

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**STANDALONE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2019
AND INDEPENDENT AUDITOR’S REPORT**

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

**(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.
İstanbul**

A) Report on the Audit of the Standalone Financial Statements

1) Opinion

We have audited the standalone financial statements of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company"), which comprise the standalone statement of financial position as at 31 December 2019, and the standalone statement of comprehensive income, standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company 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 Standalone Financial Statements section of our report. We are independent of the Company 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 standalone financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone 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
<p><i>Revenue recognition</i></p> <p>The Company realizes sales mostly in the form of turnkey and Land Subject to Revenue Sharing Agreements (“LSRSA”) projects.</p> <p>In turnkey projects, it is the Company's responsibility to maintain and complete the project and the Company recognizes revenue when performance obligation is fulfilled (independent units are transferred to the customer).</p> <p>In LSRSA projects, the contractor completes the construction and regarding the project, the Company 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).</p> <p>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.</p> <p>Explanations regarding the Company's revenue accounting policies and amounts are given in Note 2.4 and Note 17.</p>	<p>We performed the following procedures in relation to the revenue recognition in turnkey and LSRSA projects:</p> <p>The design and implementation of the controls on the revenue process have been evaluated. The sales and delivery procedures of the Company have been analyzed.</p> <p>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.</p> <p>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.</p> <p>In addition, the adequacy of the disclosures presented in Note 17 Revenue and Cost of Sales has been evaluated under TFRS.</p>

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

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

In preparing the standalone financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 Company'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 Company'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 standalone 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 Company to cease to continue as a going concern.

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

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

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 standalone 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 Company 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 Company's set of accounts and standalone financial statements prepared for the period 1 January-31 December 2019 does not comply with TCC and the provisions of the Company'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.

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EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STANDALONE 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		19,363,644	19,810,629
Cash and cash equivalents	3	510,149	552,539
Financial investments	4	22,370	54,442
Trade receivables	6	2,908,714	1,573,649
<i>Trade receivables due from related parties</i>	25	479,941	10,711
<i>Trade receivables due from third parties</i>		2,428,773	1,562,938
Other receivables	7	1,137,921	1,157,651
<i>Other receivables due from third parties</i>		1,137,921	1,157,651
Inventories	8	12,839,594	14,749,905
Prepaid expenses	15	1,748,382	1,430,563
Other current assets	14	196,514	291,880
Non-current assets		4,047,853	2,848,765
Trade receivables	6	3,067,809	1,895,829
<i>Trade receivables due from third parties</i>		3,067,809	1,895,829
Other receivables	7	1,014	1,014
Financial investments	4	373,037	288,000
<i>Investments in subsidiaries, joint operations and associates</i>		373,037	288,000
Investment properties	9	499,654	367,382
Property, plant and equipment	10	65,370	63,494
Intangible assets	11	3,771	1,824
Other non-current assets	14	37,198	231,222
Total assets		23,411,497	22,659,394

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**STANDALONE 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		8,023,624	7,737,738
Short-term borrowings	5	1,864,938	800,504
Short-term portions of long-term borrowings	5	1,310,695	976,999
Trade payables	6	489,368	965,530
<i>Trade payables due to related parties</i>	25	19,297	69,985
<i>Trade payables due to third parties</i>		470,071	895,545
Other payables	7	569,451	631,778
Deferred income	15	3,669,456	4,225,299
<i>Deferred income from related parties</i>	25	64,732	64,732
<i>Deferred income from third parties</i>		3,604,724	4,160,567
Short-term provisions		119,716	137,628
<i>Short-term provisions for employee benefits</i>	13	9,475	6,125
<i>Other short-term provisions</i>	12	110,241	131,503
Non-current liabilities		1,639,451	1,834,914
Long-term borrowings	5	1,587,564	1,685,943
Trade payables		102	69,327
Other payables		37,045	68,792
Deferred income		4,738	3,175
Long-term provisions		10,002	7,677
<i>Long-term provisions for employee benefits</i>	13	10,002	7,677
Shareholders' equity		13,748,422	13,086,742
Paid-in capital	16	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)
- <i>Gain (loss) on remeasurement of employee benefits</i>		(42)	(42)
Restricted reserves appropriated from profit		721,110	662,853
Prior years' profits		6,364,433	5,271,709
Net profit for the period		780,506	1,269,807
Total liabilities and equity		23,411,497	22,659,394

