

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF
THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş.

Report on the Financial Statements

1. We have audited the accompanying financial statements of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards ("TAS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that is part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. as at 31 December 2015 and its financial performance and cash flows for the period then ended in accordance with TAS.

Reports on Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 29 February 2016.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 is not in compliance with the TCC and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Engin Çubukçu, SMMM
Partner

Istanbul, 29 February 2016

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

CONTENTS		PAGE
STATEMENT OF FINANCIAL POSITION		1-2
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		3
STATEMENTS OF CHANGES IN EQUITY		4
STATEMENTS OF CASH FLOWS		5
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS		6-57
NOTE 1	GENERAL INFORMATION	6
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	7-20
NOTE 3	CASH AND CASH EQUIVALENTS	20-21
NOTE 4	FINANCIAL ASSETS	21
NOTE 5	FINANCIAL LIABILITIES	22
NOTE 6	TRADE RECEIVABLES AND PAYABLES	23-24
NOTE 7	OTHER RECEIVABLES AND PAYABLES	24-25
NOTE 8	LAND AND RESIDENTIAL UNIT INVENTORIES	26-29
NOTE 9	INVESTMENT PROPERTIES	30-31
NOTE 10	PROPERTY, PLANT AND EQUIPMENT	31
NOTE 11	INTANGIBLE ASSETS	32
NOTE 12	PROVISIONS	32
NOTE 13	EMPLOYEE BENEFITS	33
NOTE 14	OTHER ASSETS AND LIABILITIES	34
NOTE 15	DEFERRED INCOME AND PREPAID EXPENSES	34-35
NOTE 16	SHAREHOLDERS' EQUITY	35-37
NOTE 17	SALES AND COST OF SALES	37
NOTE 18	GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES	38
NOTE 19	EXPENSES BY NATURE	38
NOTE 20	OTHER INCOME/EXPENSES	39
NOTE 21	INCOME FROM INVESTING ACTIVITIES	39
NOTE 22	FINANCIAL INCOME	39
NOTE 23	FINANCIAL EXPENSE	40
NOTE 24	TAXATION	40
NOTE 25	EARNINGS PER SHARE	40-41
NOTE 26	RELATED PARTY TRANSACTIONS	41-43
NOTE 27	FINANCIAL RISK MANAGEMENT	43-51
NOTE 28	FINANCIAL INSTRUMENTS	52-53
NOTE 29	CONTINGENT ASSETS AND LIABILITIES	53-55
NOTE 30	EVENTS AFTER THE REPORTING PERIOD	55
ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS		56-57

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015 AND 2014

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

	Notes	Audited 31 December 2015	Audited(*) 31 December 2014
ASSETS			
Current assets		7,066,056	5,450,071
Cash and cash equivalents	3	3,005,003	2,606,132
Financial assets	4	143,819	236,798
Trade receivables	6	1,410,160	1,159,972
<i>Due from related parties</i>	26	204,172	26,499
<i>Trade Receivables from third parties</i>		1,205,988	1,133,473
Other receivables	7	499,781	443,060
<i>Other receivables from third parties</i>		499,781	443,060
Land and residential unit inventories	8	1,807,059	740,200
Prepaid expenses	15	33,962	11,544
Other current assets	14	166,272	252,365
Non-current assets		10,161,448	9,503,414
Trade receivables	6	1,483,100	1,220,622
<i>Trade receivables from third parties</i>		1,483,100	1,220,622
Other receivables	7	168	166
Land and residential unit inventories	8	8,523,344	8,243,895
Investment property	9	16,000	847
Property, plant and equipment	10	78,721	35,897
Intangible assets	11	1,874	1,987
Other non-current assets	14	58,241	-
Total assets		17,227,504	14,953,485

(*) See Note 2.3.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015 AND 2014

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
LIABILITIES AND EQUITY			
Current liabilities		7,631,665	5,711,879
Short term borrowings	5	-	515
Short term portion of long term borrowings	5	230,657	171,757
Trade payables	6	2,553,198	1,376,240
<i>Trade payables to related parties</i>	26	1,881,778	558,203
<i>Trade payables to third parties</i>	6	671,420	818,037
Other payables	7	517,994	515,425
<i>Other payables to related parties</i>	7	517,994	515,425
Deferred income	15	4,159,158	3,527,704
Short term provisions		170,658	120,238
<i>Short-term provision for employee benefits</i>	13	4,626	3,609
<i>Other short term provisions</i>	12	166,032	116,629
Non-current liabilities		270,440	490,322
Long term borrowings	5	214,000	434,000
Trade payables	6	36,192	36,192
<i>Trade payables to third parties</i>	6	36,192	36,192
Other payables		13,814	15,130
<i>Other payables to third parties</i>		13,814	15,130
Deferred income	15	2,448	1,952
Long term provision for employee benefits	13	3,986	3,048
Shareholders' equity		9,325,399	8,751,284
Paid-in capital	16	3,800,000	3,800,000
Treasury shares (-)	16	(262,857)	(240,687)
Share premium	16	2,366,895	2,366,895
Other comprehensive income/expense not to be reclassified to profit or loss		(487)	(203)
<i>-Loss on revaluation and remeasurement</i>		(487)	(203)
Restricted reserves		357,908	292,674
Retained earnings		2,111,335	1,578,208
Net profit for the period		952,605	954,397
Total liabilities and equity		17,227,504	14,953,485

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
Revenue	17	1,786,788	1,804,523
Cost of sales (-)	17	(898,788)	(1,032,812)
Gross profit		888,000	771,711
General administrative expenses (-)	18	(94,651)	(89,653)
Marketing expenses (-)	18	(28,570)	(22,581)
Other operating income	20	183,663	170,957
Other operating expenses (-)	20	(44,102)	(81,387)
Operating profit		904,340	749,047
Income from investing activities	21	14,570	15,825
Operating profit before financial income and expense		918,910	764,872
Financial income	22	84,504	253,658
Financial expenses (-)	23	(50,809)	(64,133)
Profit before tax from continued operations		952,605	954,397
Tax expense from continued operations	24	-	-
Profit for the period from continued operations		952,605	954,397
Discontinued operations:			
Profit from discontinued operations		-	-
Profit for the period		952,605	954,397
Other comprehensive income			
Remeasurement of employee termination benefits		(284)	(350)
Total comprehensive income for the period		952,321	954,047
Earnings per share (in full TL)	25	0,0025	0,0025

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Paid-in capital	To share capital	Share premium	Restricted reserves	Other Comprehensive Income and Expense not to be reclassified to Profit or Loss	Retained Earnings	Net income for the period	Total equity
1 January 2014	3,800,000	(139,307)	2,366,895	203,386	147	1,061,950	1,060,537	8,353,608
Transfers	-	-	-	89,288	-	971,249	(1,060,537)	-
Dividend payment (*)	-	-	-	-	-	(454,991)	-	(454,991)
Acquisition of treasury shares	-	(101,380)	-	-	-	-	-	(101,380)
Total comprehensive income	-	-	-	-	(350)	-	954,397	954,047
31 December 2014	3,800,000	(240,687)	2,366,895	292,674	(203)	1,578,208	954,397	8,751,284
1 January 2015	3,800,000	(240,687)	2,366,895	292,674	(203)	1,578,208	954,397	8,751,284
Transfers	-	-	-	65,234	-	889,163	(954,397)	-
Dividend payment (*)	-	-	-	-	-	(356,036)	-	(356,036)
Acquisition of treasury shares	-	(22,170)	-	-	-	-	-	(22,170)
Total comprehensive income	-	-	-	-	(284)	-	952,605	952,321
31 December 2015	3,800,000	(262,857)	2,366,895	357,908	(487)	2,111,335	952,605	9,325,399

(*) See Note 16.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF CASH FLOWS AT 31 DECEMBER 2015 AND 2014

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014(*)
Cash flows from operating activities			
Profit for the period		952,605	954,397
Adjustments to reconcile net profit/ (loss) to net cash provided by operating activities:			
Depreciation and amortization	19	3,086	1,743
Adjustments for impairments		(986)	(24,322)
Changes in provisions		51,530	26,474
Adjustments for interest income and expenses		(172,597)	(283,701)
Gain on property, plant and equipment sales		-	42
Unrealized exchange losses on cash and cash equivalents		(119)	69
Net cash before changes in assets and liabilities		833,519	674,702
Changes in net working capital			
Change in land and residential unit inventories		(1,360,542)	(3,355,630)
Change in trade receivables		(504,279)	(660,565)
Change in trade payables		1,176,958	804,667
Change in other receivables		19,781	23,151
Change in other payables		670,569	441,105
Change in project deposits		(1,071,484)	(650,445)
Net cash flow from operating activities			
Interest received		19,634	15,280
Tax payments		(36,382)	(20,433)
Other cash outflow		(172)	(168)
Net cash flow from operating activities		(252,398)	(2,728,336)
Proceeds from sale of tangible and intangible assets			
Proceeds from sale of tangible and intangible assets		-	60
Purchases of tangible and intangible assets			
Purchases of tangible and intangible assets		(45,730)	(27,033)
Interest received			
Interest received		17,362	29,381
Purchase of financial assets			
Purchase of financial assets		806,025	1,225,228
Return of financial assets			
Return of financial assets		(713,046)	(817,421)
Cash flow from investing activities		64,611	410,215
Payments for acquisition of treasury shares			
Payments for acquisition of treasury shares	16	(22,170)	(101,380)
Proceeds from financial liabilities			
Proceeds from financial liabilities		-	515
Repayments of financial liabilities			
Repayments of financial liabilities		(160,515)	(160,000)
Interest received			
Interest received		84,624	259,357
Interest paid			
Interest paid		(50,872)	(66,305)
Dividend payment			
Dividend payment		(356,036)	(454,991)
Decrease in payables to HAS beneficiaries			
Decrease in payables to HAS beneficiaries	7	1,238	22,014
Increase in payables to HAS beneficiaries			
Increase in payables to HAS beneficiaries	7	(2,389)	(25,780)
Cash flow from financing activities		(506,120)	(526,570)
Net decrease in cash and cash equivalents before currency translation differences		(693,907)	(2,844,691)
Effects of unrealized loss on cash and cash equivalents		-	(6)
Net decrease in cash and cash equivalents		(693,907)	(2,844,697)
Cash and cash equivalents at the beginning of the year		1,453,400	4,298,097
Cash and cash equivalents at the end of the year		759,493	1,453,400

(*) See Note 2.3.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 1 - GENERAL INFORMATION

Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş., ("Emlak Konut GYO" or the "Company") was established on 26 December 1990 as a subsidiary of Türkiye Emlak Bankası A.Ş. The Company 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 Company has been registered and started its activities on 6 March 1991. The Company's articles of association were revised on 19 May 2001 and it became an entity subject to the Turkish Commercial Code No. 4603.

