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

THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019
AND INDEPENDENT AUDITOR’S REPORT

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

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(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 2019, 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 2019, 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.

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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. 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 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 2020.

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 2019 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 Okan Öz.

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

Okan Öz, SMMM
Partner

İstanbul, 9 March 2020

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

	Notes	*Audited* **31 December 2019**	*Audited* **31 December 2018**
ASSETS			
Current assets		**20,392,829**	**20,695,419**
Cash and cash equivalents	5	546,968	674,871
Financial investments	6	22,370	54,442
Trade receivables	8	2,916,749	1,622,995
Trade receivables due from related parties	*28*	*479,941*	*12,621*
Trade receivables due from third parties		*2,436,808*	*1,610,374*
Other receivables	9	1,139,809	1,163,367
Other receivables due from related parties	*28*	*762*	5,754
Other receivables due from third parties		*1,139,047*	*1,157,613*
Inventories	10	13,782,778	15,407,484
Prepaid expenses	18	1,750,228	1,467,489
Other current assets	17	230,934	301,719
Current tax assets	26	2,993	3,052
Non-current assets		**3,792,413**	**2,623,851**
Trade receivables	8	3,067,809	1,895,829
Trade receivables due from third parties		*3,067,809*	*1,895,829*
Other receivables	9	42,035	28,829
Other receivables due from third parties		*17,419*	*9,027*
Other receivables due from related parties	*28*	*24,616*	19,802
Financial investments		836	836
Investments accounted for using equity method	4	7,331	7,866
Investment properties	11	480,145	390,340
Right-of-use assets	12	539	-
Property, plant and equipment	13	105,913	66,342
Intangible assets	14	4,393	1,984
Other non-current assets	17	75,958	231,437
Deferred tax assets	26	7,454	388
Total assets		**24,185,242**	**23,319,270**

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 2019 AND 31 DECEMBER 2018

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

	Notes	*Audited* **31 December 2019**	*Audited* **31 December 2018**
LIABILITIES AND EQUITY			
Current liabilities		**8,722,050**	**8,329,651**
Short-term borrowings	7	1,864,938	698,663
Short-term portions of long-term borrowings		1,313,683	976,999
Short-term portion of long-term borrowings from related parties		*2,988*	-
Lease liabilities	*28*	*2,988*	-
Short-term portion of long-term borrowings from third parties		*1,310,695*	*976,999*
Bank Loans	*7*	*1,310,695*	*976,999*
Trade payables	8	505,768	978,347
Trade payables due to related parties	*28*	*25,803*	*69,985*
Trade payables due to third parties		*479,965*	*908,362*
Other payables	9	571,706	633,686
Other payables to related parties		*397*	*398*
Other payables to third parties		*571,309*	*633,288*
Deferred income	18	4,344,566	4,904,297
Deferred income from related parties	*28*	*64,732*	*64,732*
Deferred income from third parties		*4,279,834*	*4,839,565*
Short-term provisions		121,389	137,659
Short-term provisions for employee benefits		*11,148*	*6,125*
Other short-term provisions	*15*	*110,241*	*131,534*
Non-current liabilities		**1,720,150**	**1,906,101**
Long-term borrowings		1,590,567	1,685,943
Short-term portion of long-term borrowings from related parties		*3,003*	-
Lease liabilities	28	*3,003*	-
Short-term portion of long-term borrowings from third parties		*1,587,564*	*1,685,943*
Bank Loans	7	*1,587,564*	*1,685,943*
Trade payables		102	77,349
Other payables		48,887	68,792
Deferred income		4,591	3,175
Long-term provisions		13,846	8,685
Long-term provisions for employee benefits	*16*	*13,846*	*8,685*
Deferred tax liability	26	62,157	62,157
Shareholders' equity		**13,743,042**	**13,083,518**
Total equity attributable to equity holders of the Company		**13,744,527**	**13,084,984**
Paid-in capital	19	3,800,000	3,800,000
Treasury shares (-)		(284,480)	(284,480)
Share premium (discounts)		2,366,895	2,366,895
Other comprehensive income (expense) not to be reclassified to profit or loss		(42)	(42)
- Gain (loss) on remeasurement of employee benefits		*(42)*	*(42)*
Restricted reserves		721,385	662,853
Prior years' profits		6,362,400	5,271,709
Net profit for the year		778,369	1,268,049
Non-controlling interests		**(1,485)**	**(1,466)**
Total liabilities and equity		**24,185,242**	**23,319,270**

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Notes	*Audited* **1 January- 31 December 2019**	*Audited* **1 January- 31 December 2018**
Revenue	20	5,667,598	3,927,643
Cost of sales (-)	20	(4,122,381)	(2,259,405)
Gross profit		**1,545,217**	**1,668,238**
General administrative expenses (-)	21	(308,362)	(227,160)
Marketing expenses (-)	21	(83,188)	(71,537)
Other income from operating activities	23	506,062	512,529
Other expenses from operating activities (-)	23	(299,182)	(268,202)
Shares from loss of investments accounted for using equity method		(6,770)	-
Operating profit		**1,353,777**	**1,613,868**
Income from investing activities		174	208
Operating profit before financial income / (expense)		**1,353,951**	**1,614,076**
Financial income	25	157,269	204,449
Financial expenses (-)	25	(739,936)	(550,476)
Profit from continuing operations, before tax		**771,284**	**1,268,049**
Tax income from continuing operations		7,066	-
Deferred tax income	*26*	*7,066*	-
Profit for the income		**778,350**	**1,268,049**
Distribution of profit for the period			
Non-controlling Interests		(19)	-
Owners of Parent		**778,369**	**1,268,049**
Oher comprehensive income		-	-
Total comprehensive income		**778,350**	**1,268,049**
Distribution of total comprehensive income:			
Non-controlling Interests		(19)	-
Owners of Parent		**778,369**	**1,268,049**
Earnings per share (in full TL)	27	**0.0021**	**0.0035**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

					Other 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 employee benefits	Prior years' profit	Net profit for the period	Total	Non-controlling interests	Total equity
1 January 2018 (Previously Reported)	**3.800.000**	**(284.480)**	**2.378.513**	**511.347**	**(42)**	**4.304.087**	**1.756.094**	**12.465.519**	**-**	**12.465.519**
Accounting policy change effect (**)	**-**	**-**	**-**	**-**	**-**	**(4.142)**	**-**	**(4.142)**	**-**	**(4.142)**
1 January 2018 (Restated)	**3.800.000**	**(284.480)**	**2.378.513**	**511.347**	**(42)**	**4.299.945**	**1.756.094**	**12.461.377**	**-**	**12.461.377**
Transfers	-	-	(11.618)	151.506	-	1.616.206	(1.756.094)	-	-	-
Increase/decrease due to non-interest rate change of subsidiary purchase control power (Note:3)	-	-	-	-	-	-	-	-	139.654	139.654
Transactions with shareholders of non-controlling interests (Note 3)	-	-	-	-	-	-	-	-	(141.120)	(141.120)
Dividend payment	-	-	-	-	-	(644.442)	-	(644.442)	-	(644.442)
Total comprehensive income	-	-	-	-	-	-	1.268.049	**1.268.049**	-	1.268.049
31 December 2018	**3.800.000**	**(284.480)**	**2.366.895**	**662.853**	**(42)**	**5.271.709**	**1.268.049**	**13.084.984**	**(1.466)**	**13.083.518**
1 January 2019	**3.800.000**	**(284.480)**	**2.366.895**	**662.853**	**(42)**	**5.271.709**	**1.268.049**	**13.084.984**	**(1.466)**	**13.083.518**
Transfers	-	-	-	58.532	-	1.209.517	(1.268.049)	-	-	-
Dividend payment (Note 18) (*)	-	-	-	-	-	(118.826)	-	(118.826)	-	(118.826)
Total comprehensive income	-	-	-	-	-	-	778.369	**778.369**	(19)	778.350
31 December 2019	**3.800.000**	**(284.480)**	**2.366.895**	**721.385**	**(42)**	**6.362.400**	**778.369**	**13.744.527**	**(1.485)**	**13.743.042**

(*) At the Ordinary General Assembly Meeting held on 30 April 2019, the decision on distributing cash dividend of TL 122,980 from the 2018 fiscal year profit (28 March 2018: TL 666,976) is approved. As of 30 April 2019, the Group has own 3.38% shares with a nominal value of TL 1, is shown by netting off dividend to be distributed. Dividend payment was made on 31 May 2019.

