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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak No1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye
Tel: +90 (212) 366 60 00
Fax: +90 (212) 366 60 10
www.deloitte.com.tr
Mersis No :0291001097600016
Ticari Sicil No: 304099

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

**To the General Assembly of
EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
Istanbul**

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition The Group realizes sales mostly in the form of turnkey and Land Subject to Revenue Sharing Agreements ("LSRSA") projects. In turnkey projects, it is the Group's responsibility to maintain and complete the project and the Group recognizes revenue when performance obligation is fulfilled (independent units are transferred to the customer). In LSRSA projects, the contractor completes the construction and regarding the project, the Group receives advance payments from the buyer and makes payments to the contractor. Revenue in LSRSA project is recognized when performance obligation is fulfilled (the earlier of the signing of the temporary acceptance protocol with the contractor and the signing of the delivery protocol with the buyer). As of the balance sheet date, there may be cases where the construction has been completed, but the delivery has not been realized for turnkey projects. In LSRSA projects, there may be cases where the construction has been completed as of the balance sheet date, but the delivery has not been realized and the temporary acceptance protocol has not been signed. Based on the above-mentioned situations, whether the revenue is recognized in the correct period in accordance with the principle of seasonality of sales has been determined as a key audit matter. Explanations regarding the Group's revenue accounting policies and amounts are given in Note 2.4 and Note 19.	We performed the following procedures in relation to the revenue recognition in turnkey and LSRSA projects: The design and implementation of the controls on the revenue process have been evaluated. The sales and delivery procedures of the Group have been analyzed. For the turnkey projects, the provisions regarding the delivery of residentials in the contracts with customers have been examined and the timing of the revenue recognition in the financial statements has been evaluated. Through substantive procedures, it has been focused on the record of receivables and advances received and the evaluation of the situations where the performance obligation is not fulfilled for the independent units sold as of the balance sheet date for the turnkey projects. For the LSRSA projects, provisions regarding the temporary acceptance and the delivery of residentials in the projects made with contractors and timing of the revenue recognition in the financial statements has been evaluated. Through substantive procedures, it has been focused on the record of receivables and advances received and the evaluation of the situations where the performance obligation is not fulfilled for the independent units sold as of the balance sheet date for the LSRSA projects. In addition, the adequacy of the disclosures presented in Note 19 Revenue and Cost of Sales has been evaluated under TFRS.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 9 March 2022.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and consolidated financial statements prepared for the period 1 January-31 December 2021 does not comply with TCC and the provisions of the Group's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Emrehan Demirel.

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

Emrehan Demirel, SMMM
Partner

İstanbul, 9 March 2022

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020

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

	Notes	*Audited* **31 December 2021**	*Audited* **31 December 2020**
ASSETS			
Current assets		**26,113,218**	**23,964,883**
Cash and cash equivalents	4	3,728,285	2,005,246
Financial investments	5	500	306,015
Trade receivables	7	2,794,039	2,524,625
Trade receivables due from related parties	*27*	*15,261*	*52,659*
Trade receivables due from third parties		*2,778,778*	*2,471,966*
Other receivables	8	554,742	925,593
Other receivables due from related parties	*27*	*182*	*465*
Other receivables due from third parties		*554,560*	*925,128*
Inventories	9	17,853,446	16,262,148
Prepaid expenses	17	977,233	1,625,385
Other current assets	16	204,973	315,871
Non-current assets		**4,647,234**	**4,679,407**
Trade receivables	7	3,630,723	3,736,340
Trade receivables due from third parties		*3,630,723*	*3,736,340*
Other receivables	8	11,473	54,508
Other receivables due from third parties		*11,473*	*21,734*
Other receivables due from related parties	*27*	-	32,774
Financial investments		842	836
Investments accounted for using equity method	3	-	6,387
Investment properties	10	843,675	735,290
Right-of-use assets	11	180	75
Property, plant and equipment	12	152,613	115,677
Intangible assets	13	5,028	4,586
Other non-current assets	16	-	23,895
Deferred tax assets	25	2,700	1,813
Total assets		**30,760,452**	**28,644,290**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020
(Amounts are expressed in thousand Turkish Lira ("TL") unless otherwise stated.)

	Notes	*Audited* **31 December 2021**	*Audited* **31 December 2020**
LIABILITIES AND EQUITY			
Current liabilities		**12,838,385**	**11,032,208**
Short-term borrowings	6	1,580,733	599,031
Short-term portions of long-term borrowings	6	1,179,002	1,602,587
Short-term portion of long-term borrowings from related parties			
Lease liabilities	*27*	*4,508*	*3,399*
Short-term portion of long-term borrowings from third parties			
Loans	*6*	*1,174,494*	*1,599,188*
Trade payables	7	2,006,203	2,494,109
Trade payables due to related parties	*27*	*503,948*	*1,286,481*
Trade payables due to third parties		*1,502,255*	*1,207,628*
Other payables	8	196,047	590,262
Other payables to related parties	27	*587*	*403*
Other payables to third parties		*195,460*	*589,859*
Deferred income	17	7,695,649	5,604,105
Deferred income from related parties	*27*	*255,424*	-
Deferred income from third parties		*7,440,225*	*5,604,105*
Current tax liabilities	25	7,492	-
Short-term provisions		173,259	142,114
Short-term provisions for employee benefits	*15*	*17,109*	*14,957*
Other short-term provisions	*14*	*156,150*	*127,157*
Non-current liabilities		**2,175,180**	**3,118,074**
Long-term borrowings		2,030,678	2,983,427
Long-term borrowings from related parties			
Lease liabilities	*27*	*3,358*	2,333
Long-term borrowings from third parties			
Bank Loans	*6*	*2,027,320*	*2,981,094*
Trade payables	*7*	2,099	28
Trade payables due to third parties		2,099	28
Other payables	*8*	89,537	59,985
Other payables to third parties		89,537	59,985
Deferred income	*17*	4,738	4,738
Deferred income from third parties		4,738	4,738
Long-term provisions		25,268	15,804
Long-term provisions for employee benefits	15	*25,268*	*15,804*
Deferred tax liability	25	22,860	54,092
Shareholders' equity		**15,746,887**	**14,494,008**
Total equity attributable to equity holders of the Company		**15,746,887**	**14,495,188**
Paid-in capital	18	3,800,000	3,800,000
Treasury shares (-)		(296,231)	(296,231)
Share premium (discounts)		2,366,895	2,366,895
Other comprehensive income (expense) not to be reclassified to profit or loss		(42)	(42)
- Gain (loss) on revaluation and remeasurement		*(42)*	*(42)*
Restricted reserves appropriated from profit		789,174	747,616
Retained earnings		7,754,768	7,040,692
Net profit for the year		1,332,323	836,258
Non-controlling Interests		**-**	**(1,180)**
Total liabilities and equity		**30,760,452**	**28,644,290**

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020

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

	Notes	*Audited* **1 January-31 December 2021**	*Audited* **1 January-31 December 2020**
Revenue	19	6,737,461	4,730,462
Cost of sales (-)	19	(4,536,400)	(3,603,101)
Gross profit		**2,201,061**	**1,127,361**
General administrative expenses (-)	20	(468,185)	(346,185)
Marketing expenses (-)	20	(83,334)	(88,587)
Other income from operating activities	22	680,245	641,381
Other expenses from operating activities (-)	22	(622,626)	(274,723)
Share of losses from investments accounted for using equity method		-	(949)
Operating profit		**1,707,161**	**1,058,298**
Income from investing activities	23	30,798	6,342
Operating profit before financial income / (expense)		**1,737,959**	**1,064,640**
Financial income	24	187,732	255,226
Financial expenses (-)	24	(609,431)	(485,727)
Profit from continuing operations, before tax		**1,316,260**	**834,139**
Tax (expense)/income from continuing operations		16,063	2,424
Current period tax (expense)	*25*	*(16,056)*	-
Deferred tax income	*25*	*32,119*	*2,424*
Net profit for the period		**1,332,323**	**836,563**
Profit for the period is attributable to:			
Non-controlling interests		-	305
Owners of the Company		**1,332,323**	**836,258**
Other comprehensive income		-	-
Items that will be reclassified to profit or loss			
Actuarial gains/losses related to employee benefit liabilities		-	-
Total comprehensive income for the period		**1,332,323**	**836,563**
Total comprehensive income is attributable to:			
Non-controlling interests		-	305
Owners of the Company		**1,332,323**	**836,258**
Earnings per share (in full TL)	26	**0.0036**	**0.0023**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020

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

					Other Accumulated Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings				
	Share capital	Treasury shares (-)	Share premium/ discounts	Restricted reserves appropriated from profit	Gain/Loss on remeasurement of defined benefit plans	Prior years' profit	Net profit for the period	Equity attributable to the parent	Non-controlling interests	Total equity
1 January 2020	**3,800,000**	**(284,480)**	**2,366,895**	**721,385**	**(42)**	**6,362,400**	**778,369**	**13,744,527**	**(1,485)**	**13,743,042**
Transfers	-	-	-	26,231	-	752,138	(778,369)	-	-	-
Dividend	-	-	-	-	-	(73,846)	-	(73,846)	-	(73,846)
Increases/(decreases) related to the acquisition of treasury shares	-	(11,751)	-	-	-	-	-	(11,751)	-	(11,751)
Total comprehensive income	-	-	-	-	-	-	836,258	836,258	305	836,563
31 December 2020	**3,800,000**	**(296,231)**	**2,366,895**	**747,616**	**(42)**	**7,040,692**	**836,258**	**14,495,188**	**(1,180)**	**14,494,008**
1 January 2021	**3,800,000**	**(296,231)**	**2,366,895**	**747,616**	**(42)**	**7,040,692**	**836,258**	**14,495,188**	**(1,180)**	**14,494,008**
Transfers	-	-	-	41,558	-	794,700	(836,258)	-	-	-
Dividend (Note 18) (*)	-	-	-	-	-	(79,444)	-	(79,444)	-	(79,444)
Adjustment arising from change in non-controlling interest	-	-	-	-	-	(1,180)	-	(1,180)	1,180	-
Total comprehensive income/(expense)	-	-	-	-	-	-	1,332,323	1,332,323	-	1,332,323
31 December 2021	**3,800,000**	**(296,231)**	**2,366,895**	**789,174**	**(42)**	**7,754,768**	**1,332,323**	**15,746,887**	**-**	**15,746,887**

(*) At the Ordinary General Assembly Meeting held on 25 March 2021, the decision to distribute a cash dividend of TL 79,444 (22 July 2020: TL 73,846) from the profits of 2020 was approved by majority vote. Since the Group owns its own shares with a nominal value of TL 1 at a rate of 3.65% as of 25 March 2021, the date of the profit distribution decision, the dividend related to the shares owned by the Group is netted off from the amount of dividends to be distributed. The dividend payment was made on 7 May 2021.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020

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

	Notes	1 January- 31 December 2021	1 January- 31 December 2020
Cash flows from operating activities			
Profit for the period		1,332,323	836,563
Adjustments related to reconcile of net profit for the period			
Adjustments related to depreciation and amortization expenses	20, 22	30,682	30,226
Adjustments related to tax expense (income)	25	(16,063)	(2,424)
Adjustments related to undistributed losses of investments accounted for using the equity method		-	949
Adjustments related to (reversal of) impairments (net)		26,986	(51,876)
Adjustments related to (reversal of) impairment of inventories (net)	*9*	*55,159*	*(51,876)*
Adjustments for ımpairment loss (reversal of ımpairment loss) of investment properties	*10*	*(28,173)*	-
Adjustments related to provisions		47,931	24,550
Adjustments related to (reversal of) provisions for employee benefits	*15*	*14,479*	*8,755*
Adjustments related to (reversal of) provision for lawsuit and/or penalty	*14*	*28,993*	*16,916*
Adjustments related to (reversal of) provisions for possible risks	*22*	*4,459*	*(1,121)*
Adjustments for interest (income) and expenses		325,680	(78,408)
Adjustments for interest income	*22, 23, 24*	*(536,581)*	*(560,101)*
Adjustments for interest expense	*22, 24*	*862,261*	*481,693*
Net cash from operations before changes in assets and liabilities		**1,747,539**	**759,580**
Changes in net working capital:			
Adjustments related to (increase)/decrease in trade receivable		248,935	(28,288)
Decrease/(increase) in trade receivables from related parties		*37,398*	*427,282*
Decrease/(Increase) in trade receivables from third parties		*211,537*	*(455,570)*
Adjustments related to decrease/(increase) in inventories		(1,485,443)	(1,421,862)
Adjustments related to increase/(decrease) in trade payables		(725,450)	724,002
Increase/(decrease) in trade payables to related parties		*(935,149)*	*43,890*
Increase/(decrease) in trade payables to third parties		*209,699*	*680,112*
Adjustments related to decrease/(increase) in other receivables related to operations		389,039	199,747
Adjustments related to increase/(decrease) in other payables related to operations		2,166,491	1,551,945
Adjustments related to other increase/(decrease) in working capital		253,814	(768,416)
Net cash flows from operating activities			
Interest received		345,260	146,365
Payments related to provisions for employee benefits	*15*	(2,863)	(2,988)
Income taxes paid		(376,070)	(174,683)
Cash flows from operating activities		**2,561,252**	**985,402**
Purchases of investment properties, property, plant and equipment and intangible assets	12, 13	(51,875)	(13,653)
Interest received		2,625	599
Purchases of financial assets	5	(500)	(338,021)
Returns of financial assets	5	305,743	48,075
Other cash inflows (outflows)		6,653	12,988
Cash flows from investing activities		**262,646**	**(290,012)**
Payments for acquisition of treasury shares	18	-	(11,751)
Proceeds from Borrowings		2,620,827	4,011,401
Proceeds from Loans	6	*1,162,827*	*2,406,401*
Proceeds from Issue of Debt Instruments	6	*1,458,000*	*1,605,000*
Repayments of borrowings		(3,039,752)	(3,662,607)
Loan Repayments	6	*(1,616,698)*	*(1,456,279)*
Payments of Issued Debt Instruments	6	*(1,423,054)*	*(2,206,328)*
Cash outflow from debt payments for lease contracts		(2,424)	(1,137)
Interest paid	6	(537,473)	(398,062)
Dividends paid	18	(79,444)	(73,846)
Interest received		180,281	183,550
Other cash inflows (outflows)		-	(53,341)
Cash flow from financing activities		**(857,985)**	**-5,793**
Net increase (decrease) in cash and cash equivalents		**1,965,913**	**689,597**
Cash and cash equivalents at the beginning of the period	**4**	1,121,635	432,038
Cash and cash equivalents at the end of the period	**4**	**3,087,548**	**1,121,635**

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP

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

The 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 İstanbul 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 İstanbul 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.

