion against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	**(289,919)**	**289,919**	--	--
TOTAL (3+6)	**(505,922)**	**505,922**	--	--

Previous period				
	Profit/loss		Equity	
	Profit/loss	Equity	Profit/loss	Equity
1- Net USD assets/liabilities	(104,213)	104,213	--	--
2- Hedged portion against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	**(104,213)**	**104,213**	--	--
4- Net Euro assets/liabilities	(287,156)	287,156	--	--
5- Hedged portion against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	**(287,156)**	**287,156**	--	--
TOTAL (3+6)	**(391,369)**	**391,369**	--	--

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.3 Risk Management Disclosures *(Continued)*

26.3.3 Market risk *(Continued)*

26.3.3.2 Interest rate risk

At the reporting date, the details of the Group's interest bearing financial instruments were given as follows:

Interest rate profile	31 December 2020	31 December 2019
Fixed rate instruments	**(3,559,819)**	**(3,050,140)**
Financial assets (Time deposits and other cash equivalents)	241,847	235,179
Financial liabilities	(3,781,632)	(3,262,214)
Other payables due to related parties	(20,034)	(23,105)
Variable rate instruments	**(3,531,892)**	**(1,223,312)**
Financial liabilities	(2,872,892)	(1,223,312)
Due to related parties	(659,000)	--

Fair value sensitivity analysis for fixed rate instruments

At the reporting date, the Group does not have any financial liability classified as at fair value through profit or loss. Therefore, a change of 100 basis points in interest rates as at 31 December 2020 would not have any effect over the profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at 31 December 2020 would have increased / (decreased) profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as at 31 December 2019.

	Profit/loss		**Equity [(*)]**	
	%1 increase	**%1 decrease**	**%1 increase**	**%1 decrease**
2019				
Variable rate instruments	(37,885)	9,072	(37,885)	9,072
Cash flow sensitivity (net)	**(37,885)**	**9,072**	**(37,885)**	**9,072**
2018				
Variable rate instruments	(27,862)	7,849	(27,862)	7,849
Cash flow sensitivity (net)	**(27,862)**	**7,849**	**(27,862)**	**7,849**

[(*)] Changes in equity includes the changes in profit or loss.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.3.3 Market risk *(Continued)*

Fair value information

The table below discloses the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Financial instruments measured at amortized cost		Financial instruments measured at FVTP		Fair value hierarchy		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Financial assets								
Trade receivables	103,732	73,528	--	--	--	--	**103,732**	**73,528**
Other receivables (*)	15,885	2,068	--	--	--	--	**15,885**	**2,068**
Cash and cash equivalents	289,418	241,041	--	--	--	--	**289,418**	**241,041**
Derivative instruments	--	--	842	30,618	Level 2	Level 2	**842**	**30,618**
	409,035	**316,637**	**842**	**30,618**			**409,877**	**347,255**
Financial liabilities								
Loans and borrowings	(6,654,524)	(4,485,526)	--	--	--	--	**(6,654,524)**	**(4,485,526)**
Trade payables	(272,344)	(192,886)	--	--	--	--	**(272,344)**	**(192,886)**
Other payables	(683,039)	(25,923)	--	--	--	--	**(683,039)**	**(25,923)**
Payables due to employee benefits	(16,471)	(9,577)	--	--	--	--	**(16,471)**	**(9,577)**
Derivative instruments	--	--	(1,569)	(52,454)	Seviye 2	Seviye 2	**(1,569)**	**(52,454)**
	(7,626,378)	**(4,713,912)**	**(1,569)**	**(52,454)**			**(7,627,947)**	**(4,766,366)**

(*) Receivable from personnel and deposits and guarantees given are not included in this financial caption per presentation purposes.