(**) The Group has applied TFRS 9 Financial Instruments (as revised in 2017) and the related consequential amendments to other TFRS Standards that are effective for an annual period that begins on or after 1 January 2018. As a result of the transition provisions of TFRS 9, the Group has recognized the cumulative effect arising from the first-time adoption of TFRS 9 as difference adjustment in retained earnings as of 1 January 2018, and the comparatives have not been restated accordingly.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEARS ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	1 January- 31 December 2019	1 January- 31 December 2018
Cash flows from operating activities			
Profit for the year		778,350	1,268,049
Adjustments related to reconcile of profit for the period			
Adjustments related to depreciation and amortization expenses	21-23	30,852	7,405
Adjustments related to impairments (reversal of) tax expense	26	(7,066)	-
Adjustments for share of loss of investments accounted for using the equity method		6,770	-
Adjustments related to impairments (reversal of)		137,706	160,525
Adjustments related to impairment loss (reversal of) of inventories	*10*	*109,533*	*160,525*
Adjustments related to impairment loss (reversal of) of investment properties	*23*	*28,173*	-
Adjustments related to provisions		(8,594)	86,626
Adjustments related to (reversal of) provisions related with employee benefits	*16*	*10,259*	*4,375*
Adjustments related to (reversal of) lawsuit and/or penalty provisions	*15*	*(21,293)*	*84,587*
Adjustments related to (reversal of) provisions for possible risks	*23*	*2,440*	*(2,336)*
Adjustments for interest (income) expenses		249,493	(87,509)
Adjustments related to interest income	*23-24-25*	*(480,201)*	*(637,724)*
Adjustments related to interest expense	*25*	*729,694*	*550,215*
Changes in net working capital		**1,187,511**	**1,435,096**
Adjustments related to (increase) / decrease in trade receivables		(2,339,288)	(1,070,314)
Decrease (increase) in trade receivables from related parties		*(467,320)*	*17,330*
Decrease (Increase) in trade receivables from third parties		*(1,871,968)*	*(1,087,644)*
Adjustments related to decrease/(increase) in inventories		1,413,256	(478,796)
Adjustments related to increase (decrease) in trade payables		(504,180)	(618,692)
Increase (decrease) in trade payables to related parties		*1,464*	*(650,750)*
Increase (decrease) in trade payables to third parties		*(505,644)*	*32,058*
Adjustments related to (decrease) in other receivables from operating activities		(143,161)	(47,480)
Adjustments related to increase (decrease) in other payables from operating activities		(476,451)	329,767
Other adjustments for other increase in working capital		68,637	322,765
Net cash flow from operating activities			
Interest received		146,932	131,033
Payments related with provisions for employee benefits	16	(75)	(848)
Tax payments		(132,147)	(199,466)
Cash flows from operating activities		**(778,966)**	**(196,935)**
Cash outflows used in obtaining control of subsidiaries or other businesses	3	(47,477)	-
Cash outflows arising from purchase of shares of associates		(6,381)	-
Purchases of investment properties, tangible and intangible assets	11-13-14	(41,003)	(1,998)
Interest received	24	174	208
Purchases of financial assets		(10,000)	(7,000)
Returns of financial assets		12,013	15,466
Other inflows (outflows) of cash		14,590	123,391
Cash flow from investing activities		**(78,084)**	**251,991**
Proceeds from borrowings		5,272,675	1,623,193
Proceeds from loans	*7*	*2,944,675*	*788,034*
Proceeds from issue of debt instruments	*7*	*2,328,000*	*835,159*
Repayments of borrowings, classified as financing activities		(3,864,749)	(720,163)
Loan repayments	*7*	*(2,022,009)*	*(450,163)*
Payments of issued debt instruments	*7*	*(1,842,740)*	-
Cash outflow from debt payments for leasing contracts		(1,153)	-
Interest paid	7	(592,597)	(317,241)
Dividends paid	19	(118,826)	(644,442)
Interest received		109,661	112,945
Other inflows (outflows) of cash		(10,149)	(203)
Cash flow from financing activities		**794,862**	**54,089**
Net (decrease) increase in cash and cash equivalents		**-62,188**	**109,145**
Cash and cash equivalents at the beginning of the period	5	494,226	385,081
Cash and cash equivalents at the end of the year	**5**	**432,038**	**494,226**

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

The Company was transformed into a Real Estate Investment Company with Senior Planning Committee Decree No. 99/T-29, dated 4 August 1999, and according to Statutory Decree No. 588, dated 29 December 1999. According to Permission No. 298, dated 20 June 2002, granted by the Capital Markets Board ("CMB") regarding transformation of the Group 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 Group were certified by Istanbul Trade Registry Office on 29 July 2002 and entered into force after being published in Trade Registry Gazette dated 1 August 2002. As the result of the General Shareholders committee meeting of the Group convened on 28 February 2006, the title of the "Company Emlak Gayrimenkul Yatırım Ortaklığı A.Ş." was changed to "Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş."

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

The registered address of the Group is Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul. Group has approximately 563 employees (31 December 2018 – 533).

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

The consolidated financial statements at 31 December 2019 have been approved by the Board of Directors on 9 March 2020.

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

Emlak Konut GYO, together with its subsidiaries and joint ventures, is referred to as "the Group".

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

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

Subsidiaries

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

Subsidiaries	Nature of operations
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. ("EPP")	Real Estate Investments
EPP – Emay Adi Ortaklığı ("EPP-EMAY")	Construction

	31 December 2019		31 December 2018	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
EPP (*)	100	100	100	100
EPP-EMAY	60	60	60	60

(*) In parallel with the Group's growing strategy, Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. was fully owned by the Group with the decision of Board of Directors dated 09 November 2018 and numbered 62/163.

Investments valued by equity method (Affiliates)

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

Investments valued by equity method (Affiliates)	Nature of operations
Bio İstanbul Proje Geliştirme ve Yatırım A.Ş. ("Bio")	Consultancy ve Construction Services
EPP-Cathay Adi Ortaklığı ("EPP-Cathay")	Construction

	31 December 2019		31 December 2018	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
Bio	32.5	32.5	20	20

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

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

Shares in Joint Operations

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

Shares in joint operations	Nature of 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 2019		31 December 2018	
	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	-	-

(*)An "Ordinary Partnership" is formed between Dap Yapı İnşaat San. and Tic. A.Ş., Eltes İnş. Tes. San. Tic. A.Ş. and the Group with the ownership rate of 59.7%, 0.3% and 40%, respectively with the purposes of the sale of one Shopping Mall (AVM) on a land of 51.000 m2 in the Istmarina project and which was constructed under "Istanbul Kartal LSRSA Project" ready to operate after being rented and the financial management of the shopping center.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Preparation

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

In addition, 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.

CMB has announced with its decision dated 17 March 2005 that it is not required for public companies operating in Turkey to apply inflation accounting as of 1 January 2005. Consolidated financial statements of the Group have been prepared in the framework of aforementioned decision.

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. 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)

Basis of Consolidation

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

- has power over the investee;
- 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 Group 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group 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 Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group 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)

Basis of consolidation (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 Group 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)

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 TAS 29 "Financial Reporting in Hyperinflationary Economies" in its financial statements for the accounting periods starting 1 January 2005.

Functional and presentation currency

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

Offsetting

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

Going concern

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

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.

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".

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

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 3).

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 Prime Ministry Undersecretariat of Treasury (the "Treasury") however quantitative information regarding Turkish State Banks and Treasury is not disclosed in accordance with this exemption. The ultimate parent and ultimate controlling party of the 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.

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.

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

2.4 Summary of significant accounting policies (continued)

Financial investments (continued)

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.

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.

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

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets

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 7).

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 6,379.86 as of 31 December 2019 (31 December 2017: full TL 5,434.42).

The provision for the present value of the defined benefit obligation is calculated by using the projectedliability 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 6,730.15 which is effective from 1 January 2019 has been taken into consideration when calculating the liability (1 January 2019: full TL 6,017.60) (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 10). 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 Commercial 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 14).

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 standalone financial statements at cost less accumulated depreciation and less impairment, if any (Note 11).

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)

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 18) and the share of the construction entity as a liability to contractors (Note 8). 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 20).

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 23-25).

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.

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.

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).

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

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

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 2019, valuation reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Yetgin 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 2019, a total of TL 298,037 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 110,241 has been provided by taking the opinion of the lawyers (Note 15). 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 Financial Reporting Standards

a) New and revised Turkish Financial Reporting Standards that are effective as of 2019

TFRS 16	*Leases*
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures*
TFRS Interpretation 23	*Uncertainty over Income Tax Treatments*
Amendments to TAS 19	Amendments to *Employee Benefits*
Annual Improvements to TFRS Standards 2015–2017 Cycle	*Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23*

TFRS 16 *Leases*

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Group is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements.

Within the scope of the simplified transition application defined in the relevant standard, it is not necessary to restate the comparative information of the financial statements and previous years' profits.

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

2.6 New and Revised Financial Reporting Standards (Continued)

a) New and revised Turkish Financial Reporting Standards that are effective as of 2019 (continued)

TFRS 16 *Leases (Continued)*

General impact of application of TFRS 16 Leases (continued)

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and TFRS Interpretation 4 continue to apply to those leases entered or modified before 1 January 2019.

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on lessee accounting

Operating leases

TFRS 16 changes how the Group accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Group has:

a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Seperated the total amont of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

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

2.6 New and Revised Financial Reporting Standards (Continued)

a) New and revised Turkish Financial Reporting Standards that are effective as of 2019 (continued)

TFRS 16 *Leases (Continued)*

Impact on lessee accounting (continued)

Under TFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight-line basis as permitted by TFRS 16.

As at 1 January 2019, the impact of TFRS 16 on the financial statements of the Group is disclosed in "The Effects of Accounting Policy Amendments" note.

Finance leases

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17.

Impact on Lessor Accounting

Under TFRS 16, a lessor has continued to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, TFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under TFRS 16, an intermediate lessor has accounted for the head lease and the sublease as two separate contracts.

Effects of Accounting Policies Changed

The effects of the application of TFRS 16 Leases on the Group's financial statements and the new accounting policies that the Group started to implement as of 1 January 2019, unlike the prior periods, are stated below.

The Group started to use TFRS 16 for the first time on 1 January 2019 by making use of the practical expedient available on transition to TFRS 16. As of 1 January 2019 the Group has calculated the right-of-use assets in the consolidated financial statements for the leases previously classified as operating leases in accordance with TAS 17 over an amount equal to the lease obligation that has been prepaid or adjusted.