The registered address of the Group is Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul. As of 31 December 2021, the number of employees of the Group is 701 (31 December 2020 - 601).

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 cannot be a part of construction business, but only can organize it by auctioning between the contractors.

The consolidated financial statements at 31 December 2021 have been approved by the Board of Directors on 9 March 2022.

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

Emlak Konut GYO will be referred to as the "Group" with its subsidiaries and interests in joint ventures.

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

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

Subsidiaries

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

Subsidiaries	Main Operations
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. ("EPP")	Real Estate Investments
Emlak Konut Asansör Sistemleri Sanayi ve Ticaret A.Ş.	Production, Sales and Marketing
EPP – Emay Adi Ortaklığı ("EPP-EMAY")	Construction Activities
EPP – Fideltus – Öztaş Ortak Girişimi	Construction Activities

	31 December 2021		31 December 2020	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
EPP (*)	100	100	100	100
Emlak Konut Asansör Sistemleri Sanayi ve Ticaret A.Ş. (**)	100	100	-	-
EPP-EMAY Adi Ortaklığı (***)	-	-	60	60
EPP-Fideltus-Öztaş Ortak Girişimi (***)	-	-	40	40

(*)In parallel with the Company's growing strategy, Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. was fully owned by the Company with the decision of Board of Directors dated 9 November 2018 and numbered 62/163.
(**) By taking into account the needs of the construction and real estate sector, the Group has decided to establish a new subsidiary and to participate in this new established subsidiary in order to create a domestic brand, the main activity of which will be elevator systems and which will have the potential to compete with the important actors of the global market.
(***) EPP-Emay Adi Ortaklığı was liquidated on 30 June 2021, EPP-Fideltus-Öztaş Ortak Girişimi was liquidated on 31 August 2021.

Investments valued by equity method (Affiliates)

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

Investments valued by equity method (Affiliates)	Main Operation
Bio İstanbul Proje Geliştirme ve Yatırım A.Ş. ("Bio")	Consultancy and Construction Services

	31 December 2021		31 December 2020	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
Bio (*)	-	-	32.5	32.5

(*) On 12 January 2021, all shares of Bio İstanbul Proje Geliştirme ve Yatırım A.Ş. have been sold to Bio City Development Company B.V.

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

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

Shares in Joint Operations

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

Shares in joint operations	Main Operations
Dap Yapı İnşaat Sanayi ve Ticaret A.Ş. ve Eltes İnşaat Tesisat Sanayi ve Ticaret A.Ş.Ortak Girişimi – Emlak Konut GYO A.Ş. (" İstmarina AVM Adi Ortaklığı")	Shopping Mall and Office Management
Büyükyalı Tesis Yönetimi A.Ş	Shopping Mall and Office Management

	31 December 2021		31 December 2020	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
İstmarina AVM Adi Ortaklığı (*)	40	40	40	40
Büyükyalı Tesis Yönetimi A.Ş.	37	37	37	37

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

The accompanying consolidated 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") which is published on Official Gazette numbered 28676 dated 13 June 2013 and Turkish Financial Reporting Standards and appendices and interpretations related to them adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA") have been taken as basis. TFRSs; Turkish Accounting Standards includes Turkish Financial Reporting Standards and related annexes and comments.

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

The Group maintains its books of account and prepares its statutory financial statements in accordance with the principals issued by CMB, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements have been prepared on the basis of historical cost, with the necessary adjsutments and classifications reflected in the statutory records in accordance with TFRS.

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

2.1. Basis of Presentation (continued)

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the ability to use its power to affect its returns
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements

Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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

2.1. Basis of Presentation (continued)

Basis of Consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 *Financial Instruments*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with TFRS 5. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Gains and losses arising from transactions between the Group and an associate of the Group are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

2.1. Basis of Presentation (continued)

Preparation of financial statements in hyperinflationary periods

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

Since the cumulative change in the general purchasing power of the last three years has been 74.41% according to the Consumer Price Index ("CPI") rates, with the announcement published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") on 20 January 2022, in the financial statements of companies applying Turkish Financial Reporting Standards ("TFRS") for 2021, it has been stated that they do not need to make any adjustments within the scope of the TAS 29 "Financial Reporting in High Inflation Economies" standard. In the accompanying financial statements, no inflation adjustment has been made in accordance with TAS 29.

Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Group is TL and the reporting currency is thousand TL.

Offsetting

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

Going concern

It remains unclear how the coronavirus pandemic ("COVID-19") will affect the economy in general in the upcoming period. Despite this uncertainty, the Group's current assets exceed its current liabilities by TL 13,274,833 as of 31 December 2021. It has cash and cash equivalents amounting to TL 3,728,285 and the Group has made a net profit of TL 1,332,323 in the period ended on 31 December 2021. The Group management believes that the Group has the necessary liquidity and the principle of going concern is appropriate. therefore, the financial statements have been prepared on the basis of going concern.

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

2.1. Basis of Presentation (continued)

Significant changes regarding the current period

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

The necessary actions have been taken by the Group management to minimize the possible effects of COVID-19, which affects the entire world, on the Group's activities and financial status. The activities of the Company have not been ceased during the curfews. The Group evaluated the possible effects of the COVID-19 outbreak on the financial statements while preparing its consolidated financial statements dated 31 December 2021 and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has evaluated possible impairment in the values of trade receivables, inventories, property, plant and equipment and investment properties included in the consolidated financial statements dated 31 December 2021, and no significant impairment has been detected due to COVID-19.

2.2. Changes in accounting policies, accounting estimates and errors

Significant changes in accounting policies and significant accounting errors are applied retrospectively and the financial statements of the previous periods are restated if the financial position, performance or cash flow effects of transactions and events are presented in a more appropriate and reliable manner.

COVID-19 has impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues, and remains uncertain about the future. While many countries have announced financial and financial support programs in order to limit the damage caused by the virus in the economies, Turkey has implemented regulatory financial and monetary actions to support companies and households in these difficult conditions. Additional regulatory measures continue to be announced to combat adverse impacts on companies and certain industries.

The effects of this global epidemic on the Company's financial statements are regularly monitored by the Company management. While preparing its interim financial statements as of 31 December 2021, the Company has reflected the possible effects of the COVID-19 outbreak on the important estimates and assumptions used in the preparation of the financial statements. The Company Management takes the necessary measures to keep the negative effects under control and to live at a minimum level. This approach, which was preferred for the period of 31 December 2021, will be reviewed in the following reporting periods, taking into account the impact of the epidemic and future expectations. Due to the fact that the density of the company's stocks consists of residential-type independent sections, there is no negative impact on sales on demand during the COVID-19 outbreak.

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

2.3. 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”.

2.4 Summary of significant accounting policies

The significant accounting policies followed in the preparation of these consolidated 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. The contractors’ portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Group is kept in deposits accounts in the name of the related projects under the control of the Group as stated in the agreement. However, since the Group does not have the right of disposition of the cash and cash equivalents used in the cash flow statements, except for keeping these amounts in time deposit accounts, these amounts are exempted from cash and cash equivalents in the cash flow statement (Note 4).

Related parties

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 consolidated financial statements. In accordance with TAS 24 – Related party standards, the description of related parties has been restricted. The Group has also transactions with State owned banks and the Republic of Turkey Ministry Under Secretariat 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 Group is (“TOKİ”). TOKİ is a State institution under control of Republic of Turkey Prime Ministry. The transactions made between the Group and TOKİ and its affiliates are presented in Note 27.

Foreign currency transactions

The foreign exchange transactions during the year are translated using the prevailing exchange rates on the related transaction 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.

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

2.4 Summary of significant accounting policies (Continued)

Financial investments

Classification

The Group classifies its financial assets as "Financial assets at amortised cost", "fair value through other comprehensive income", "fair value through profit or loss". The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Group makes the classification of its financial assets on the date of purchase. Financial assets are not reclassified after initial recognition, except where the business model of the Group used is changed for the management of financial assets, in case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

"Financial assets measured at amortized cost" are non-derivative financial assets that are held within a business model whose objective is to collect contractual cash flows, including cash flows that include only the interest payments on principal dates and principal balances at certain dates. The Group's financial assets that are recognized at amortized cost include "cash and cash equivalents", "trade receivables" and "other receivables". In the initial recognition, the related assets are measured at fair value, and, in subsequent accounting, they are measured at discounted cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in profit or loss.

"Financial assets measured at FVTOCI" are non-derivative financial assets that are held within a business model whose objective is to collect contractual cash flows, including cash flows that include only the interest payments on principal dates and principal balances at certain dates. Gains or losses resulting from the related financial assets are recognized in other comprehensive income, except for impairment losses or gains and foreign exchange income or expenses. In case of sale of such assets, the valuation differences classified in other comprehensive income are classified to prior years' profits. For investments in equity-based financial assets, the Group may irrevocably choose the method of reflecting subsequent changes in the fair value of other comprehensive income to the financial statements for the first time. In the event that such preference is made, dividends received from related investments are recognized in the income statement. "Financial assets measured at fair value through profit or loss", are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

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

2.4 Summary of significant accounting policies (Continued)

Financial investments (Continued)

Derecognition of Financial Assets

The Group derecognizes financial assets when the rights related to the cash flows that occur in accordance with the contract related to the financial asset expire or when the Group transfers the ownership of all the risks and returns related to the financial asset through a trading transaction. Any rights created or retained to the financial assets transferred by the Group are recognized as a separate asset or liability.

Impairment

Impairment on financial assets and contractual assets is calculated using the "expected credit loss financial model" (ECL). Impairment model is applied to amortized cost financial assets and contractual assets. Loss provisions were measured on the following basis;

- 12-month ECLs: ECLs resulting from possible default events within 12 months of the reporting date.

- Lifetime ECLs: the ECLs resulting from all possible default events during the expected life of a financial instrument. Lifetime ECL measurement is applied at the reporting date when the credit risk associated with a financial asset increases significantly after the initial recognition. In all other cases where the related increase was not observed, the 12 month estimation of ECL was applied.

The Group may determine that the credit risk of the financial asset does not increase significantly if the credit risk of the financial asset has a low credit risk at the reporting date. Nevertheless, lifelong ECL measurement (simplified approach) is always applicable to trade receivables and contract assets without a significant financing element.

Trade receivables and payables

Trade receivables are recognized at amortized value of the amount will be received in the following periods from receivables recorded at original invoice value. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. A "simplified approach" is applied for the impairment of trade receivables, which are accounted for at amortized cost and which do not include a significant financing component (less than one year). In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses are measured by an amount equal to the "life time expected loan losses".

In the event that all or some of the amount of the receivable that is impaired is collected following the provision for impairment, the amount collected is recognized in other income from operating activities by deducting the provision for impairment.

Income/expenses from maturity differences and foreign exchange gains/loss related to transactions are recognized under "Other Income/Expenses from Operating Activities" in the statement of profit or loss.

