

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2020**

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Not Audited 30 September 2020	Audited 31 December 2019
ASSETS			
Current assets		23,719,035	20,392,829
Cash and cash equivalents	4	3,371,687	546,968
Financial investments	5	300,647	22,370
Trade receivables	7	2,635,126	2,916,749
<i>Trade receivables due from related parties</i>	21	349,442	479,941
<i>Trade receivables due from third parties</i>		2,285,684	2,436,808
Other receivables	8	1,105,074	1,139,809
<i>Other receivables due from related parties</i>	21	-	762
<i>Other receivables due from third parties</i>		1,105,074	1,139,047
Inventories	9	14,383,776	13,782,778
Prepaid expenses	14	1,630,972	1,750,228
Other current assets	13	291,753	230,934
Current tax assets	20	-	2,993
Non-current assets		4,622,682	3,792,413
Trade receivables	7	3,707,184	3,067,809
<i>Trade receivables due from third parties</i>		3,707,184	3,067,809
Other receivables	8	51,091	42,035
<i>Other receivables due from third parties</i>		18,081	17,419
<i>Other receivables due from related parties</i>	21	33,010	24,616
Financial investments	5	836	836
Investments accounted for using equity method		6,387	7,331
Investment properties	10	698,009	480,145
Right-of-use assets		501	539
Property, plant and equipment	11	108,828	105,913
Intangible assets		4,666	4,393
Other non-current assets	13	43,322	75,958
Deferred tax assets	20	1,858	7,454
Total assets		28,341,717	24,185,242

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS OF 30 SEPTEMBER 2020 AND 31 DECEMBER 2019**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Not Audited 30 September 2020	Audited 31 December 2019
LIABILITIES AND EQUITY			
Current liabilities		10,869,268	8,722,050
Short-term borrowings	6	560,531	1,864,938
Short-term portions of long-term borrowings	6	1,676,311	1,313,683
Short-term portion of long-term borrowings from related parties		4,223	2,988
Lease liabilities	21	4,223	2,988
Short-term portion of long-term borrowings from third parties		1,672,088	1,310,695
Bank Loans		1,672,088	1,310,695
Trade payables	7	2,484,208	505,768
Trade payables due to related parties	21	627,056	25,803
Trade payables due to third parties		1,857,152	479,965
Other payables	8	607,976	571,706
Other payables to related parties		399	397
Other payables to third parties		607,577	571,309
Deferred income	14	5,401,957	4,344,566
Deferred income from related parties	21	64,732	64,732
Deferred income from third parties		5,337,225	4,279,834
Short-term provisions		138,285	121,389
Short-term provisions for employee benefits		13,555	11,148
Other short-term provisions	12	124,730	110,241
Non-current liabilities		3,234,258	1,720,150
Long-term borrowings	6	3,103,482	1,590,567
Long-term borrowings from related parties		2,444	3,003
Lease liabilities	21	2,444	3,003
Long-term borrowings from third parties		3,101,038	1,587,564
Bank Loans	6	3,101,038	1,587,564
Trade payables		9	102
Other payables		47,351	48,887
Deferred income		4,738	4,591
Long-term provisions		16,521	13,846
Long-term provisions for employee benefits		16,521	13,846
Deferred tax liability	20	62,157	62,157
Shareholders' equity		14,238,191	13,743,042
Total equity attributable to equity holders of the Company		14,239,900	13,744,527
Paid-in capital	15	3,800,000	3,800,000
Treasury shares (-)		(296,231)	(284,480)
Share premium (discounts)		2,366,895	2,366,895
Other comprehensive income (expense) not to be reclassified to profit or loss		(42)	(42)
- Gain (loss) on remeasurement of employee benefits		(42)	(42)
Restricted reserves appropriated from profit		747,487	721,385
Prior years' profits		7,040,821	6,362,400
Net profit for the year		580,970	778,369
Non-controlling Interests		(1,709)	(1,485)
Total liabilities and equity		28,341,717	24,185,242

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIODS
ENDED 30 SEPTEMBER 2020 AND 2019**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Not Reviewed 1 January- 30 September 2020	Not Reviewed 1 July- 30 September 2020	Not Reviewed 1 January- 30 September 2019	Not Reviewed 1 July- 30 September 2019
Revenue	16	3,737,423	2,367,903	3,576,812	402,681
Cost of sales (-)	16	(2,815,122)	(1,946,998)	(2,990,927)	(309,824)
Gross profit		922,301	420,905	585,885	92,857
General administrative expenses (-)	17	(236,685)	(105,266)	(204,292)	(82,949)
Marketing expenses (-)	17	(49,195)	(25,772)	(42,745)	(14,687)
Other income from operating activities	18	404,437	169,500	466,238	85,589
Other expenses from operating activities (-)	18	(244,681)	(56,260)	(145,029)	(82,805)
Share of losses from investments accounted for using equity method		(949)	-	(4,246)	(29)
Operating profit		795,228	403,107	655,811	-2,024
Income from investing activities		3,591	2,992	170	4
Operating profit before financial income / (expense)		798,819	406,099	655,981	-2,020
Financial income	19	148,884	70,810	127,803	33,100
Financial expenses (-)	19	(361,361)	(134,144)	(579,683)	(186,856)
Profit from continuing operations, before tax		586,342	342,765	204,101	(155,776)
Tax (expense)/income from continuing operations		(5,596)	-	8,123	2,189
Deferred tax (expense)/income	20	(5,596)	-	8,123	2,189
Net profit for the period		580,746	342,765	212,224	(153,587)
Profit for the period is attributable to:					
Non-controlling interests		(224)	(533)	(51)	(3)
Owners of the Company		580,970	343,298	212,275	(153,584)
Total comprehensive income		580,746	342,765	212,224	(153,587)
Total comprehensive income is attributable to:					
Non-controlling interests		(224)	(533)	(51)	(3)
Owners of the Company		580,970	343,298	212,275	(153,584)
Earnings per share (in full TL)		0.0016	0.0009	0.0006	(0.0004)

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

	Share capital	Treasury shares (-)	Share premium/ discounts	Restricted reserves appropriated from profit	Other Accumulated Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings		Equity attributable to the parent	Non-controlling interests	Total equity
						Prior years' profit	Net profit for the period			
1 January 2019	3,800,000	(284,480)	2,366,895	662,853	(42)	5,271,709	1,268,049	13,084,984	(1,466)	13,083,518
Transfers	-	-	-	58,532	-	1,209,517	(1,268,049)	-	-	-
Dividend	-	-	-	-	-	(118,826)	-	(118,826)	-	(118,826)
Total comprehensive income	-	-	-	-	-	-	212,275	212,275	(51)	212,224
30 September 2019	3,800,000	(284,480)	2,366,895	721,385	(42)	6,362,400	212,275	13,178,433	(1,517)	13,176,916
1 January 2020	3,800,000	(284,480)	2,366,895	721,385	(42)	6,362,400	778,369	13,744,527	(1,485)	13,743,042
Transfers	-	-	-	26,102	-	752,267	(778,369)	-	-	-
Dividend (Note 15) (*)	-	-	-	-	-	(73,846)	-	(73,846)	-	(73,846)
Increases/(Decreases) Related to the Acquisition of Treasury Shares	-	(11,751)	-	-	-	-	-	(11,751)	-	(11,751)
Total comprehensive income	-	-	-	-	-	-	580,970	580,970	(224)	580,746
30 September 2020	3,800,000	(296,231)	2,366,895	747,487	(42)	7,040,821	580,970	14,239,900	(1,709)	14,238,191

(*) At the Ordinary General Assembly Meeting held on 22 July 2020, the decision to distribute a cash dividend of TL 76,646 (30 April 2019: TL 122,980) from the profits of 2019 was approved by majority vote. Since the Company owns its own shares with a nominal value of TL 1 at a rate of 3.38% as of 22 July 2020, the date of the profit distribution decision, the dividend related to the shares owned by the Company is netted off from the amount of dividends to be distributed. The dividend payment was made on 27 July 2020.