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

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

2.6 New and Revised Financial Reporting Standards (Continued)

TFRS 16 ***Leases (Continued)***

Effects of Accounting Policies Changed (continued)

In this context, the application of TFRS 16 Leases Standard does not have any effect on the previous years' profits of the Group, due to the preferred expedient transition method.

	Before the acccounting policy change		After the acccounting policy change
	1 January	TFRS 16 effect	1 January
	2019		2019
Right-of-use Assets	-	6,593	4,968
Prepaid expenses	1,467,489	(882)	1,466,607
Effect on total assets	**23,319,270**	**5,711**	**23,324,981**
Short-term Borrowings	1,675,662	935	1,676,476
Long-term Borrowings	1,685,943	4,776	1,690,097
Effect on total liabilities	**23,319,270**	**5,711**	**23,324,981**

On adoption of TFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 15.6%.

Operational lease commitments as of 31 December 2018	**21,779**
Amount reduced by lessee's incremental borrowing rate of interest at the inital application date	14,602
(Less): low value leases eliminated according to straight-line method	(8,891)
Lease liability as of 1 January 2019	**5,711**
Short-term lease liability	935
Long-term lease liability	4,776

Amendments to TAS 28 ***Long-term Interests in Associates and Joint Ventures***

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TFRS Interpretation 23 ***Uncertainty over Income Tax Treatments***

This interpretation addresses the determination of taxable profit or tax loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

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

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

2.6 New and Revised Financial Reporting Standards (Continued)

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

Amendments to TAS 19 *Employee Benefits*

The Amendments to TAS 19 *Employee Benefits* address the impact of the changes in defined benefit plans (one of the two benefits provided after employment relationship is ended defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans, and TAS 19 has been amended.

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 *Business Combinations* and TFRS 11 *Joint Arrangements* in when a party that participates in, but does not have joint control of, TAS 12 *Income Taxes*; income tax consequences of dividends in profit or loss, and TAS 23 *Borrowing Costs* in capitalized borrowing costs.

Except for TFRS 16, the aforementioned standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

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

TFRS 17	*Insurance Contracts*
Amendments to TFRS 3	*Business Combinations*
Amendments to TAS 1	*Presentation of Financial Statements*
Amendments to TAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

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

2.6 New and Revised Financial Reporting Standards (continued)

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

Amendments to TFRS 3 *Business Combinations*

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

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

Amendments to TAS 1 *Presentation of Financial Statements* and TAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

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

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

NOTE 3 – BUSINESS COMBINATIONS

Subsidiaries acquired

In parallel with the Group's growth strategy, 51% of Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. ("EPP") shares was purchased on 09 November 2018 in order to operate in project management, real estate marketing and leasing, consultancy services, developing projects based on revenue sharing model on lands. The remaining 49% of the shares was purchased from T.C. Toplu Konut İdaresi Başkanlığı'ndan ("TOKİ") which is the main shareholder of the Group.

	Main Operation	Acquisition date	Shares acquired (%)	Consideration transferred
EPP	Real Estate Investments	09 November 2018	100	288,000
				288,000

Assets acquired and liabilities assumed as of the acquisiton date

Current assets	
Cash and cash equivalents	221,327
Trade and other receivables	52,269
Inventories	664,721
Other current assets	53,593
Non-current assets	
Trade and other receivables	27,815
Financial investments	8,702
Investment property	22,958
Property, plant and equipment and intangible assets	2,489
Other non-current assets	588
Current liabilities	
Trade and other payables	7,836
Deferred income	681,484
Other current liabilities	7,421
Non-current liabilities	
Trade and other payables	9,030
Deferred tax liability	62,157
Non-controlling interests	(1,466)
Fair value of identifiable net assets acquired	**288,000**

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

NOTE 3 – BUSINESS COMBINATIONS (Continued)

Goodwill arised during the acquisition

No goodwill arised as a result the purchase of 51% of the shares of EPP by the Group. The reconciliation of the relevant acquisition is as follows:

Consideration transferred	146,880
Plus: non-controlling interests	141,120
Less:Fair value of identifiable net assets acquired	(288,000)
Goodwill	

Changes in the Group's share of EPP that do not result in loss of control is accounted for in equity. The carrying value of Group's share and the non-controlling interests are adjusted in order to reflect the changes in the shares of subsidiaries. The difference between the adjusted amount of non-controlling interests and the fair value of the amount received or paid is directly recognized in equity as Group's share. Since there is no difference between the fair value of the consideration transferred as a result of the acquisition of 49% EPP's shares by the Group and the non-controlling interests, no amount is recognized in equity. Reconciliation of 49% share acquisition is as follows:

Consideration transferred for %49	141,120
Derecognized non-controlling interests	141,120
Accounted for under equity	**-**

Cash inflows from the acquisition of subsidiaries

Consideration paid in cash	(99,403)
Plus: Cash and cash equivalent balances acquired	221,327
	121,924

The Group purchased 51% of EPP's shares for a total of TL 146,880. TL 99,403 of that amount paid in cash and TL 47,477 paid by check with a due date of 20 February 2019 and the remaining 49% of the shares was purchased for TL 141,120 on the account of receivable from Antalya Muratpaşa land which returned to T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ"), the main shareholder of the Group. Therefore, transactions other than TL 99,403 cash payment did not have an impact on the consolidated statement of cash flows of the Group for the period of 1 January 2018 – 31 December 2018 in accordance with TAS 7. Additionally, the Group fulfilled its check obliagation amounting to TL 47,477 in 2019.

NOTE 4 – SHARE IN OTHER AFFILIATES

a) Affiliates

As of 31 December 2019, the details of the Group's key affiliates are as follows:

In the accounting period ended on 31 December 2019, the carrying value of the Group's subsidiary Bio, valued with the equity method, is TL7,331 (31 December 2018: TL 7,866).

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

NOTE 5 – CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	73	26
Banks	514,671	674,845
- *Demand deposit*	142,686	132,738
- *Time deposits up to 3 months maturity*	371,985	542,107
Other cash and cash equivalents	32,224	-
	546,968	**674,871**

Maturities of cash and cash equivalents are as follows:

	31 December 2019	31 December 2018
Demand	142,686	132,738
Up to 3 month	371,985	542,107
Less: Blocked deposits with maturities less than 3 months	(2,880)	(29,990)
	511,791	**644,855**

Average effective interest rates of in TL time deposits are as follows:

	31 December 2019	31 December 2018
	(%)	**(%)**
	9.58%	18.47%

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

	31 December 2019	31 December 2018
Cash and cash equivalents	546,968	674,871
Less: Interest accruals on deposits	(758)	(1,132)
Less: LSRSA project deposits (*)	(117,489)	(169,609)
Less: Blocked deposits with maturities less than 3 months	(929)	(11,710)
Add: the effect of provisions released under TFRS 9	4,246	1,806
	432,038	**494,226**

(*) The contractors' portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Group is kept in deposits accounts in the name of the related projects under the control of the Group as stated in the agreement. TL 1,951 (31 December 2018: TL 18,280) of the deposits of the project accounts amounting TL 117,489 (31 December 2018: TL 169,609) consists of blocked deposits of the projects.

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

NOTE 6 - FINANCIAL INVESTMENTS

Short-term financial investments	**31 December 2019**	**31 December 2018**
Blocked deposits with maturities longer than 3 months (**)	12,316	42,375
Special issue government bonds (*)	10,054	12,067
	22,370	**54,442**

(*) Under the Lar No. 5664, the Group received special issued Government Debt Securities amounting to TL 429,617 on behalf of Republic of Turkey Ministry Undersecreteriat of Treasury ("Treasury") for the payments to Housing Acquisition Support ("HAS") beneficiaries in 2010. As HAS beneficiaries are determined, the Group amortizes a certain part of GDS early and transfers to the Group accounts for payment (Note 9). Since GDS received in 2010 were issued by Treasury, and since they are interest-free and not subject to trading in the secondary market, their fair values are their nominal values.

(**) The Group keeps the credit amounts used by customers as blocked deposits at the bank in order to provide low interest rate financing to its customers who want to purchase residentials from the projects that the Group has developed. The relevant amounts are ready for the use of the company at the specified terms. While the contractor portion of blocked deposits in the bank accounts which opened in the name of the related project under the control of the Group and which have maturities more than 3 months is TL 8,331 (31 December 2018: TL 17,591), the Group portion is TL 3,985 (31 December 2018: TL 24,784).

As of 31 December 2019, the Group's long-term investments comprise investments with less than 1% in capitals of Kazakhstan Ziraat International Bank and Tobaş Mass Housing Büyükşehir Belediyesi İnşaat Emlak Mimarlık ve Proje A.Ş.

NOTE 7 - FINANCIAL LIABILITIES

	31 December 2019	**31 December 2018**
Short-term financial liabilities		
Issued debt instruments (*)	1,065,415	587,526
Short-term bank borrowings	799,524	111,137
Short-term portion of long-term borrowings	1,310,695	976,999
Lease obligation	2,987	-
	3,178,621	**1,675,662**

(*) The Group issued five different lease agreements amounting to TL 150,000 TL with a profit share of 18.50% and a maturity date of 28 January 2020 on 6 August 2019, amounting to TL 200,000 with a profit share of 13,95% and a maturity date of 11 February 2020 on 16 October 2019, amounting to TL 200,000 with a profit share of 13.95% and a maturity date of 3 March 2020 on 22 October 2019 and amounting to TL150,000 with a profit share of 10.70% and a maturity date of 9 June 2020 on 24 December 2019. Additionally, the Group issued a debt instrument with a nominal value of TL 142,896 within the scope of the issuance ceiling of TL 2,000,000 with an interest rate of 10.65% and a maturity date of 3 June 2020 on 3 July 2019.