The Company was transformed into a Real Estate Investment Company 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 Company into a Real Estate Investment Company 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 Company was submitted for the approval of the Board and the amendment draft was approved at the Ordinary General Shareholders Committee meeting of the Company convened on 22 July 2002, changing the articles of association accordingly.

The articles of association of the Company 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 Company convened on 28 February 2006, the title of the Company 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 Company's class B shares with a nominal value of TL 625,000 has been trading on the stock exchange since 2 December 2010 (Note 16). The Company's shares are separated as A and B type and 25.336.991.900 quantity of 253.369.919 full TL equivalent shares are registered to Group A and 354.663.008.100 quantity of 3.546.630.081 full TL equivalent shares are registered to Group B. Group A stockholders have the preference to nominate candidates in election of members of the Board of Directors. All members of the Board of Directors, excluding the independent members, shall be elected by the Company's General Assembly among the candidates nominated by Group A Stockholders.

The registered address of the Company is as follows:

Atatürk Mahallesi Çitlenbik Caddesi No:4 Kat:1-8 Ataşehir / İstanbul.

The objective and operating activity of the Company 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 Company can not be a part of construction business, but only can organize it by auctioning between the contractors.

The financial statements at 31 December 2015 have been approved by the Board of Directors on 29 February 2016. The General Assembly of the Company has the power to amend these financial statements.

The ultimate parent and ultimate controlling party of the company is T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (the Housing Development Administration of Turkey, "TOKİ"), TOKİ is a State institution under the control of Republic of Turkey Prime Ministry.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Financial reporting standards

The financial statements of the Company have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Accounting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

The financial statements of the Company is prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in presentation of the current year’s consolidated financial statements.

The Company maintains its books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. These financial statements have been prepared under historical cost conventions. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

Accounting for the effects of hyperinflation

With the decision 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 CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

Functional and presentation currency

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

The Company's financial statements are prepared under the going concern assumption.

2.2 Changes in accounting policies, accounting estimates and errors

Significant changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements.

No changes have been occurred at the accounting estimates for the regarding reporting period.

2.3 Comparative Figures and the Restatement to the Financial Statements of the Prior Period

The Company's financial statements are prepared comparatively to enable identifying the financial position and performance trends. The Company has reclassified its other receivables from related parties, which they disclosed in the financial statements issued at 27 February 2015, to trade receivables from related parties amounting to TL24,699 since the nature of the regarding receivables are trading. With regards to this reclassification, the Company also made necessary reclassifications in cash flows statement between the change in trade receivables and change in other receivables.

2.4 Changes in standarts and interpretations

The Company applied the revised standarts and interpretations that are relevant to its operations, published by Public Oversight Accounting and Auditing Standards Authority effective from 1 January 2015.

a) *Standards and amendments applicable to 31 December 2015 year ends:*

- Amendment to TAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:
 - TFRS 2, 'Share-based payment'
 - TFRS 3, 'Business Combinations'
 - TFRS 8, 'Operating segments'
 - TFRS 13, 'Fair value measurement'
 - TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets'
 - Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
 - TAS 39, Financial instruments - Recognition and measurement'

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

a) *Standards and amendments applicable to 31 December 2015 year ends (Continued):*

- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycle of the annual improvements project, that affect 4 standards:
 - TFRS 1, ‘First time adoption’
 - TFRS 3, ‘Business combinations’
 - TFRS 13, ‘Fair value measurement’ and
 - TAS 40, ‘Investment property’.

b) *New standards and amendments effective after 1 January 2016:*

- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16 ‘Property, plant and equipment’, and TAS 41, ‘Agriculture’, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- TFRS 14 ‘Regulatory deferral accounts’, effective from annual periods beginning on or after 1 January 2016. TFRS 14, ‘Regulatory deferral accounts’ permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendments to IAS 27, ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

b) New standards and amendments effective after 1 January 2016 (Continued):

- Amendments to IFRS 10, ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’, effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards.
 - TFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
 - TFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to TFRS 1) regarding servicing contracts.
 - TAS 19, ‘Employee benefits’ regarding discount rates.
 - TAS 34, ‘Interim financial reporting’ regarding disclosure of information.
- Amendment to TAS 1, ‘Presentation of financial statements’ on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports
- Amendment to TFRS 10 ‘Consolidated financial statements’ and TAS 28, ‘Investments in associates and joint ventures’, effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- TFRS 15 ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally
- TFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of significant accounting policies

The significant accounting policies followed in the preparation of these financial statements are summarized below;

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial. For Land Subject to Revenue Sharing Agreements (“LSRSA”) projects, advances received from customers by construction entities, are deposited in bank accounts which are under the name of the Company. Since such cash balances are restricted, they are not treated as cash or cash equivalents in the cash flow statement (Note 3).

Related party transactions

Shareholders, key management personnel, Board of Directors, close family members, and companies which are controlled by those are regarded as related party for the purpose of preparation of these financial statements. In accordance with TAS 24 – Related party standards, the description of related parties has been restricted. The Company has also transactions with State owned banks and the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the “Treasury”) however quantitative information regarding Turkish State Banks and Treasury is not disclosed in accordance with this exemption. The ultimate parent and ultimate controlling party of the Company is T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (the Housing Development Administration of Turkey, “TOKİ”). TOKİ is a State institution under control of Republic of Turkey Prime Ministry. The transactions made between the Company and TOKİ and its affiliates are presented in Note 26.

Foreign currency transactions

The foreign exchange transactions during the year are translated into TL using the prevailing exchange rates on the related transaction dates. Foreign currency denominated monetary assets and liabilities are translated into TL with the exchange rates prevailing on the balance sheet dates. The foreign currency exchange gain and losses that arise by the exchange rate change based on monetary assets and liabilities are presented in the comprehensive income statement.

Financial assets

Classification

The financial assets of the Company consist of government bonds, treasury bills, trade receivables. Management determines the classification of its financial assets at initial recognition. Government bonds and treasury bills are classified as held to maturity financial assets except for the special issue long term government bonds obtained for HAS payments.

The special issue long term government bonds have been issued by the Treasury and given to the Company for payment of HAS payables. These bonds are non-negotiable on the secondary market and do not bear any interest. It is puttable on demand by the Company at par back to the Treasury, upon proof of payment to HAS beneficiaries. In order to eliminate an accounting mismatch with the measurement of HAS payables; these bonds are also accounted at par representing its fair value, as the matching liability is also accounted at par.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Classification (Continued)

Receivables are financial assets which have fixed or defined payments. They are not traded in an active market and also they are not derivative instruments. They are classified as current assets if their maturity is less than 12 months, otherwise they are classified as non-current assets.

Trade receivables include receivables from residential unit sales on credit terms, receivables from sale of land and rent receivables.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets.

Held-to-maturity financial assets are non-derivative financial assets that are not classified under loans and receivables and are held-for-trading at the time of acquisition and are not included in available-for-sale financial assets, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognized at cost which is considered as their fair value. The fair values of held-to-maturity financial assets on initial recognition are either the transaction prices at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at “amortized cost” using the “effective interest method” after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of comprehensive income. There are no financial assets of the Company that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to the contradiction of classification principles.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Trade and other receivables and payables

Trade receivables of the Company that are created by way of providing goods are carried at amortized cost using the effective interest rate method. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 6).

An impairment provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original agreement terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collaterals, discounted based on the original effective interest rate of the originated receivables at inception.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Trade and other receivables and payables (Continued)

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

Trade payables consist of payables to suppliers for purchases of goods and services. Trade payables and other liabilities are carried at amortized cost using the effective interest rate method. Trade payables, are measured at amortized cost, using the effective interest rate method. Short term trade payables and other liabilities with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

HAS payables are payables on demand therefore they are measured at their demand values and classified as short-term.

The Company determines the classification of its receivables and payables whether they are trade receivables/payables or other receivables/payables by considering the nature of the receivables and payables. The Company classifies the receivables/payables which occurred as a result of an operating event as trade receivables/payables and classifies as other receivables/payables which are resulted by a non-operating event.

Employment termination benefits

Under Turkish labor law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of 3,828.37 full TL as of 31 December 2015 (31 December 2014: 3,438.22 full TL).

Fair value of employment benefits are calculated based on the assumptions. actuarial gains/losses will be accounted in the statements of comprehensive income.

The employment termination benefit obligation as explained above is considered a defined benefit plan under TFRS. TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. The liability for this unfunded plan recognised in the balance sheet is the full present value of the defined benefit obligation at the end of the reporting period, calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows from the retirement of its employees using the long-term TL interest rates.

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of 4.092 full TL which is effective from 1 January 2016 has been taken into consideration when calculating the liability (1 January 2015: 3,541.37 full TL) (Note 13).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Financial liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method in financial statements (Note 5).

Provisions, contingent assets and liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Contingent assets or contingent obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and are treated as contingent assets or liabilities (Note 12).

Land and Residential Unit Inventory

The company has four types of inventories in its financial statements (Note 8). These are;

1. *Vacant land and plots;*

Vacant land and plots are carried at lower of cost or net realizable value and represent vacant land and plot of the Company with no ongoing or planned construction project on them. Such land and plots are classified as inventories because the Company uses such land and plots the development of residual and commercial units, as explained below, which are also classified as inventories.

2. *Residential Projects Subject to Public Tender Law (“RPSPTL”)*

RPSPTL are valued at lower of cost or net realizable value. RPSPTL costs consist of construction costs of the semi-finished residential units together with the cost of land on which these projects are developed. Upon completion of residential units costs including the cost of land are classified under completed residential unit inventories. Public Tender Law is the law used by the Company in order to select the subcontractors for construction of the aforementioned residual units.

3. *Land Subject to Revenue Sharing Agreements (“LSRSA”)*

The Company enters into revenue sharing agreements with construction entities to maximize sales proceeds from the sale of its vacant land and plots. Such land and plot sold subject to revenue share agreements to construction entities are accounted at cost until sale is recognized. Sale is recognized when risk and rewards of ownership of land is transferred to the ultimate customers (that is the customers of the construction entities) and when the sales proceeds are reliably determinable.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Land and Residential Unit Inventory (Continued)

4. Completed Residential and Commercial Unit Inventories

Completed residential and commercial units comprise units build in RPSPTL and units acquired in return for land in some LSRSA projects. Completed residential and commercial units are received from LSRSA projects in cases where the Company’s share have not reached the projected minimum revenue as defined in the agreements, thus unsold units are then transferred at fair value by contractors to the Company.

Completed residential and commercial unit inventories are valued at lower of cost or net realizable value.

The Company classifies the vacant land and plots as long term, completed residential unit inventories as short term in its financial statements. Inventories subject to RPSPTL and LSRSA are classified as current or non-current depending on the estimated completion date of construction for these projects.