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020 AND 2019**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

Notes	1 January- 30 September 2020	1 January- 30 September 2019
Cash flows from operating activities		
Profit for the period	580,746	212,224
Adjustments related to reconcile of net profit for the period		
Adjustments related to depreciation and amortization expenses	17.18 22,333	5,613
Adjustments related to tax expense (income)	20 5,596	(8,123)
Adjustments related to undistributed losses of investments accounted for using the equity method	949	-
Adjustments related to impairments	122,553	102,416
<i>Adjustments related to (reversal of) impairment of inventories</i>	9 122,553	102,416
Adjustments related to provisions	19,685	7,650
<i>Adjustments related to (reversal of) provisions for employee benefits</i>	5,082	7,246
<i>Adjustments related to (reversal of) provision for lawsuit and/or penalty</i>	12 14,489	(1,646)
<i>Adjustments related to (reversal of) provisions for possible risks</i>	18 114	2,050
Adjustments for interest (income) expenses	(28,080)	63,646
<i>Adjustments for interest income</i>	18.19 (385,783)	(507,309)
<i>Adjustments for interest expense</i>	19 357,703	570,955
Adjustments regarding net profit reconciliation for the period	723,782	383,426
Changes in net working capital:		
Adjustments related to (increase) / decrease in trade receivable	(98,990)	(1,283,379)
<i>Decrease (increase) in trade receivables from related parties</i>	130,499	(467,707)
<i>Decrease (Increase) in trade receivables from third parties</i>	(229,489)	(815,672)
Adjustments related to decrease/(increase) in inventories	(339,378)	982,579
Adjustments related to increase/(decrease) in trade payables	1,347,842	(486,805)
<i>Increase (decrease) in trade payables to related parties</i>	18,225	31,884
<i>Increase (decrease) in trade payables to third parties</i>	1,329,617	(518,689)
Adjustments related to decrease (increase) in other receivables related to operations	22,022	(70,460)
Adjustments related to increase (decrease) in other payables related to operations	1,285,155	(348,841)
Adjustments related to other increase (decrease) in working capital	(917,408)	106,784
Net cash flows from operating activities		
Interest received	51,604	86,886
Payments related to provisions for employee benefits	(75)	-
Income taxes paid	(112,981)	(99,055)
Cash flows from operating activities	1,961,573	(728,865)
Cash flows from investing activities		
Cash outflows used in obtaining control of subsidiaries	-	(47,477)
Purchases of investment properties, property, plant and equipment and intangible assets	(12,896)	(30,903)
Interest received	601	170
Purchases of financial assets	(338,021)	(10,000)
Returns of financial assets	8 48,075	50
Other cash inflows (outflows)	12,613	37,608
Cash flows from investing activities	(289,628)	(50,552)
Cash flows from financing activities		
Payments for acquisition of treasury shares	15 (11,751)	-
Proceeds from Borrowings	3,710,147	3,745,786
<i>Proceeds from Loans</i>	2,255,147	1,967,786
<i>Proceeds from Issue of Debt Instruments</i>	1,455,000	1,778,000
Repayments of borrowings	(3,155,673)	(2,566,557)
<i>Loan Repayments</i>	(1,162,775)	(909,557)
<i>Payments of Issued Debt Instruments</i>	(1,992,898)	(1,657,000)
Cash outflow from debt payments for lease contracts	(438)	-
Interest paid	(326,922)	(415,872)
Dividends paid	15 (73,846)	(118,826)
Interest received	122,688	85,405
Other cash inflows (outflows)	(43,767)	(9,845)
Cash flow from financing activities	220,438	720,091
Net increase (decrease) in cash and cash equivalents	1,892,383	-59,326
Cash and cash equivalents at the beginning of the period	4 432,038	494,226
Cash and cash equivalents at the end of the period	4	434,900

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

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARIES**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP

Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (“Emlak Konut GYO” or the “Group”) was established on 26 December 1990 as a subsidiary of Türkiye Emlak Bankası A.Ş. The Group is governed by its articles of association, and is also subject to the terms of the decree law about Public Finances Enterprises No. 233, in accordance with the statute of Türkiye Emlak Bankası A.Ş. The Group has been registered and started its activities on 6 March 1991. The Group’s articles of association were revised on 19 May 2001 and it became an entity subject to the Turkish Commercial Code No. 4603.

The Group was transformed into a Real Estate Investment Group with Senior Planning Committee Decree No. 99/T-29, dated 4 August 1999, and according to Statutory Decree No. 588, dated 29 December 1999. According to Permission No. 298, dated 20 June 2002, granted by the Capital Markets Board (“CMB”) regarding transformation of the Group into a Real Estate Investment Group and permission No. 5320, dated 25 June 2002, from the Republic of Turkey Ministry of Industry and Trade and amendment draft for the articles of association of the Group was submitted for the approval of the Board and the amendment draft was approved at the Ordinary General Shareholders Committee meeting of the Group convened on 22 July 2002, changing the articles of association accordingly.

The articles of association of the Group were certified by Istanbul Trade Registry Office on 29 July 2002 and entered into force after being published in Trade Registry Gazette dated 1 August 2002. As the result of the General Shareholders committee meeting of the Group convened on 28 February 2006, the title of the Group “Emlak Gayrimenkul Yatırım Ortaklığı A.Ş.” was changed to “Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş.”

By the decision of the Board of Directors of Istanbul Stock Exchange Market on 26 November 2010, 25% portion of the Group’s class B shares with a nominal value of TL 625,000 has been trading on the stock exchange since 2 December 2010.

The registered address of the Group is Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul. As of 30 September 2020, the number of employees of the Group is 594 (31 December 2019 - 563).

The objective and operating activity of the Group is coordinating and executing real estate property projects mostly housing, besides, commercial units, educational units, social facilities, and all related aspects, controlling and building audit services of the ongoing projects, marketing and selling the finished housing. Due to statutory obligation to be in compliance with the Real Estate Investment Companies decrees and related CMB communiqués, The Group cannot be a part of construction business, but only can organize it by auctioning between the contractors.

The consolidated financial statements at 30 September 2020 have been approved by the Board of Directors on 6 November 2020.

The ultimate parent and ultimate controlling party of the Group is T.C. Toplu Konut İdaresi Başkanlığı (the Housing Development Administration of Turkey, “TOKİ”). TOKİ is a state institution under the control of Republic of Turkey Ministry of Environment and Urbanisation.

Emlak Konut GYO will be referred to as the “Group” with its subsidiaries and investments valued by the equity method.

**EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP (Continued)

Subsidiaries

Subsidiaries of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Subsidiaries	Nature of Business
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. (“EPP”)	Real Estate Investments
EPP – Emay Adi Ortaklığı (“EPP-EMAY”)	Construction
EPP – Fideltus – Öztaş Ortak Girişimi	Construction

	30 September 2020		31 December 2019	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
EPP (*)	100	100	100	100
EPP-EMAY	60	60	60	60
EPP-Fideltus-Öztaş Ortak Girişimi	40	40	40	40

(*) In parallel with the Group’s growing strategy, Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. was fully owned by the Group with the decision of Board of Directors dated 9 November 2018 and numbered 62/163.

Investments valued by equity method (Affiliates)

Affiliates of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Investments valued by equity method (Affiliates)	Nature of Business
Bio İstanbul Proje Geliştirme ve Yatırım A.Ş. (“Bio”)	Consultancy and Construction Services

	30 September 2020		31 December 2019	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
Bio	32.5	32.5	32.5	32.5

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts are expressed in thousand Turkish Lira ("TL") unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP (Continued)

Shares in Joint Operations

Shares in Joint Operations of Emlak Konut GYO operate in Turkey and their main operations are as follows:

Shares in joint operations **Nature of Business**

Dap Yapı İnşaat Sanayi ve Ticaret A.Ş. ve Eltes İnşaat Tesisat Sanayi ve Ticaret A.Ş. Ortak Girişimi – Emlak Konut GYO A.Ş. (“İstmarina AVM Adi Ortaklığı”)	Shopping Mall and Office Management
Büyükyalı Tesis Yönetimi A.Ş.	Shopping Mall and Office Management

	30 September 2020		31 December 2019	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
İstmarina AVM Adi Ortaklığı (*)	40	40	40	40
Büyükyalı Tesis Yönetimi A.Ş.	37	37	37	37

(*)An "Ordinary Partnership" is formed between Dap Yapı İnşaat San. and Tic. A.Ş., Eltes İnş. Tes. San. Tic. A.Ş. and the Group with the ownership rate of 59.7%, 0.3% and 40%, respectively with the purposes of the sale of one Shopping Mall (AVM) on a land of 51,000 m2 in the Istmarina project and which was constructed under "Istanbul Kartal LSRSA Project" ready to operate after being rented and the financial management of the shopping center.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

The condensed consolidated financial statements of the Group have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) which is published on Official Gazette numbered 28676 dated 13 June 2013. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Financial Reporting Standards (“TFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”). TFRS is updated through communiqués in order to comply with the changes in the International Financial Reporting Standards (“IFRS”).