Long-term financial liabilities	**31 December 2019**	**31 December 2018**
Long-term borrowings	1,587,564	1,685,943
Lease obligation	3,003	-
	1,590,567	**1,685,943**

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

All borrowings used as of 31 December 2019 are denominated in TL and their weighted average interest rate is 17.70% (31 December 2018: 17.62%).

The redemption schedules of the borrowings as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
2020	-	999,507
2021	1,344,827	638,745
2022	131,092	47,691
2023	51,759	-
2024	59,886	-
	1,587,564	**1,685,943**

The interest sensitivity of the redemption schedules of the borrowings are as follows:

	31 December 2019	31 December 2018
Less than 3 months	790,900	202,373
Between 3 - 12 months	1,319,319	885,763
Between 1 - 5 years	1,587,564	1,685,943
	3,697,783	**2,774,079**

As of 31 December 2019 and 2018 the reconciliation of credits and issued cahs flows are as follows:

	Loans		Commercial bill	
	1 January- 31 December 2019	1 January- 31 December 2018	1 January- 31 December 2019	1 January- 31 December 2018
Opening balance	2,774,079	2,414,672	587,526	-
Interest expenses	463,264	331,076	123,000	30,068
Interest paid	(462,226)	(309,540)	(130,371)	(7,701)
Cash inflow from financial borrowings	2,944,675	788,034	2,328,000	835,159
Cash outflow from financial borrowings	(2,022,009)	(450,163)	(1,842,740)	(270,000)
Closing balance	**3,697,783**	**2,774,079**	**1,065,415**	**587,526**

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**31 December 2019**	**31 December 2018**
Receivables from contractors of the lands invoiced under LSRSA	1,473,299	851,820
Receivables from sale of residential and commercial units	669,109	651,294
Receivables from the sale of transferred residential and commercial units (*	44,958	44,958
Notes of receivables	139	43,668
Receivables from land sales	258,411	24,754
Receivables from related parties (Note 28)	479,941	12,621
Receivables from lessees	10,431	9,082
Other	7,683	2,369
Unearned finance income	(27,222)	(17,571)
	2,916,749	**1,622,995**
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	2,916,749	**1,622,995**

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

	31 December 2019	**31 December 2018**
Long-term trade receivables		
Receivables from sale of residential and commercial units	3,323,401	2,178,500
Receivables from land sales	177,940	-
Unearned finance income	(433,532)	(282,671)
	3,067,809	**1,895,829**

	31 December 2019	**31 December 2018**
Short term payables		
Payables to related parties (Note 28)	20,797	69,985
Payables to LSRSA contractors invoiced	191,691	361,559
Trade payables	278,536	527,061
Interest accruals on time deposits of contractors (*)	14,744	19,742
	505,768	**978,347**

(*) 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.

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Short-term other receivables		
Advances given to contractor firms	721,605	758,851
HAS related receivables from Turkish Treasury	402,527	390,768
Other receivables from related parties (Note 28)	762	5,754
Receivables from the authorities	14,507	6,909
Other	408	1,085
	1,139,809	**1,163,367**

	31 December 2019	31 December 2018
Long-term other receivables		
Other receivables from related parties (Note 28)	24,616	19,802
Other receivables	15,138	8,012
Deposits and guarantees given	2,281	1,015
	42,035	**28,829**

	31 December 2019	31 December 2018
Short-term other payables		
Payables to HAS beneficiaries	402,713	402,810
Payables to contractors (*)	88,752	88,752
Note payable	-	47,477
Taxes and funds payable	23,077	23,908
Other	57,164	70,739
	571,706	**633,686**

(*) 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 2018: TL 88,752).

As of 31 December 2019 other long-term payables comprises of deposits and guarantees received.

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES (Continued)

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 2019 and 2018 are as follows:

	1 January 2019	Additions within the period	Disposals	31 December 2019
Treasury support				
Receivables from Treasury	390,768	11,759	-	402,527
Special issue Government Debt Securities	12,067	10,054	(12,067)	10,054
Cash generated from government bond redemption	(25)	12	(9,855)	(9,868)
Total consideration received or receivable from Treasury	**402,810**			**402,713**
Payables to HAS beneficiaries	**(402,810)**			**(402,713)**

	1 January 2018	Additions within the period	Disposals	31 December 2018
Treasury support				
Receivables from Treasury	390,771	-	(3)	390,768
Special issue Government Debt Securities	12,267	-	(200)	12,067
Cash generated from government bond redemption	(25)	252	(252)	(25)
Total consideration received or receivable from Treasury	**403,013**			**402,810**
Payables to HAS beneficiaries	**(403,013)**			**(402,810)**

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

NOTE 10 - INVENTORIES

	31 December 2019	31 December 2018
Lands	4,085,357	3,307,234
Cost	*4,167,413*	*3,455,715*
Impairment	*(82,056)*	*(148,481)*
Planned land by LSRSA	4,989,643	7,158,373
Planned land by turnkey project	3,022,541	3,689,638
Residential and commercial units ready for sale	1,685,237	1,252,239
Cost	*1,895,068*	*1,286,112*
Impairment	*(209,831)*	*(33,873)*
	13,782,778	**15,407,484**

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

The movements of impairment on inventories are as follows:

	2019	2018
Opening balance at 1 January	**182,354**	**21,829**
Impairment charge for the period	185,084	171,606
Reversal of impairment	(75,551)	(11,081)
Closing balance at 31 December	**291,887**	**182,354**

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

NOTE 10 – INVENTORIES (Continued)

As of 31 December 2019 and 31 December 2018 the details of land and residential inventories of the Group are as follows:

Lands	**31 December 2019**	**31 December 2018**
İstanbul Küçükçekmece Lands	1,942,494	1,420,469
İstanbul Başakşehir Lands	627,674	438,912
İstanbul Bakırköy Lands	364,227	350,673
İstanbul Florya Lands	262,556	-
İstanbul Beşiktaş Lands	256,965	360,002
İstanbul Arnavutköy Lands	170,581	166,655
Samsun Canik Lands	111,916	94,265
İstanbul Kartal Lands	109,183	109,183
İstanbul Esenyurt Lands	50,577	39,178
Ankara Çankaya Lands	45,644	17,695
İstanbul Ataşehir Lands	40,642	40,536
İstanbul Resneli Lands	20,333	20,333
İstanbul Tuzla Lands	20,016	205,917
İstanbul Avcılar Lands	19,307	-
İzmir Konak Umurbey Lands	12,258	12,258
İstanbul İstinye Lands	7,734	7,734
Sakarya-Sapanca Lands	7,027	6,302
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	3,010
Tekirdağ Kapaklı Lands	1,665	1,862
İstanbul Umraniye Lands	1,844	1,844
Kocaeli Gebze Lands	729	729
İstanbul Zekeriyaköy Lands	677	677
Tuzla Orhanlı Project	540	540
Kocaeli Tütünçiftliği Lands	-	618
İstanbul Kagıthane Lands	-	703
Other	1,605	986
	4,085,357	**3,307,234**

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

NOTE 10 – INVENTORIES (Continued)

Planned lands by LSRSA	31 December 2019	31 December 2018
Nidapark Istinye Project	993,780	993,433
Nidapark Kucukyalı Project	678,852	677,715
Merkez Ankara Project	642,054	630,115
Nişantaşı Project	571,037	498,095
Beykoz Riva Project	386,193	366,646
İstanbul Çekmeköy Taşdelen Project	312,972	271,109
Büyükyalı Project	263,492	656,805
Yalova Armutlu Project	211,633	58,276
Validebağ Konakları Project	154,929	153,764
Köy Project	153,054	153,352
Avangart İstanbul Project	120,391	120,077
Temaşehir Konya Project	87,489	96,074
Cer İstanbul Project	67,403	67,520
Evora Denizli Project	63,618	76,256
Ebruli Ispartakule Project	58,200	58,105
Avrupark Hayat Project	54,057	54,289
Tual Bahçekent Project	39,779	118,929
Nidapark Kayasehir Project	35,367	199,373
Ofis Karat Bakırköy Project	30,955	30,605
Ispartakule 6. Etap Project	31,641	48,682
Tual Adalar Project	11,828	90,842
Şile Çavuş Project	9,813	9,813
Karat 34 Project	5,673	67,480
Koordinat Çayyolu Project	2,257	97,164
Evvel İstanbul Project	612	128
Semt Bahçekent Project	341	50,154
Zeytinburnu Beştelsiz Project	107	408,029
Ankara Saraçoğlu Project	-	2,442
Tuzla İçmeler Project	-	20,016
Yeniköy Konakları İstanbul Project	-	45,368
Florya Şenlik Mahallesi Project	-	370,512
Bizim Mahalle 2. Etap Project	-	476,638
İstanbul Finans Merkezi Project	-	22,444
İstmarina Project	-	29,170
Kocaeli Derince Project	-	70,360
Maslak 1453 Project	-	35,422
Çankaya Oran Project	-	33,079
Other	2,116	92
	4,989,643	**7,158,373**

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

NOTE 10 – INVENTORIES (Continued)