26 Nature and level of risks related to financial instruments (including the fair value disclosures) *(Continued)*

26.3.3 Market risk *(Continued)*

Fair value information *(Continued)*

Classification of fair value measurement

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: This category includes inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's portfolio;

Level 2: This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;

Level 3: This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

Financial instrument	Financial instruments measured at FVTP				Fair value hierarchy	Valuation technique	Significant observable inputs	Relation of significant observable inputs with fair value
	Current period		Previous period					
	Assets	Liabilities	Assets	Liabilities				
Derivative instruments	842	(1,569)	30,618	(52,454)	2	Discounted cash flow method: Estimated future cash flows using forward exchange rates (observable forward exchange rates at the end of the reporting period) and contract rates are discounted using a rate that reflects the credit risk of various parties.	--	--

Fair value measurement

Measurement methods and important non-observable market data

"Peer comparison method" is used for the valuation of the open position resulting from forward and swap contracts that are measured at fair value and classified as "Level 2" in the fair value hierarchy. Accordingly, the fair values of these instruments per peer comparison method are determined based on the quotation of the intermediaries indicating the prices of the recently realised transactions of the similar contracts that are traded in an active market. In determining the fair values of the respective transactions, no significant unobservable market input is used.

Operating powerplants even if those not under financial instruments were recognized at their fair value at the reporting date by using discounted cash flow methods. Considering the assumptions and methodology used, those powerplants would have been classified as level 3 upon fair value measurement hierarchy.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

27 Non-controlling interests

The following tables summarise the information relating to NCI as at 31 December:

Current period

	Polyak	**Ütopya**	**Total**
NCI percentage (beginning of period)	**49.00%**	**15.00%**	
Non current assets	3,920,521	378,588	4,299,109
Current assets	349,002	6,522	355,524
Non current liabilities	(1,724,033)	(166,795)	(1,890,828)
Current liabilities	(1,725,640)	(77,945)	(1,803,585)
Net assets	**819,850**	**140,370**	**960,220**
NCI percentage (end of period)	**49.00%**	**15.00%**	
Carrying amount of NCI	**401,727**	**21,056**	**422,782**
Revenue	10,735	41,448	52,183
Profit or loss	115,843	(36,564)	79,279
Other comprehensive income (*)	(349)	14,919	14,570
Total comprehensive income	**115,494**	**(21,645)**	**93,849**
Profit or loss allocated to NCI	**56,763**	**(5,485)**	**51,278**
Other comprehensive income or expense allocated to NCI	**--**	**2,242**	**2,242**
Total comprehensive income or expense allocated to NCI	**56,763**	**(3,243)**	**53,520**

Previous period

	Polyak	**Ütopya**	**Total**
NCI percentage (beginning of period)	**49.00%**	**15.00%**	
Non current assets	2,759,906	370,098	**3,130,004**
Current assets	114,989	10,065	**125,054**
Non current liabilities	(1,379,779)	(153,725)	**(1,533,504)**
Current liabilities	(791,994)	(61,555)	**(853,549)**
Net assets	**703,122**	**164,883**	**868,005**
NCI percentage (end of period)	**49.00%**	**15.00%**	**--**
Carrying amount of NCI	**344,530**	**24,732**	**369,262**
Revenue	--	60,961	**60,961**
Profit or loss	386,184	12,731	**398,915**
Other comprehensive income (*)	(333)	64,022	**63,689**
Total comprehensive income	**385,851**	**76,753**	**462,604**
Profit or loss allocated to NCI	189,230	1,910	**191,140**
NCI percentage (beginning of period)	--	9,600	**9,600**
Other comprehensive income or expense allocated to NCI	**189,230**	**11,510**	**200,740**

(*) The non-controlling interest has not been recognized over the actuarial effect associated with other comprehensive income considering the significance level.

28 Subsequent events

The Group established Som Katı Yakıt Pazarlama Dağıtım İthalat İhracat Sanayi ve Ticaret Anonim Şirketi to trade, import and export all kind of coal, all kinds of mineral products and mineral products-derived used as fuel on 4 March 2021.

In accordance with the regulation numbered 7316, published in Official Gazette 31462 on 22 April 2021, corsporate tax rate in Turkey for the year 2021 has been increased from 20% to 25%, for the year 2022 to 23%. The amendment is effective as of 1 January 2021. As the change has been announced after the reporting period, it is considered as a non-adjusting event according to IAS 10 and the Group continue to use 22% for the subsidiaries operating in Turkey as of the reporting date and related amendment will be applied in consolidated financial statements following reporting period.