The interim condensed consolidated financial statements are presented in accordance with the formats specified in the “Communiqué on TAS Taxonomy” published by the POA on 15 April 2019 and the Illustrations of Financial Statements and Application Guidance published by the CMB.

The Group prepared its interim condensed consolidated financial statements for the period ended 30 September 2020 in accordance with the TAS 34 “Interim Financial Reporting Standard” within the framework of the Communiqué Serial: XII No. 14.1 and announcements regarding this Communiqué published by CMB.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1. Basis of Presentation (Continued)

The entities are free to prepare their interim financial statements as full or condensed in accordance with TAS 34. In this context, the Group preferred to prepare its interim financial statements as condensed. The Group maintains its books of account and prepares its statutory financial statements in accordance with the principals issued by CMB, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements were prepared on the basis of historical cost, and the necessary adjustments and classifications were reflected in the statutory records in order to make an accurate presentation in accordance with TFRS.

Preparation of financial statements in hyperinflationary periods

With the decision numbered 11/367 taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with TFRS, the application of inflation accounting is no longer required. Accordingly, the Group has not applied “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) in its financial statements for the accounting periods starting 1 January 2005.

Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in thousands of TL, which is the Group’s functional and presentation currency.

Offsetting

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

Going concern

It remains unclear how the coronavirus pandemic (“COVID-19”) will affect the economy in general. Despite this uncertainty, the Group’s current assets exceed its current liabilities by TL 12,849,767 as of 30 September 2020, it has cash and cash equivalents amounting to TL 3,371,687 and the Group has made a net profit of TL 580,970 in the interim period ended on 30 September 2020. The Group Management believes that the Group has the necessary liquidity and the principle of going concern is appropriate. Therefore, the financial statements have been prepared on the basis of going concern.

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AND ITS SUBSIDIARIES**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts are expressed in thousand Turkish Lira (“TL”) unless otherwise stated.)

**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1. Basis of Presentation (Continued)

Significant changes regarding the current period

The World Health Organization (WHO) has declared an international public health emergency due to the eruption of the coronavirus (COVID-19), which first appeared in Wuhan, China has described COVID-19 as a pandemic as of 11 March 2020. Covid-19 which has rapidly spread across Turkey and the world is considered to have negative economic impact in Turkey and other countries.

The necessary actions have been taken by the Group management to minimize the possible effects of COVID-19, which affects the entire world, on the Group's activities and financial status. The activities of the Group have not been ceased during the curfews. The Group evaluated the possible effects of the COVID-19 outbreak on the financial statements while preparing its consolidated financial statements dated 30 September 2020 and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has evaluated possible impairment in the values of trade receivables, inventories, property, plant and equipment and investment properties included in the interim consolidated financial statements dated 30 September 2020, and no impairment has been detected. However, with the effect of falling interest rates, real estate prices and sales have increased. The Company has increased its sales with the campaign it has initiated "Do not Delay Your Dreams Turkey"

2.2. Conformity with the Portfolio Limitations

The information presented in Additional Note of this report, regarding control of conformity with the portfolio limitations, is a summary information extracted from financial statements in accordance with Article 16 of Communiqué No: II-14.1, “Principles of Financial Reporting in Capital Markets” and is prepared in accordance with the provisions of the control of portfolio limitations of Communiqué No: III-48.1, “Principles Regarding Real Estate Investment Companies”

NOTE 3 – ACCOUNTING POLICIES

Interim condensed consolidated financial statements as of 30 September 2020 have been prepared by applying accounting policies that are consistent with the accounting policies applied in the preparation of the financial statements for the year ended 31 December 2019. Therefore, interim condensed consolidated financial statements should be read together with the end-of-year financial statements in order to create coherence.

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards

a) Amendments and interpretations mandatorily effective as of 2020

Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to TFRS 16	<i>Covid-19 Related Rent Concessions</i>
Amendments to Conceptual Framework	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>

Amendments to TFRS 3 *Definition of a Business*

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 and TAS 8 *Definition of Material*

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

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

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to TFRS 16 *Covid-19 Related Rent Concessions*

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is 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:

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

a) Amendments and interpretations mandatorily effective as of 2020 (Continued)

Amendments to TFRS 16 Covid-19 Related Rent Concessions (Continued)

- 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;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 and
- There are no substantive changes to other terms and conditions of the lease.

Concessions Recognized in Lease Payments Regarding COVID-19-Amendments Related to TFRS 16 will be applied by the lessees in the annual accounting periods starting from 1 June 2020 or after, however early application is permitted.

The Group has applied the practical expedient to all rent concessions that have met the above criteria. There were no COVID-19-related rent concessions prior to 1 January 2020.

Amendments to References to the Conceptual Framework in TFRS Standards

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and TAS Interpretation 32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

As of 1 January 2020, the relevant standard changes do not have a significant effect on the financial statements of the Group.

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018- 2020	<i>Amendments to TFRS 1, TFRS 9, TFRS 16 and TAS 41</i>

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (Continued)

TFRS 17 Insurance Contracts

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2021.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are deferred and are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods 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.

Amendments to TAS 16 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 while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Accounting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (Continued)

Amendments to TAS 37 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 can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or 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 are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020

Amendments to TFRS 1 First time adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize 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.

Amendments to TAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The amendment to TFRS 16 only regards an illustrative example, so no effective date is stated.

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NOTE 4 – CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Cash on hand	48	73
Banks	3,326,653	514,671
- <i>Demand deposit</i>	21,840	142,686
- <i>Time deposits with maturities less than 3 months</i>	3,304,813	371,985
Other cash and cash equivalents	44,986	32,224
	3,371,687	546,968

Maturities of cash and cash flows are as follows:

	30 September 2020	31 December 2019
Demand	21,840	142,686
Up to 3 month	3,304,813	371,985
Less: Blocked deposits with maturities less than 3 months	(1,001)	(2,880)
	3,325,652	511,791

Average effective annual interest rates on time deposits in TL on the balance sheet date:

	30 September 2020	31 December 2019
	(%)	(%)
	11.56%	9.58%

The calculation of cash and cash equivalents of the Group for the use in statements of cash flows is as follows:

	30 September 2020	31 December 2019
Cash and cash equivalents	3,371,687	546,968
Less: Interest accruals on deposits	(16,393)	(758)
Less: LSRSA project deposits (*)	(1,034,897)	(117,489)
Less: Blocked deposits with maturities less than 3 months	(336)	(929)
Add: the effect of provisions released under TFRS 9	4,360	4,246
	2,324,421	432,038

(*) The contractors’ portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Group is kept in deposits accounts in the name of the related projects under the control of the Group as stated in the agreement. TL 665 (31 December 2019: TL 1,951) of the deposits of the project accounts amounting TL 1,034,897 (31 December 2019: TL 117,489) consists of blocked deposits of the projects.

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NOTE 5 – FINANCIAL INVESTMENTS

Short-term financial investments	30 September 2020	31 December 2019
Blocked deposits with maturities longer than 3 months (**)	647	12,316
Lease certificate (***)	300,000	-
Special issue government bonds (*)	-	10,054
	300,647	22,370

(*) Under the Lar No. 5664, the Group received special issued Government Debt Securities amounting to TL 429,617 on behalf of Republic of Turkey Ministry Undersecretariat of Treasury (“Treasury”) for the payments to Housing Acquisition Support (“HAS”) beneficiaries in 2010. As HAS beneficiaries are determined, the Group amortizes a certain part of GDS early and transfers to the Group accounts for payment (Note: 8). Since GDS received in 2010 were issued by Treasury, and since they are interest-free and not subject to trading in the secondary market, their fair values are their nominal values.

(**) The Group keeps the credit amounts used by customers as blocked deposits at the bank in order to provide low interest rate financing to its customers who want to purchase residentials from the projects that the Group has developed. The relevant amounts are ready for the use of the company at the specified terms. While the contractor portion of blocked deposits in the bank accounts which opened in the name of the related project under the control of the Group and which have maturities more than 3 months is TL 483 (31 December 2019: TL 8,331), the Group portion is TL 209 (31 December 2019: TL 3,985).

(***) The Group purchased a lease certificate with a nominal amount of TL 200,000, a maturity date of 16 February 2021 and an interest rate of 8% on 19 August 2020 and another one with a nominal amount of TL 100,000, a maturity date of 3 February 2021 and an interest rate of 8.25% on 6 August 2020. All of the relevant lease certificates was purchased from Türkiye Emlak Katılım Bankası A.Ş. which is one of the related parties of the Group. (Note: 21).