Completed units	**31 December 2019**	**31 December 2018**
Maslak 1453 Project	491,323	654,276
Gebze Emlak Konutları	590,245	-
Sarphan Finanspark Project	179,190	225,534
Niğde Emlak Konutları	57,351	-
Büyükyalı Project	74,606	-
Başakşehir Ayazma Emlak Konutları	8,745	115,630
İstmarina Project	52,831	51,728
Ispartakule Emlak Konutları	19,919	-
Göl Panorama Project	33,478	-
Koordinat Çayyolu Project	35,410	-
Nidakule Ataşehir Project	24,052	24,052
Nevşehir Emlak Konutları	3,459	-
Dumankaya Miks Project	16,686	19,330
Kocaeli Körfezkent Emlak Konutları	14,268	57,058
Batışehir Project	11,730	11,730
Başakşehir Emlak Konutları	9,123	29,228
Esenler Emlak Konutları	1,096	6,895
Unikonut Project	6,890	9,411
Bahçekent Emlak Konutları	3,578	8,445
Avrupa Konutları Başakşehir Project	1,178	8,553
Metropol İstanbul Project	3,444	7,889
Bulvar İstanbul Project	2,424	3,208
Bahçekent Flora Evleri	1,777	1,082
Park Yaşam Mavişehir Evleri	-	1,739
Other	42,434	16,451
	1,685,237	**1,252,239**

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

NOTE 10 – INVENTORIES (Continued)

Planned lands by turnkey project	31 December 2019	31 December 2018
Başkent Emlak Konutları Project	922,882	557,844
IGTOD Rami Gıda Toptancıları Project	703,235	571,009
Kuzey Yakası Project	516,630	349,753
Ankara Başkent Project	358,729	255,532
Halkalı Emlak Konutları Project	259,306	-
Hoşdere 6.Etap Project	101,356	-
Yeniköy Konakları	114,736	-
Gebze Emlak Konutları	10,416	618,036
Hoşdere Hayat Parkı Project	30,059	-
Ankara Saraçoğlu Project	5,192	-
Nevşehir Emlak Konutları Project	-	225,771
Ispartakule 1. Etap 2. Kısım Project	-	408,117
Ispartakule 1. Etap 1. Kısım Project	-	458,732
Ayazma Emlak Konutları Project	-	1,916
Kocaeli Körfezkent Commercial Units	-	40,918
Ankara Mühye Emlak Konutları Project	-	-
Niğde Emlak Konutları	-	162,387
Başakşehir Ayazma 2. Etap Project	-	39,623
	3,022,541	**3,689,638**

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

NOTE 11 –INVESTMENT PROPERTIES

Lease income is obtained from investment properties and the expertise used in the calculation of impairment is made through sample comparison and income deduction methods.

The movements of investment properties as of 31 December 2019 and 2018 are as follows:

Cost Value	Lands, residential and commercial units	Atasehir general management building A block	Total
Opening balance as of 1 January 2019	352,140	40,922	393,062
Transfers from commericial units and land inventories	111,436	-	111,436
Transfers to residential and commercial unit inventories	(1,757)	-	(1,757)
Purchases	27,905	-	27,905
Impairment (-)	(28,173)	-	(28,173)
Ending balance as of 31 December 2019	461,551	40,922	502,473
Accumulated Depreciation			
Opening balance as of 1 January 2019	-	2,722	2,722
Charge for the year	19,289	317	19,606
Ending balance as of 31 December 2019	19,289	3,039	22,328
Carrying value as of 31 December 2019	442,262	37,883	480,145

Cost Value	Lands, residential and commercial units	Atasehir general management building A block	Total
Opening balance as of 1 January 2018	17,608	40,922	58,530
Purchases (*)	272,179	-	272,179
Assets acquired through a business combination	22,958	-	22,958
Transfers from unplanned lands	33,021	-	33,021
Transfers from residential and commercial unit inventories	19,938	-	19,938
Transfers to unprojectized lands	(13,564)	-	(13,564)
Ending balance as of 31 December 2018	352,140	40,922	393,062
Accumulated Depreciation			
Opening balance as of 1 January 2018	-	1,247	1,247
Charge for the year	-	1,475	1,475
Ending balance as of 31 December 2018	-	2,722	2,722
Carrying value as of 31 December 2018	352,140	38,200	390,340

(*) Comprises independent commercial units purchased by the Group in 2018 in order to earn lease income from Istmarina shopping center which was completed within the scope of "Revenue Sharing Work for Istanbul Kartal Land Sale".

Lease income from investment properties as of 31 December 2019 is TL 39,541 (1 January – 31 December 2018: TL 16,656).

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

NOTE 11 –INVESTMENT PROPERTIES (Continued)

Reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Reel Gayrimenkul Değerleme A.Ş., valuation firms authorized by CMB, have been taken into consideration when determining the fair values of investment properties as of 13 December 2019. The fair values of the investment property determined by independent valuation experts are as follows:

	31 December 2019	**31 December 2018**
Lands and completed units	175,630	132,223
Atasehir General Management Office A Block	98,000	83,524
Independent commercial units of Istmarina AVM	272,515	272,179
	546,145	**487,926**

As of 31 December 2019 and 31 December 2018 Group's investment properties and their fair value hierarchy are as follows:

		Fair value levels as of 31 December 2019		
		Level 1	Level 2	Level 3
	31 December 2019	TL	TL	TL
Lands, residential and commercial units	175,630	-	-	175,630
Atasehir general management building A block	98,000	-	-	98,000
Independent commercial units of Istmarina AVM	272,515	-	-	272,515

		Fair value levels as of 31 December 2018		
		Level 1	Level 2	Level 3
	31 December 2018	TL	TL	TL
Lands, residential and commercial units	132,223	-	-	132,223
Atasehir general management building A block	83,524	-	-	83,524
Independent commercial units of Istmarina AVM	272,179	-	-	272,179

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

NOTE 12 – RIGHT-OF-USE ASSETS

	Lands	Total
Cost Value		
Opening balance as of 1 January 2019	-	-
Changes in accounting policies	6,593	6,593
Additions	541	541
Disposals	(6,593)	(6,593)
Closing balance as of 31 December 2019	541	541
Accumulated Amortization		
Opening balance as of 1 January 2019	-	-
Charge for the period	(111)	(111)
Disposals	109	109
Closing balance as of 31 December 2019	(2)	(2)
Carrying value as of 31 December 2019	539	539

As of 31 December 2019 the carrying value of the right-of-use assets is TL 539. The initial recognition of right-of-use assets under TFRS 16 is detailed in Note 2.6.

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

31 December 2019	Buildings	Motor vehicles	Furniture, eqipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2019	58,803	550	6,892	97	66,342
Additions	6,102	-	1,643	-	7,745
Transfers from trading units	40,017	-	-	-	40,017
Depreciation expense(-)	(4,325)	(358)	(3,508)	-	(8,191)
Net carrying value 31 December 2019	**100,597**	**192**	**5,027**	**97**	**105,913**
Cost	109,880	2,160	21,868	97	134,005
Accumulated depreciation (-)	(9,283)	(1,968)	(16,841)	-	(28,092)
Net carrying value 31 December 2019	**100,597**	**192**	**5,027**	**97**	**105,913**

31 December 2018	Buildings	Motor vehicles	Furniture, eqipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2018	58,504	833	7,427	94	66,858
Additions	-	-	1,995	3	1,998
Depreciation expense(-)	(1,620)	(283)	(2,979)	-	(4,882)
Net carrying value 31 December 2018	**58,803**	**550**	**6,892**	**97**	**66,342**
Cost	63,670	2,160	20,305	97	86,232
Accumulated depreciation (-)	(4,867)	(1,610)	(13,413)	-	(19,890)
Net carrying value 31 December 2018	**58,803**	**550**	**6,892**	**97**	**66,342**

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

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

NOTE 14 – INTANGIBLE ASSETS

31 December 2019	Licenses	Computer software	Rights	Total
Net book value, 1 January 2019	1,471	392	121	1,984
Additions	4,936	417	-	5,353
Amortization expense (-)	(2,582)	(332)	(30)	(2,944)
Net carrying value 31 December 2019	**3,825**	**477**	**91**	**4,393**
Cost	11,166	2,977	121	14,264
Accumulated amortization (-)	(7,341)	(2,500)	(30)	(9,871)
Net carrying value 31 December 2019	**3,825**	**477**	**91**	**4,393**

31 December 2018	Licenses	Computer software	Rights	Total
Net carrying value as of 1 January 2018	2,434	477	-	2,911
Assets acquired through a business	-	-	121	121
Amortization expense (-)	(963)	(85)	-	(1,048)
Net carrying value 31 December 2018	**1,471**	**392**	**121**	**1,984**
Cost	6,267	2,977	121	9,365
Accumulated amortization (-)	(4,796)	(2,585)	-	(7,381)
Net carrying value 31 December 2018	**1,471**	**392**	**121**	**1,984**

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Provisions		
Provision for lawsuits	110,241	131,534
	110,241	**131,534**

According to the opinions of the Group's lawyers, provisions amounting to TL 110,241 have been made as of 31 December 2019 (31 December 2018: TL 131,503). As of 31 December 2019, there are 44 cases of defect, 4 cases of loss of rent, 26 cases of cancellation of title deeds and registration, 6 cases of business and 34 other cases. The amount of risk arising from the total possible cash outflow is TL 131, 802 and the lawsuits are still pending. The movements of provision for lawsuits as of 31 December 2019 and 2018 are as follows:

	2019	2018
Balance at 1 January	**131,534**	**46,916**
Provision released within the current period (Note 22)	(23,329)	-
Obligations acquired through business combination	-	31
Provision added within the current period (Note 22)	2,036	84,587
Closing balance at 31 December	**110,241**	**131,534**

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

15.1 Continuing Lawsuits and Provisions

15.1.1 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 Group and the contractor filed counter lawsuits in the following period and an additional report was decided to be issued. The additional report is about the final receivables and payables of the parties considering all the claims. As a result of the examination of the additional report at the hearing on 11 June 2014, the second expert committee was examined however, since the expert report was not received, the date of the case was not finalized. The Group filed an extra lawsuit of TL 34,100 on 7 July 2011, requesting the collection, without prejudice to surplus rights.