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STANDALONE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 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
Profit or loss			
Revenue	17	5,645,593	3,917,974
Cost of sales (-)	17	(4,098,950)	(2,248,040)
Gross profit		1,546,643	1,669,934
General administrative expenses (-)	18	(289,176)	(227,104)
Marketing expenses (-)	18	(64,564)	(71,537)
Other income from operating activities	19	509,042	512,835
Other expenses from operating activities (-)	19	(297,553)	(268,539)
Operating profit		1,404,392	1,615,589
Income from investing activities	21	174	208
Operating profit before financial income / (expense)		1,404,566	1,615,797
Financial income	22	122,509	204,449
Financial expenses (-)	22	(746,569)	(550,439)
Profit / (loss) for the period		780,506	1,269,807
Other comprehensive income			
Total comprehensive income / (expense)		780,506	1,269,807
Earnings per share (in full TL)	24	0.0021	0.0035

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

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

					Other Comprehensive Income or Expenses That Will Not 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 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
Accounting policy change effect (**)	-	-	-	-	-	(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
Transfers	-	-	(11,618)	151,506	-	1,616,206	(1,756,094)	-
Dividend payment	-	-	-	-	-	(644,442)	-	(644,442)
Total comprehensive income	-	-	-	-	-	-	1,269,807	1,269,807
31 December 2018	3,800,000	(284,480)	2,366,895	662,853	(42)	5,271,709	1,269,807	13,086,742
1 January 2019	3,800,000	(284,480)	2,366,895	662,853	(42)	5,271,709	1,269,807	13,086,742
Transfers	-	-	-	58,257	-	1,211,550	(1,269,807)	-
Dividend payment (Note 15) (*)	-	-	-	-	-	(118,826)	-	(118,826)
Total comprehensive income	-	-	-	-	-	-	780,506	780,506
31 December 2019	3,800,000	(284,480)	2,366,895	721,110	(42)	6,364,433	780,506	13,748,422

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

(**) The Company 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 Company 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.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 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 period		780,506	1,269,807
Adjustments related to reconcile of profit for the period			
Adjustments related to depreciation and amortization expenses	19-20	28,521	7,329
Adjustments related to impairments (reversal of)		137,706	160,525
<i>Adjustments related to impairment loss (reversal of) of inventories</i>	8	109,533	160,525
<i>Adjustments related to impairment loss (reversal of) of investment properties</i>	20	28,173	-
Adjustments related to provisions		(13,141)	86,626
<i>Adjustments related to (reversal of) provisions related with employee benefits</i>	13	5,681	4,375
<i>Adjustments related to (reversal of) lawsuit and/or penalty provisions</i>	12	(21,262)	84,587
<i>Adjustments related to (reversal of) provisions for possible risks</i>	20	2,440	(2,336)
Adjustments for interest (income) expenses		298,894	(87,506)
<i>Adjustments related to interest income</i>	20-21-22	(447,310)	(637,721)
<i>Adjustments related to interest expense</i>	22	746,204	550,215
Changes in net working capital		1,232,486	1,436,781
Adjustments related to (increase) / decrease in trade receivables		(2,335,898)	(247,462)
<i>Decrease (increase) in trade receivables from related parties</i>		(469,230)	(2,472)
<i>Decrease (Increase) in trade receivables from third parties</i>		(1,866,668)	(244,990)
Adjustments related to decrease/(increase) in inventories		1,647,474	(485,938)
Adjustments related to increase (decrease) in trade payables		(499,741)	(625,529)
<i>Increase (decrease) in trade payables to related parties</i>		(5,042)	(650,750)
<i>Increase (decrease) in trade payables to third parties</i>		(494,699)	25,221
Adjustments related to (decrease) in other receivables from operating activities		(107,734)	(871,275)
Adjustments related to increase (decrease) in other payables from operating activities		(488,764)	339,591
Other adjustments for other increase in working capital		52,120	322,765
Net cash flow from operating activities			
Interest received		143,561	131,033
Payments related with provisions for employee benefits		(6)	(848)
Tax payments		(135,054)	(199,466)
Cash flows from operating activities		(491,556)	(200,348)
Cash outflows used in obtaining control of subsidiaries or other businesses		(47,514)	(99,403)
Cash outflows arising from capital increase of subsidiaries		(85,000)	-
Purchases of investment properties, tangible and intangible assets	9-10-11	(39,485)	(1,403)
Interest received		174	208
Purchases of financial assets		(10,000)	(7,000)
Returns of financial assets		12,013	15,466
Other cash inflows (outflows)		31,677	123,363
Cash flow from investing activities		(138,135)	130,634
Proceeds from borrowings		5,272,675	1,725,034
<i>Proceeds from loans</i>	5	2,944,675	788,034
<i>Proceeds from issue of debt instruments</i>	5	2,328,000	937,000
Repayments of borrowings, classified as financing activities		(3,974,255)	(720,163)
<i>Loan repayments</i>	5	(2,022,009)	(450,163)
<i>Payments of issued debt instruments</i>	5	(1,952,246)	(270,000)
Interest paid		(592,597)	(317,241)
Dividends paid	16	(118,826)	(644,442)
Interest received		77,786	112,945
Other inflows (outflows) of cash		(11,767)	(203)
Cash flow from financing activities		653,016	(114,070)
Net (decrease) Increase in cash and cash equivalents		23,325	(183,784)
Cash and cash equivalents at the beginning of the period	3	371,894	385,081
Cash and cash equivalents at the end of the year	3	395,219	371,894

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE COMPANY

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

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

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

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

The registered address of the Company is Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul. Company has approximately 394 employees (31 December 2018 – 369).