As of 30 September 2020 Group’s long-term investments consist of the investments which are less than 10% in the capitals of Kazakistan Ziraat International Bank, Sınırlı Sorumlu İstanbul Gıda Toptancıları İmalat Sanayi ve Depocuları Toplu İşyeri Yapı Kooperatifi, Cathay-EPP Adi Ortaklığı ve Tobaş Toplu Konut Büyükşehir Belediyesi İnşaat Emlak Mimarlık ve Proje A.Ş.

NOTE 6 – FINANCIAL LIABILITIES

	30 September 2020	31 December 2019
Short-term financial liabilities		
Issued debt instruments	530,531	1,065,415
Short-term bank loans	30,000	799,523
Short-term portion of long-term borrowings	1,672,088	1,310,695
Lease obligation	4,223	2,988
	2,236,842	3,178,621
Long-term financial liabilities		
Long-term borrowings	3,101,038	1,587,564
Lease obligation	2,444	3,003
	3,103,482	1,590,567

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NOTE 6 – FINANCIAL LIABILITIES (Continued)

Borrowings used as of 30 September 2020 are denominated in TL and the weighted average interest rate is 10.42% (31 December 2019: 17.70%).

The redemption schedules of the borrowings as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
2021	169,945	1,344,827
2022	1,036,704	131,092
2023	735,390	51,759
2024	802,361	59,886
2025	356,638	-
	3,101,038	1,587,564

The maturity distributions of the remaining time of borrowings to repricing are as follows:

	30 September 2020	31 December 2019
Less than 3 months	316,502	790,900
Between 3 - 12 months	1,385,586	1,319,319
Between 1 - 5 years	3,101,038	1,587,564
	4,803,126	3,697,783

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	30 September 2020	31 December 2019
Receivables from contractors of the lands invoiced under LSRSA	1,192,130	1,473,299
Receivables from sale of residential and commercial units	673,863	669,109
Receivables from the sale of transferred residential and commercial units (*)	44,958	44,958
Notes of receivables	392	139
Receivables from land sales	379,915	258,411
Receivables from related parties (Note 21)	349,442	479,941
Receivables from lessees	7,614	10,431
Other	17,002	7,683
Unearned finance income	(30,891)	(27,222)
	2,634,425	2,916,749
Doubtful receivables	3,878	1,837
Less: Provision for doubtful receivables	(3,177)	(1,837)
	2,635,126	2,916,749

(*) The Group has transferred a certain portion of its receivables arising from forward sales as "irrevocable". This amount comprises of the receivables from the receivable financing company.

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NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

	30 September 2020	31 December 2019
Long-term trade receivables		
Receivables from sale of residential and commercial units	4,057,413	3,323,401
Receivables from land sales	115,136	177,940
Unearned finance income	(465,365)	(433,532)
	3,707,184	3,067,809

	30 September 2020	31 December 2019
Short-term trade payables		
Payables to related parties (Note 21)	627,056	25,803
Payables to LSRSA contractors invoiced	1,501,166	191,691
Trade payables	332,094	273,530
Interest accruals on time deposits of contractors (*)	23,892	14,744
	2,484,208	505,768

(*) The contractors’ portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Company is kept in deposits accounts in the name of the related projects under the control of the Company as stated in the agreement. The Company tracks the contractor’s share of the interest obtained from the advances accumulated in these accounts in short-term payables.

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

	30 September 2020	31 December 2018
Short-term other receivables		
Advances given to contractor firms	676,421	721,605
HAS related receivables from Turkish Treasury	402,527	402,527
Other receivables from related parties (Note 21)	-	762
Receivables from the authorities	24,162	14,507
Other	1,964	408
	1,105,074	1,139,809

	30 September 2020	31 December 2018
Long-term other receivables		
Other receivables from related parties (Note 21)	33,010	24,616
Other receivables from third parties	17,067	15,138
Deposits and guarantees given	1,014	2,281
	51,091	42,035

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NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

	30 September 2020	31 December 2019
Short-term other payables		
Payables to HAS beneficiaries	402,713	402,713
Payables to contractors (*)	88,752	88,752
Taxes and funds payable	54,333	23,077
Other payables to related parties	399	-
Other	60,531	57,164
	607,976	571,706

(*) The amount includes the unissued invoice by the contractor amount of TL 88,752 regarding to the units received as a result of revenue allocation at İzmir Mavisehir Phase 3 project, where the contractor filed a lawsuit regarding the revenue sharing percentages (31 December 2019: TL 88,752).

As of 30 September 2020 other long-term payables comprises of deposits and guarantees received.

The movements of HAS payments transferred from Group’s shareholder’s equity and HAS receivables and payables related to Treasury Support for the periods 30 September 2020 and 2019 are as follows:

	1 January 2020	Additions within the period	Disposals	30 September 2020
Treasury support				
Receivables from Treasury	402,527	-	-	402,527
Special issue Government Debt Securities	10,054	38,021	(48,075)	-
Cash generated from government bond redemption	(9,868)	-	10,054	186
Total consideration received or receivable from Treasury	402,713			402,713
Payables to HAS beneficiaries	(402,713)			(402,713)

	1 January 2019	Additions within the period	Disposals	30 September 2019
Treasury support				
Receivables from Treasury	390,768	-	-	390,768
Special issue Government Debt Securities	12,067	10,000	(50)	22,017
Cash generated from government bond redemption	(25)	12	(9,809)	(9,822)
Total consideration received or receivable from Treasury	402,810			402,963
Payables to HAS beneficiaries	(402,810)			(402,963)

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NOTE 9 – INVENTORIES

	30 September 2020	31 December 2019
Lands	3,987,031	4,085,357
<i>Cost</i>	4,032,121	4,167,413
<i>Impairment</i>	(45,090)	(82,056)
Planned land by LSRSA	4,718,586	4,989,643
Planned land by turnkey project	3,687,430	3,022,541
<i>Planned land by turnkey project</i>	3,687,430	3,022,541
Residential and commercial units ready for sale	1,990,729	1,685,237
<i>Cost</i>	2,360,079	1,895,068
<i>Impairment</i>	(369,350)	(209,831)
	14,383,776	13,782,778

As of 31 December 2019, the valuation reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Reel Gayrimenkul Değerleme A.Ş. have taken into consideration in the valuation of assets classified as “Inventories” and in the calculation on impairment, if any.

The movements of impairment on inventories are as follows:

	2020	2019
Opening balance at 1 January	291,887	182,354
Impairment on inventories within the current period (Note 18)	195,640	133,172
Reversal of impairment on inventories within the current period (Note 18)	(73,087)	(30,756)
Closing balance at 30 September	414,440	284,770

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NOTE 9 – INVENTORIES (Continued)

As of 30 September 2020 and 31 December 2019 the details of land and residential inventories of the Group are as follows:

Lands	30 September 2020	31 December 2019
İstanbul Avcılar Lands	1,439,307	19,307
İstanbul Küçükçekmece Lands	1,123,805	1,942,494
İstanbul Beşiktaş Lands	325,161	256,965
İstanbul Başakşehir Lands	309,923	627,674
İstanbul Arnavutköy Lands	170,581	170,581
İstanbul Eyüp Lands	168,485	-
Ankara Çankaya Lands	131,537	45,644
İstanbul Kartal Lands	98,258	109,183
İstanbul Zekeriyaköy Lands	52,599	677
İstanbul Ataşehir Lands	40,542	40,642
İstanbul Esenyurt Lands	39,178	50,577
İstanbul Resneli Lands	20,333	20,333
İstanbul Tuzla Lands	20,016	20,016
İzmir Konak Umurbey Lands	12,323	12,258
Kocaeli Gebze Lands	7,644	729
Sakarya-Sapanca Lands	7,015	7,027
İstanbul İstinye Lands	7,004	7,734
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	3,010
İstanbul Umraniye Lands	1,844	1,844
Tekirdağ Kapaklı Lands	1,665	1,665
Tuzla Orhanlı Project	540	540
İstanbul Bakırköy Lands	-	364,227
İstanbul Florya Lands	-	262,556
Samsun Canik Lands	-	111,916
Other	108	1,605
	3,987,031	4,085,357

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NOTE 9 – INVENTORIES (Continued)