According to the various expert reports submitted to the file, the complainant increased the lawsuit cost by TL 65,596 with the claim that the lawsuit was terminated unfairly by Emlak Konut during the prosecution process of the compensation lawsuit filed by the contractor for the detection of invalidity of termination on condition that the surplus rights are reserved. The Group made provision amounting to TL 75,840 as of 31 December 2019.

15.1.2 Contractor firm filed a lawsuit against the Group claiming compensation because of damage caused by the Group in the agreement of The LSRSA Project regarding İstanbul Bakırköy, 51/4 section 257 zone 33 & 38 parcels. In the related case, Bakırköy 2nd Commercial Court of First Instance decided against the Group and the Supreme Court of Appeals overturned the decision in favor of the Group. The decision of the local court is expected. As of 31 December 2019, a provision amounting to TL 20,521 has been made.

15.1.3 The filed by the contractor firm is action of debt, deed cancellation and registration case. The decision of the contractor's contract was terminated unfairly, passing through degrees. Lawsuits filed by the Group and amounting to TL 6,681 have been partially accepted and the decision was appealed by the parties, the trial is ongoing at the Istanbul 16th Commercial Court of First Instance. As of 31 December 2019 a provision amounting to TL 6,860 has been made.

15.2 Contingent Liabilities of the Group

In the financial statements prepared as of 31 December 2019, 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 2019 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.

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

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

15.2 Contingent Liabilities of the Group (Continued)

15.2.1 The LSRSA project agreement regarding İzmir Mavisehir Upper North Area 3. Phase was signed on 19 December 2005 and following almost all the contractual obligations have been performed by the parties, the Contractor filed a lawsuit against the Group claiming that the agreement conditions should be revised considering the changing conditions. The contractor firm filed the case for the stay of definition of the provision concerning the income rate of Company share amounting to "TL 67,515 + VAT" which corresponds to 38.58% of total sales amounting to "TL 175,000 + VAT" and the cancellation of provisions except for "Income Rate of Group Share corresponding to 38.58% of total income" to be paid to the other party, determining the value of the immovable as a result of the appraisal assessment of all immovable properties including the land share as of the lawsuit date, distribution of 38.58% and 61.42% of the determined value to the Group and the contractor, respectively. Although the relationship between the parties was described as "ordinary partnership" in the expert report, the Group objected to the report by suggesting the existence of opposite views in the doctrine and presenting the source. In the expert report, the idea of presence of the mortgage crisis requires adaptation to changing conditions was graded.

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

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

15.3 Contingent Assets of Emlak Konut GYO

15.3.1 As of 31 December 2019 and 31 December 2018 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 2019	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	927,520	868,216	1,795,736
2 year	527,251	530,401	1,057,652
3 year	467,415	332,068	799,483
4 year	395,261	231,264	626,525
5 year and above	2,111,414	569,847	2,681,261
	4,428,861	**2,531,796**	**6,960,657**

31 December 2018	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	676,048	1,078,613	1,754,661
2 year	397,839	913,186	1,311,025
3 year	354,604	494,918	849,522
4 year	318,761	381,373	700,134
5 year and above	1,107,296	1,576,903	2,684,199
	2,854,548	**4,444,993**	**7,299,541**

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

NOTE 16 – EMPLOYEE BENEFITS

	31 December 2019	**31 December 2018**
Short-term provisions		
Unused vacation provision	11,148	6,125
	11,148	**6,125**
Long-term provisions		
Provision for employment termination benefit	13,846	8,685
	13,846	**8,685**

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

	31 December 2019	**31 December 2018**
Discount Rate (%)	3.90	4.23
Turnover rate to estimate probability of retirement (%)	2.47	0.65

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 1,004.

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 207389

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

	2019	**2018**
Balance at 1 January	**8,685**	**6,162**
Service cost	4,708	1,486
Obligations acquired through business combination	-	1,008
Interest cost	528	877
Payment within the period	(75)	(848)
Closing balance at 31 December	**13,846**	**8,685**

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

NOTE 17 – OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2019	31 December 2018
Progress payments to contractors	115,896	160,128
Income accruals	68,349	114,049
Receivables from tax office	42,526	17,703
Deferred VAT	568	9,219
Deposits and guarantees	-	130
Other	3,595	490
	230,934	**301,719**

Other non-current assets	31 December 2019	31 December 2018
Deferred VAT	75,958	231,222
Deposits and guarantees	-	215
	75,958	**231,437**

NOTE 18 – DEFERRED INCOME AND PREPAID EXPENSES

Short-term deferred income	31 December 2019	31 December 2018
Deferred income from LSRSA projects (*)	1,698,186	2,142,368
Advances taken from LSRSA contractors (**)	570,237	688,925
Advances taken from turnkey project sales	1,379,687	1,074,907
Transferred deferred incomes (***)	239,333	336,000
Deferred income related to sales of completed units	392,391	597,365
Advances received from related parties (Note 28)	64,732	64,732
	4,344,566	**4,904,297**

(*) The balance is comprised of deferred income of future land sales regarding the related residential unit's sales under LSRSA projects.
(**) Before the contract is signed with the contractor companies in the ASKGP projects, the company collects the first payment of the total income corresponding to the share of the company from the total sales income in advance at the determined rates.
(***)The balance is comprased of cash collected by the Group as "irrevocable" by transferring a portion of off-balance sheet receivables arising from forward sales.

Prepaid expenses	31 December 2019	31 December 2018
Advances given for inventory (*)	1,747,573	1,466,470
Prepaid expenses	2,655	1,019
	1,750,228	**1,467,489**

(*) A protocol has been signed between the Group and the Tariş Cooperatives Union to develop revenue sharing project on a land, which belongs to the Tariş Cooperatives Union, located within the borders of Kuruçay/Umurbey, Konak district of İzmir and an inventory advance amounting to TL 498,580 has been made. The Group has also provided an inventory advance amounting to TL 1,106,238 to the contractors for the residential and commercial units which it will acquire based on preliminary sales contract from ongoing Ankara Yeninahalle Station, Nidapark Küçükyalı and Büyükyalı projects.

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

NOTE 19 - SHAREHOLDERS' EQUITY

The Group's authorized capital amount is TL 3,800,000 (31 December 2018: TL 3,800,000) and consists of 380,000,000,000 (31 December 2018: 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 2019 and 31 December 2018 is as follows:

	31 December 2019		**31 December 2018**	
Shareholders	**Share (%)**	**TL**	**Share (%)**	**TL**
Public offering portion	50.66	1,925,111	50.66	1,925,111
T.C. Toplu Konut İdaresi Başkanlığı "TOKİ"	49.34	1,874,831	49.34	1,874,831
HAS beneficiaries	0.00	56	0.00	56
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 30 April 2019, the General Assembly decided to distribute dividends amounting to TL 122,980. This dividend amouting to TL 4,154 is related to repurchased shares and ofsetted under equity.

Between 1 November 2017 and 17 November 2017, The Group has repurchased 8,309,000 numbers of shares with nominal value between full TL 2.55 and full TL 2.70 (full TL) and with the transaction cost amounting to thousand TL 21,623. The average purchase price of the repurchased shares is TL 2.60 and the ratio of total shares acquired as a result of the purchase transactions between 23 December 2013 and 17 November 2017 to total number was 3.38%.

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

NOTE 20 - REVENUE AND COST OF SALES

	1 January- 31 December 2019	1 January- 31 December 2018
Sales income		
Land sales	3,653,421	2,298,169
Sales of planned lands by way of LSRSA	*2,132,477*	*1,831,981*
Land sales income	*1,520,944*	*466,188*
Residential and commercial units sales	1,982,654	1,613,690
Other income	38,265	16,656
	5,674,340	**3,928,515**
Sales returns	(6,457)	(516)
Sales discounts	(285)	(356)
Net sales income	**5,667,598**	**3,927,643**
Cost of sales		
Cost of lands	(2,178,417)	(928,653)
Cost of lands planned by way of LSRSA	*(919,900)*	*(733,168)*
Cost of lands sold	*(1,258,517)*	*(195,485)*
Cost of residential and commercial units sold	*(1,943,964)*	*(1,330,752)*
	(4,122,381)	**(2,259,405)**
Gross Profit	**1,545,217**	**1,668,238**

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2019	1 January- 31 December 2018
General administrative expenses		
Personnel expenses	(106,374)	(79,134)
Consultancy expenses	(45,849)	(30,626)
Taxes, duties and fees	(63,569)	(38,667)
Donations	(19,997)	(20,000)
Due and contribution expenses	(11,756)	(4,138)
Depreciation and amortisation	(11,246)	(7,405)
Information technologies expenses	(7,265)	(8,583)
Travel expenses	(8,125)	(6,415)
Lawsuit and notary expenses	(4,403)	(3,588)
Maintenance and repair expenses	(1,221)	(4,337)
Insurance expenses	(2,000)	(895)
Communication expenses	(972)	(622)
Other	(25,585)	(22,750)
	(308,362)	**(227,160)**

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

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (Continued)