The Company takes into consideration independent expert valuation reports for inventory (land, finished and semi-finished residential and commercial units) separately at least once a year to determine the fair value of such projects as required by the CMB regulations for REICs, and uses these reports to assess impairment if any. Impairment charges are recorded in other operating expenses account balance in the comprehensive income statement in the period during which they are incurred. When the related inventory is subsequently sold the reversal of such impairment charges are recorded in cost of goods sold.

Property, plant and equipment

Property and equipment are carried at cost less accumulated depreciation and provision for impairment, if any. Any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Depreciation is calculated over of the cost of property and equipment using the straight-line method based on expected useful lives (Note 10).

The expected useful lives are stated below:

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

Subsequent costs incurred for tangible assets are included in the asset’s carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statements during the financial period in which they were incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from the sales proceeds. Gains and losses on the disposal of property and equipment are then included in the related income and expense accounts, as appropriate.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Intangible assets and related amortization

Intangible assets comprise expenditure to acquire usage rights and computer software. They are initially recognised at acquisition cost and amortized on a straight-line basis over 5 years their estimated useful lives (Note 11).

Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognised as an expense.

Investment properties

Investment properties are defined as land and buildings held to earn rental income or capital appreciation or both, rather than for use in the production of goods or services or for administrative purposes; or sale in the ordinary course of business. The Company uses cost model for all investment properties. Investment properties are presented in the financial statements at cost less accumulated depreciation and less impairment, if any (Note 9).

Impairment of assets

The Company reviews all assets subject to amortization at each balance sheet date in order to see if there is a sign of impairment on the stated asset. If there is such a sign, carrying amount of the stated asset is projected. Impairment exists if the carrying value of an asset is greater than its net realizable value. Net recoverable value is the higher of the net sales value or value in use. Value in use is the present value of cash flows generated from the use of the asset and the disposal of the asset after its useful life. Impairment losses are recorded in the comprehensive income statement. Impairment loss for an asset is reversed, if an increase in recoverable amount is related to a subsequent event following the booking of impairment by not exceeding the amount reserved for impairment. The Company takes the valuation reports for each property separately into consideration over investment property at least once a year to compare carrying value of assets with its net recoverable value and calculate the impairment if any.

Segment reporting

Operating segments shall be reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. Because the Company operates in only one geographical segment (Turkey) and only in the development of residential projects on its vacant land and plot inventories, the Company does not prepare a segment report.

Chief operating decision maker of the Company is its Board of Directors (“BOD”), and the BOD of the Company uses quarterly financial statements of the Company prepared in accordance with the CMB financial reporting standards.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Revenue recognition

Revenue is recognized when it is probable that future economic benefits associated with the sales transaction will flow to the Company and revenue from the sales transaction can be measured reliably. Revenue is recognised when the following criteria are met;

1. *Investment Property - Rental Income*

Rental income earned from real estate is recognised as revenue on an accrual basis over the term of the rental agreements. Income is recognised when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

2. *Sale of vacant land and plots*

Revenue is recognised, when all the significant risks and rewards of the vacant land and plots are transferred to the buyer and the amount of revenue can be measured reliably.

3. *Sale of residential units produced by RPSPTL*

Revenue is recognised when all significant risks and rewards regarding the completed residential units are transferred to the customers and the amount of revenue is measured reliably.

4. *Sale of land and plots by way of LSRSA*

The Company recognises the sales income of the land for which a project is prepared within the scope of income distribution in return for the sale of land (LSRSA) when the risks and benefits regarding such land are wholly transferred to purchasers, and when the sales income can be reliably measured. It recognises the income on whichever date comes first, on the date when the temporary admissions protocol is signed with the construction company, or on the date when the title deeds are transferred to the construction companies, which typically means there is a transfer of usufruct rights, risks, and benefits to purchasers. In cases when the temporary admission protocol is not signed or the title deeds are not transferred, the Company follows its share of income under deferred income (Note 15) and the contractor's share of income under payables to contractors in its balance sheets (Note6). The Company's share in the total sales income incurred from the projects is associated with the income from the land sales. The cost of the relevant land which is followed up on under inventories, is associated with the statement of comprehensive income (Note 17) as the cost of the land sold.

5. *Interest*

To the extent there is no impairment; interest income is recognised on an accrual basis using the effective interest rate method.

Interest income and expense

Interest income and expense are recognised on an accrual basis within 'finance income' and 'finance expense' using the effective interest rate method. Interest income comprises mostly interest income from time deposits and interest income from credit sales of residences (Note 22).

Interest expenses incurred from borrowings are recognized on an accrual basis using the effective interest rate method (Note 23).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Paid-in capital

Ordinary shares are classified as equity. Proceeds from issuing new equity instruments are recorded net of transaction costs.

Share premium

Share premium represents the positive difference between the nominal value of issued shares and proceeds for such shares issued.

Treasury shares

The Company’s own shares which are bought by the Company itself from BIST are named as treasury shares and recorded on nominal value in equities. Purchase/sale of treasury stocks is not associated with comprehensive income statement, and recognition is made directly on equities.

Earnings per share

Earnings per share are determined by dividing net comprehensive income by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro rata distribution of their shares (“Bonus Shares”) to existing shareholders funded from retained earnings or other reserves. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares, issued without receiving cash or another consideration from shareholders. In case of increase in issued stock after balance sheet date but before the date that financial statement is prepared due to the bonus share distribution, earning per share calculation is performed taking account of total new share amount.

Payments for Housing Acquisition Support (“HAS”)

HAS was a compulsory of saving fund, established by the state to be used by fund participants in the future for acquisition of affordable housing. All employees have paid compulsory contributions to this fund by way of deductions from their salaries between the years 1987 and 1995. This system aimed to collect the deducted amounts in a single account, apply interest to the savings and provide the employees with these contributions at the time they wish to acquire a house/residential unit in the future. However, this project was suspended in 1996 and as per decree law No. 588, issued in 1999, the decision was taken to terminate the HAS accounts. With this decree law, real estate corresponding to the monetary value of the HAS deductions which were held by Emlak Bankası was transferred to the Company as paid in Capital.

Within the scope of Law No. 5664, dated 30 May 2007, and the regulation issued on 14 August 2007, the decision was taken to pay back these savings, which were still held as capital in kind in the accounts of the Company, to the HAS beneficiaries. Accordingly, the shares of HAS beneficiaries were removed from the Company’s equity capital and comprehensive income for the current period based on the ratios specified in the law and recognised as debts to HAS beneficiaries under other payables. The amount payable was determined as the share in the net asset value of the Company at 28 February 2008. The payable amount does not bear any interest or does not change with subsequent changes in the net asset value in subsequent periods and is payable on demand any date after 28 February 2008. The Company has borrowed funds from the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the “Treasury”) to make such payments.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Payments for Housing Acquisition Support (“HAS”) (Continued)

Furthermore, there is an additional responsibility of the Treasury to HAS beneficiaries, for lost interest income prior to 1999. In 2008 pursuant to an agreement with the Treasury this additional liability is recorded by the Company in the payables to HAS beneficiaries account as the Company has taken over the role of the Treasury to make such payments to HAS beneficiaries together with its own payables. Nevertheless, Company assets are not employed for this additional amount. For all payments made on behalf of the Treasury, the Company collects such amounts by redeeming government debt securities made available to the Company for these payments by the Treasury.

Dividends

Dividends payable are recognized as an appropriation of the profit in the period in which they are declared.

Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Company generated from its main activities.

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

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

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

Subsequent events

Subsequent events cover any events that arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events arise which require an adjustment to the financial statements (Note 30).

2.6 Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though these assumptions and estimates rely on the best estimates of the Company management both the actual results may differ and not material for these financial statements.

Long term Value Added Tax receivables (VAT)

The company classifies its VAT receivables under non-current assets which they estimates to recover more than one year in accordance with existing operations.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 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 - CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash on hand	4	3
Banks		
- Demand deposit	65,500	97,277
- Time deposit	2,939,499	2,496,079
Other	-	12,773
	3,005,003	2,606,132

Maturities of cash and cash equivalents are as follows:

Demand	65,504	97,280
Up to 3 month	2,939,499	2,496,079
Less: Blocked deposits	(41,432)	(12,773)
	2,963,571	2,580,586

The breakdown of foreign currency denominated cash equivalents in terms of TL is as follows:

Dollar	15	-
Euro	-	14
Sterling	-	14
	15	28

Average effective interest rates of time deposits are as follows:

	31 December 2015	31 December 2014
	(%)	(%)
	8.90	8.14

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

	31 December 2015	31 December 2014
Cash and cash equivalents	3,005,003	2,606,132
Less: Interest accruals	(8,525)	(8,771)
Less: LSRSA project deposits (*)	(301,997)	(444,282)
Less: TOKİ project deposits (**)	(1,908,051)	(694,282)
Less: Blocked deposits	(26,937)	(5,397)
	759,493	1,453,400

(*) The contractors’ portion of the residential unit sales in accordance with the related agreements, realized from the ongoing LSRSA projects is deposited in time deposit bank accounts that are opened for the related LSRSA projects, The Company has the authority to control these accounts. TL 301,997 part of the total project amount deposits TL 14,495 consists of blocked deposits.

(**) Within the scope of protocols signed with TOKİ for land purchases, the cost of lands purchased from TOKİ is kept under the time deposit accounts of Emlak Konut on behalf of TOKİ until the payment date determined by TOKİ. All interest income accumulated in the bank deposits will be paid to TOKİ at maturity date.

NOTE 4 - FINANCIAL ASSETS

	31 December 2015	31 December 2014
Financial Assets		
Treasury bills	130,552	223,031
Special issue government bonds (*)	13,267	13,767
	143,819	236,798

(*) The Republic of Turkey, Undersecretariat of Treasury (“Turkish Treasury”) issues special Domestic Government Debt securities in the name of the Company to make the HAS payments on behalf of Turkish Treasury, In 2010, special Domestic Government Debt securities amounted to TL 429,617 has been issued to the Company, The Bonds are redeemed partially and early redeemed and the amount is transferred to the Company’s accounts when the HAS lists are specified (Note 7). These government bonds are non-interest bearing and are not subject to sale on secondary market therefore the fair values are also their nominal values.

The Company issues treasury bills amounting to TL 130.552 as of 31 December 2015 (31 December 2014: TL 223.031) from Turkish Treasury. These treasury bills are measured at fair value. The fair value of these treasury bills are calculated by using the effective interest rates as quarterly which are announced by Turkish Treasury. Average effective interest rate of financial assets at 31 December 2015 is 10.84 % (31 December 2014: 8.96 %). As of 31 December 2015, terms of the treasure bills vary from 4 to 6 months (31 December 2014: 5 to 6 months).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2015	31 December 2014
Short-term financial liabilities		
Short-term bank borrowings	-	515
Short-term portion of long-term borrowings	230.657	171,757
	230.657	172,272
Long-term bank borrowings		
Long-term borrowings	214.000	434,000
	214.000	434,000

The Company has borrowed TL 1,314,000 from the Turkish Treasury for financing its HAS payment liability. According to the agreement signed with the Turkish Treasury, the borrowing without a payback until 10 October 2009 has a maturity of 10 October 2017 with floating interest rate. The interest rate is defined as the weighted average of the compound rate of discounted Government bonds issued by Turkish Treasury before each payment period.