Planned lands by LSRSA	30 September 2020	31 December 2019
Nidapark İstinye Project	997,249	993,780
Merkez Ankara Project	678,652	642,054
Nişantaşı Project	643,970	571,037
Nidapark Kucukyali Project	577,547	678,852
Beykoz Riva Project	393,578	386,193
İstanbul Çekmeköy Taşdelen Project	349,639	312,972
Yalova Armutlu Project	192,960	211,633
Başakşehir İkitelli Project	161,578	-
Avangart İstanbul Project	153,715	120,391
Başakşehir Avrasya Konutları Project	133,864	-
Validebağ Konakları Project	72,044	154,929
Cer İstanbul Project	68,900	67,403
Evora Denizli Project	64,144	63,618
Avrupark Hayat Project	55,592	54,057
Nidapark Kayasehir Project	35,596	35,367
Ofis Karat Bakırköy Project	30,826	30,955
Ispartakule 6. Etap Project	31,288	31,641
Ebruli Ispartakule Project	28,591	58,200
Köy Project	16,229	153,054
Şile Çavuş Project	10,551	9,813
Karat 34 Project	6,866	5,673
Büyükyalı Project	-	263,492
Temaşehir Konya Project	-	87,489
Tual Adalar Project	-	11,828
Other	15,120	45,212
	4,718,586	4,989,643

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NOTE 9 – INVENTORIES (Continued)

Residential and commercial units completed	30 September 2020	31 December 2019
Maslak 1453 Project	483,476	491,323
Başkent Emlak Konutları Project	344,667	-
Gebze Emlak Konutları	309,969	590,245
Kuzey Yakası Project	289,241	-
Sarphan Finanspark Project	185,701	179,190
Büyükyalı Projesi	60,137	74,606
İstmarina Project	49,304	52,831
Tual Adalar Project	30,745	-
Batışehir Project	29,864	14,268
Tual Bahçekent Project	29,613	-
Niğde Emlak Konutları	26,448	57,351
Koordinat Çayyolu Projesi	24,551	35,410
Nidakule Ataşehir Project	24,052	24,052
Evora Denizli Project	17,472	-
Kocaeli Körfezkent Emlak Konutları	16,761	16,686
Temaşehir Project	10,670	-
Batışehir Project	10,626	11,730
Göl Panorama Projesi	10,041	33,478
Unikonut Project	7,522	6,890
Ispartakule Emlak Konutları	6,780	19,919
Başakşehir Ayazma Emlak Konutları	3,774	8,745
Nevşehir Emlak Konutları	3,704	3,459
Metropol İstanbul Project	3,448	3,444
Bahçekent Flora Evleri	2,553	1,777
Bulvar İstanbul Project	2,505	2,424
Esenler Emlak Konutları	1,707	1,096
Bahçekent Emlak Konutları	530	3,578
Başakşehir Emlak Konutları	-	9,123
Avrupa Konutları Başakşehir Project	-	1,178
Other	4,868	42,434
	1,990,729	1,685,237

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NOTE 9 – INVENTORIES (Continued)

Planned lands by turnkey project	30 September 2020	31 December 2019
Küçükçekmece Bizim Mahalle Project	834,722	-
IGTOD Rami Gıda Toptancıları Project	800,987	703,235
Halkalı Emlak Konutları Project	482,107	259,306
Zekeriyaköy Emlak Konutları Project	468,258	-
Florya Evleri Project	406,915	-
Hoşdere 6.Etap Project	370,371	101,356
Yeniköy Konakları	275,380	114,736
Ümraniye Kentsel Dönüşüm Project	33,457	-
Ankara Saraçoğlu Project	12,681	5,192
Hoşdere Hayat Parkı Project	2,552	30,059
Başkent Emlak Konutları Project	-	922,882
Kuzey Yakası Project	-	516,630
Ankara Başkent Project	-	358,729
Gebze Emlak Konutları	-	10,416
	3,687,430	3,022,541

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NOTE 10 – INVESTMENT PROPERTIES

Lease income is generated from investment properties, and the expertise used in the calculation of impairment is made through peer comparison and income reduction. As of 30 September 2020, the Group assessed that there was no impairment in its investment properties within the scope of the Covid-19 outbreak. There was no change in the Group's revenues from lease revenues within the scope of the Covid-19 outbreak.

The movements of investment properties as of 30 September 2020 and 2019 are as follows:

Cost Value	Lands, residential and commercial units	Atasehir general management building A block	Total
Opening balance as of 1 January 2020	461,551	40,922	502,473
Transfers from commercial units and land inventories	280,597	-	280,597
Transfers to residential and commercial unit inventories	(35,626)	-	(35,626)
Disposals (-)	(14,005)	-	(14,005)
Closing balance as of 30 September 2020	692,517	40,922	733,439

Accumulated Depreciation

Opening balance as of 1 January 2020	19,289	3,039	22,328
Charge for the year	13,037	317	13,354
Disposals	(252)	-	(252)
Closing balance as of 30 September 2020	32,074	3,356	35,430
Carrying value as of 30 September 2020	660,443	37,566	698,009

Cost Value	Lands, residential and commercial units	Atasehir general management building A block	Total
Opening balance as of 1 January 2019	352,140	40,922	393,062
Transfers from residential and commercial unit inventories	13,934	-	13,934
Purchases	27,905	-	27,905
Closing balance as of 30 September 2019	393,979	40,922	434,901

Accumulated Depreciation

Opening balance as of 1 January 2019	-	2,722	2,722
Charge for the year	-	317	317
Closing balance as of 30 September 2019	-	3,039	3,039
Carrying value as of 30 September 2019	393,979	37,883	431,862

As of 30 September 2020, lease income from investment properties is TL 24,832 (1 January - 30 September 2019: TL 8,846).

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NOTE 10 – INVESTMENT PROPERTIES (Continued)

Reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Reel Gayrimenkul Değerleme A.Ş., valuation firms authorized by CMB, have been taken into consideration when determining the fair values of investment properties as of 31 December 2019. The fair values of the investment property determined by independent valuation experts are as follows:

	30 Eylül 2020	31 Aralık 2019
Arsa, konut ve ticari üniteler	477,820	175,630
Ataşehir genel müdürlük binası A blok	98,000	98,000
İstmarina AVM bağımsız ticari üniteler	272,515	272,515
	848,335	546,145

As of 30 September 2020, the fair values of investment properties include the appraisal report values dated 31 December 2019 and the expenses incurred for investment properties from this date until 30 September 2020.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

30 September 2020	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2020	100,597	192	5,027	97	105,913
Additions	-	-	7,543	-	7,543
Depreciation expense(-)	(1,974)	(231)	(2,423)	-	(4,628)
Net carrying value 30 September 2020	98,623	(39)	10,147	97	108,828
Cost	109,880	2,160	29,690	97	141,827
Accumulated depreciation (-)	(11,257)	(2,199)	(19,543)	-	(32,999)
Net carrying value 30 September 2020	98,623	(39)	10,147	97	108,828

30 September 2019	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2019	58,803	550	6,892	97	66,342
Additions	335	-	51	-	386
Transfers from Completed Units	40,017	-	-	-	40,017
Depreciation expense(-)	(1,716)	(280)	(2,732)	-	(4,728)
Net carrying value 30 September 2019	97,439	270	4,211	97	102,017
Cost	103,778	2,160	20,276	97	126,311
Accumulated depreciation (-)	(6,339)	(1,890)	(16,065)	-	(24,294)
Net carrying value 30 September 2019	97,439	270	4,211	97	102,017

All of the depreciation expenses are included in the general administrative expenses.

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

	Years
Buildings	50
Motor vehicles	5
Furniture and fixtures	4-5

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 September 2020	31 December 2019
Provisions		
Provision for lawsuits	124,730	110,241
	124,730	110,241

According to the opinions of the Group’s lawyers, provisions amounting to TL 124,730 have been made as of 30 September 2020 (31 December 2019: TL 110,241). As of 30 September 2020, there are 38 cases of defect, 11 cases of loss of rent, 14 cases of cancellation of title deeds and registration, 2 cases of business and 47 other cases. The amount of risk arising from the total possible cash outflow is TL 124,730 and the lawsuits are still pending. The movements of provision for lawsuits as of 30 September 2020 and 2019 are as follows:

	2020	2019
Balance at 1 January	110,241	131,534
Provision released within the current period (Note 18)	-	(1,646)
Provision added within the current period (Note 18)	14,489	-
Closing balance at 30 September	124,730	129,888

12.1 Continuing Lawsuits and Provisions

12.1.1 The LSRSA Project Agreement dated 21 December 2005 regarding 750 units in İzmir Mavisehir Upper North Area 2. Phase was abolished on 21 December 2009 since the contractor did not meet the requirements of the provisions in the agreement. Following the cancellation of the agreement, the project was transferred to the Group and the remaining part of the project was completed by another construction company which was assigned in accordance with Public Tender Law. The related units have been completed and are sold by the Group as in Turnkey projects.