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

2.4 Summary of significant accounting policies (Continued)

Trade receivables and payables (Continued)

Trade payables consist of payables to suppliers for purchases of goods and services. Trade payables and other liabilities are offset from unaccrued financial expenses. Trade payables and other liabilities after unaccrued financial expenses are calculated by discounting the amounts to be paid of payables recognized at original invoice cost in the subsequent periods, using effective interest method. Short-term payables without a determined interest rate stated at amortized cost if the effect of the original effective interest rate is not too significant. HAS payables are classified as short-term payables and stated at carrying value since they will be paid upon beneficiaries' request.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. Financial liabilities are recognized with their acquisition costs including transaction costs and then measured at amortized cost value using the effective interest rate method. In cases where the contractual obligations are fulfilled or canceled; The Group derecognizes the financial liability from its records (Note 6).

Employment termination benefits

Provision for employee termination benefit defines the current value of total expected provision for the liabilities due to retirement of the employees. Under Turkish labor law, the Group 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 full TL 8,284 as of 31 December 2021 (31 December 2020: full TL 17,117.17).

The provision for the present value of the defined benefit obligation is calculated by using the projected liability method. All actuarial profits and losses are recognized in the statement of comprehensive income.

TFRS requires actuarial valuation estimates to be developed to estimate the obligation underdefined benefit plans. In the individual financial statements, the Group calculates a liability on the basis of its experience in the previous years, based on its experience in the past, and on the beneficiaries of the severance payment as of the date of termination. This provision is calculated by estimating the present value of the future probable obligation of the employees.

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

2.4 Summary of significant accounting policies (Continued)

Employment termination benefits (Continued)

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 full TL 10,848.59 which is effective from 1 January 2022 has been taken into consideration when calculating the liability (1 January 2021: full TL 7,638.96) (Note 15).

Provisions, contingent assets and liabilities

Provisions are recognised when the Group 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 Group are not included in consolidated financial statements and are treated as contingent assets or liabilities.

Land and residential unit inventories

The Group has four types of inventories in its consolidated financial statements (Note 9). 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 Group with no ongoing or planned construction project on them. Such land and plots are classified as inventories because the Group uses such land and plots the development of residual and commercial units, as explained below, which are also classified as inventories.

2. Turnkey Projects

Turnkey projects are valued at lower of cost or net realizable value. Turnkey projects costs consist of construction costs of the semi-finished residential units together with the cost of land (progress payments to contractor) on which these projects are developed. Upon completion of residential units costs including the cost of land are classified under completed residential unit inventories.

3. Land Subject to Revenue Sharing Agreements ("LSRSA")

The Group 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.

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

2.4 Summary of significant accounting policies (Continued)

Land and residential unit inventories (Continued)

4. Completed Residential and Commercil Unit Inventories

Completed residential and commercial units comprise units build in Turnkey projects and units transferred to the Group by the contractor in order to meet minimum revenue stated in the agrements when the projects can not reach the expected revenue as stated in the agreements signed within the framework of LSRSA.

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

The Group takes into consideration independent expert valuation reports for inventory (land, finished and semi-finished residential and commercial units) separately at least once a year and uses these reports to assess impairment if any. Impairments are recognized under other expenses from operations in the statement of profit or loss and comprehensive income in the period during which they are incurred. Impairments released are recognized under other income from operations when the relevant land or residential are sold.

Property, plant and equipment

Property and equipment are carried at cost less accumulated depreciation and provision for impairment, if any. The cost value also includes costs that can be directly attributed to the asset to perform its operation as planned.

Depreciation is calculated over of the cost of property and equipment using the straight-line method based on expected useful lives (Note 12).

The expected useful lives for property, plant and equipment are stated below:

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

The cost of major subsequent expenditures is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed of performance of the existing asset will flow to the Group and major subsequent expenditures are depreciated over the remaining useful life of the related assets. All other expenses other than these items are recognized as expense.

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.

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

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

Gains and losses on the disposal of property and equipment are determined by comparing the carrying of the property and equipment with the collected amount and then included in the related income and expense accounts, as appropriate.

Intangible assets

Intangible assets comprise of licenses and computer software. They are initially recognized at acquisition cost and amortized on a straight-line basis over 5 years their estimated useful lives (Note 13).

Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount.

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 Group uses cost model for all investment properties. Investment properties are presented in the consolidated financial statements at cost less accumulated depreciation and less impairment, if any (Note 10).

Investment properties consist of residences and buildings and their economic life is 40 years.

Impairment of assets

The Group 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 Group 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.

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

2.4 Summary of significant accounting policies (Continued)

Taxation

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

Current tax

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

The Group is exempt from Corporate Tax in accordance with the paragraph 4-d of Article 8 of the Corporate Tax Law. According to the paragraph 6-a of Article 94 of the Income Tax Law the earnings of real estate investment companies are subject to withholding and withholding tax rate is determined as "0" according to the Council of Ministers Decision, No: 93/5148.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets consist of deductible temporary differences are recognized on the condition that it is highly probable that the differences can be utilised by earning future taxable profit. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

2.4 Summary of significant accounting policies (Continued)

Segment reporting

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

Chief operating decision maker of the Group is its Board of Directors. Board of Directors uses quarterly consolidated financial statements of the Group prepared in accordance with the TFRS when making decisions.

Revenue recognition

The Group recognizes revenue in the financial statements within the 5-step model below in accordance with TFRS 15 "Revenue from Contracts with Customers" standard that is effective as of 1 January 2018.

(a) Identify the contract(s) with a customer
(b) Identify the performance obligations in the contract
(c) Determine the transaction price
(d) Allocate the transaction price to the performance obligations in the contract
(e) Recognize revenue when the entity satisfies a performance obligation

Revenue is comprises of sale of vacant land and plots, sale of residential units produced by turnkey projects and sale of land and plots by way of LSRSA.

1. Sale of vacant land and plots

Revenue is recognized when the unprojectized lands are transferred to the customer according to the contract and performance obligations are fulfilled. Unprojectized land are carried over when the customer takes control of the land.

2. Sale of residential units produced by Turnkey projects

Revenue is recognized when the independent units are transferred to according to the contract and performance obligations are fulfilled. Residential units are carried over when the customer takes control of the units.

3. Sale of land and plots by way of LSRSA

The Group recognizes the revenue for the sale of land by way of LSRSA when performance obligations (the one before the signing of the temporary acceptance protocol with the contractor or the signing of the delivery protocol with the buyer) are fulfilled. In cases where the temporary acceptance protocol or delivery protocol with the buyer is not signed, the Group follows-up its revenue share in the deferred revenue (Note 17) and the share of the construction entity as a liability to contractors (Note 7). The Group's share in the Total Sales Revenue ("TSR") is recorded as revenue from sale of land and the related cost of land is recognised as cost of land sold in the comprehensive income statement (Note 19).

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

2.4 Summary of significant accounting policies (Continued)

Interest income and expense

Interest income and expense are recognised on an accrual basis using the internal rate of return method. Interest income comprises mostly interest income from time deposits and interest income from credit sales of residences (Note 22-24).

Paid-in capital

Ordinary shares are classified in equity. Costs related to the issue of new shares are recognized in equity less the amounts discounted by tax effect.

Share premium

Share premiums represent the difference between the fair value of the shares held by the Group at a price higher than the nominal value of the Group or the difference between the fair value and the fair value of the shares of the Group that the Group has acquired. Expenses that are directly attributable to the secondary public offering, in which the shares are re-issued and provide cash inflows to the Group, are deducted from the premiums on issue of share sales.

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. For the purpose of earnings per share computations, such "bonus share" issuances are regarded as issued shares. Accordingly, the weighted average number of shares used in earnings per share computations are determined by taking into consideration the retroactive effect of aforementioned share distributions. In case of increase in issued shares after balance sheet date but before the date that consolidated 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 between 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 Group.

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

2.4 Summary of significant accounting policies (Continued)

Payments for Housing Acquisition Support ("HAS") (Continued)

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 Group, to the HAS beneficiaries. Accordingly, the shares of HAS beneficiaries were removed from the Group's equity capital and comprehensive income for the current period based on the ratios specified in the law and recognized as debts to HAS beneficiaries under other payables. The amount payable was determined as the share in the net asset value of the Group 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 Group has borrowed funds from the Treasury to make such payments.

In addition, the Treasury has an interest liability against HAS beneficiaries calculated before 1999. In accordance with an agreement signed in 2008, the Group undertook this liability on behalf of the Treasury and recorded as payable be paid together with the Group's own payables. However, Group resources are not used for this extra liability. Since all payments are made on behalf of the Treasury, they are instantly collected by cashing the government bonds given for these payments from the Treasury to the Group beforehand.

Receivables that are not requested within five years from the announcement date are recorded as revenue to the Treasury in accordance with the relevant articles of the Law on Housing Assistance to the Owners of KEY No. 5564 and Payment to the Rightholders. Due to the expiry of the payment request period of the beneficiaries in the current period, The Company's receivables and debt obligations within the scope of Housing Assistance have expired.

Dividend distribution

Dividends payable are recognized as an appropriation of the profit in the period in which they are declared and reflected to Group's financial statements as liability.

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 Group 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 Group (fixed investments and financial investments).

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

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.

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

2.4 Summary of significant accounting policies (Continued)

Events after the reporting period

Events after the reporting period 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 Group adjusts its consolidated financial statements if such events arise which require an adjustment to the consolidated financial statements (Note 32).

2.5 Critical Accounting Judgements, Assumptions and Estimates

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 consolidated 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 Group management both the actual results may differ and not material for these financial statements.

Net realizable value of lands and residential inventories

When the estimated net realizable value of land and commercial units is less than the cost value, the allowance is recognized to reduce the value of inventories to their estimated net realizable value. As of 31 December 2021, valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş. Reel Gayrimenkul Değerleme A.Ş. GEDAŞ Gayrimenkul Değerleme A.Ş. ve Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş.. have been taken into consideration when determining the net realizable value of lands and residential inventories.

Provisions for lawsuits

As of 31 December 2021, a total of TL 451,929 lawsuits have been filed against the Group. For those lawsuits in which there is a high probability of potential outflow of potential resources from these cases, a provision amounting to TL 156,150 has been provided by taking the opinion of the lawyers (Note 14). According to the legal judgment of the lawyers, there is no risk of any outflow of resources from the Group.

2.6 New and Revised Turkish Accounting Standards

New and Revised Turkish Financial Reporting Standards

a) <u>Amendments and interpretations madatorily effective as of 2021</u>

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS16 Benchmark Rate Reform –

Phase 2

The amendments in Interest Rate Benchmark Reform — Phase 2 Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition

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

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

2.6 New and Revised Turkish Accounting Standards (continued)

a) Amendments and interpretations madatorily effective as of 2021 (continued)

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The company management has evaluated that these changes do not have any impact on the Company's individual financial statements.

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

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

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 3	*Reference to the Conceptual Framework*
Amendments to TAS 16	*Property, Plant and Equipment – Proceed before Intended Use*
Amendments to TAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to TFRS Standards 2018- 2020	*Amendments to TFRS 1, TFRS 9, TFRS 16 and TAS 41*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying TFRS 9*
Amendments to TFRS 16	*Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021*
Amendments to TAS 1	*Disclosure of Accounting Policies*
Amendments to TAS 8	*Accounting Estimates Definition*
Amendments to TAS 12	*Asset Arising from a Single Transaction and Deferred Tax on Liabilities*

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current coverage value and provides a more streamlined measurement and presentation approach for all insurance contracts. These requirements are designed to achieve consistent, principle-based accounting in insurance contracts. TFRS 17 will replace TFRS 4 Insurance Contracts as of 1 January 2023.

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

2.6 New and Revised Turkish Financial Reporting Standards (Continued)

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

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

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

Amendments to TAS 1 are deferred and are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 *Reference to the Conceptual Framework*

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

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to TAS 16 *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

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

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

2.6 New and Revised Turkish Financial Reporting Standards (Continued)

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

Annual Improvements to TFRS Standards 2018-2020

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

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

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to TAS 41 *Agriculture*

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

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TFRS 16 *Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021*

The Public Oversight Accounting and Auditing Standards Authority ("POA"), published in June 2020, published Continuing Concessions for COVID-19 Related Lease Payments After 30 June 2021 – Amendments to TFRS 16, which extends the exemption for lessees to determine whether certain concessions granted due to COVID-19 on lease payments due to COVID-19 have changed by one more year.

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

2.6 New and Revised Turkish Financial Reporting Standards (Continued)

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

Amendments to TFRS 16 Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021 (continued)

When the change was first published, the facilitating practice only applied if any reduction in lease payments would affect payments that would normally be due on or before 30 June 2021. As lessors continue to offer rental concessions related to COVID-19 to tenants and the impact of the COVID-19 pandemic continues and is significant, POA has extended the period during which the facilitator can be used by one year.

This new change will be applied by tenants for annual accounting periods beginning on or after 1 April 2021, but early application is permitted.