	1 January- 31 December 2019	1 January- 31 December 2018
Marketing and sales expenses		
Advertising expenses	(55,862)	(57,728)
Personnel expenses	(25,150)	(8,448)
Office expenses	(11)	(284)
Lawsuit and notary expenses	(41)	(203)
Other	(2,124)	(4,874)
	(83,188)	**(71,537)**

NOTE 22- EXPENSES BY NATURE

	1 January - 31 December 2019	1 January- 31 December 2018
Expenses from residential and commercial units sales	1,943,964	1,330,752
Land costs	2,178,417	928,653
Personnel expenses	131,524	87,582
Advertising expenses	55,862	57,728
Taxes,duties and fees	63,569	38,667
Consultancy expenses	45,849	30,626
Donations	19,997	20,000
Information technologies expenses	7,265	8,583
Depreciation and amortisation (Note: 12,13,14)	11,246	7,405
Due and contribution expenses	11,756	4,138
Lawsuit and notary expenses	4,444	3,771
Insurance expenses	2,000	895
Communication expenses	972	622
Other	37,066	38,680
	4,513,931	**2,558,102**

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

NOTE 23 – OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

	1 January- 31 December 2019	**1 January- 31 December 2018**
Other income from operating activities		
Financial income from forward sales	180,943	330,357
Default interest income from projects	143,735	102,719
Impairment provisions released (Note 9)	75,551	11,081
Income from transfer commissions	25,038	27,107
Lawsuit provisions released (Note 15)	23,329	-
Income from natural gas and contribution expenses	13,322	5,589
Income from tender contract sales	1,026	151
Provisions released for possible risks	-	2,336
Other	43,117	33,189
	506,061	**512,529**

	1 January- 31 December 2019	**1 January- 31 December 2018**
Other expenses from operating activities		
Provision for impairment of land and residential inventories (Note 9)	(185,084)	(171,606)
Investment properties impairment provision expenses (Note 11)	(28,173)	-
Investment properties amortisation expenses	(19,606)	-
Provisions released reversed for possible risks	(2,440)	-
Provision for lawsuits (Note 15)	- 2,036	(84,587)
Other	(61,843)	(12,009)
	(299,182)	**(268,202)**

NOTE 24 – INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2019	**1 January- 31 December 2018**
Interest income from bonds	174	208
	174	**208**

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

NOTE 25 – FINANCIAL INCOME / EXPSENSES

	1 January- 31 December 2019	1 January- 31 December 2018
Financial expenses		
Borrowings and sukuk interest expense	(586,264)	(361,144)
Interest discount on pay off debt	(142,480)	(65,138)
Assigned receivables and commission expense	(9,796)	(56,419)
Interest expenses on payables to TOKI	-	(67,514)
Foreign exchange losses	(446)	(261)
Interest expense on lease liabilities	(950)	-
	(739,936)	**(550,476)**

	1 January- 31 December 2019	1 January- 31 December 2018
Financial income		
Interest income from time deposits	108,687	112,945
Interest income from TOKI	45,646	91,492
Foreign exchange gains	1,920	12
Interest income related to leases	1,016	-
	157,269	**204,449**

NOTE 26 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current tax assets	31 December 2019	31 December 2018
Prepaid taxes and funds	2,993	3,052
	2,993	3,052

Corporate Tax

The Group is exempt from Corporate Tax in accordance with the paragraph 4-d of Article 8 of the Corporate Tax Law. According to the paragraph 6-a of Article 94 of the Income Tax Law the earnings of real estate investment companies are subject to withholding and withholding tax rate is determined as "0" according to the Council of Ministers Decision, No: 93/5148. The Group's subsidaries, 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 expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

NOTE 26 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporate Tax (Continued)

The effective tax rate in 2019 is 22% (2018: 22%).

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

Deferred Tax:

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

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

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

Deferred tax (assets)/liabilities:	31 December 2019	31 December 2018
Fair value adjustment to inventories due to purchase accounting	62,157	62,157
Carry forward tax loss effect	(6,604)	-
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(361)	(160)
Provision for employment termination benefits	(489)	(222)
Provision for lawsuits	-	(6)
	54,703	61,769

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

NOTE 26 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

The movements of deferedd tax (asses)/ liabilities for the periods ended 31 December 2019 and 2018 are as follows:

Movement of deferred tax (assets)/liabilities:	1 January- 31 December 2019	1 January- 31 December 2018
Opening balance as of 1 January	(61,769)	-
Charged to income	7,066	-
Liabilities acquired through a business combination	-	(61,769)
Closing balance at 31 December	(54,703)	(61,769)

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

Reconciliation of tax provision	1 January- 31 December 2019	1 January- 31 December 2018
Profit from continuing operations	771,284	1,268,049
Profit from operations before tax	771,284	1,268,049
Tax at the domestic income tax rate 2019: 22% (2018: 22%)	169,682	278,971
Tax effects of:		
- revenue that is exempt from taxation	(171,711)	(278,971)
-previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	6,604	-
- other	2,491	-
Income tax expense recognised in profit or loss	7,066	-

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

NOTE 27 – 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 2019	1 January- 31 December 2018
Net income attributable to equity holders of the parent in full TL	778,369	1,268,049
Weighted average number of ordinary shares	3,663,584,506	3,663,584,506
Earnings per share in full TL	**0.0021**	**0.0035**

NOTE 28 - 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 T.C. Ministry of Enviroment and Urbanisation. Related parties of the Group are as listed below:

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

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

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

- Balances and transactions with respect to Treasury are detailed in Note 5, 6 and 9.
- The company keeps its deposits predominantly in state banks in accordance with the relevant provisions. As of 31 December 2019, the Group has deposits amounting to TL 484,216 in state banks (31 December 2018: TL 219,689). Average effective interest rates of time deposits of the Group as of 31 December 2019 are explained in Note 5.

The transactions between the Group and TOKİ associates are as follows:

Trade receivables from related parties	**31 December 2019**	**31 December 2018**
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürülüğü (*)	469,097	-
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	2,160	3,797
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G.	5,577	5,577
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	1,338	1,337
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	1,769	1,002
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	-	805
Gedaş Gayrimenkul Değerleme A.Ş.	-	103
	479,941	**12,621**

(*) Represents the amount of receivables arising from the transfer of 3 lands according to the protocol signed with T.C. Çevre ve Şehircilik Bakanlığı Kenstsel Dönüşüm Hizmetleri Genel Müdürlüğü on 28 June 2019.

Borrowings to related parties	**31 December 2019**	**31 December 2018**
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	5,991	-
	5,991	**-**

Short-term other receivables from related parties	**31 December 2019**	**31 December 2018**
Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı	169	5,161
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	145	145
Gedaş Gayrimenkul Değerleme A.Ş.	448	448
	762	5,754

Long-term other receivables from related parties	**31 December 2019**	**31 December 2018**
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	24,616	19,802
	24,616	19,802

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

Trade payables to related parties	31 December 2019	31 December 2018
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	24,504	68,661
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	1,299	1,324
	25,803	**69,985**

Advances received from related parties	31 December 2019	31 December 2018
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G. (*)	64,732	64,732
	64,732	**64,732**

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

Purchases from related parties	1 January- 31 December 2019	1 January- 31 December 2018
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	575,207	408,031
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	-	887
Gedaş Gayrimenkul Değerleme A.Ş.	-	4
	575,207	**408,918**

Finance expense from related parties	1 January - 31 December 2019	1 January - 31 December 2018
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	949	67,514
Türkiye Emlak Katılım Bankası A.Ş.	8,905	-
	9,854	**67,514**

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.

Sales to related parties	1 January- 31 December 2019	1 January- 31 December 2018
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	315,693	11,621
İller Bankası A.Ş.	115,640	-
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürülüğü	470,867	-
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş.- Fideltus İnş. - Öztaş İnş. O.G.	3	18
Gedaş Gayrimenkul Değerleme A.Ş.	27	81
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	333	1,138
	902,563	**12,858**

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:

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

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

Compensation to key management	1 January- 31 December 2019	1 January- 31 December 2018
Salaries and other short-term benefits	8,244	6,134
	8,244	**6,134**

NOTE 29 - 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 maturity distribution of financial liabilities of the Group as of 31 December 2019 and 2018 is as follows:

31 December 2019	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	3,178,621	3,409,206	1,531,172	1,878,034	-
Trade payables	505,768	505,768	-	505,768	-
Other payables	571,706	571,706	80,241	491,465	-
	4,256,095	**4,486,680**	**1,611,413**	**2,875,267**	**-**
Long-term financial liabilities (Non-derivative):					
Financial liabilities	1,590,567	1,796,296	-	-	1,796,296
Trade payables	102	102	-	-	102
Other payables	48,887	48,887	-	-	48,887
	1,639,556	**1,845,285**	**-**	**-**	**1,845,285**

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

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

31 December 2018	**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	1,675,662	2,132,661	1,039,481	1,093,180	-
Trade payables	978,347	978,347	-	978,347	-
Other payables	633,686	633,686	94,647	539,039	-
	3,287,695	**3,744,694**	**1,134,128**	**2,610,566**	**-**
Long-term financial liabilities (Non-derivative):					
Financial liabilities	1,685,943	1,974,332	-	-	1,974,332
Trade payables	77,349	77,349	-	-	77,349
Other payables	68,792	68,792	-	-	68,792
	1,832,084	**2,120,473**	**-**	**-**	**2,120,473**

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.

The credit received from Turkish Republic Undersecretariat of Treasury which the Company has classified as financial liabilities in its financial statements is exposed to interest risk due tı interest rate changes.