The interest rate of the borrowing at 31 December 2015 is 10.14% (31 December 2014: 9.54%).

The redemption schedules of the borrowings at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
2016	-	220,000
2017	214,000	214,000
	214,000	434,000

The allocation of interest rate sensitivity of financial liabilities according to their repricing dates is as follows:

	31 December 2015	31 December 2014
Less than 3 months	65,657	52,272
Between 3 - 12 months	165,000	120,000
Between 1 - 5 years	214,000	434,000
	444,657	606,272

It is anticipated that the long-term borrowings with the floating rates reflect the fair values of the borrowings,

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	31 December 2015	Reclassified (*) 31 December 2014
Short-term trade receivables		
Notes receivables	500,348	468,476
Receivables from sale of residential units and commercial units	445,708	424,283
Receivables from LSRSA contractors invoiced	233,822	224,029
Due from related parties (Note 26)	204,172	26,499
Receivables from land sales	28,083	18,988
Rent receivables	1,385	1,657
Other	693	587
Unearned finance income	(4,051)	(4,547)
	1,410,160	1,159,972
Doubtful receivables	1,965	1,732
Less: Provision for doubtful receivables (-)	(1,965)	(1,732)
	1,410,160	1,159,972

(*) See Note 2.3.

Long-term trade receivables

	31 December 2015	31 December 2014
Receivables from sale of residential units and commercial units	1,565,891	1,268,305
Unearned finance income	(82,791)	(90,682)
Receivables from land sales	-	42,999
	1,483,100	1,220,622

Movements of provision for doubtful receivables at 31 December 2015 and 2014 are as follows:

	2015	2014
Balance at beginning, 1 January	1,732	1,732
Provision charge for the period	247	-
Provision released / used	(14)	-
Balance at period end, 31 December	1,965	1,732

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2015	31 December 2014
Short-term trade payables		
Payables to related parties (Note 26)	1,881,778	558,203
Payables to contractors according to LSRSA	629,146	758,916
Interest payables of contractors’ time deposit (*)	31,457	45,161
Trade payables	10,817	13,960
	2,553,198	1,376,240

Long-term trade payables

	31 December 2015	31 December 2014
Payables to landowners (**)	36,192	36,192
	36,192	36,192

(*) The contractors’ portion of the residential unit sales as defined in the agreement which gained from ongoing LSRSA projects is deposited in the time deposit bank accounts under control of the Company within the related LSRSA projects (Note 3).

(**) In the context of collaboration protocol dated 28 February 2014 for urban transformation project, the control of the land amounting to TL 36,192 has been transferred to the Company and since the payment will be in done with the delivery of the residential and commercial units, the payable to landowner has been classified in long term trade payables.

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

	31 December 2015	31 December 2014
		<i>Reclassified (*)</i>
Short-term other receivables		
Housing Acquisition Support (“HAS”) related receivables from Turkish Treasury	390,750	391,001
Receivables from contractors	103,726	48,838
VAT receivables from the tax authority	5,279	3,058
Other	26	163
	499,781	443,060

(*) See Note 2.3.

	31 December 2015	31 December 2014
Long-term other receivables		
Deposits and guarantees given	168	166
	168	166

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2015	31 December 2014
Short term other payables		
Payable to HAS beneficiaries	404,079	405,230
Payable to contractors (*)	88,752	88,752
Taxes and funds payable	8,470	12,222
Deferred income	4,704	-
Other	11,989	9,221
	517,994	515,425

(*) The balance includes unissued invoice amount of TL 88,752 regarding units received as a result of revenue allocation at İzmir Mavişehir Phase 3 project, where the contractor filed a lawsuit regarding the revenue sharing percentages (31 December 2014: TL 88,752).

The movements of the payments either from Company’s shareholder’s equity to HAS beneficiaries and the detail of HAS payments and HAS receivables and payables related to Treasury Support as of for 31 December 2015 and 2014 are shown below:

	1 January 2015	Additions within the period	Disposals	31 December 2015
Treasury support share				
Receivable from Treasury	391,001	6	(257)	390,750
Special purpose government Bond (Note 4)	13,767	-	(500)	13,267
Cash generated from government bond redemption	462	1,232	(1,632)	62
Total consideration received or receivable from Treasury	405,230	1,238	(2,389)	404,079
Payable to HAS beneficiaries	(405,230)			(404,079)

	1 January 2014	Additions within the period	Disposals	31 December 2014
Treasury support share				
Receivable from Treasury	388,170	3,905	(1,074)	391,001
Special purpose government Bond (Note 4)	18,267	-	(4,500)	13,767
Cash generated from government bond redemption	2,559	18,109	(20,206)	462
Total consideration received or receivable from Treasury	408,996			405,230
Payable to HAS beneficiaries	(408,996)			(405,230)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 8 - LAND AND RESIDENTIAL UNIT INVENTORIES

	31 December 2015	31 December 2014
Short-term inventories		
Planned land by RPSPTL	910,539	89,341
Planned land by LSRSA	884,599	577,498
Residential and commercial units ready for sale	11,921	73,361
<i>Cost</i>	12,179	74,276
<i>Impairment</i>	(258)	(915)
	1,807,059	740,200
Long-term inventories		
Planned land by LSRSA	4,524,500	2,643,700
Land	3,262,076	4,752,386
<i>Cost</i>	3,273,192	4,763,764
<i>Impairment</i>	(11,116)	(11,378)
Planned land by RPSPTL	736,768	847,809
	8,523,344	8,243,895

As of 31 December 2015, independent valuation reports prepared by Atak Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Peritus Gayrimenkul Değerleme A.Ş. are taken into consideration in order to calculate the fair value and impairment loss, if any, on land units and commercial units ready for sale. The valuation methods that the independent valuation companies took into consideration included sales comparison and discounted cash flow methods, where the major assumptions were comprised of total cash flows expected from the projects, discount rates to calculate the present value of the related projects and comparable m² sales amounts. Residual costs used on valuation reports find by sales compilation. All the ultimate values used in the valuation reports are based on sales comparison method.

The movement of the impairment on land and residential unit inventories is as follows:

	2015	2014
Balance at 1 January	12,293	37,180
Impairment charge for the year	6,805	12,192
Released provision of the year	(7,798)	(37,079)
Impairment transferred from investment properties to inventory	74	-
Balance at period end, 31 December	11,374	12,293

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 8 - LAND AND RESIDENTIAL UNIT INVENTORIES (Continued)

The details of land and residential stocks of the company are shown below as of 31 December 2015 and 31 December 2014:

Lands (Long term)	31 December 2015	31 December 2014
İstanbul Maltepe Lands	665,557	688,674
İstanbul Başakşehir Lands	433,905	703,069
İstanbul Zeytinburnu Lands	400,006	-
İstanbul Arnavutköy Lands	317,309	333,308
Ankara Yeni Mahalle Lands	273,036	894,705
İstanbul Tuzla Lands	225,933	-
Yalova Lands	178,340	-
İstanbul Esenyurt Lands	141,282	119,879
İstanbul Kartal Lands	132,283	132,283
İstanbul Avcılar Lands	106,085	276,301
Nevşehir Lands	70,042	-
Kocaeli Gebze Lands	45,174	44,376
Balikesir Merkez Lands	44,000	44,000
İstanbul Ataşehir Lands	41,979	8,995
İstanbul Eyüp Lands	30,091	-
İstanbul Bakırköy Lands	30,005	-
Bursa Osmangazi Lands	27,336	27,309
Niğde Lands	20,304	-
İzmir Urla Lands	19,537	19,537
Tekirdağ Çorlu Lands	16,578	15,748
Ankara Çankaya Lands	11,849	420,476
İstanbul Şile Lands	10,210	-
Tekirdağ Kapaklı Lands	8,248	8,200
Kocaeli Tütünciftliği Lands	3,267	3,255
İstanbul Zekariyeköy Lands	677	645
İstanbul İstinye Lands	-	1,005,627
Diğer	9,043	5,999
	3,262,076	4,752,386

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 8 - LAND AND RESIDENTIAL UNIT INVENTORIES (Continued)

Planned lands by LSRSA	31 December 2015	31 Aralık 2014
Sarıyer İstinye Project	1,006,171	-
Kazlıçeşme Projesi	656,408	640,004
Ankara Yenimahalle İstasyon Project	634,550	-
Maslak 1453 Project	549,415	549,415
Ankara Çankaya Mühye Project	316,662	-
Metropol İstanbul Project	246,166	246,166
Köy Project	224,276	224,209
İstanbul Kartal Project	186,778	186,694
Kayabaşı 5,Etap Project	117,552	-
İstanbul Kağıthane Seyrantepe Project	115,953	-
Park Maveria Project	115,859	115,513
Kayabaşı 6,Etap Project	115,227	-
Hoşdere 4,Etap Project	104,935	-
Kartal Yakacık Project	91,905	86,919
Kayabaşı 3,Etap Project	88,794	88,794
Konya Meram Yenice Project	86,704	-
İstanbul Üsküdar Project	85,006	-
Avcılar Kapadık Project	79,343	79,299
Denizli Merkez Efendi Project	74,761	-
Yenibosna Project	68,334	-
Hoşdere 3, Etap Project	72,016	60,372
Kocaeli Derince Project	70,001	70,001
Fatih Yedikule Project	65,646	65,646
Hoşdere 2,Etap Project	55,878	47,064
Ankara Etimesgut Project	37,288	37,288
Ataşehir Finans Merkezi Project	14,951	8,337
Bulvar İstanbul Project	14,136	107,553
Kuasar İstanbul Project	-	230,118
Batışehir Project	-	144,871
Gaziosmanpaşa Project	-	62,430
Bahçetepe Project	-	28,986
Evora İstanbul - 2 Project	-	25,504
Evora İstanbul - 1 Project	-	19,147
Diğer	114,384	96,868
	5,409,099	3,221,198

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 8 - LAND AND RESIDENTIAL UNIT INVENTORIES (Continued)