Amendments to TAS 1 *Disclosure of Accouting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differencesbetween application of an estimate prospectively and corrections of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

This amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductable and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

The Company evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

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

NOTE 3 – SHARES IN OTHER AFFILIATES

a) Affiliates

As of 31 December 2021, the details of the Group's key affiliates are as follows:

For the accounting periods ended 31 December 2021, the Group does not have any associates that are valued using the equity method (31 December 2020: TL 6.387). On 12 January 2021, all shares of Bio Istanbul Proje Geliştirme ve Yatırım A.Ş. was sold to Bio City Development Company B.V.

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2021	**31 December 2020**
Cash on hand	16	19
Banks	3,623,164	1,953,138
- *Demand deposit*	*42,970*	*25,509*
- *Time deposits with maturities less than 3 months*	*3,580,194*	*1,927,629*
Other cash and cash equivalents	105,105	52,089
	3,728,285	**2,005,246**

Maturities of cash and cash flows are as follows:

	31 December 2021	**31 December 2020**
Demand	42,970	25,509
Up to 3 month	3,580,194	1,927,629
Less: Blocked deposits with maturities less than 3 months	(48)	(201)
	3,623,116	**1,952,937**

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

	31 December 2021	**31 December 2020**
	(%)	**(%)**
	18.71%	17.66%

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

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

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

	31 December 2021	31 December 2020
Cash and cash equivalents	3,728,285	2,005,246
Less: Interest accruals on deposits	(12,284)	(557)
Less: LSRSA project deposits (*)	(632,091)	(741,280)
Less: T.C. Çevre ve Şehircilik Bakanlığı deposits (**)	-	(144,625)
Less: Blocked deposits with maturities less than 3 months	(48)	(77)
Add: the effect of provisions released under TFRS 9	3,686	2,928
	3,087,548	**1,121,635**

(*) The contractors' portion of the residential unit sales from the Land Subject to Revenue Sharing Agreements ("LSRSA") projects under construction and which accumulated in the bank accounts opened under the control of the Group is kept in deposits accounts in the name of the related projects under the control of the Group as stated in the agreement. There is no blocked deposit (31 December 2020: TL 124) for the project accounts amounting to TL 632,091 (31 December 2020: TL 741,280).

(**) Within the scope of the protocols signed with the Republic of Turkey Ministry of Environment, Urbanization and Climate Change regarding the land purchase, the cost of the lands purchased from the Ministry of Environment and Urbanization is evaluated in the term accounts of Emlak Konut on behalf of the Ministry of Environment and Urbanization until the payment date determined by the Ministry of Environment and Urbanization. All of the interest income accumulated in these time deposit accounts will be paid to the Ministry of Environment and Urbanization.

NOTE 5 – FINANCIAL INVESTMENTS

Short-term financial investments	**31 December 2021**	**31 December 2020**
Bank bonds	500	-
Blocked deposits with maturities longer than 3 months	-	272
Lease certificate (*)	-	305,743
	500	**306,015**

(*) The Company purchased 2 different lease certificates with a nominal amount of TL 200,000 on 19 August 2020 with a maturity date of 16 February 2021 and an interest rate of 8%, and a nominal amount of 100.000 TL with a maturity date of 3 February 2021 and an interest rate of 8.25% on 6 August 2020. All of the related lease certificates have been obtained from one of the related party companies, Türkiye Emlak Katılım Bankası A.Ş. (Note: 25). There is no lease certificate for the period of 31 December 2021.

As of 31 December 2021 Group's long-term investments consist of the investments which are less than 10% in the capitals of Kazakistan Ziraat International Bank, Sınırlı Sorumlu İstanbul Gıda Toptancıları İmalat Sanayi ve Depocuları Toplu İşyeri Yapı Kooperatifi, Cathay-EPP Adi Ortaklığı and Tobaş Toplu Konut Büyükşehir Belediyesi İnşaat Emlak Mimarlık ve Proje A.Ş.

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

NOTE 6 – FINANCIAL LIABILITIES

	31 December 2021	31 December 2020
Short-term financial liabilities		
Issued debt instruments (*)	513,580	475,531
Short-term bank loans	1,067,153	123,500
Short-term portion of long-term borrowings	1,174,494	1,599,188
Lease obligation	4,508	3,399
	2,759,735	**2,201,618**

(*) The Group issued 3 different lease certificates with a nominal amount of TL 200,000, with a maturity date of 11 January 2022 with dividend 17.85% on 5 October 2021, TL 100,000 with a maturity date of 1 January 2022 with dividend 16.20% on 4 November 2021, TL 200,000 with a maturity date of 8 March 2022 with dividend 15.40% on 1 December 2021.

Long-term financial liabilities	31 December 2021	31 December 2020
Long-term borrowings	2,027,320	2,981,094
Lease obligation	3,358	2,333
	2,030,678	**2,983,427**

Borrowings used as of 31 December 2021 are denominated in TL and the weighted average interest rate is 11.94% (31 December 2020: 10.88%).

The redemption schedules of the borrowings as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
2022	-	1,086,705
2023	863,076	735,390
2024	808,538	802,361
2025	355,706	356,638
	2,027,320	**2,981,094**

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

	31 December 2021	31 December 2020
Less than 3 months	1,282,113	517,368
Between 3 - 12 months	959,534	1,205,320
Between 1 - 5 years	2,027,320	2,981,094
	4,268,967	**4,703,782**

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

NOTE 6 – FINANCIAL LIABILITIES (Continued)

The cash flow reconciliation of loans and issued debt instruments as of 31 December 2021 and 2020 is as follows:

	Loans		Commercial bill	
	1 January-31 December 2021	1 January-31 December 2020	1 January-31 December 2021	1 January-31 December 2020
Opening balance	4,703,782	3,697,783	475,531	1,065,415
Interest expenses	486,717	386,268	72,915	79,115
Interest paid	(467,661)	(330,391)	(69,812)	(67,671)
Cash inflow from financial borrowings	1,162,827	2,406,401	1,458,000	1,605,000
Cash outflow from financial borrowings	(1,616,698)	(1,456,279)	(1,423,054)	(2,206,328)
Closing balance	**4,268,967**	**4,703,782**	**513,580**	**475,531**

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	31 December 2021	31 December 2020
Receivables from contractors of the lands invoiced under LSRSA	1,266,849	1,470,439
Receivables from sale of residential and commercial units	1,476,075	651,932
Receivables from land sales	93,361	364,721
Receivables from related parties (Note 27)	15,261	52,659
Receivables from lessees	18,244	8,184
Notes of receivables	498	835
Other	14,422	13,879
Unearned finance income	(90,671)	(38,024)
	2,794,039	**2,524,625**
Doubtful receivables	3,202	2,538
Less: Provision for doubtful receivables	(3,202)	(2,538)
	2,794,039	**2,524,625**

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2021	31 December 2020
Long-term trade receivables		
Receivables from sale of residential and commercial units	4,487,545	4,057,766
Receivables from land sales	89,162	227,084
Unearned finance income	(945,984)	(548,510)
	3,630,723	**3,736,340**

	31 December 2021	31 December 2020
Short-term trade payables		
Payables to related parties (Note 27)	503,948	1,286,481
Payables to LSRSA contractors invoiced	869,628	857,840
Trade payables	556,781	302,404
Interest accruals on time deposits of contractors (*)	75,846	47,384
	2,006,203	**2,494,109**

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

	31 December 2021	31 December 2020
Long-term trade payables		
Payables to land owners	2,099	28
	2,099	**28**

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

	31 December 2021	31 December 2020
Short-term other receivables		
Advances given to contractor firms	523,605	496,485
HAS related receivables from Turkish Treasury (*)	-	402,527
Receivables from the authorities	27,134	24,274
Other receivables from related parties (Note 27)	182	465
Other	3,821	1,842
	554,742	**925,593**

	31 December 2021	31 December 2020
Long-term other receivables		
Other receivables from third parties	10,459	20,720
Deposits and guarantees given	1,014	1,014
Other receivables from related parties (Note 27)	-	32,774
	11,473	**54,508**

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2021	31 December 2020
Short-term other payables		
Payables to HAS beneficiaries (*)	-	402,713
Payables to contractors (**)	88,752	88,752
Taxes and funds payable	35,179	28,248
Other payables to related parties (Note 27)	587	403
Other	71,529	69,953
	196,047	**590,262**

(*) Group has received a special issue Government Domestic Borrowing Note ("DIBS") amounting to TL 429,617 from the Treasury in 2010 for the payments to be made to the rightsholders of the Housing Support ("KEY") with the Law No. 5664 on behalf of the Undersecretariat of Treasury ("Treasury"). As the KEY rightsholders are determined as a result of the determinations made, the Group amortizes a certain part of this Government Debt Security early and transfers it to the Group accounts for payment.

In accordance with the relevant articles of the Law No. 5564 on Payments to Rightsholders of Housing Support Owners, the receivables that are not requested within five years from the announcement date are recorded as appropriation reimbursement. Due to the expiration of the payment request period of the rightsholders in the current period, the Group's receivables and payables within the scope of Housing Support have expired.

(**) The amount includes the unissued invoice by the contractor amount of TL 88,752 regarding to the units received as a result of revenue allocation at İzmir Mavisehir Phase 3 project, where the contractor filed a lawsuit regarding the revenue sharing percentages (31 December 2020: TL 88,752).

As of 31 December 2021, long-term other payables are TL 89,537 and consist of deposits and guarantees received (December 31, 2020: TL 59,985).

The movements of HAS payments transferred from Group's shareholder's equity and HAS receivables and payables related to Treasury Support for the periods 31 December 2021 and 2020 are as follows:

	1 January 2021	Additions within the period	Disposals	31 December 2021
Treasury support				
Receivables from Treasury	402,527	-	(402,527)	-
Cash generated from government bond redemption	186	-	(186)	-
Total consideration received or receivable from Treasury	**402,713**			**-**
Payables to HAS beneficiaries	**(402,713)**			**-**

	1 January 2020	Additions within the period	Disposals	31 December 2020
Treasury support				
Receivables from Treasury	402,527	-	-	402,527
Special issue Government Debt Securities	10,054	38,021	(48,075)	-
Cash generated from government bond redemption	(9,868)	-	10,054	186
Total consideration received or receivable from Treasury	**402,713**			**402,713**
Payables to HAS beneficiaries	**(402,713)**			**(402,713)**

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

NOTE 9 – INVENTORIES

	31 December 2021	**31 December 2020**
Lands	5,100,933	5,770,230
Cost	*5,139,297*	*5,809,220*
Impairment	*(38,364)*	*(38,990)*
Planned land by LSRSA	5,100,959	4,423,215
Planned land by turnkey project	5,112,342	4,372,131
Planned land by turnkey project	*5,319,175*	*4,372,131*
Impairment	*(206,833)*	-
Residential and commercial units ready for sale	2,539,212	1,696,572
Cost	*2,492,072*	*1,897,593*
Impairment	*(49,973)*	*(201,021)*
	17,853,446	**16,262,148**

As of 31 December 2021, the appraisal reports prepared by Atak Gayrimenkul Değerleme A.Ş., Reel Gayrimenkul Değerleme A.Ş., GEDAŞ Gayrimenkul Değerleme A.Ş. and Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. have taken into consideration in the appraisal of assets classified as "Inventories" and in the calculation on impairment, if any.