The contractor filed a lawsuit against the Group claiming that the completion percentage of the project was significantly high and that the agreement between the parties was based on construction right in return for flat. İzmir Karsiyaka Commercial Court of First Instance issued an expert report and determine that the level of work was at around 83%, and that the legal relationship of the parties were not related to construction right in return of the flat. The Group and the contractor filed counter lawsuits in the following period and an additional report was decided to be issued. The additional report is about the final receivables and payables of the parties considering all the claims. As a result of the examination of the additional report at the hearing on 11 June 2014, the second expert committee was examined however, since the expert report was not received, the date of the case was not finalized. The Group filed an extra lawsuit of TL 34,100 on 7 July 2011, requesting the collection, without prejudice to surplus rights.

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

12.1 Continuing Lawsuits and Provisions (Continued)

According to the various expert reports submitted to the file, the complainant increased the lawsuit to TL 65,596 with the claim that the lawsuit was terminated unfairly by Emlak Konut during the prosecution process of the compensation lawsuit filed by the contractor for the detection of invalidity of termination on condition that the surplus rights are reserved. The Group made provision amounting to TL 90,667 as of 30 September 2020.

12.1.2 The filed by the contractor firm is action of debt, deed cancellation and registration case. The decision of the contractor's contract was terminated unfairly, passing through degrees. Lawsuits filed by the company and amounting to TL 7,141 have been partially accepted and the decision was appealed by the parties, the trial is ongoing at the Istanbul 16th Commercial Court of First Instance. As of 30 September 2020 a provision amounting to TL 7,545 has been made.

12.2 Contingent Liabilities of Emlak Konuta GYO

In the financial statements prepared as of 30 September 2020, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Group Management and its lawyers, no provision has been made in the financial statements prepared as of 30 September 2020 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in cases filed against the Group in order to fulfill its obligation.

12.2.1 Concerning the İzmir Mavisehir Upper North Area 2. Phase LSRSA project, a lawsuit was filed based on the assignments given by the contractor in favor of the complainant. The case is proceeding. According to the opinion of the company lawyer, no liability is expected to born as a result of the related lawsuit.

12.2.2 İstanbul Ümraniye 1.Phase is the action of debt filed by the contractor with the claim that TL 34,134 remaining from the transfer of the receivable amounting to TL 46,000 which derived or will be derived before the contractor of LSRA to the bank, has not been paid unfairly to him by the bank. At the same time, the complainant requested to put as much mortgage as the amount of the lawsuit on a part of the immovable within the scope of the project in order to guarantee the receivable subject to the case. The case is proceeding. According to the opinion of the company lawyer, no liability is expected to born as a result of the related lawsuit.

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

12.2 Contingent Liabilities of Emlak Konut GYO (Continued)

12.2.3 Within the scope of Revenue Sharing in Return for Riva Land Sale Tender for immovables parcel numbered 3201, 3202, 3203 located in Istanbul Province, Beykoz/Riva District as per the Article 14 of Bidding Specification of the aforementioned tender, bid bonds have been submitted to the client company by the Joint Venture, in the second session of the tender held on 15 June 2017, it was decided to leave the tender under the responsibility of the Joint Venture, which gave the most economically advantageous bid however, companies that have applied to the client company and invited for signature were requested to revise the terms and criteria of the tender, with the justification that the Planned Areas Type Zoning Regulation by the Ministry of Environment and Urbanization published on Official Gazette No. 30113 dated 03 July 2017 contains regulations that cause a significant reduction in the construction area subject to the tender, with the entry into force of the provisions of the said Regulation, the revision requests of the plaintiff companies were rejected on the grounds that there would be no change in the construction field based on the precedent and the Company gave a deadline until 15 August 2017 for the signing of the contract, as the client company did not come to sign the contract at the end of the period, the bid bonds submitted by the plaintiff companies within the scope of the Revenue Sharing in Return for Riva Land Sale Tender were registered as revenue and the tender was awarded to the non-litigated contractor who submitted the second most appropriate bid for the subject matter and there are pecuniary and non-pecuniary damages lawsuits filed on the grounds that the claimant's revision requests regarding the conditions and criteria of the aforementioned tender were rejected and that the recognition of the letters of guarantee as revenue was unfair. According to the opinion of the company lawyer, no liability is expected to born as a result of the related lawsuit.

12.3 Contingent Assets of Emlak Konut GYO

12.3.1 30 September 2020 and 31 December 2019 breakdown of nominal commercial receivables from residential and commercial unit sales by maturities and based on the residential and commercial units that are under construction or completed but not yet delivered within the scope of the sales promise contract that is not yet included in the balance sheet as it does not meet the TFRS 15 criteria, expected collection times of nominal installments that are not due or collected by maturities are as follows:

30 September 2020	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	1,053,778	893,790	1,947,568
2 year	751,720	824,033	1,575,753
3 year	545,848	328,012	873,860
4 year	460,874	137,608	598,482
5 year and above	2,414,107	188,940	2,603,047
	5,226,327	2,372,383	7,598,710

31 December 2019	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	927,520	868,216	1,795,736
2 year	527,251	530,401	1,057,652
3 year	467,415	332,068	799,483
4 year	395,261	231,264	626,525
5 year and above	2,111,414	569,847	2,681,261
	4,428,861	2,531,796	6,960,657

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NOTE 13 – OTHER ASSETS AND LIABILITIES

	30 September 2020	31 December 2019
Other current assets		
Progress payments to contractors	174,183	115,896
Income accruals	52,339	68,349
Receivables from tax office	14,652	42,526
Deferred VAT	50,342	568
Other	237	3,595
	291,753	230,934
	30 September 2020	31 December 2019
Other non-current assets		
Deferred VAT	43,322	75,958
	43,322	75,958

NOTE 14 – DEFERRED INCOME AND PREPAID EXPENSES

	30 September 2020	31 December 2019
Short-term deferred income		
Deferred income from LSRSA projects (*)	2,926,279	1,698,186
Advances taken from LSRSA contractors (**)	552,833	570,237
Advances taken from turnkey project sales	1,440,366	1,379,687
Transferred deferred incomes (***)	57,933	239,333
Deferred income related to sales of independent units	359,814	392,391
Advances received from related parties (Note 21)	64,732	64,732
	5,401,957	4,344,566

(*) The balance is comprised of deferred income of future land sales regarding the related residential unit’s sales under LSRSA projects.

(**) Before the contract is signed with the contractor companies in the ASKGP projects, the Company collects the first payment of the total income corresponding to the share of the company from the total sales income in advance at the determined rates.

(***) The balance is comprised of cash collected by the Company as “irrevocable” by transferring a portion of off-balance sheet receivables arising from forward sales.

	30 September 2020	31 December 2019
Prepaid expenses		
Advances given for inventory (*)	1,630,427	1,747,573
Prepaid expenses	545	2,655
	1,630,972	1,750,228

(*) A protocol has been signed between the Group and the Tariş Cooperatives Union to develop revenue sharing project on a land which belongs to the Tariş Cooperatives Union, located within the borders of Kuruçay/Umurbey, Konak district of İzmir and an inventory advance amounting to TL 408,338 has been made. The Group has also provided an inventory advance amounting to TL 1,205,647 to the contractors for the residential and commercial units which it will acquire based on preliminary sales contract from ongoing Ankara Yenimahalle Station, Nidapark Küçükalyalı and Büyükyalı projects.

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NOTE 15 – SHAREHOLDERS’ EQUITY

The Group’s authorized capital amount is TL 3,800,000 (31 December 2019: TL 3,800,000) and consists of 380,000,000,000 (31 December 2019: 380,000,000,000) authorized number of shares with a nominal value of TL 0,01 each.

The Group’s shareholders and their shareholding percentages as of 30 September 2020 and 31 December 2019 is as follows:

Shareholders	30 September 2020		31 December 2019	
	Share (%)	TL	Share (%)	TL
Public offering portion	50.66	1,925,119	50.66	1,925,119
T.C. Toplu Konut İdaresi Başkanlığı "TOKİ"	49.34	1,874,831	49.34	1,874,831
HAS beneficiaries	0.00	48	0.00	48
Other	0.00	2	0.00	2
Total paid-in capital	100	3,800,000	100	3,800,000

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve balance reaches 20% of the Group’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

In accordance with the Communiqué Serial: II, No: 14,1 which became effective as of 13 June 2013 and according to the CMB's announcements clarifying the said Communiqué, “Share Capital”, “Restricted Reserves Appropriated from Profit” and “Share Premiums” need to be recognized over the amounts contained in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows,

- If the difference is arising from the valuation of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment to Share Capital”;
- If the difference is arising from valuation of “Restricted Reserves Appropriated from Profit” and “Share Premium” and the amount has not been subject to dividend distribution or capital increase, it shall be classified under “Prior Years’ Profit/Loss”. Other equity items should be revaluated in accordance with the CMB standards.