Planned land by RPSPTL	31 December 2015	31 December 2014
İstanbul Esenler Kentsel Dönüşüm Project	348,366	114,163
Kayabaşı 1, Phase 1, Part Project	221,819	138,580
Hoşdere 1, Part 2, Phase Project	145,460	106,261
Ayazma Emlak Konutları Project	133,791	96,674
Kayabaşı 1, Phase 3, Part Project	129,013	80,624
Kayabaşı 1, Phase 4, Part Project	125,384	92,361
Hoşdere 1, Part 1, Phase Project	119,608	86,730
Kayabaşı 1, Phase 2, Part Project	107,553	62,740
Ispartakule 1, Phase 1, Part Project	95,535	-
Ispartakule 1, Phase 2, Part Project	83,358	-
Hoşdere 1, Part 3, Phase Project	61,703	54,167
Körfezkent 4, Phase Project	39,199	14,423
Emlak Konut Başakşehir Evleri 2, Part Project	35,432	-
Kocaeli Gebze Kirazpınar Kentsel Dönüşüm Project	662	662
Bursa Kentsel Dönüşüm Project	424	424
Körfezkent 3 Phase Project	-	89,341
	1,647,307	937,150

Completed Units	31 December 2015	31 December 2014
My Towerland	3,752	3,752
Park Yaşam Mavişehir Evleri	1,739	1,739
Kocaeli Körfez Kent Emlak Konutları	1,238	-
Spradon Vadi Evleri	1,086	1,142
Evora 2, Etap Projesi	979	979
Burgazkent Çarşı Projesi	950	-
Sultanbeyli Emlak Konutları	-	1,044
Tulip Turkuaz Konutları	-	403
Şehrizar Konakları	-	51,335
Birİstanbul Projesi	-	10,504
Diğer	2,177	2,463
	11,921	73,361

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 9 - INVESTMENT PROPERTIES

Investment properties are for rent and sales comparison approach and income methods by discounted cash flows are used as fair value in these valuations and impairment calculations,

The movement of investment property at 31 December 2015 and 2014 are as follows:

	1 January 2015	(Impairment charge)/ reversal of impairment	Additions	Disposals	Transfer	31 December 2015
Avcılar land	847	-	-	-	(847)	-
İstanbul Dursunköy land	-	-	-	-	16,000	16,000
	847	-	-	-	15,153	16,000

	1 January 2014	(Impairment charge)/ reversal of impairment	Additions	Disposals	Transfer	31 December 2014
Avcılar land	770	77	-	-	-	847
Başakşehir Hoşdere land	307	-	-	-	(307)	-
Selimpaşa commercial unit	92	-	-	(92)	-	-
	1,169	77	-	(92)	(307)	847

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 9 - INVESTMENT PROPERTIES (Continued)

Regarding the measurement of fair values of investment properties at 31 December 2015, the valuation reports are taken from independent valuation firms Peritus Gayrimenkul Değerleme A.Ş. (31 December 2014: Nova Taşınmaz Değerleme ve Danışmanlık A.Ş.). The fair values of the investment property determined by independent valuation experts are as follows:

	31 December 2015	31 December 2014
İstanbul Dursunköy land	18,047	-
Avcılar land	-	847
	18,047	847

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

31 December 2015	Buildings	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Net book value, 1 January 2015	9,302	545	2,152	23,898	35,897
Additions	440	461	3,979	39,852	44,732
Disposals, (net) (-)	-	-	-	-	-
Depreciation expense (-)	(225)	(269)	(1,481)	-	(1,975)
Impairment (-)	67	-	-	-	67
Net book value	9,584	737	4,650	63,750	78,721
Cost	11,338	1,551	9,355	63,750	85,994
Accumulated Depreciation (-)	(1,179)	(814)	(4,705)	-	(6,698)
Impairment (-)	(575)	-	-	-	(575)
Net book value	9,584	737	4,650	63,750	78,721

(*) Construction in progress consists of the construction costs of the new head office building.

31 December 2014	Buildings	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Net book value, 1 January 2014	2,469	763	2,253	5,783	11,268
Additions	7,642	-	616	18,115	26,373
Disposals, (net) (-)	-	-	(102)	-	(102)
Depreciation expense (-)	(167)	(218)	(615)	-	(1,000)
Impairment (-)	(642)	-	-	-	(642)
Net book value	9,302	545	2,152	23,898	35,897
Cost	10,898	1,090	5,376	23,898	41,262
Accumulated Depreciation (-)	(954)	(545)	(3,224)	-	(4,723)
Impairment (-)	(642)	-	-	-	(642)
Net book value	9,302	545	2,152	23,898	35,897

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 11 - INTANGIBLE ASSETS

31 December 2015	Licenses and services	Computer software	Total
Net book value, 1 January 2015	976	1,011	1,987
Additions	417	581	998
Depreciation expense (-)	(653)	(458)	(1,111)
Net book value	740	1,134	1,874
Cost	2,300	2,577	4,877
Accumulated Depreciation (-)	(1,560)	(1,443)	(3,003)
Net book value	740	1,134	1,874

31 December 2014	Licenses and services	Computer software	Total
Net book value, 1 January 2014	1,191	879	2,070
Additions	72	588	660
Depreciation expense (-)	(287)	(456)	(743)
Net book value	976	1,011	1,987
Cost	1,883	1,996	3,879
Accumulated Depreciation (-)	(907)	(985)	(1,892)
Net book value	976	1,011	1,987

NOTE 12 - PROVISIONS

	31 December 2015	31 December 2014
Provisions		
Provision for lawsuits	78,088	69,699
Provision for cost accruals	87,944	46,930
	166,032	116,629

The movements of provision for lawsuits as of 31 December 2015 and 2014 are as follows:

	2015	2014
Balance at 1 January	69,699	59,996
Provision charge for the period (Note 20)	28,839	16,559
Provision released (Note 20)	(11,233)	(6,856)
Provision used in the period	(9,217)	-
Balance at 31 December	78,088	69,699

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 13 - EMPLOYEE BENEFITS

	31 December 2015	31 December 2014
Short-term provisions		
Unused vacation provision	4,626	3,609
	4,626	3,609

Long-term provisions

Provision for employment termination benefit	3,986	3,048
	3,986	3,048

TAS 19 foresees that actuarial valuation method should be in use in order to estimate the certain liabilities for defined benefit obligations of the Company, Accordingly, in the calculation of these liabilities, the following actuarial assumptions are used:

	31 December 2015	31 December 2014
Discount rate (%)	3.60	3.95
Turnover rate to estimate probability of retirement (%)	4.16	4.68

The basic assumption is that the determined value for every working year increases proportional to inflation, Using this assumption, the existing discount ratio shows the real ratio, unaffected by inflation.

Movement of the provision for employment termination benefits as of 31 December 2015 and 2014 are as follows:

	2015	2014
Balance at 1 January	3,048	2,351
Service cost	461	283
Interest cost	365	232
Payment within the period	(172)	(168)
Actuarial loss	284	350
Balance at 31 December	3,986	3,048

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 14 - OTHER ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
Other current assets		
Progress payments given to contractors	79,286	142,778
Accrued Income	43,842	27,034
Receivables from tax office (*)	33,144	44,247
Deferred VAT	10,000	38,306
	166,272	252,365

(*) Receivables from tax office consist of bank stoppages paid on interest income, which have been requested from the tax office to be paid back.

	31 December 2015	31 December 2014
Other current liabilities		
Deferred VAT	58,241	-
	58,241	-

NOTE 15 - DEFERRED REVENUE AND PREPAID EXPENSES

	31 December 2015	31 December 2014
Other current liabilities		
Deferred revenue from LSRSA projects (*)	2,330,071	2,406,969
Advances taken from RPSPTL projects sale	1,000,469	425,730
Advances taken from LSRSA contractors (**)	763,886	630,273
Due to related parties (Note 26)	64,732	64,732
	4,159,158	3,527,704

(*) The balance is comprised of deferred revenue of future land sales regarding the related LSRSA projects residential unit's sales. The advances received, which were received against a note receivable, were classified as short term with assuming that the owner of the notes can take back their noter whenever they wish.

(**) In certain LSRSA projects, the Company collects in advance a certain portion of the total Company revenue from the project before signing the agreement with the contractor.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 15 - DEFERRED REVENUE (Continued)

	31 December 2015	31 December 2014
Other advances received	2,448	1,952
	2,448	1,952

	31 December 2015	31 December 2014
Prepaid expenses		
Inventory advances given (*)	32,414	10,541
Prepaid expenses	1,548	1,003
	33,962	11,544

(*) The inventory advances given consists of prepayments of the 53 office units which the Company purchased from Sarphan Finansbank and 30 office units from Unikonut Project.

NOTE 16 - SHAREHOLDERS' EQUITY

The Company's authorized capital amount is TL 3,800,000 (31 December 2014: TL 3,800,000) and consists of 380,000,000,000 authorized number of shares with a nominal value of TL0.01 each.

The Company's shareholders and their shareholding percentages as of 31 December 2015 and 2014 are as follows:

Shareholders	31 December 2015		31 December 2014	
	Share (%)	TL	Share (%)	TL
Public offering portion	50,66	1,925,000	50,66	1,925,000
T.C. Başbakanlık				
Toplu Konut İdaresi Başkanlığı	49,34	1,874,831	49,34	1,874,831
HAS beneficiaries	0,00	167	0,00	167
Other	0,00	2	0,00	2
Total paid-in capital	100,00	3,800,000	100,00	3,800,000

Share Premium

Pursuant to the Company's Board of Directors' decision No. 43 dated 18 August 2010 and Article 8, entitled "Capital and Stocks", of the Articles of Association, the issued capital has been increased from TL1,875,000 to TL2,500,000, which is within the registered capital ceiling of TL4,000,000 for public offerings, and to entirely perform the public offering of 62,500,000,000 Group B bearer shares valued at TL625,000, which represent the increased portion of the declared capital system, by restricting completely the existing shareholders' entitlement to new shares within the framework of the "Communiqué on Principles Regarding Registration of Shares with the Board and Sale of Shares Serial I, No:40" and other relevant capital market legislation. As a result of the 26 November 2010 decision of the Board of Directors of the Istanbul Stock Exchange, the Company's Group B bearer shares with a total nominal value of TL625,000 which represent 25% of the Company's shares started trading on the Collective Products Market as of 2 December 2010. As a result of this public offering, the company acquired cash amounting to TL1,051,989 from these shares with a nominal value of TL625,000 and the difference which amounted to TL426,989, is recognised as share premiums in the financial statements.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 16 - SHAREHOLDERS' EQUITY (Continued)

Upon recognition of the share premiums arising out of the initial public offering explained above, it was decided to increase the issued capital of TL2,500,000 to TL3,800,000, which is within the registered capital ceiling of TL4,000,000 for public offerings, and to perform the public offering of 130,000,000,000 Group B bearer shares valued at TL1,300,000, which represent the increased part of the declared capital system, by restricting the existing shareholders' entitlement to new shares within the framework of the "Communiqué on Principles Regarding Registration of Shares with the Board and Sale of Shares Serial I, No:40" and other relevant capital market legislation. The said public offering was approved by the Capital Markets Board on 5 November 2013 and certified and registered with No. 36/1188 by the Istanbul Trade Registry Office on the same date. Issued shares with a total nominal value of TL1,300,000, arising from the increase in the Company's capital from TL2,500,000 to TL3,800,000, were offered to the public with a restriction on shareholders' entitlement to new shares. Following this public offering, the company raised cash amounting to TL3,250,000 from the shares with a nominal value of TL1,300,000 and the difference between the sale price and the nominal share value, which amounted to TL1,950,000, and the costs directly related to the second public offering (amounting to TL 10.094) were offset and followed up in the account of share premiums.