The movements of impairment on inventories are as follows:

	2021	**2020**
Opening balance at 1 January	**240,011**	**291,887**
Impairment on inventories within the current period (Note 22)	287,213	207,300
Reversal of impairment on invetories within the current period (Note 22)	(232,054)	(259,176)
Closing balance at 31 December	**295,170**	**240,011**

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

NOTE 9 – INVENTORIES (Continued)

As of 31 December 2021 and 31 December 2020 the details of land and residential inventories of the Group are as follows:

Lands	**31 December 2021**	**31 December 2020**
İstanbul Avcılar Lands	1,426,897	1,420,000
İstanbul Küçükçekmece Lands	1,114,054	1,113,989
İstanbul Çekmeköy Lands	544,883	990,043
İstanbul Başakşehir Lands	407,836	271,465
İstanbul Ümraniye Lands	301,844	1,844
Antalya Aksu Altıntaş Lands	280,423	-
İstanbul Arnavutköy Lands	171,408	170,581
İstanbul Eyüp Lands	169,441	168,485
İstanbul Tuzla Lands	149,198	540
Ankara Çankaya Lands	135,863	51,173
İstanbul Ataşehir Lands	100,659	100,642
İstanbul Resneli Lands	78,938	78,938
Denizli Merkez Efendi Lands	56,081	-
İstanbul Zekeriyaköy Lands	53,918	52,940
İstanbul Esenyurt Lands	36,654	39,178
İstanbul Kartal Lands	24,338	532,565
İzmir Konak Umurbey Lands	13,051	13,030
Kocaeli Lands	9,167	8,278
Sakarya Sapanca Lands	7,108	7,027
Tekirdağ Çorlu Lands	6,153	6,153
İstanbul Sarıyer Lands	5,332	410,094
Yalova Lands	3,986	3,986
Maltepe Küçükyalı Lands	2,477	3,010
Tekirdağ Kapaklı Lands	1,058	1,058
İstanbul Beşiktaş Lands	-	325,161
Other	166	50
	5,100,933	**5,770,230**

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

NOTE 9 – INVENTORIES (Continued)

Planned lands by LSRSA	**31 December 2021**	**31 December 2020**
Nidapark Istinye Project	993,030	992,600
Nişantaşı Koru Project	643,971	643,965
Merkez Ankara Project	510,432	659,410
Sarıyer Huzur Mahallesi Project	435,048	-
Nidapark Kucukyalı Project	361,176	564,518
Ormanköy Project	347,583	347,731
İstanbul Kartal Esentepe 2. Etap Project	324,320	-
Düşler Vadisi Project	293,205	390,613
Beşiktaş Ortaköy Project	257,005	-
İstanbul Kartal Esentepe 1. Etap Project	208,785	-
Meydan Başakşehir Project	203,623	161,578
İstanbul Kayabaşı 8. Etap Project	202,853	-
Avrasya Konutları Project	132,745	132,745
Beşiktaş Dikilitaş Project	68,237	-
Cer İstanbul Project	47,022	67,308
Nidapark Kayasehir Project	35,761	35,761
Ebruli Ispartakule Project	28,121	28,204
İdealist Cadde Project	6,322	10,079
Allsancak Project	1,543	145
Evora İzmir Project	177	642
Avangart İstanbul Project	-	111,644
Validebağ Konakları Project	-	72,096
Evora Denizli Project	-	62,319
Avrupark Hayat Project	-	54,057
Ispartakule 6. Etap Project	-	31,288
Ofis Karat Bakırköy Project	-	30,826
Köy Project	-	9,517
Other	-	16,169
	5,100,959	**4,423,215**

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

NOTE 9 – INVENTORIES (Continued)

Residential and commercial units completed	31 December 2021	31 December 2020
Merkez Ankara Project	807,150	-
Köy Project	321,622	-
Maslak 1453 Project	311,402	462,675
Kuzey Yakası Project	310,084	290,132
Sarphan Finanspark Project	152,911	185,738
Gebze Emlak Konutları	151,109	192,509
Validebağ Konakları Project	122,973	-
Yalova Armutlu Projesi	73,872	-
IGTOD Rami Gıda Toptancıları Projesi	58,219	-
Büyükyalı Project	55,573	56,241
Karat 34 Project	41,490	78,592
Ofis Karat Bakırköy Projesi	31,112	-
Denizli Merkez Efendi İkmal İşi Projesi	18,222	-
Kocaeli Körfezkent Emlak Konutları	17,580	28,604
Nidakule Ataşehir Project	10,664	16,597
Koordinat Çayyolu Project	8,889	19,352
Semt Bahçekent 1. Etap Projesi	7,950	-
Evora Denizli Project	7,194	17,770
Yeniköy Konakları İstanbul Project	4,957	-
Başkent Emlak Konutları Project	4,544	187,425
Niğde Emlak Konutları	3,536	21,230
Metropol İstanbul Project	3,448	3,448
Dumankaya Miks Project	2,293	12,209
Tual Bahçekent Project	2,105	19,967
Tual Adalar Project	2,089	6,958
Başakşehir Ayazma Emlak Konutları	1,757	2,299
Temaşehir Project	1,541	3,512
Batışehir Project	1,210	8,282
Göl Panorama Project	1,138	7,832
İstmarina Project	-	47,327
Ispartakule Emlak Konutları	-	9,477
Unikonut Project	-	4,838
Nevşehir Emlak Konutları	-	2,972
Bahçekent Flora Evleri	-	2,553
Esenler Emlak Konutları	-	1,999
Bulvar İstanbul Project	-	1,383
Bahçekent Emlak Konutları 1.Etap 3.Kısım	-	584
Other	2,578	4,067
	2,539,212	**1,696,572**

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

NOTE 9 – INVENTORIES (Continued)

Planned lands by turnkey project	31 December 2021	31 December 2020
Çekmeköy Çınarköy Project	1,448,245	-
Bizim Mahalle Project	1,287,476	926,609
Halkalı Emlak Konutları Project	704,529	544,523
Emlak Konut Florya Evleri Project	570,191	416,258
Köy Project	313,090	586,733
Merkez Ankara Project R Block Construction	211,733	-
Ankara Saraçoğlu Project	169,425	27,806
Semt Bahçekent 2. Etap Project	119,414	23,476
Ümraniye Kentsel Dönüşüm Project	93,150	39,261
Emlak Konut Vadi Evleri Project	77,697	-
Denizli Merkez Efendi İkmal İşi Project	71,297	-
Kayabaşı Emlak Konutları Project	46,095	-
IGTOD Rami Gıda Toptancıları Project	-	836,345
Semt Bahçekent 1. Etap Project	-	473,777
Yeniköy Konakları	-	352,370
Yalova Armutlu Project	-	135,435
Tariş Kooperatifleri Project	-	7,142
Hoşdere Hayat Parkı Project	-	2,396
	5,112,342	**4,372,131**

NOTE 10 – INVESTMENT PROPERTIES

Lease income is generated from investment properties, and the expertise used in the calculation of impairment is made through market comparison and discounted cash flow. As of 31 December 2021, the Group assessed that there was no impairment in its investment properties within the scope of the COVID-19 pandemic. Although there has been a decrease in the rental income of the Group from investment properties due to the COVID-19, there has not been a significant change in the total rental income due to the new rental income increase arising from transfers to investment properties.

The movements of investment properties as of 31 December 2021 and 2020 are as follows:

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2021	733,217	40,922	774,139
Purchases (*)	103,732	-	103,732
Reversal of impairment (Note 23)	28,173	-	28,173
Transfers to commercial units and land inventories	(46,286)	-	(46,286)
Transfers from residential and commercial unit inventories	38,951	-	38,951
Closing balance as of 31 December 2021	857,787	40,922	898,709
Accumulated Depreciation			
Opening balance as of 1 January 2021	33,177	5,672	38,849
Charge for the year	15,163	1,022	16,185
Closing balance as of 31 December 2021	48,340	6,694	55,034
Carrying value as of 31 December 2021	809,447	34,228	843,675

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

NOTE 10 – INVESTMENT PROPERTIES (Continued)

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2020	461,551	40,922	502,473
Transfers from commericial units and land inventories	322,813	-	322,813
Transfers to residential and commercial unit inventories	(35,626)	-	(35,626)
Disposal (-)	(15,521)	-	(15,521)
Closing balance as of 31 December 2020	733,217	40,922	774,139
Accumulated Depreciation			
Opening balance as of 1 January 2020	18,131	4,197	22,328
Charge for the year	17,137	1,475	18,612
Disposals	(2,091)	-	(2,091)
Closing balance as of 31 December 2020	33,177	5,672	38,849
Carrying value as of 31 December 2020	700,040	35,250	735,290

(*) The amount consists of independent units that has been received in return for the receivable for the sale of land by the Group in 2021 to generate rent income from Büyükyalı shopping mall completed under "Revenue Share from the Sale of Zeytinburnu Kazlıçeşme Land Sale. The related transaction is a sharing transaction from the relavant project and has had no impact in the Company's consolidated statement of cash flows for the period 1 January 2021 – 31 December 2021 under TAS 7.

As of 31 December 2021, rental income from investment properties is TL 54,074 (1 January –31 December 2020: TL 36,410)

Reports prepared by Atak Gayrimenkul Değerleme A.Ş. ve Reel Gayrimenkul Değerleme A.Ş., appraisal firms authorized by CMB, have been taken into consideration when determining the fair values of investment properties as of 31 December 2021. The fair values of the investment property determined by independent appraisal experts are as follows:

	31 December 2021	31 December 2020
Lands and completed units	737,539	588,147
Atasehir General Management Office A Block	137,217	126,478
Independent commercial units of Istmarina AVM (**)	323,341	286,143
Independent commercial units of Büyükyalı AVM (**)	138,441	-
	1,336,538	**1,000,768**

(**) Related balances consist of 40% and 37% values of Istmarina AVM and Büyükyalı AVM appraisal values in the Company's share ratio.

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

NOTE 10 – INVESTMENT PROPERTIES (Continued)

		Fair value levels as of 31 December 2021		
	31 Aralık 2021	Level 1 TL	Level 2 TL	Level 3 TL
Lands, residential and commercial units	737,539	-	-	737,539
Independent commercial units of Istmarina AVM	323,341	-	-	323,341
Independent commercial units of Büyükyalı AVM	138,441	-	-	138,441
Atasehir general management building A block	137,217	-	-	137,217

		Fair value levels as of 31 December 2020		
	31 December 2020	Level 1 TL	Level 2 TL	Level 3 TL
Lands, residential and commercial units	588,147	-	-	588,147
Independent commercial units of Istmarina AVM	286,143	-	-	286,143
Atasehir general management building A block	126,478	-	-	126,478

NOTE 11 – RIGHT OF USE ASSET

Cost Value	**Lands**
Opening balance as of 1 January 2021	541
Additions	1,206
Closing balance as of 31 December 2021	1,747
Accumulated Amortization	
Opening balance as of 1 January 2021	(466)
Charge for the period	(1,101)
Closing balance as of 31 December 2021	(1,567)
Carrying value as of 31 December 2021	180

Cost Value	**Lands**
Opening balance as of 1 January 2020	541
Closing balance as of 31 December 2020	541
Accumulated Amortization	
Opening balance as of 1 January 2020	(2)
Charge for the period	(464)
Closing balance as of 31 December 2020	(466)
Carrying value as of 31 December 2020	75

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

31 December 2021	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2021	105,111	815	9,654	97	115,677
Additions	2,149	870	14,913	29,072	47,004
Depreciation expense(-)	(3,140)	(803)	(6,125)	-	(10,068)
Net carrying value 31 December 2021	**104,120**	**882**	**18,442**	**29,169**	**152,613**
Cost	119,483	4,793	47,369	29,169	200,814
Accumulated depreciation (-)	(15,363)	(3,911)	(28,927)	-	(48,201)
Net carrying value 31 December 2021	**104,120**	**882**	**18,442**	**29,169**	**152,613**

31 December 2020	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2020	100,597	192	5,027	97	105,913
Additions	-	1,763	8,903	-	10,666
Transfers from Completed Units	7,454	-	-	-	7,454
Depreciation expense(-)	(2,940)	(1,140)	(4,276)	-	(8,356)
Net carrying value 31 December 2020	**105,111**	**815**	**9,654**	**97**	**115,677**
Cost	117,334	3,923	32,170	97	153,524
Accumulated depreciation (-)	(12,223)	(3,108)	(22,516)	-	(37,847)
Net carrying value 31 December 2020	**105,111**	**815**	**9,654**	**97**	**115,677**

Total depreciation expenses are presented in the general administrative expenses.

The expected useful lives for property, plant and equipment are as follows:

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

NOTE 13 – INTANGIBLE ASSETS

31 December 2021	Licenses	Computer software	Rights	Total
Net book value, 1 January 2021	2,441	2,084	61	4,586
Additions	3,167	1,704	-	4,871
Amortization expense (-)	(3,685)	(714)	(30)	(4,429)
Net carrying value 31 December 2021	**1,923**	**3,074**	**31**	**5,028**
Cost	12,150	6,720	91	18,961
Accumulated amortization (-)	(10,227)	(3,646)	(60)	(13,933)
Net carrying value 31 December 2021	**1,923**	**3,074**	**31**	**5,028**

31 December 2020	Licenses	Computer software	Rights	Total
Net carrying value as of 1 January 2020	3,825	477	91	4,393
Additions	948	2,039		2,987
Amortization expense (-)	(2,332)	(432)	(30)	(2,794)
Net carrying value 31 December 2020	**2,441**	**2,084**	**61**	**4,586**
Cost	11,653	5,016	91	16,760
Accumulated amortization (-)	(9,212)	(2,932)	(30)	(12,174)
Net carrying value 31 December 2020	**2,441**	**2,084**	**61**	**4,586**

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Provisions		
Provision for lawsuits	156,150	127,157
	156,150	**127,157**

According to the opinions of the Group's lawyers, provisions amounting to TL 156,150 have been made as of 31 December 2021 (31 December 2020: TL 127,157). As of 31 December 2021, there are 4 cases of defect, 14 cases of loss of rent, 13 cases of cancellation of title deeds and registration, 4 cases of business and 50 other cases. The amount of risk arising from the total possible cash outflow is TL 451,929 (31 December 2020: TL 266,590) and the lawsuits are still pending. The movements of provision for lawsuits as of 31 December 2021 and 2020 are as follows:

	2021	2020
Balance at 1 January	**127,157**	**110,241**
Provision added within the current period (Note 18)	28,993	16,916
Closing balance at 31 December	**156,150**	**127,157**

14.1 Continuing Lawsuits and Provisions

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

The contractor filed a lawsuit against the Group claiming that the completion percentage of the project was significantly high and that the agreement between the parties was based on construction right in return for flat. Izmir Karsiyaka Commercial Court of First Instance issued an expert report and determine that the level of work was at around 83%, and that the legal relationship of the parties were not related to construction right in return of the flat. The 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. As a result of the examination of the additional report at the hearing on 11 June 2014, the second expert committee was examined however, since the expert report was not received, the date of the case was not finalized. In addition, the file was transferred to the delegation, as the Commercial Courts turned into Delegation Judges.