The variable interest rate, which is classified as financial debts in the Group balance sheet, is exposed to interest risk due to the interest rate changes used by the Treasury Undersecretariat.

Average effective annual interest rates of balance sheet items as of 31 December 2019 and 2018 are as follows:

	31 December 2018 (%)	**31 December 2017 (%)**
Current assets		
Cash and cash equivalents	9.16%	18.47%
Trade receivables	11.92%	19.50%
Current liabilities		
Financial liabilities	14.50%	26.00%
Non-current liabilities		
Financial liabilities	17.71%	17.62%

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

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk (Continued)

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

	31 December 2018	31 December 2017
Financial instruments with fixed interest rate		
Time deposits	371,985	542,107
Financial liabilities	4,769,188	3,361,605
Financial instruments wiht floating interest rate		
Financial liabilities	-	-

If the interest denominated in TL had been 100 base point lower/higher while all other variables were held constant, the profit before tax would increase/decrease by TL 0 as of 31 December 2019 (31 December 2018: TL 0).

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

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk disclosures (Continued)

Credit and receivable risks of as of 31 December 2019 are as follows:

		Trade Receivables		Other Receivables			
	31 December 2019	**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	**479,941**	**5,504,617**	**25,378**	**1,156,466**	**514,671**	**12,316**
	Secured portion of the maximum credit risk by guarantees,etc,	479,941	5,304,480	762	1,156,466	514,671	12,316
A.	Net carrying value of financial assets that are neither past due nor impaired	479,941	5,304,480	762	1,156,466	514,671	12,316
	Secured portion by guarantees etc.	479,941	5,304,480	762	1,156,466	-	-
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	-	200,137	24,616	-	-	-
	Secured portion by guarantees etc.	-	200,137	24,616	-	-	-
D.	Net carrying value of impaired assets	-	-	-	-	-	-
	Past due (Gross carrying value)	-	1,837	-	-	-	-
	Impairment (-)	-	(1,837)	-	-	-	-
	Secured portion by guarantees etc.	-	-	-	-	-	-

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

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

Credit risk disclosures (Continued)

Credit and receivable risks of as of 31 December 2018 are as follows:

		Trade Receivables		Other Receivables			
	31 December 2018	**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	**12,621**	**3,506,203**	**25,556**	**1,166,640**	**674,845**	**42,375**
	Secured portion of the maximum credit risk by guarantees,etc,	12,621	2,775,237	5,754	1,166,640	674,845	42,375
A.	Net carrying value of financial assets that are neither past due nor impaired	12,621	2,775,237	5,754	1,166,640	674,845	42,375
	Secured portion by guarantees etc.	12,621	2,775,237	5,754	1,166,640	-	-
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		48,600	19,802	-	-	-
	Secured portion by guarantees etc.	-	48,600	19,802	-	-	-
D.	Net carrying value of impaired assets	-	-	-	-	-	-
	Past due (Gross carrying value)		1,837				
	Impairment (-)	-	(1,837)	-	-	-	-
	Secured portion by guarantees etc.	-	-	-	-	-	-

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

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit 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 any 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 2018, 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 2019 and 2018. TL equivalents of carrying values of assets and liabilities denominated in foreign currencies are as follows:

	31 December 2019	
	TL Equivalent (Functional currency)	US Dollar
1a. Monetary Finacial Assets	17,963	3,024
2.CURRENT ASSETS	17,963	3,024
3. TOTAL ASSETS	107	18
4a. Monetary Other Liabilities	5,090	857
5. CURRENT LIABILITIES	5,090	857
6.TOTAL LIABILITIES	5,090	857
7.Net foreign currency asset / liability position	(4,948)	(833)
8. Monetary items net foreign currency asset / liability position (1a-4a)	(4,948)	(833)

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

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

Foreign currency position (Continued)

	31 December 2018	
	TL Equivalent (Functional currency)	US Dollar
1a. Monetary Finacial Assets	607	115
2.CURRENT ASSETS	-	-
3. TOTAL ASSETS	607	115
4a. Monetary Other Liabilities	4,525	856
5. CURRENT LIABILITIES	4,525	856
6.TOTAL LIABILITIES	4,525	856
7.Net foreign currency asset / liability position	(3,918)	(741)
8. Monetary items net foreign currency asset / liability position (1a-4a)	(3,918)	(741)

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 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Financial Liabilities	4,769,188	3,361,605
Less: Cash and cash equivalents	(546,968)	(674,871)
Net Liability/(Asset)	4,222,220	2,686,734
Total Shareholder's Equity	13,743,042	13,083,518
Total Capital	17,965,262	15,770,252
Net liability (asset)/Total Capital Ratio	**24%**	**17%**

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

NOTE 30 – FINANCIAL INSTRUMENTS

31 December 2019	Financial assets at amortized cost	Fair value through other comprehensive profit or loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	546,968	-	-	546,968	5
Blocked deposits more than 3 months maturity	12,316	-	-	12,316	6
Short-term financial investments	-	10,054	-	10,054	6
Long-term financial investments	-	836	-	836	6
Trade receivables	5,504,617	-	-	5,504,617	8
Trade receivables due from related parties	479,941	-	-	479,941	28
Other financial assets	1,156,466	-	-	1,156,466	9
Other receivables due from related parties	25,378	-	-	25,378	28
Financial liabilities					
Borrowings	-	-	4,769,188	4,769,188	7
Trade payables	-	-	959,930	959,930	8
Due to related parties	-	-	25,803	25,803	28
Other financial liabilities	-	-	620,196	620,196	9

31 December 2018	Financial assets at amortized cost	Fair value through other comprehensive profit or loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	674,871	-	-	674,871	5
Blocked deposits more than 3 months maturity	42,375	-	-	42,375	6
Short-term financial investments	-	12,067	-	12,067	6
Long-term financial investments	-	836	-	836	6
Trade receivables	3,506,203	-	-	3,506,203	8
Trade receivables due from related parties	12,621	-	-	12,621	28
Other financial assets	1,166,640	-	-	1,166,640	9
Other receivables due from related parties	25,556	-	-	25,556	28
Financial liabilities					
Borrowings	-	-	3,361,605	3,361,605	7
Trade payables	-	-	1,816,724	1,816,724	8
Due to related parties	-	-	69,985	69,985	28
Other financial liabilities	-	-	702,080	702,080	9

NOTE 30 – 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 methodsHowever, 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.

NOTE 30 – FINANCIAL INSTRUMENTS (Continued)

Fair Values of Financial Instruments

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

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

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

	Fair value levels as of 31 December 2019		
Financial assets	**Level 1**	**Level 2**	**Level 3**
	TL	**TL**	**TL**
Special issue government bonds	**10,054**	**-**	**-**
Long term financial investments	**-**	**-**	**836**

	Fair value levels as of 31 December 2018		
Financial assets	**Level 1**	**Level 2**	**Level 3**
	TL	**TL**	**TL**
Bond	**12,067**	**-**	**-**
Special issue government bonds	**-**	**-**	**836**

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

NOTE 31 – COMMITMENTS

Group's mortgage and guarantees received as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	**31 December 2018**
Guarantees received (*)	3,375,478	3,086,456
Mortgages received (**)	58,564	78,342
	3,434,042	**3,164,798**

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

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

The collaterals, pledges and mortgages ("CPM") of the Group as of 31 December 2019 and 2018 are as follows:

	31 December 2019	**31 December 2018**
A. CPM given on behalf of the Company's legal personality	93,065	61,802
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	-	-
	93,065	**61,802**

NOTE 32 – EVENTS AFTER THE REPORTING PERIOD

1- The Group used a total of TL 550,000 credit, with a 5-year term of TL 250,000 and a 2-year term of TL 300,000 for refinancing purposes after the reporting period. Additionally, the Group paid off the 5 credits with the 6 new credits it obtained amounting TL 1,321,592 for refinancing purposes after the reporting periods. According to the refinancing credit conditions used, the interest payment will be made every 6 months and the principal payments will start at the end of the second year and the average interest rate of the credits is 10.5%.

2- The Group has decided to develop the Village project which previously developed within the lands planned under LSRSA projects before 31 December 2019, within the lands planned under the turnkey projects after the reporting period.

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

ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Individual) Financial Statements Main Account Items	Related Regulation	Current Period 31 December 2019 (TL)	Prior Period 31 December 2018 (TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	415,030	437,372
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	13,437,248	15,166,621
C	Affiliates	Series:III-No:48, Art,24/(b)	373,037	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		9,186,182	6,767,401
D	**Total Assets**	**Series:III-No:48, Art,3/(k)**	**23,411,497**	**22,659,394**
E	Financial Liabilities	Series:III-No:48, Art,31	4,763,197	3,463,446
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	13,748,422	13,086,742
	Other Resources		4,899,878	6,109,206
D	**Total Resources**	**Series:III-No:48, Art,3/(k)**	**23,411,497**	**22,659,394**
	Non-Consolidated (Individual) Financial Statements Other Account Items	**Related Regulation**	**Current Period 31 December 2019 (TL)**	**Prior Period 31 December 2018 (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)	415,030	437,372
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	475,042	371,894
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)	929,935	650,651
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	373,000	-
J	Non-cash Loans	Series:III-No:48, Art,31	53,011	56,397
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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

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

	Portfolio restrictions	Related regulation	31 December 2019 (%)	31 December 2018 (%)	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)	59	69	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	1.59	1.27	<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)	4	3	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	0.02	0.01	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	35	27	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	-	-	<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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