Tresuary shares

Between 1 January 2015 and 24 August 2015, The Company has repurchased 9,183,544 numbers of shares with nominal value between TL 2.39 and TL 2.46 and total amounting to TL 22,169,753.53 (full TL). Shares average purchase price is TL 2.42 and as a result of the purchases, the share of the total shares to the total share lot is 3.16%.

Legal Reserves

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 Company'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.

Balances mentioned above should be reclassified under "Restricted Reserves" in accordance with the TFRS. The Company has restricted reserves amounting to TL 357.908 as of 31 December 2015 (31 December 2014: TL 292.674). These balances fully comprise of legal reserves.

Dividend payment

The Company paid dividend to its shareholders with an amount of TL 366.738 from net distributable profit amounting to TL 356.036 after deduct shares of repurchased stocks amounting to TL 10,702 on 26 May 2015. The dividend amounting to TL 10,702 which correspond to shares of repurchased stocks after the secondary public offering has been accounted in "Retained Earnings".

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 16 - SHAREHOLDERS' EQUITY (Continued)

Dividend payment (Continued)

In accordance with the 02/51 numbered decision and dated on 27 January 2010 about the principal of publicly-held corporations 2009 year business dividend distribution, it was decided that for publicly-held corporation's shares traded at the exchange, there is not any minimum profit distribution obligation, in this scope profit distribution is executed according to principals mentioned in CMB's Serial:IV, No:27 statement, determinations in master agreement of association and the announced profit distribution policies of companies. In case of taking decision on dividend distribution, depending on general assembly purpose, by means of cash or adding the dividend to capital, issued shares shall be distributed as bonus share or cash and bonus share in certain proportion. In other case, if the first dividend amount is 5% less than paid in capital/ issued capital, it is available to leave the amount in association structure without distributing, however, for incorporated companies which perform increase in capital without distributing previous period dividend and for this reason differed as "old" and "new" and companies which will distribute dividend from profit arising its business, it was decided to obligate the calculated first dividend distributed as cash.

There is no any obligatory decision taken regarding the dividend distribution except the decisions mentioned above.

NOTE 17 - SALES AND COST OF SALES

	2015	2014
Revenue		
Land sales	1,511,915	1,174,350
<i>Income from sale of land and plots through LSRSA</i>	1,511,915	1,052,317
<i>Income from sale of vacant land and plots</i>	-	122,033
Residential and commercial units sales	275,840	630,167
Rent income	677	1,937
Gross Sales	1,788,432	1,806,454
Sales returns	(887)	(1,347)
Sales discounts	(757)	(584)
Net sales income	1,786,788	1,804,523
Cost of sales		
Cost of land sales	(673,725)	(602,398)
<i>Cost of land and plots sold through LSRSA</i>	(673,725)	(481,212)
<i>Cost of vacant land and plots sold</i>	-	(121,186)
Cost of residential and commercial units sales	(225,063)	(430,414)
	(898,788)	(1,032,812)
Gross Profit	888,000	771,711

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 18 - MARKETING, SALES AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2015	2014
General administrative expenses		
Staff costs	41,433	29,975
Donations	14,227	10,000
Taxes, duties and fees	11,986	23,977
Consultancy expenses	5,220	3,635
Subcontracting service expenses	3,117	3,240
Depreciation and amortisation	3,086	1,743
Membership fees	2,892	2,353
Travel expenses	2,366	2,032
Insurance	2,179	1,474
Legal and notary	2,012	8,855
Maintenance	505	481
Communication	435	360
Other	5,193	1,528
	94,651	89,653
Marketing, sales and distribution expenses		
Advertisement	21,326	13,476
Staff costs	4,901	5,436
Office expenses	884	1,081
Notary expenses	226	1,263
Other	1,233	1,325
	28,570	22,581

NOTE 19 - EXPENSES BY NATURE

	2015	2014
Cost of land sales	673,725	602,398
Cost of residential units and commercial unit sales	225,063	430,414
Staff costs	46,334	35,411
Advertisement	21,326	13,476
Donations	14,227	10,000
Taxes, duties and fees	11,986	23,977
Consultancy expenses	5,220	3,635
Subcontracting service expenses	3,117	3,240
Depreciation and amortisation	3,086	1,743
Membership fees	2,892	2,368
Legal and notary	2,238	10,118
Insurance	2,179	1,474
Communication	435	360
Other	10,181	6,432
	1,022,009	1,145,046

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 20 - OTHER INCOME/EXPENSES

	2015	2014
Other operating income		
Finance income from credit sales	92,377	79,360
Delay penalty interest from project contractors and other financing income from projects	38,863	30,660
Released lawsuit provision (Note 12)	11,233	6,856
Rediscount finance income	8,387	-
Impairment provision reversals	7,865	37,155
Commission income on transfers of ownership	3,567	6,157
Delay penalty income from project contractors	3,395	2,501
Insurance income	3,313	-
Income from guarantees	1,507	105
Income from tender contract sales	1,078	380
Fee returns from Land Offices	1,004	928
Other	11,074	6,855
	183,663	170,957

Other operating expenses

	31 December 2015	31 December 2014
Lawsuit provision charge for the period (Note 12)	(28,839)	(16,559)
Legal expenses	(7,000)	-577
Impairment provision expenses	(6,805)	(12,834)
Reversal of due date differences	(328)	(362)
Rediscount finance expense, net	-	(47,871)
Other	(1,130)	(3,184)
	(44,102)	(81,387)

NOTE 21 - INCOME FROM INVESTING ACTIVITIES

	2015	2014
Interest income on Turkish Treasury borrowings	14,570	15,825
	14,570	15,825

NOTE 22 - FINANCIAL INCOME

	2015	2014
Financial income		
Interest income from time deposits	84,378	253,568
Foreign exchange income	126	90
	84,504	253,658

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 23 - FINANCIAL EXPENSE

	2015	2014
Financial expense		
Interest expense on Turkish Treasury borrowings (*)	(49,771)	(62,427)
Commission expenses	(323)	(1,443)
Foreign exchange loss	(715)	(263)
	(50,809)	(64,133)

(*) Interest expense of borrowing for HAS beneficiaries payments from Turkish Treasury amounting to TL 1,314,000 calculated in accordance with Domestic Government Debt Securities issuance compound interest rate announced at the time of payment periods.

NOTE 24 - TAXATION

"Corporate Tax Law" No. 5520 was taken into effect after being published in the Official Gazette No. 26205, dated 21 June 2006. Many clauses of the "New Tax Law" are effective from 1 January 2006. According to Tax Law, No. 5520, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006. The corporate tax rate is calculated on the total income of the Company after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

The Company is exempt from corporate income tax in accordance with paragraph 4-d of Article 8 of the Corporate Income Tax Law after the Real Estate Investment Company ("REIC") conversion on 22 June 2002 and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the REICs are subject to withholding taxes. According to the Council of Ministers Decision, No: 93/5148, the withholding tax rate is determined as "0".

NOTE 25 - EARNINGS PER SHARE

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share. Accordingly, previous effects of related share distributions taking into consideration on weighted average number of shares used in calculation. Earnings per share is calculated by considering the total number of new shares when there is an increase in issued shares because of distribution of bonus shares after the balance sheet date but before the preparation of financial statements.

The earnings per share stated in income statement are calculated by dividing net income for the period by the weighted average number of the Company's shares for the period.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 25 - EARNINGS PER SHARE (Continued)

	2015	2014
Net income attributable to equity holders of the parent in full TL	952,604,604	954,396,530
Weighted average number of ordinary shares	380,000,000,000	380,000,000,000
Earnings per share in full TL	0,0025	0.0025

NOTE 26 - RELATED PARTY TRANSACTIONS

The main shareholder of the Company is TOKİ. TOKİ is a State institution under control of Republic of Turkey Prime Ministry. Related parties of the Company are as listed below:

1. T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı ("TOKİ")
2. Emlak Pazarlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş. (an affiliate of TOKİ)
3. GEDAŞ Gayrimenkul Değerleme A.Ş. (an affiliate of TOKİ)
4. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (an affiliate of TOKİ)
5. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (an affiliate of TOKİ)
6. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (an affiliate of TOKİ)
7. Emlak-Toplu Konut İdaresi Spor Kulübü
8. Emlak Planlama İnş. Prj. Yön. A.Ş. - Fideltus İnş. - Öztaş İnş. Ortak Girişimi
9. Ege Yapı - Emlak Pazarlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş.
10. Emlak Planlama İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi

According to the revised TAS 24 - Related Parties standard, exemptions have been brought to the disclosure requirements of balances. The Company has transactions with State banks that are T.C.Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş. and Turkish Treasury in relation to the HAS payments.

- Balances and transactions with respect to Turkish Treasury are detailed in Note 5 and 7.
- The Company mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL2,725,418 as of 31 December 2015 (31 December 2014: TL2,269,959). Regarding these bank balances, the Company also generated interest income from the related State banks amounted to TL84,378 in 2015 (2014: TL 253,568). Average effective interest rates of time deposits of the Company as of 31 December 2015 and 2014 are explained in Note 3.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 26 - RELATED PARTY TRANSACTIONS (Continued)

The transactions made between the Company and TOKİ, its affiliates and other related parties are presented below.

	31 December 2015	31 December 2014
Trade receivables from related parties		
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	197,277	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Fideltus İnş-Öztaş İnş O.G.	5,567	5,559
Emlak Planlama İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,328	-
Emlak Planlama İnş. Prj. Yön. A.Ş. İnş. A.Ş.-Yeni Sarp İnş. Ltd. (*)	-	20,940
	204,172	26,499

(*) Emlak Planlama İnşaat Proje Yönetimi ve Tic. A.Ş., who is one of the joint venture company of “İstanbul Ümraniye 1. Phase LSRSA Project” continued of the construction by Emlak Pazarlama İnşaat Proje Yönetimi ve Tic. A.Ş. – Yeni Sarp İnş. Madeni Yağ. Pet. Ürünleri Tur. İth. İhr. Tic. Ve San. Ltd. Şti., has transferred all of its shares which constitute 10% of the total shares of the joint venture and left from the joint venture. As a result of this share transfer, Emlak Planlama İnş. Prj. Yön. A.Ş. - Yeni Sarp İnş. Ltd. is no longer the related party of the Company.