In the expert report dated 19 January 2016, it has been determined that the related cancellation is unfair, and alternative calculations has been realized over the possibility of whether the cancellation is right and over the effects on forward and backward. The expert report has been contested and it has been requested from the court that the expert report is declared "null and void" and that to receive a report that contains the objections of parties by creating a new comitee. The Group filed an extra lawsuit of TL 34,100 on 7 July 2011, requesting the collection, without prejudice to surplus rights.

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.1 Continuing Lawsuits and Provisions (Continued)

14.1.1 According to the various expert reports submitted to the file, the complainant increased the lawsuit cost to TL 65,596 with the claim that the lawsuit was terminated unfairly by Emlak Konut during the prosecution process of the compensation lawsuit filed by the contractor for the detection of invalidity of termination on condition that the surplus rights are reserved. As of 31 December 2021, the Group made provision amounting to TL 117,991 including interest and lawsuit costs.

14.1.2 The lawsuit filed by the contractor firm is action of debt, deed cancellation and registration case. The decision of the contractor's contract was terminated unfairly, passing through degrees. Lawsuits filed by the company and amounting to TL 2,071 have been partially accepted and the decision was appealed by the parties, the trial is ongoing at the İstanbul 16th Commercial Court of First Instance. As of 31 December 2021 a provision amounting to TL 7,798 has been made including interest and lawsuit costs.

14.1.3 Within the scope of Revenue Sharing in Return for Riva Land Sale Tender for immovables parcel numbered 3201, 3202, 3203 located in İstanbul Province, Beykoz/Riva District as per the Article 14 of Bidding Specification of the aforementioned tender, bid bonds have been submitted to the client company by the Joint Venture, in the second session of the tender held on 15 June 2017, it was decided to leave the tender under the responsibility of the Joint Venture, which gave the most economically advantageous bid however, companies that have applied to the client company and invited for signature were requested to revise the terms and criteria of the tender, with the justification that the Planned Areas Type Zoning Regulation by the Ministry of Environment and Urbanization published on Official Gazette No. 30113 dated 3 July 2017 contains regulations that cause a significant reduction in the construction area subject to the tender, with the entry into force of the provisions of the said Regulation, the revision requests of the plaintiff companies were rejected on the grounds that there would be no change in the construction field based on the precedent and the Company gave a deadline until 15 August 2017 for the signing of the contract, as the client company did not come to sign the contract at the end of the period, the bid bonds submitted by the plaintiff companies within the scope of the Revenue Sharing in Return for Riva Land Sale Tender were registered as revenue and the tender was awarded to the non-litigated contractor who submitted the second most appropriate bid for the subject matter and there are pecuniary and non-pecuniary damages lawsuits filed on the grounds that the claimant's revision requests regarding the conditions and criteria of the aforementioned tender were rejected and that the recognition of the letters of guarantee as revenue was unfair. As of 31 December 2021, provision amounting to TL 11,068 has been made including interest and lawsuit costs.

14.2 Contingent Liabilities of the Group

In the financial statements prepared as of 31 December 2021, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Group Management and its lawyers, no provision has been made in the financial statements prepared as of 31 December 2021 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in cases filed against the Group in order to fulfill its obligation.

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

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.3 Contingent Assets of the Group

14.3.1 As of 31 December 2021 and 31 December 2020, breakdown of nominal commercial receivables from residential and commercial unit sales by maturities and based on the residential and commercial units that are under construction or completed but not yet delievered within the scope of the sales promise contract that is not yet included in the balance sheet as it does not meet the TFRS 15 criteria, expected collection times of nominal installments that are not due or collected by maturities are as follows:

31 December 2021	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	1,569,436	2,831,544	4,400,980
2 year	1,189,170	2,327,166	3,516,336
3 year	887,106	1,650,255	2,537,361
4 year	665,831	742,166	1,407,997
5 year and above	1,834,600	1,006,434	2,841,034
	6,146,143	**8,557,565**	**14,703,708**

31 December 2020	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	1,016,653	1,539,172	2,555,825
2 year	845,871	1,395,083	2,240,954
3 year	629,810	722,777	1,352,587
4 year	445,942	362,763	808,705
5 year and above	2,363,227	979,553	3,342,780
	5,301,503	**4,999,348**	**10,300,851**

NOTE 15- EMPLOYEE BENEFITS

	31 December 2021	31 December 2020
Short-term provisions		
Unused vacation provision	17,109	14,957
	17,109	**14,957**
Long-term provisions		
Provision for employment termination benefit	25,268	15,804
	25,268	**15,804**

TAS 19 requires actuarial valuation methods to be developed to estimate the Company's provision for severance pay. Accordingly, the following actuarial assumptions were used in the calculation of the total liabilitiy:

	31 December 2021	31 December 2020
Discount Rate (%)	4.27	4.10
Turnover rate to estimate probability of retirement (%)	0.99	0.99

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

NOTE 15- EMPLOYEE BENEFITS (Continued)

The principal 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.

If the discount rate would have been 1% lower, provision for employee termination benefits would increase by TL 2,718.

If the anticipated turnover rate would have been 1% higher while all other variables were held constant, provision for employee termination benefits would increase by TL 2,260.

Movement of the provision for employment termination benefits in the current years is as follows:

	2021	2020
Balance at 1 January	**15,804**	**13,846**
Service cost	11,720	4,495
Interest cost	607	451
Payment within the period	(2,863)	(2,988)
Closing balance at 31 December	**25,268**	**15,804**

NOTE 16 – OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2021**	**31 December 2020**
Progress payments to contractors	132,332	156,643
Deferred VAT	47,135	111,784
Income accruals	13,561	27,577
Receivables from tax office	10,935	19,576
Other	1,010	291
	204,973	**315,871**

Other non-current assets	**31 December 2021**	**31 December 2020**
Deferred VAT	-	23,895
	-	**23,895**

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

NOTE 17 – DEFERRED INCOME AND PREPAID EXPENSES

Short-term deferred income	**31 December 2021**	**31 December 2020**
Deferred income from LSRSA projects (*)	2,479,097	2,485,417
Advances taken from turnkey project sales	2,833,875	2,117,317
Advances taken from LSRSA contractors (**)	1,480,532	600,182
Deferred income related to sales of independent units	646,721	401,189
Advances received from related parties (Note 27)	255,424	-
	7,695,649	**5,604,105**

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

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

Long-term deferred income	**31 December 2021**	**31 December 2020**
Other advances given	4.738	4.738
	4.738	**4.738**

Prepaid expenses	**31 December 2021**	**31 December 2020**
Advances given for inventory (*)	953,810	1,619,676
Advances given (**)	17,450	-
Prepaid expenses	5,973	5,709
	977,233	**1,625,385**

(*) A protocol has been signed between the Company and the Tariş Cooperatives Union to develop revenue sharing project on a land, which belongs to the Tariş Cooperatives Union, located within the borders of Kuruçay/Umurbey, Konak district of İzmir and an inventory advance amounting to TL 395,960 (31 December 2020: TL 405,175) has been made. The Company has also provided an inventory advance amounting to TL 531,276 (31 December 2020: TL 1,207,551) to the contractors for the residential and commercial units which it will acquire based on preliminary sales contract from ongoing Nidapark Küçükyalı, Nidapark İstinye and Nidapark Kayaşehir projcets.

(**) The order advances given as of 31 December 2021, consist of the order advances of Emlak Konut Asansör Sistemleri Sanayi ve Ticaret A.Ş.

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

NOTE 18 – SHAREHOLDERS' EQUITY

The Group's authorized capital amount is TL 3,800,000 (31 December 2020: TL 3,800,000) and consists of 380,000,000,000 (31 December 2020: 380,000,000,000) authorized number of shares with a nominal value of TL 0.01 each.

The Group's shareholders and their shareholding percentages as of 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021		**31 December 2020**	
Shareholders	**Share (%)**	**TL**	**Share (%)**	**TL**
Public offering portion	50.66	1,925,119	50.66	1,925,119
T.C. Toplu Konut İdaresi Başkanlığı "TOKİ"	49.34	1,874,831	49.34	1,874,831
HAS beneficiaries	0.00	48	0.00	48
Other	0.00	2	0.00	2
Total paid-in capital	**100**	**3,800,000**	**100**	**3,800,000**

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

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

- If the difference is arising from the valuation of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";

- If the difference is arising from valuation of "Restricted Reserves Appropriated from Profit" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained Earnings". Other equity items should be revaluated in accordance with the CMB standards.

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

On 25 March 2021, the General Assembly decided to distribute dividends amounting to TL 82,460. This dividend amounting to TL 3,016 is related to repurchased shares and net off under equity.

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

NOTE 19 – REVENUE AND COST OF SALES

Sales income	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Land sales	2,681,100	2,262,478
Sales of planned lands by way of LSRSA	*2,622,402*	*1,679,391*
Land sales income	*58,698*	*583,087*
Residential and commercial units sales	3,834,900	2,365,863
Rent income	239,669	118,905
	6,755,669	**4,747,246**
Sales returns	(16,781)	(10,754)
Sales discounts	(1,427)	(6,030)
Net sales income	**6,737,461**	**4,730,462**
Cost of sales		
Cost of lands	(945,812)	(996,015)
Cost of lands planned by way of LSRSA	*(912,481)*	*(725,989)*
Cost of lands sold	*(33,331)*	*(270,026)*
Cost of residential and commercial units sold	*(3,590,588)*	*(2,607,086)*
	(4,536,400)	**(3,603,101)**
Gross Profit	**2,201,061**	**1,127,361**

NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

General administrative expenses	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Personnel expenses	(181,803)	(136,398)
Taxes, duties and fees	(67,645)	(52,027)
Consultancy expenses	(54,444)	(32,714)
Donations	(38,258)	(26,485)
Security and cleaning expenses	(28,938)	(19,121)
Maintenance and repair expenses	(14,695)	(6,924)
Depreciation and amortization (Note 11,12)	(14,497)	(11,614)
Due and contribution expenses	(13,736)	(12,781)
Travel expenses	(10,257)	(7,913)
Information technologies expenses	(6,149)	(6,511)
Lawsuit and notary expenses	(5,915)	(4,506)
Insurance expenses	(1,735)	(1,954)
Communication expenses	(1,522)	(1,527)
Other	(28,591)	(25,710)
	(468,185)	**(346,185)**

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

NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (Cont'd)

	1 January- 31 December 2021	1 January- 31 December 2020
Marketing and sales expenses		
Advertising expenses	(57,300)	(60,890)
Personnel expenses	(17,895)	(24,551)
Consultancy expenses	(6,554)	(1,216)
Office expenses	(13)	(339)
Lawsuit and notary expenses	(2)	(7)
Other	(1,570)	(1,584)
	(83,334)	**(88,587)**

NOTE 21 – EXPENSES BY NATURE

	1 January - 31 December 2021	1 January- 31 December 2020
Expenses from residential and commercial units sales	3,590,588	2,607,086
Land costs	945,812	996,015
Personnel expenses	199,698	160,949
Taxes,duties and fees	67,645	52,027
Consultancy expenses	60,998	33,930
Advertising expenses	57,300	60,890
Donations	38,258	26,485
Security and cleaning expenses	28,938	19,121
Due and contribution expenses	13,736	12,781
Depreciation and amortisation (Note 11,12,13)	14,497	11,614
Information technologies expenses	6,149	6,511
Lawsuit and notary expenses	5,917	4,513
Insurance expenses	1,735	1,954
Communication expenses	1,522	1,527
Other	55,126	42,470
	5,087,919	**4,037,873**

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

NOTE 22 – OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

	1 January- 31 December 2021	1 January- 31 December 2020
Other income from operating activities		
Default interest income from projects	347,885	146,964
Impairment provisions released (Note 8)	232,054	259,176
Income from transfer commissions	40,738	16,771
Financial income from forward sales	2,115	157,554
Income from tender contract sales	896	593
Provisions for possible risks	-	1,317
Other	56,557	59,006
	680,245	**641,381**

	1 January- 31 December 2021	1 January- 31 December 2020
Other expenses from operating activities		
Provision for impairment of land and residential inventories (Note 9)	(287,213)	(207,300)
Reversal of unaccrued financial expense, net	(256,799)	-
Provision for lawsuits (Note 14)	(28,993)	(16,916)
Investment properties amortisation expenses (Note 10)	(16,185)	(18,612)
Provisions for possible risks	(4,459)	(196)
Other	(28,977)	(31,699)
	(622,626)	**(274,723)**

NOTE 23 – INCOME FROM INVESTMENT ACTIVITIES

	1 January- 31 December 2021	1 January- 31 December 2020
Income from reversal of impairment	28,173	6,342
Interest income from lease certificates	2,625	-
	30,798	**6342**

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

NOTE 24 – FINANCIAL INCOME / EXPENSES

Financial expenses	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Borrowings interest and lease certificate expenses	(559,632)	(466,437)
T.C. Çevre, Şehircilik ve İklim Değişikliği Bakanlığı interest expe	(39,522)	-
Foreign exchange losses	(3,969)	(260)
Interest discount on pay off debt	(3,392)	(12,406)
Interest expense on lease liabilities	(2,817)	(2,850)
Assigned receivables and commission expense	(99)	(3,774)
	(609,431)	**(485,727)**

Financial income	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Interest income from time deposits	182,893	182,576
Interest income from land acquisition	1,063	62,601
Foreign exchange gains	626	5,985
Interest income related to leases	3,150	4,064
	187,732	**255,226**

(*) This amount consists of the interest expense accrued as of 31 December 2021 for the Company's debt arising from the Republic of Turkey Ministry of Environment, Urbanization and Climate Change.