There is no any use of the adjustment to share capital except adding it to the share capital.

The General Assembly decided to distribute dividend amounting to TL 76,646 dividends on 22 July 2020. TL 2,800 of this dividend is related to the shares purchased back and it has been netted under equity.

The Company repurchased 10,500 of shares with nominal value between full TL 1.11 and full TL 1.12 (full TL) and with the transaction cost amounting to TL 11,751 thousand on 20 March 2020. The ratio of total shares acquired as a result of the purchase transactions was 3.65%.

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NOTE 16 – REVENUE AND COST OF SALES

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Sales income				
Land sales	1,883,767	1,115,149	2,095,289	216,843
<i>Sales of planned lands by way of LSRSA</i>	<i>1,530,537</i>	<i>1,115,149</i>	<i>884,794</i>	<i>74,821</i>
<i>Land sales income</i>	<i>353,230</i>	-	<i>1,210,495</i>	<i>142,022</i>
Residential and commercial units sales	1,792,279	1,227,219	1,461,865	176,371
Other income	67,168	28,425	26,111	11,360
	3,743,214	2,370,793	3,583,265	404,574
Sales returns	(5,617)	(2,838)	(6,453)	(1,893)
Sales discounts	(174)	(52)	-	-
Net sales income	3,737,423	2,367,903	3,576,812	402,681
Cost of sales				
Cost of lands	(834,695)	(524,643)	(1,513,340)	(108,402)
<i>Cost of lands planned by way of LSRSA</i>	<i>(682,066)</i>	<i>(524,643)</i>	<i>(493,737)</i>	<i>(37,002)</i>
<i>Cost of lands sold</i>	<i>(152,629)</i>	-	<i>(1,019,603)</i>	<i>(71,400)</i>
Cost of residential and commercial units sold	(1,980,427)	(1,422,355)	(1,477,587)	(201,422)
	(2,815,122)	(1,946,998)	(2,990,927)	(309,824)
Gross Profit	922,301	420,905	585,885	92,857

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
General administrative expenses				
Personnel expenses	(101,424)	(39,752)	(77,779)	(27,200)
Taxes, duties and fees	(37,244)	(13,326)	(26,835)	(9,349)
Consultancy expenses	(23,734)	(16,115)	(27,927)	(12,482)
Due and contribution expenses	(9,368)	(3,048)	(9,751)	(2,632)
Depreciation and amortisation	(8,979)	(1,883)	(5,613)	(1,895)
Travel expenses	(5,730)	(2,087)	(6,231)	(2,636)
Information technologies expenses	(4,862)	(2,318)	(6,690)	(1,475)
Maintenance and repair expenses	(3,856)	(2,299)	(1,753)	(560)
Lawsuit and notary expenses	(3,251)	(813)	(1,871)	(1,030)
Insurance expenses	(2,023)	(865)	(1,263)	(635)
Communication expenses	(1,227)	(285)	(731)	(219)
Donations	(1,015)	(1,015)	(16,339)	(15,300)
Other	(33,972)	(21,460)	(21,509)	(7,536)
	(236,685)	(105,266)	(204,292)	(82,949)

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**NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES
(Continued)**

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Marketing and sales expenses				
Advertising expenses	(39,374)	(22,303)	(35,528)	(13,916)
Personnel expenses	(6,738)	(2,723)	(5,880)	(1,945)
Office expenses	(171)	(148)	(11)	(2)
Lawsuit and notary expenses	(7)	-	(41)	(15)
Other	(2,905)	(598)	(1,285)	1,191
	(49,195)	(25,772)	(42,745)	(14,687)

NOTE 18 – OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Other income from operating activities				
Financial income from forward sales	186,216	43,105	294,201	44,478
Default interest income from projects	52,205	20,336	87,056	42,536
Impairment provisions released (Note 9)	73,087	62,401	30,756	7,304
Income from transfer commissions	12,138	6,330	19,756	4,420
Provisions released reversed for possible risks	-	(989)	-	-
Lawsuit provisions released (Note 12)	-	-	1,646	(20,792)
Income from natural gas and contribution expenses	-	-	10,342	3,345
Income from tender contract sales	444	444	984	984
Other	80,347	37,873	21,497	3,314
	404,437	169,500	466,238	85,589

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Other expenses from operating activities				
Provision for impairment of land and residential inventories (Note 9)	(195,640)	(37,132)	(133,172)	(76,375)
Provision for lawsuits (Note 12)	(14,489)	(9,266)	-	-
Investment properties amortisation expenses	(13,354)	(4,514)	-	-
Provisions released reversed for possible risks	(114)	(114)	(2,050)	(1,637)
Other	(21,084)	(5,234)	(9,807)	(4,793)
	(244,681)	(56,260)	(145,029)	(82,805)

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NOTE 19 – FINANCE INCOME / EXPENSES

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Borrowings and sukuk interest expense	(343,584)	(131,615)	(443,499)	(170,275)
Interest discount on pay off debt	(11,269)	(1,516)	(127,456)	(13,836)
Assigned receivables and commission expense	(3,485)	(33)	(7,874)	(2,272)
Interest expense on lease liabilities	(2,850)	(950)	-	-
Foreign exchange losses	(173)	(30)	(854)	(473)
	(361,361)	(134,144)	(579,683)	(186,856)

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Interest income from time deposits	121,714	68,954	84,384	33,060
Interest income from land acquisition	19,009	-	41,498	-
Interest income related to leases	3,048	1,016	-	-
Foreign exchange gains	5,113	840	1,921	40
	148,884	70,810	127,803	33,100

NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax

The Group is exempt from Corporate Tax in accordance with the paragraph 4-d of Article 8 of the Corporate Tax Law. According to the paragraph 6-a of Article 94 of the Income Tax Law the earnings of real estate investment companies are subject to withholding and withholding tax rate is determined as "0" according to the Council of Ministers Decision, No: 93/5148. The Group’s subsidiaries, associates and joint operations are is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and other incentives (prior year’s losses if any and investment incentives used if preferred) utilized.

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**NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Continued)**

Corporate Tax (continued)

The effective tax rate in 2020 is 22% (2019: 22%).

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

Deferred Tax:

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

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

In Turkey, the companies cannot declare a tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

<u>Deferred tax (assets)/liabilities:</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
Fair value adjustment to inventories due to purchase accounting	62,157	62,157
Carry forward tax loss effect	-	(6,604)
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(401)	(361)
Provision for employment termination benefits	(1,457)	(489)
	<u>60,299</u>	<u>54,703</u>

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**NOTE 20 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Continued)**

The movements of deferred tax (asses)/ liabilities for the periods ended 30 September 2020 and 2019 are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019
<u>Movement of deferred tax (assets)/liabilities:</u>		
Opening balance as of 1 January	(54,703)	-
Charged to profit or loss	(5,596)	-
Closing balance at 31 December	<u>(60,299)</u>	<u>-</u>

Total charge for the period can be reconciled to the accounting profit as follows:

	1 January- 30 September 2020	1 January- 30 September 2019
<u>Reconciliation of tax provision</u>		
Profit from continuing operations	586,342	204,101
Profit from operations before tax	<u>586,342</u>	<u>204,101</u>
Tax at the domestic income tax rate 2020: 22% (2019: 22%)	128,995	44,902
Tax effects of:		
- revenue that is exempt from taxation	(129,566)	(44,649)
- previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	-	7,325
- other	(5,025)	545
Income tax expense recognised in profit or loss	<u>(5,596)</u>	<u>8,123</u>

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NOTE 21 – RELATED PARTY DISCLOSURES

The main shareholder of the Group is T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”). TOKİ is a state institution under the control of Republic of Turkey Ministry of Environment and Urbanisation. Related parties of the Group are as listed below:

1. T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)
2. GEDAŞ (Gayrimenkul Değerleme A.Ş.) (TOKİ iştiraki)
3. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (TOKİ iştiraki)
4. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (TOKİ iştiraki)
5. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (TOKİ iştiraki)
6. Emlak-Toplu Konut İdaresi Spor Kulübü
7. Emlak Planlama İnşaat Proje Yönetimi ve Tic. A.Ş. - Emlak Basın Yayın A.Ş. Ortak Girişimi
8. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş.- Fideltus İnş. - Öztaş İnş. Ortak Girişimi
9. Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. Ortak Girişimi
10. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi
11. Emlak Konut Spor Kulübü Derneği
12. Bio İstanbul Proje Geliştirme ve Yatırım A.Ş.
13. Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı
14. Türkiye Emlak Katılım Bankası A.Ş.
15. T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü
16. İller Bankası A.Ş.