	31 December 2015	31 December 2014
Trade payables to related parties		
T.C. Başbakanlık Toplu Konut İdaresi Başkanlığı (“TOKİ”) (*)	1,881,778	558,203
	1,881,778	558,203

(*) The Company has purchased various lands from its ultimate parent company (TOKİ) in 2015. The remaining payable from this purchases to TOKİ is amounting to TL 1,711,926 and accrued interest is TL 169,852 (As at 31 December 2014, the payable is amounting to TL524.067 and accrued interest is TL 33.596).

	31 December 2015	31 December 2014
Advances received from related parties		
Emlak Planlama İnş. Prj. Yön. A.Ş.- Fideltus İnş. - Öztaş İnş. O.G.	64,732	64,732
	64,732	64,732

Represents the initial collections made from LSRSA projects, where the Company collects in advance a predetermined portion of the total sales amount in line with the agreements.

	2015	2014
Purchases from related parties		
TOKİ	1,293,514	2,578,467
Emlak Planlama İnş. Prj. Yön. A.Ş.- Fideltus İnş. - Öztaş Ortak Girişimi	786	-
	1,294,300	2,578,467

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 26 - RELATED PARTY TRANSACTIONS (Continued)

	2015	2014
Sales to related parties		
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	306,851	-
T.C.Başbakanlık Toplu Konut İdaresi Başkanlığı	-	121,390
Emlak Planlama İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	-	1,795
Emlak Pazarlama. Yeni Sarp Ortak Girişimi	-	67
	306,851	123,252

In the Company the president of the Board of Directors, members of Board of Directors, Audit Committee members, General Manager, Assistant General Managers and General Manager consultant and other decision makers who are in charge to manage the operations are assumed as Key management. Short-term benefits given to Key management are stated below:

	2015	2014
Remuneration of key management		
Salaries and short-term employee benefits	2,027	1,308
	2,027	1,308

NOTE 27 - FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Liquidity Risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity.

The Company manages its liquidity risk by using special analyses regarding its ability to meet the Company's financial and trade liabilities using the expected undiscounted cash out-flows.

Regarding the liquidity risk arising from the financial liability for HAS beneficiaries, which is a demand-liability, the Company uses the funds made available by the Treasury to meet the payment obligations for this liability. For other financial liabilities, the majority of which comprise of trade liabilities, the Company mainly uses its cash balances and proceeds from sales and advances received.

The Company aims to maintain flexibility in funding by maintaining the availability of committed credit lines. The Company has no derivative financial instruments. The tables have been prepared based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

The maturity distribution of financial liabilities of the Company as of 31 December 2015 is as follows:

	Carrying value	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year - to 5 years	Over 5 years
Short-term financial liabilities						
(Non-derivative):						
Financial liabilities	230,657	230,657	65,657	165,000	-	-
Trade payables	2,553,198	2,553,198	2,553,198	-	-	-
	2,783,855	2,783,855	2,618,855	165,000	-	-
Long-term financial liabilities						
(Non-derivative):						
Financial liabilities	214,000	214,000	-	-	214,000	-
Trade payables	36,192	36,192	-	-	36,192	-
Other liabilities	13,814	13,814	-	-	13,814	-
	264,006	264,006	-	-	264,006	-
	3,047,861	3,047,861	2,618,855	165,000	264,006	-

The maturity distribution of financial liabilities of the Company as of 31 December 2014 is as follows:

	Carrying value	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year - to 5 years	Over 5 years
Short-term financial liabilities						
(Non-derivative):						
Financial liabilities	172,272	210,938	54,283	156,655	-	-
Trade payables	1,376,240	1,376,240	1,376,240	-	-	-
	1,548,512	1,587,178	1,430,523	156,655	-	-
Long-term financial liabilities						
(Non-derivative):						
Financial liabilities	434,000	480,163	-	-	480,163	-
Trade payables	36,192	36,192	-	-	36,192	-
Other liabilities	15,130	15,130	-	-	15,130	-
	485,322	531,485	-	-	531,485	-
	2,033,834	2,118,663	1,430,523	156,655	531,485	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities. In this context, matching of not only maturities of receivables and payables but also contractual repricing dates is crucial.

Average effective annual interest rates of balance sheet items as of 31 December 2015 and 2014 are as follows:

	31 December 2015 (%)	31 December 2014 (%)
Current assets		
Cash and cash equivalents	8.90	8.14
Trade receivables	7.00	8.96
Current liabilities		
Financial liabilities	10.14	9.54
Non-current liabilities		
Financial liabilities	10.14	9.54

The Company's financial instruments that are sensitive to interest rates are as follows:

	31 December 2015	31 December 2014
Financial instruments with fixed interest rate		
Time deposits	2,939,499	2,496,079
Financial instruments with floating interest rate		
Financial liabilities	444,657	606,272

The profit before tax of the Company will increase / decrease by TL4,447 as of 31 December 2015 (31 December 2014: TL6,732) and in case of a 1% decrease/increase in TL market interest rates with all other factors remaining constant as of 31 December 2015.

Company's financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates as of 31 December 2015 and 2014 are as follows:

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2015				Total
	Up to 3 months	3 months to 12 months	More than 1 year	Non-interest bearing	
Cash and cash equivalents	2,939,499	-	-	65,504	3,005,003
Financial instruments	130,552	-	-	13,267	143,819
Trade receivables	1,176,338	1,483,100	-	233,822	2,893,260
Other receivables	-	103,726	-	396,223	499,949
Land and residential unit inventories	-	-	-	10,330,403	10,330,403
Other current assets	-	-	-	166,272	166,272
Prepaid expenses	1,548	-	-	32,414	33,962
Investment property	-	-	-	16,000	16,000
Property, plant and equipment	-	-	-	78,721	78,721
Intangible assets	-	-	-	1,874	1,874
Other tangible assets	-	-	-	58,241	58,241
Total assets	4,247,937	1,586,826	-	11,392,741	17,227,504
Financial liabilities	65,657	165,000	214,000	-	444,657
Trade payables	-	10,817	-	2,578,573	2,589,390
Other payables	-	-	-	531,808	531,808
Deferred income	-	-	-	4,161,606	4,161,606
Provisions for employment termination benefits	-	-	-	8,612	8,612
Shareholders' equity and other liabilities	166,032	-	-	9,325,399	9,491,431
Total liabilities	231,689	175,817	214,000	16,605,998	17,227,504
Net repricing position	4,016,248	1,411,009	(214,000)	(5,213,257)	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2014				Total
	Up to 3 months	3 months to 12 months	More than 1 year	Non-interest bearing	
Cash and cash equivalents	2,496,079	-	-	110,053	2,606,132
Financial instruments	223,031	-	-	13,767	236,798
Trade receivables	685,987	223,457	1,220,622	250,528	2,380,594
Other receivables	-	48,838	-	394,388	443,226
Land and residential unit inventories	-	-	-	8,984,095	8,984,095
Other current assets	-	-	-	252,365	252,365
Prepaid expenses	1,003	-	-	10,541	11,544
Investment property	-	-	-	847	847
Property, plant and equipment	-	-	-	35,897	35,897
Intangible assets	-	-	-	1,987	1,987
Total assets	3,406,100	272,295	1,220,622	10,054,468	14,953,485
Financial liabilities	52,272	120,000	434,000	-	606,272
Trade payables	-	13,960	-	1,398,472	1,412,432
Other payables	-	-	-	530,555	530,555
Deferred income	-	-	-	3,529,656	3,529,656
Provisions for employment termination benefits	-	-	-	6,657	6,657
Shareholders' equity and other liabilities	116,629	-	-	8,751,284	8,867,913
Total liabilities	168,901	133,960	434,000	14,216,624	14,953,485
Net repricing position	3,237,199	138,335	786,622	(4,162,156)	-

Credit risk

The Company is subject to credit risk arising from trade receivables related to credit sales and deposits at banks.

The Company manages credit risk of bank deposits by working mainly with state banks established in Turkey and having long standing relations with the Company. Majority of bank deposits in this regard are with the state owned retail banks.

Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantees (letter of guarantee, etc.),
- Mortgage on real estate
- Retain the legal title to the goods solely to protect the collectability of the amount due.

In credit risk control, the credit quality of each customer is assessed; taking into account its financial position, past experience and other factors, individual risk limits are set in accordance and the utilisation of credit limits is regularly monitored.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

Credit risk of financial instruments as of 31 December 2015 is as follows:

31 December 2015	Trade Receivables		Other Receivables		Deposits in Cash and Banks
	Related party	Other party	Related party	Other party	
Maximum exposed credit risk as of reporting date	204,172	2,775,930	-	109,031	3,005,003
Secured portion of the maximum credit risk by guarantees, etc,	204,172	2,775,237	-	109,031	3,005,003
A, Net book value of financial assets either not due or not impaired					
- Secured portion by guarantees, etc,	204,172	2,775,237	-	109,024	3,005,003
B, Financial assets with renegotiated condition					
- Secured portion by guarantees, etc,	-	-	-	-	-
C, Net book value of the expired but not impaired financial assets					
- Secured portion by guarantees, etc,	-	693	-	7	-
D, Net book value of the impaired assets					
- Overdue (Gross book value)	-	1,965	-	-	-
- Not overdue (Gross book value)	-	-	-	-	-
- Impairment (-)	-	(1,965)	-	-	-
- Secured portion of the net value by guarantees, etc,	-	-	-	-	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

Credit risk of financial instruments as of 31 December 2014 is as follows:

31 December 2014	Trade Receivables		Other Receivables		Deposits in Cash and Banks
	Related party	Other party	Related party	Other party	
Maximum exposed credit risk as of reporting date	26,499	2,406,325	-	52,053	2,606,132
Secured portion of the maximum credit risk by guarantees, etc,	26,499	2,405,738	-	52,047	2,606,132
A. Net book value of financial assets either not due or not impaired					
- Secured portion by guarantees, etc,	26,499	2,405,738	-	52,047	2,606,132
B. Financial assets with renegotiated condition					
- Secured portion by guarantees, etc,	-	-	-	-	-
C. Net book value of the expired but not impaired financial assets					
- Secured portion by guarantees, etc,	-	587	-	6	-
D. Net book value of the impaired assets					
- Overdue (Gross book value)	-	1,732	-	-	-
- Not overdue (Gross book value)	-	-	-	-	-
- Impairment (-)	-	(1,732)	-	-	-
- Secured portion of the net value by guarantees, etc,	-	-	-	-	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality. There is no any impairment on the Company's asset that subject to credit risk of financial activities. In addition, there is no any overdue receivables off-balance sheet item.