NOTE 25 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax

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

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

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

NOTE 25 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporate Tax (continued)

In accordance with the article 11 of Law No. 7316 published in the Official Gazette dated 22 April 2021 and numbered 31462 and the provisional article added to the Corporate Tax Law, the corporate tax rate has been increased to a rate of 25% for 2021 corporate earnings and 23% for 2022 corporate income (31 December 2020: 22%).

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

The current tax liability of the Group as of 31 December 2021 is as follows:

	31 December 2021	**31 December 2020**
Current tax liability		
Current corporate tax provision	16,056	-
Less: prepaid taxes and funds	(8,564)	-
	7,492	-

Deferred Tax:

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

The tax rate used in the calculation of deferred tax assets and liabilities is 23% over the temporary timing differences that are expected to reverse in 2022, and 20% over the temporary timing differences that are expected to reverse after 2022 (2020 : 22%)

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

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

NOTE 25 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred Tax (Continued):

Deferred tax (assets)/liabilities:	31 December 2021	31 December 2020
Fair value adjustment to inventories due to purchase accounting	22,860	54,092
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(1,302)	(401)
Provision for employment termination benefits	(1,398)	(1,412)
	20,160	52,279

The movements of deferred tax (assets)/ liabilities for the periods ended 31 December 2021 and 2020 are as follows:

Movement of deferred tax (assets)/liabilities:	1 January- 31 December 2021	1 January- 31 December 2020
Opening balance as of 1 January	(52,279)	(54,703)
Charged to profit or loss	32,119	2,424
Closing balance at 31 December	(20,160)	(52,279)

Tax (expense) / income comprises:	1 January- 31 December 2021	1 January- 31 December 2020
Current tax expense	(16,056)	-
Deferred tax income	32,119	2,424
Total tax income	16,063	2,424

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

Reconciliation of tax provision:	1 January- 31 December 2021	1 January- 31 December 2020
Profit from continuing operations	1,316,260	834,189
Profit from operations before tax	1,316,260	834,189
Tax at the domestic income tax rate 2021: 25% (2020: 22%)	(329,065)	(183,511)
Tax effects of:		
- revenue that is exempt from taxation	358,547	189,128
- the effect of tax rate change from 25% to 22%	(8,153)	5,409
- other	(5,266)	(8,602)
Income tax expense recognised in profit	16,063	2,424

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

NOTE 26 – 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. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in these calculations is determined by taking into consideration the retroactive effects of these share distributions. 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 Group's shares for the period.

The Group can withdraw the issued shares. The weighted average number of shares taken back changes the calculation of earnings per share in line with the number of shares.

	1 January- 31 December 2021	**1 January- 31 December 2020**
Net income attributable to equity holders of the parent in full TL	1,332,323	836,258
Weighted average number of ordinary shares	3,659,447,630	3,659,447,630
Earnings per share in full TL	**0.0036**	**0.0023**

NOTE 27 – RELATED PARTY DISCLOSURES

The main shareholder of the Group is T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ"). TOKİ is a state institution under the control of Republic of Turkey Ministry of Enviroment, Urbanisation and Climate Change. Related parties of the Group are as listed below.

1. T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")
2. GEDAŞ (Gayrimenkul Değerleme A.Ş.) (an affiliate of TOKİ)
3. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (an affiliate of TOKİ)
4. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (an affiliate of TOKİ)
5. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (an affiliate of TOKİ)
6. Emlak-Toplu Konut İdaresi Spor Kulübü
7. Emlak Planlama İnşaat Proje Yönetimi ve Tic. A.Ş. - Emlak Basın Yayın A.Ş. Ortak Girişimi
8. Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. Ortak Girişimi
9. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi
10. Emlak Konut Spor Kulübü Derneği
11. Türkiye Emlak Katılım Bankası A.Ş.
12. T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürülüğü
13. İller Bankası A.Ş.
14. Emlak Basın Yayın A.Ş.

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

- The Group keeps its deposits predominantly in state banks in accordance with the relevant provisions. As of 31 December 2021, the Group has deposits amounting to TL 2,946,789 in state banks (31 December 2020: TL 1,866,582). Average effective interest rates of time deposits of the Group as of 31 December 2021 are explained in Note 4.

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

NOTE 27 – RELATED PARTY DISCLOSURES (Continued)

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

Trade receivables from related parties	31 December 2021	31 December 2020
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G.	13,638	6,006
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	1,343	1,338
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	280	42,616
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	-	1,769
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	-	930
	15,261	**52,659**

Borrowings to related parties	31 December 2021	31 December 2020
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	7,866	5,732
	7,866	**5,732**

Short-term other receivables from related parties	31 December 2021	31 December 2020
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	182	95
Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı	-	119
Gedaş Gayrimenkul Değerleme A.Ş.	-	251
	182	**465**

Long-term other receivables from related parties	31 December 2021	31 December 2020
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	-	32,774
	-	32,774

Trade payables to related parties	31 December 2021	31 December 2020
İller Bankası A.Ş. (**)	487,832	465,100
T.C. Çevre ve Şehircilik Bakanlığı (***)	14,692	607,204
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,324	1,324
Emlak Basın Yayın A.Ş.	100	106
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ") (*)	-	207,085
Fideltus İnşaat Taahhüt San. ve Tic. A.Ş.	-	5,617
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	-	45
	503,948	**1,286,481**

(*) It is the amount of the Company's debt resulting from the settlements detailed in the protocols dated 20 November 2020 and 22 March 2021 signed with the TR Ministry of Environment and Urbanization General Directorate of Urban Transformation Services and T.C. Toplu Konut İdaresi Başkanlığı.

(**) According to the protocol signed with İller Bankası A.Ş. on 14 December 2020, the Company's debt and deferred income balance arising from the transfer of the lands owned by İlbank and the real estate owned by Emlak Konut. According to the relevant protocol, the lands under the ownership of İlbank have passed into the ownership of Emlak Konut, and the immovables under the ownership of Emlak Konut will be transferred to İlbank ownership after the deficiencies are completed.

(***) Represents the amount of payable arising from the transfer of 2 partial parcels and 1 parcel in accordance with the protocol signed with Republic of Turkey Ministry of Environment, Urbanization and Climate Change General Directorate of Urban Transformation Services on 22 March 2021.

Deferred income from related parties	31 December 2021	31 December 2020
İller Bankası A.Ş. (*)	255,424	-
	255,424	**-**

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

NOTE 27 – RELATED PARTY DISCLOSURES (Continued)

Short-term other payables from related parties	31 December 2021	31 December 2020
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	587	403
	587	**403**

Financial investments from related parties	31 December 2021	31 December 2020
Türkiye Emlak Katılım Bankası A.Ş.	-	305,743
	-	**305,743**

Deposits at related parties	31 December 2021	31 December 2020
Türkiye Emlak Katılım Bankası A.Ş.	247,672	38,136
	247,672	**38,136**

Finance expense from related parties	1 January- 31 December 2021	1 January- 31 December 2020
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	68	168
	68	**168**

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

Purchases from related parties	1 January- 31 December 2021	1 January- 31 December 2020
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	1,069,453	1,879,959
T.C. Çevre ve Şehircilik Bakanlığı	1,021,789	1,306,745
Emlak Basın Yayın A.Ş.	1,216	1,267
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	-	1,324
Gedaş Gayrimenkul Değerleme A.Ş.	-	133
	2,092,458	**3,189,428**

Sales to related parties	1 January- 31 December 2021	1 January- 31 December 2020
T.C. Çevre ve Şehircilik Bakanlığı	162,479	143,967
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	19,283	10,519
Gedaş Gayrimenkul Değerleme A.Ş.	72	-
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş.- Fideltus İnş. - Öztaş İnş. O.G.	-	15
	181,834	**154,501**

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

Compensation to key management	1 January- 31 December 2021	1 January- 31 December 2020
Salaries and other short-term benefits	15,959	12,530
	15,959	**12,530**

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group'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 Group.

Liquidity risk

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

The Group management monitors the undiscounted estimated cash flows arising from the financial liabilities and trade payables of the Group with special reporting methods and analysis.

The Group meets its liquidity needs arising from HAS payments with the funding guarantee it receives from the Treasury and the special issue Government Debt Securities.

The Group covers the payments of its other trade and financial payables with its cash and cash equivalents and cash generated from sales. In addition, it aims to provide funding flexibility by maintaining loan opportunities. The Group does not have any derivative instruments. Although the amounts stated in the table are not discounted amounts based on the contract, the Group manages the structural liquidity risk based on the expected cash flows that are not discounted.

The maturity distribution of financial liabilities of the Group as of 31 December 2021 and 2020 is as follows:

31 December 2021	**Carrying value**	**Constractual cash flows**	**Up to 3 months**	**3 months to 1 year**	**1 year- to 5 years**
Short-term financial liabilities (Non-derivative):					
Financial liabilities	2,759,735	3,070,113	1,535,513	1,534,600	-
Trade payables	2,006,203	2,006,203	2,006,203	-	-
Other payables	196,047	196,047	106,708	89,339	-
	4,961,985	**5,272,363**	**3,648,424**	**1,623,939**	**-**
Long-term financial liabilities (Non-derivative):					
Financial liabilities	2,030,678	2,350,067	-	-	2,350,067
Trade payables	2,099	2,099	-	-	2,099
Other payables	89,537	89,537	-	-	89,537
	2,122,314	**2,441,703**	**-**	**-**	**2,441,703**

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2020	Carrying value	Constractual cash flows	Up to 3 months	3 months to 1 year	1 year- to 5 years
Short-term financial liabilities (Non-derivative):					
Financial liabilities	2,201,618	2,476,344	1,061,013	1,415,331	-
Trade payables	2,494,109	2,494,109	2,494,109	-	-
Other payables	590,262	590,262	98,201	492,061	-
	5,285,989	**5,560,715**	**3,653,323**	**1,907,392**	**-**
Long-term financial liabilities (Non-derivative):					
Financial liabilities	2,983,427	3,641,969	-	-	3,641,969
Trade payables	28	28	-	-	28
Other payables	59,985	59,985	-	-	59,985
	3,043,440	**3,701,982**	**-**	**-**	**3,701,982**

Interest rate risk

The Group is vulnerable to interest rate arising from the change of interest rates due to its interest-earning asset and interest-paid liabilities. This risk is managed through on-balance sheet method by balancing the amount and maturity of interest rate sensitive assets and liabilities. In this context, great importance is attached to the fact that not only the due dates of receivables and payables, but also the periods of interest renewal are similar.

Average effective annual interest rates of balance sheet items as of 31 December 2021 and 2020 are as follows:

	31 December 2021 (%)	31 December 2020 (%)
Current assets		
Cash and cash equivalents	18.71%	17.76%
Trade receivables	17.85%	13.76%
Current liabilities		
Financial liabilities	12.11%	11.22%
Non-current liabilities		
Financial liabilities	10.72%	10.68%

The table showing the Group's interest rate sensitive financial instruments is as follows:

	31 December 2021	31 December 2020
Financial instruments with fixed interest rate		
Time deposits	3,580,194	1,927,629
Financial liabilities	4,790,413	5,185,045
Financial instruments wiht floating interest rate		
Financial liabilities	-	-

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

C***redit risk disclosures***

The Group is subject to credit risk arising from trade receivables related to forward sales, other receivables and deposits at banks.

The Group manages credit risk of bank deposits by working mainly with state banks established in Turkey and having long standing relations with the Group. 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.