According to the revised TAS 24 – “Related Parties Transactions Standard”, exemptions have been made to the related party disclosures of state institutions and organizations. The Group has transactions with state banks (T.C.Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş.) and Republic of Turkey Undersecretariat of Treasury.

- Balances and transactions with respect to the Treasury are detailed in Note 5, 6 and 9.
- The Group keeps its deposits predominantly in state banks in accordance with the relevant provisions. As of 30 September 2020, the Group has deposits amounting to TL 3,254,827 in state banks (31 December 2019: TL 484,216). Average effective interest rates of time deposits of the Group as of 30 September 2020 are explained in Note 4.

The transactions between the Group and the related parties are as follows:

	30 September 2020	31 December 2019
Trade receivables from related parties		
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü (*)	339,367	469,097
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G.	6,003	5,577
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	1,769	1,769
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	1,338	1,338
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	965	2,160
	349,442	479,941

(*) Represents the amount of receivables arising from the transfer of 3 lands according to the protocol signed with General Directorate of Republic of Turkey Ministry of Environment and Urbanization on 28 June 2019.

	30 September 2020	31 December 2019
Borrowings to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	6,667	5,991
	6,667	5,991

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NOTE 21 – RELATED PARTY DISCLOSURES (Continued)

	30 September 2020	31 December 2019
Short-term other receivables from related parties		
Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı	-	169
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	-	145
Gedaş Gayrimenkul Değerleme A.Ş.	-	448
	-	762

	30 September 2020	31 December 2019
Long-term other receivables from related parties		
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	33,010	24,616
	33,010	24,616

	30 September 2020	31 December 2019
Trade payables to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*)	620,011	24,504
Fideltus İnşaat Taahhüt San. ve Tic. A.Ş.	5,638	-
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,324	-
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	45	1,299
Emlak Basın Yayın A.Ş.	38	-
	627,056	25,803

(*) It is the payable amount resulting from the acquisition of 4 parcels in accordance with the protocol signed by the Group with Republic of Turkey Public Housing Development Administration on 28 August 2020.

	30 September 2020	31 December 2019
Advances received from related parties		
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G. (*)	64,732	64,732
	64,732	64,732

(*) Represents the initial collections made from LRSRA projects, where the Group collects a predetermined portion of the total sales amount in line with the agreements.

	30 September 2020	31 December 2019
Financial investments from related parties		
Türkiye Emlak Katılım Bankası A..Ş.	300,000	-
	300,000	-

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Investment income from related parties				
Türkiye Emlak Katılım Bankası A..Ş.	2,990	2,990	-	-
	2,990	2,990	-	-

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Finance income from related parties				
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	-	-	41,498	-
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü	41,278	22,269	-	-
	41,278	22,269	41,498	-

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NOTE 21 – RELATED PARTY DISCLOSURES (Continued)

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Finance expense from related parties				
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	1,627	979	-	-
Türkiye Emlak Katılım Bankası A.Ş.	-	-	8,905	-
	1,627	979	8,905	-

According to the protocols signed with TOKİ regarding to land purchases, the cost of lands purchased from TOKİ is kept in time deposit accounts of Emlak Konut in the name of TOKİ, until the payment date determined by TOKİ. Interest amounts on time deposits of TOKİ arising from these transactions are netted off from time deposit interest income in the financial statements. All of this accumulated interest income on time deposits will be paid to TOKİ.

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Purchases from related parties				
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*)	1,421,660	1,421,660	280,902	-
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü (**)	316,745	-	-	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	950	316	-	-
Gedaş Gayrimenkul Değerleme A.Ş.	132	132	-	-
	1,739,487	1,422,108	280,902	-

(*) In accordance with the protocol signed by the Group with Republic of Turkey Public Housing Development Administration on 28 August 2020, Istanbul Avcılar Firuzköy 0/4434, 0/4435, 0/5955 and 0/6339 parcels were taken over for TL 1.420.000.

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Sales to related parties				
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	7,065	6,038	71,448	-
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	-	-	333	-
Gedaş Gayrimenkul Değerleme A.Ş.	-	-	27	-
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş.- Fidelitus İnş. - Öztaş İnş. O.G.	12	12	3	-
İller Bankası A.Ş.	-	-	115,640	-
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü (**)	143,967	-	470,867	-
	151,044	6,050	542,318	-

(**) In accordance with the protocol signed by the Company with the Turkish Republic Ministry of Environment and Urbanization General Directorate of Urban Transformation Services on 12 May 2020, Beşiktaş, Çankaya and Eyüp lands were taken over for TL 316,745. On the other hand, Samsun Canik lands were transferred under the same protocol for TL 143,967.

Key management personnel are those who have the authority and responsibility to plan, manage and control the activities (administrative or other) directly or indirectly of the Group including any manager. Salaries and other short-term benefits provided to the key management personnel, General Manager of the Board of Directors, Assistant General Managers and General Manager Consultant, are as follows:

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Compensation to key management				
Salaries and other short-term benefits	8,144	2,834	6,389	1,738
	8,144	2,834	6,389	1,738

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NOTE 22 – COMMITMENTS

Group’s mortgage and guarantees received as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Guarantees received (*)	2,893,581	3,375,478
Mortgages received (**)	58,564	58,564
	2,952,145	3,434,042

(*) Guarantees received consist of letters of guarantee given by contractors for construction projects and temporary guarantee letters received during the tender process.

(**) Mortgages received consist of mortgaged independent sections and lands sold but not yet collected.

The collaterals, pledges and mortgages (“CPM”) of the Group as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
A. CPM given on behalf of the Company's legal personality	32,957	93,065
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	-
i) Total amount of CPM given on behalf of majority shareholder	-	-
ii) Total amount of CPM given on behalf of other companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	32,957	93,065

NOTE 23 – EVENTS AFTER THE REPORTING PERIOD

As a result of the tender held for Beşiktaş Dikilitaş Land Sales Income Sharing on 27 October 2020, the Group has the highest bid from Gökol Taah. Turz. İnş San. Ve Tic. Ltd. Şti. Total Sales Income and Total Company Share Income of which amount to TL 490,000 and TL 245,000 (Company Share Income Ratio 50%), respectively. The minimum value of the real property subject to the tender is TL 67,821.

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**ADDITIONAL NOTE – CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS**

	Non-Consolidated (Individual) Financial Statements		Current Period 30 September 2020	Prior Period 31 December 2019
	Main Account Items	Related Regulation	(TL)	(TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	2,631,384	415,030
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	14,194,874	13,437,248
C	Affiliates	Series:III-No:48, Art,24/(b)	373,037	373,037
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		10,297,768	9,186,182
D	Total Assets	Series:III-No:48, Art,3/(k)	27,497,063	23,411,497
E	Financial Liabilities	Series:III-No:48, Art,31	5,303,657	4,763,197
F	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
G	Due from Financial Leases	Series:III-No:48, Art,31	-	-
H	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
I	Shareholders’ equity	Series:III-No:48, Art,31	14,251,761	13,748,422
	Other Resources		7,941,645	4,899,878
D	Total Resources	Series:III-No:48, Art,3/(k)	27,497,063	23,411,497
	Non-Consolidated (Individual) Financial Statements		Current Period 30 September 2020	Prior Period 31 December 2019
	Other Account Items	Related Regulation	(TL)	(TL)
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series:III-No:48, Art,24/(b)	1,024,945	415,030
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	3,320,060	475,042
A3	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
B1	Foreign Properties, Projects based on properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
B2	Idle Lands	Series:III-No:48, Art,24/(c)	840,859	929,935
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	-
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	373,000	373,000
J	Non-cash Loans	Series:III-No:48, Art,31	7,161	53,011
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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**ADDITIONAL NOTE – CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS (Continued)**

	Portfolio restrictions	Related regulation	30 September 2020 (%)	31 December 2019 (%)	Minimum/ Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)(b)	55	59	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	7.20	1.59	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-	<49%
5	Idle Lands	Series:III-No:48, Art,24/(c)	3	4	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	0.01	0.02	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	37	35	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	0.08	-	<10%

The information in the table of Control of Compliance with the Portfolio Limitations is condensed information derived from financial statements as per Article 16 of Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” and is prepared within the frame of provisions related to compliance to portfolio limitations stated in the Communiqué Serial III No 48.1 “Principles Regarding Real Estate Investment Trusts” published in the Official Gazette No. 28660 on 28 May 2013.

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