Foreign exchange risk

The Company is subject to the foreign currency risk due to the foreign currency deposits in the bank deposit account. The Company does not use foreign currency in its main operations; the foreign currency risk is only originated from deposits of the Company.

Foreign currency position

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure.

The Company has no any financial instruments for the foreign exchange position of the assets and liabilities as of 31 December 2015.

The Company's foreign currency assets and liabilities are as follows:

	31 December 2015	31 December 2014
Foreign currency denominated assets	15	28
Foreign currency denominated liabilities	(2.492)	(1,987)
Net foreign currency position	(2.477)	(1,959)

The table below summarizes the Company's foreign currency position of the Company as of 31 December 2015 and 2014. TL equivalent of foreign exchange denominated financial assets and liabilities as follows;

31 December 2015	USD	TL equivalent
Current assets		
Cash and cash equivalents	5	15
Total Assets	5	15
Noncurrent liabilities		
Other liabilities	15	44
Deferred income	842	2,448
Total liabilities	857	2,492
Net foreign currency position	(857)	(2,477)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2014	EUR	USD	Sterling	TL equivalent
Current assets				
Cash and cash equivalents	5	-	4	28
Total Assets	5	-	4	28
Noncurrent liabilities				
Other liabilities	-	15	-	35
Deferred income	-	842	-	1,953
Total liabilities	-	857	-	1,987
Net foreign currency position	5	(857)	4	(1,959)

Capital risk management

The Company attempts to manage its capital by minimizing the investment risk with portfolio diversification. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Gearing ratios as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Total liabilities	7,902,105	6,202,201
Cash and cash equivalents	3,005,003	2,606,132
Net debt	4,897,102	3,596,069
Total shareholders' equity	9,325,399	8,751,284
Invested Capital	3,800,000	3,800,000
Gearing ratio	0.53	0.41

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 28 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The fair values of financial instruments that are not traded in an active market have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein may differ from the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets:

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables, which are measured at amortized cost, along with the related allowances for uncollectability are assumed to approximate their fair values.

The fair values of balances denominated in foreign currencies, which are translated at year-end official exchange rates announced by the Central Bank of Turkey, are considered to approximate their carrying value.

The special issue long term government bond has been issued by the Treasury and given to the Company for payment of HAS payables, is non-negotiable on the secondary market and does not bear interest. It is puttable on demand by the Company at par back to the Treasury, and is also accounted at par representing its fair value.

Financial liabilities:

The Company’s borrowing from the Turkish Treasury for financing its HAS payment liability has a floating interest rate defined as the weighted average of the compound rate of discounted Government bonds issued by Turkish Treasury before each payment period. Therefore it is considered that fair values of the borrowing’s fair value are approximate carrying value which is amortized cost.

Short term trade payables and other liabilities with no stated interest rate are measured at original invoice amount and are payables on demand therefore they are measured at their demand values and classified as short-term. They are considered to approximate their respective carrying values due to their short-term nature.

It is anticipated that there is no significant difference between the cost values and fair values of the borrowings with floating interest rates including its accruals for the regarding period.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 28 - FINANCIAL INSTRUMENTS (Continued)

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: Financial assets and financial liabilities with standard terms and conditions are valued with quoted market prices which are determined on active liquid markets.
- Level 2: Financial assets and financial liabilities are valued by directly or indirectly observable market prices rather than the quoted market prices mentioned in first level of the regarding assets or liabilities.
- Level 3: Financial assets and financial liabilities are valued by the inputs where there is no observable market data of the fair value of the regarding assets and liabilities

Classifications of the assets and liabilities which are measured by fair values are as follows:

Financial assets	31 December 2015		
	Fair value levels		
	1. Level	2. Level	3. Level
	TL	TL	TL
Treasury bills	130,552	-	-

Financial assets	31 December 2014		
	Fair value levels		
	1. Level	2. Level	3. Level
	TL	TL	TL
Treasury bills	223,031	-	-

NOTE 29 - CONTINGENT ASSETS AND LIABILITIES

1. The LSRSA project agreement dated 21 December 2005 regarding 750 units in İzmir Mavişehir Upper North Area 2. Phase has been 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 has been transferred to the Company and the remaining part of the project has been 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 Company as in RPSPTL.

The prior contractor filed a lawsuit against the Company 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. The expert report on the project stated that the completion percentage was 83% but that the agreement between the parties was not based on construction right in return for flat. The Company 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. The additional report is completed. The court decided to apply secondary expert report as a result of additional report examination on 11 June 2014. Nevertheless next trial date has not been appointed yet. In addition, the file was conferred to the committee since the Commercial Court converted to Committee Judgeship.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

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

NOTE 29 - CONTINGENT ASSETS AND LIABILITIES (Continued)

In the expert report dated 19 January 2016, an opinion is issued as it was an unjust termination, and the expert makes alternative calculations to evaluate whether the termination is jural or not. The expert report has been objected and demanded to be declared null and void from by the Court. The next trial will be on 4 May 2016.

According to the lawyer of the Company, no any liability is expected for the related legal case.

2. The LSRSA project agreement regarding İzmir Mavişehir Upper North Area 3. Phase has been signed on 19 December 2005 and following almost all the contractual obligations have been performed by the parties, the Contractor filed a lawsuit against the Company claiming that the agreement conditions should be revised considering the changing conditions. The Contractor wants all the agreement provisions to be cancelled except for the provisions where the Company's revenue portion is TL 67,515 plus VAT calculated as TL 175,000 plus VAT total project revenue times 38.58% Company's revenue portion. The Contractor wants all the properties and related land portion to be valued by an independent valuation company as of the date of the lawsuit and that 38.58% of the total value to be appropriated to the Company and the remaining 61.42% of the total value to be appropriated to the Contractor (Note 7).

An expert report has been issued on the subject, which stated that the relation between the parties was in the form of ordinary partnership. The Company objected the expert report putting forward the existence of counter opinions in the doctrine and submitted the sources of such opinions. The expert report also opined that the mortgage crisis in the global markets required the revision of the agreement in accordance with the changing conditions.

The court decided to hearing the next trial at 5 March 2015 to assess the demand of obtaining the new expert group's report. Since a similar lawsuit was finalized in favor of the Company in the past, the Company does not expect any obligation or liability to be incurred as a result of the lawsuit. In addition, the file was handed out to the committee since the Commercial Court converted to Committee Judgeship.

The court rejected the case on 5 March 2015. The claimant has filed an appeal. The result of appeal is being waited.

According to the lawyer of the Company, no any liability is expected for the related legal case.

3. Mortgage and guarantees received are;

	31 December 2015	31 December 2014
Guarantees received	3,256,850	2,493,538
Mortgages received	126,221	44,595
	3,383,071	2,538,133

Other guarantees consist of accurate and temporary guarantees given by contractors for construction projects during the tendering process.

Mortgages taken consist of mortgaged independent sections and land which sold but not yet collected.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 29 - CONTINGENT ASSETS AND LIABILITIES (Continued)

4) Collaterals, pledges, mortgages (“CPM”):

	31 December 2015	31 December 2014
A. CPM given on behalf of the Company’s legal personality	58,040	22,906
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		
Total amount of CPM given on behalf of the majority shareholder	-	-
Total amount of CPM given on behalf of other group companies which are not in scope of B and C.	-	-
Total amount of CPM given on behalf of third parties which are not in scope of C.	-	-
	58,040	22,906

NOTE 30 - EVENTS AFTER THE REPORTING PERIOD

None.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

ADDITIONAL NOTE - COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS

	Non-Consolidated (Individual) Financial Statements Main Account Items	Related Regulation	Current Period 31 December 2015 (TL)	Prior Period 31 December 2014 (TL)
A	Money and Capital Market Instruments,	Series: III, No:48.1 , Art.24/ (b)	938,774	1,704,366
B	Properties, Projects based on Properties and Rights based on Properties	Series: III, No:48.1 , Art.24/ (a)	10,355,987	8,994,886
C	Affiliates	Series: III, No:48.1 , Art.24/ (b)	-	-
	Due from related parties (Non Commercial)	Series: III, No:48.1 , Art.23/ (f)	-	-
	Other Assets		5,932,743	4,254,233
D	Total Assets	Series: III, No:48.1 , Art.3/ (k)	17,227,504	14,953,485
E	Financial Liabilities	Series: III, No:48.1 , Art.31	444,657	606,272
F	Other Financial Liabilities	Series: III, No:48.1 , Art.31	-	-
G	Due from Financial Leases	Series: III, No:48.1 , Art.31	-	-
H	Due to Related Parties (Non Commercial)	Series: III, No:48.1 , Art.23/ (f)	-	-
I	Shareholders’ equity	Series: III, No:48.1 , Art.31	9,325,399	8,751,284
	Other Resources		7,457,448	5,595,929
D	Total Resources	Series: III, No:48.1 , Art.3/ (k)	17,227,504	14,953,485
	Non-Consolidated (Individual) Other Financial Information	Related Regulation	Current Period 31 December 2015 (TL)	Prior Period 31 December 2014 (TL)
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series: III, No:48.1 , Art.24/ (b)	938,774	755,956
A2	Term/ Demand/ Currency	Series: III, No:48.1 , Art.24/ (b)	759,489	1,453,397
A3	Foreign Capital Market Instruments	Series: III, No:48.1 , Art.24/ (d)	-	-
B1	Foreign Properties, Projects based on properties and Rights based on Properties	Series: III, No:48.1 , Art.24/ (d)	-	-
B2	Idle Lands	Series: III, No:48.1 , Art.24/ (c)	543,047	624,867
C1	Foreign Affiliates	Series: III, No:48.1 , Art.24/ (d)	-	-
C2	Affiliates for Operating Company	Series: III, No:48.1 , Art.28	-	-
J	Non-cash Loans	Series: III, No:48.1 , Art.31	58,103	22,906
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series: III, No:48.1 , Art.22/ (e)	-	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015 AND 2014

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

ADDITIONAL NOTE - COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS (Continued)

	Portfolio Limitations	Related Regulations	2015 (%)	2014 (%)	Minimum/Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series: VI, No:11, Art.25/ (n)	-	-	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series: VI, No:11, Art.27/ (a), (b)	67	65	>50%
3	Money and Capital Market Instruments and Affiliates	Series: VI, No:11, Art.27/ (b)	-	6	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series: VI, No:11, Art.27/ (c)	-	-	<49%
5	Idle Lands	Series: VI, No:11, Art.27/ (d)	3	4	<20%
6	Affiliates to the Operating Company	Series: VI, No:11, Art.32 / A	-	-	<10%
7	Borrowing Limit	Series: VI, No:11, Art.35	5	7	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series: VI, No:11, Art.27/ (b)	-	5	<10%

The information in the table of control of compliance with the portfolio limitations', in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1 "Real Estate Investment Company" published in official gazette no 28660 on 28 May 2013.

.....