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

C*redit risk disclosures (continued)*

As of 31 December 2021, details of credit and receivables risk are as follows:

		Trade Receivables		Other Receivables			
	31 December 2021	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at Banks**	**Blocked deposits with maturities more than 3 months**
	Maximum credit risks exposed as of reporting date	**15,261**	**6,409,501**	**182**	**566,033**	**3,623,164**	**-**
	Secured portion of the maximum credit risk by guarantees,etc,	15,261	6,208,824	182	566,033	3,623,164	-
A.	Net carrying value of financial assets that are neither past due nor impaired	15,261	6,208,824	182	566,033	3,623,164	-
	Secured portion by guarantees etc.	15,261	6,208,824	182	566,033	-	-
B.	Net carrying value of assets with negotiated terms						
	Secured portion by guarantees etc.	-	-	-	-	-	-
C.	Net carrying value of fianancial assets that are past due but not impaired	-	200,677	-	-	-	-
	Secured portion by guarantees etc.	-	200,677	-	-	-	-
D.	Net carrying value of impaired assets	-	-	-	-	-	-
	Past due (Gross carrying value)	-	1,837	-	-	-	-
	Impairment (-)	-	(1,837)	-	-	-	-
	Secured portion by guarantees etc.	-	-	-	-	-	-

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

C***redit risk disclosures (continued)***

As of 31 December 2020, details of credit and receivables risk are as follows:

		Trade Receivables		Other Receivables			
	31 December 2020	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at Banks**	**Blocked deposits with maturities more than 3 months**
	Maximum credit risks exposed as of reporting date	**52,629**	**6,208,306**	**33,239**	**946,862**	**1,953,138**	**272**
	Secured portion of the maximum credit risk by guarantees,etc,	52,629	5,962,279	465	946,862	1,953,138	272
A.	Net carrying value of financial assets that are neither past due nor impaired	52,629	5,962,279	465	946,862	1,953,138	272
	Secured portion by guarantees etc.	52,629	5,962,279	465	946,862	-	-
B.	Net carrying value of assets with negotiated terms						
	Secured portion by guarantees etc.	-	-	-	-	-	-
C.	Net carrying value of fianancial assets that are past due but not impaired		246,027	32,774	-	-	-
	Secured portion by guarantees etc.	-	246,027	32,774	-	-	-
D.	Net carrying value of impaired assets	-	-	-	-	-	-
	Past due (Gross carrying value)		1,837				
	Impairment (-)	-	(1,837)	-	-	-	-
	Secured portion by guarantees etc.	-	-	-	-	-	-

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

C***redit risk disclosures (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 impairment on the Group's asset that subject to credit risk of financial activities. In addition, the Group does not have any items that include off-balance credit risk and assets that are overdue but not impaired.

Foreign exchange risk

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

Foreign currency position

Foreign currency denominated assets, liabilities and effects arising from foreign exchanges arising from having off-balance sheet items constitute exchange rate risk.

As of 31 December 2021, the Group's foreign currency assets and liabilities did not need to be balanced with any off-balance sheet items.

The table below summarizes the Group's foreign currency position of the Group as of 31 December 2021 and 2020. TL equivalents of carrying values of assets and liabilities denominated in foreign currencies are as follows:

	31 December 2021		
	TL Amount (Functional Currency)	**US Dollar**	**EURO**
1a. Monetary Finacial Assets	2,098	965	1,133
2.CURRENT ASSETS	2,098	965	1,133
3. TOTAL ASSETS	2,098	965	1,133
4a. Monetary Other Liabilities	-	-	-
5. CURRENT LIABILITIES	-	-	-
6.TOTAL LIABILITIES	-	-	-
7.Net Foreign Currency Assets/Liabilities Position	2,098	965	1,133
8.Monetary Items Net Foreign Currency Assets / Liabilities (1a-4a)	2,098	965	1,133

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk *(continued)*

	31 December 2020		
	TL Amount (Functional Currency)	US Dollar	EURO
1a. Monetary Finacial Assets	31,382	4,230	-
2.CURRENT ASSETS	31,382	4,230	-
3. TOTAL ASSETS	31,382	4,230	-
4a. Monetary Other Liabilities	-	-	-
5. CURRENT LIABILITIES	-	-	-
6.TOTAL LIABILITIES	-	-	-
7.Net Foreign Currency Assets/Liabilities Position	31,382	4,230	-
8.Monetary Items Net Foreign Currency Assets / Liabilities (1a-4a)	31,382	4,230	-

Capital risk management

The Group attempts to manage its capital by minimizing the investment risk with portfolio diversification. The Group's objectives when managing capital are to safeguard the Group'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.

While managing the capital, the Group's objectives are to maintain the Group's operability in order to maintain the most appropriate capital structure in order to provide benefits to its shareholders, benefit from other stakeholders and reduce the cost of capital.

Gearing ratio as of 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Financial Liabilities	4,790,413	5,185,045
Less: Cash and cash equivalents	(3,728,285)	(2,005,246)
Net Liability/(Asset)	1,062,128	3,179,799
Total Shareholder's Equity	15,746,887	14,494,008
Total Capital	16,809,015	17,673,807
Net liability (asset)/Total Capital Ratio	**6%**	**18%**

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

NOTE 29 – FINANCIAL INSTRUMENTS

31 December 2021	Financial assets at amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	3,728,285	-	-	3,728,285	4
Short term financial investments	-	500	-	500	5
Long term financial investments	-	842	-	842	5
Trade receivables	6,409,501	-	-	6,409,501	7
Trade receivables due from related parties	15,261	-	-	15,261	27
Other financial assets	566,033	-	-	566,033	8
Other receivables due from related parties	182	-	-	182	27
Financial liabilities					
Borrowings	-	-	4,790,413	4,790,413	6
Trade payables	-	-	3,004,510	3,004,510	7
Due to related parties	-	-	503,948	503,948	27
Other financial liabilities	-	-	284,997	284,997	8

31 December 2020	Financial assets at amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	2,005,246	-	-	2,005,246	4
Blocked deposits more than 3 months maturity	272	-	-	272	5
Short term financial investments	305,743	-	-	305,743	5
Long term financial investments	-	836	-	836	5
Trade receivables	6,208,306	-	-	6,208,306	7
Trade receivables due from related parties	52,659	-	-	52,659	27
Other financial assets	946,862	-	-	946,862	8
Other receivables due from related parties	33,239	-	-	33,239	27
Financial liabilities					
Borrowings	-	-	5,185,045	5,185,045	6
Trade payables	-	-	2,415,256	2,415,256	7
Due to related parties	-	-	1,286,481	1,286,481	27
Other financial liabilities	-	-	649,844	649,844	8

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

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 Group has determined the estimated fair values of financial instruments using current market information and appropriate valuation methods. However, evaluating market information and estimating fair values requires interpretation and judgment. As a result, the estimations presented here cannot be an indication of the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions are used to estimate the fair values of financial instruments that are practically possible to estimate fair values:

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 and other receivables are expected to reflect the fair value along with the relevant impairment provisions.

It is estimated that the fair values of the foreign currency balances converted with the exchange rates at the end of the period are close to their carrying values.

Special issue Government Debt Securities issued by the Treasury and given to the Group for the payments to be made to the HAS beneficiaries are not subject to trading in the secondary market and do not contain interest. They are recognized with their carrying value which is their fair value by the Group and they can be amortised at carrying value by the Group against the Treasury.

Bonds are kept at their fair values in the financial statements of the Company. Fair values of the bonds are calculated quarterly using effective interest rates.

Financial liabilities:

The Group's borrowing from the Treasury in order to finance HAS payments are calculated at each interest payment period based on the weighted average compound interest rate of the Government Debt Securities. Therefore, the carrying value of this financial borrowing of the Group approximate their fair value.

Short-term trade payables and other liabilities with no stated interest rate are measured at original invoice amount. Since, these trade payables and other liabilities will be paid when requested they are considered as short-term.

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.

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

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (Continued):

Fair Value of Financial Instruments

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

- Level 1: Financial assets and financial liabilities with standard terms and conditions are valued with quoted marke prices which are determined on active liquid markets.
- Level 2: Finansal 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: Finansal assets and financial liabilities are valued by inputs where there is no observable market data of the fair value of the regarding assets and liabilities

The fair varlue classification of financial assets and liabilities measured at fair value is as follows:

Financial assets	Fair value levels as of 31 December 2021 Level 1 TL	Level 2 TL	Level 3 TL
Special issue government bonds	-	-	-
Long term financial investments	-	-	**842**

Financial assets	Fair value levels as of 31 December 2020 Level 1 TL	Level 2 TL	Level 3 TL
Bond	-	-	-
Special issue government bonds	-	-	**836**

NOTE 30 – COMMITMENTS

The Group's mortgage and guarantees received as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Guarantees received (*)	4,432,492	3,106,877
Mortgages received (**)	171,426	230,760
	4,603,918	**3,337,637**

(*) Guarantees received consist of letters of guarantee given by contractors for construction projects and temporary guarantee letters received during the tender process.
(**) Mortgages received consist of mortgaged independent sections and lands sold but not yet collected.

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

NOTE 30 – COMMITMENTS (Continued)

The collaterals, pledges and mortgages ("CPM") of the Group as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
A. CPM given on behalf of the Company's legal personality	120,845	37,087
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	
i) Total amount of CPM given on behalf of majority shareholder	-	-
ii) Total amount of CPM given on behalf of other companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	120,845	**37,087**

NOTE 31 – FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

The fees related to the services received by the Group from the Independent Audit Firm (BDK) for the periods 1 January - 31 December 2021 and 1 January - 31 December 2020 are as follows:

	2021			2020		
	BDK	Other BDK	Total	BDK	Other BDK	Total
Independent audit fee for the reporting period	516	-	516	451	-	451
Fees for tax advisory services	150	622	772	-	535	535
	666	622	1,288	451	535	986

NOTE 32 - EVENTS AFTER THE REPORTING PERIOD

According to the Tax Procedure Law No. 7352 and the Law on the Amendment of the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, the application of inflation adjustment in the TPL financial statements was postponed to 31 December 2023.

On 24 February 2022, Russia declared war on Ukraine. While preparing the consolidated financial statements as of 31 December 2021, the effects of the Russia-Ukraine war and the sanctions against the Russian State were evaluated by the Group management as of the publication date of the consolidated financial statements and it was concluded that these events had no effect on the consolidated financial statements.

NOTE 32 - EVENTS AFTER THE REPORTING PERIOD (Continued)

The Company, with the protocol dated 3 January 2022 signed with The Ministry of Environment, Urbanization and Climate Change of The Republic of Turkey, purchased 16 parcels in Tuzla, Istanbul with a value of TL 275,000. The company, together with the additional protocol it signed with the contractor company in the Istanbul Beykoz Riva Revenue Sharing for Land Sale project, increased the Minimum Company Share Income from TL 952,000 to TL 1,254,438. The company made a capital payment of TL 25,000 to Emlak Konut Asansör Sistemleri San. Ve Tic. A.Ş. on 4 February 2022. The highest bid in the Ankara Çayyolu 2nd Stage Revenue Sharing for Land Sale project tender, where the company held its second session on 9 February 2022, was given by Tekfem Yapı Tic. A.Ş. with TL 170,440 of Company Share Revenue and 40% of Revenue Ratio.

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

ADDITIONAL NOTE – CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Standalone) Financial Statements Main Account Items	**Related Regulation**	**Current Period 31 December 2021 (TL)**	**Prior Period 31 December 2020 (TL)**
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	3,002,793	1,515,824
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	18,761,345	16,258,736
C	Affiliates	Series:III-No:48, Art,24/(b)	498,037	373,037
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		8,366,943	9,530,996
D	**Total Assets**	**Series:III-No:48, Art,3/(k)**	**30,629,118**	**27,678,593**
E	Financial Liabilities	Series:III-No:48, Art,31	4,617,547	5,009,313
F	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
G	Due from Financial Leases	Series:III-No:48, Art,31	-	-
H	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
I	Shareholders' equity	Series:III-No:48, Art,31	15,877,239	14,522,496
	Other Resources		10,134,332	8,146,784
D	**Total Resources**	**Series:III-No:48, Art,3/(k)**	**30,629,118**	**27,678,593**
	Non-Consolidated (Standalone) Financial Statements Other Account Items	**Related Regulation**	**Current Period 31 December 2021 (TL)**	**Prior Period 31 December 2020 (TL)**
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series:III-No:48, Art,24/(b)	2,099,032	1,392,027
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	3,531,620	1,899,755
A3	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
B1	Foreign Properties, Projects based on properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
B2	Idle Lands	Series:III-No:48, Art,24/(c)	2,124,409	732,991
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	34,395	373,000
J	Non-cash Loans	Series:III-No:48, Art,31	45,597	7,161
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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

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

	Portfolio restrictions	Related regulation	31 December 2021 (%)	31 December 2020 (%)	Minimum/ Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)(b)	68	64	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	4.58	1.80	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-	<49%
5	Idle Lands	Series:III-No:48, Art,24/(c)	7	3	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	0.001	0.01	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	29	35	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	0.05	0.02	<10%

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

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