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

The standalone 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 company 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 Environment and Urbanisation.

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

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

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE FINANCIAL STATEMENTS

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

2.1 Basis of Preparation

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

In addition, the standalone 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. The standalone financial statements of the Company have been prepared in the framework of aforementioned decision.

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

Preparation of financial statements in hyperinflationary periods

With the decision numbered 11/367 taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with TFRS, the application of inflation accounting is no longer required. Accordingly, the Company 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 standalone financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The standalone financial statements are presented in thousands of TL, which is the Company’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 Company’s standalone financial statements are prepared under the going concern assumption.

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

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”

2.4 Summary of significant accounting policies

The significant accounting policies followed in the preparation of these standalone 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 Company is kept in deposits accounts in the name of the related projects under the control of the Company as stated in the agreement. However, since the Company 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 standalone financial statements. In accordance with TAS 24 – Related party standards, the description of related parties has been restricted. The Company has also transactions with State owned banks and the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the “Treasury”) however quantitative information regarding Turkish State Banks and Treasury is not disclosed in accordance with this exemption. The ultimate parent and ultimate controlling party of the Company is (“TOKİ”). TOKİ is a State institution under control of Republic of Turkey Prime Ministry. The transactions made between the Company and TOKİ and its affiliates are presented in Note 25.

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.

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

2.4 Summary of significant accounting policies (continued)

Financial investments

Classification

The Company 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 Company 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 Company used is changed for the management of financial assets, in case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

“Financial assets measured at amortized cost” are non-derivative financial assets that are held within a business model whose objective is to collect contractual cash flows, including cash flows that include only the interest payments on principal dates and principal balances at certain dates. The Company’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 Company 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.

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

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

2.4 Summary of significant accounting policies (continued)

Financial investments (continued)

Derecognition of Financial Assets

The Company 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 Company 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 Company are recognized as a separate asset or liability.

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 Company 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.

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

2.4 Summary of significant accounting policies (continued)

Trade receivables and payables (continued)

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. 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 Company derecognizes the financial liability from its records (Note 5).

Preparation of standalone financial statements

The Company recognizes its investments in subsidiaries, joint ventures and associates at cost value under TAS 27 when it prepares its standalone financial statements.

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 Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month’s salary limited to a maximum of 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 projected liability method. All actuarial profits and losses are recognized in the statement of comprehensive income. TFRS requires actuarial valuation estimates to be developed to estimate the obligation under defined benefit plans. In the individual financial statements, the Company 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.

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NOTE 2 - BASIS OF PRESENTATION OF STANDALONE 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 13).

Provisions, contingent assets and liabilities

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

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

Land and residential unit inventories

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

1. *Vacant land and plots*

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

2. *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 Company enters into revenue sharing agreements with construction entities to maximize sales proceeds from the sale of its vacant land and plots. Such land and plot sold subject to revenue share agreements to construction entities are accounted at cost until sale is recognized.

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NOTE 2 - BASIS OF PRESENTATION OF STANDALONE 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 Company by the contractor in order to meet minimum revenue stated in the agreements 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 Company takes into consideration independent expert valuation reports for inventory (land, finished and semi-finished residential and commercial units) separately at least once a year 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 10).

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 Company 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.

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NOTE 2 - BASIS OF PRESENTATION OF STANDALONE 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 11).

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 Company 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 9).

Impairment of assets

The Company reviews all assets subject to amortization at each balance sheet date in order to see if there is a sign of impairment on the stated asset. If there is such a sign, carrying amount of the stated asset is estimated. Impairment exists if the carrying value of an asset is greater than its net realizable value. Net recoverable value is the higher of the net sales value or value in use. Value in use is the present value of cash flows generated from the use of the asset and the disposal of the asset after its useful life.

Impairment losses are recorded in the comprehensive income statement. Impairment loss for an asset is reversed, if an increase in recoverable amount is related to a subsequent event following the booking of impairment by not exceeding the amount reserved for impairment. The Company takes the valuation reports for each property separately into consideration over investment property at least once a year to compare carrying value of assets with its net recoverable value and calculate the impairment if any.

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

2.4 Summary of significant accounting policies (continued)

Segment reporting

Operating segments shall be reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. However, since the Company 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 Company does not prepare a segment report.

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

Revenue recognition

The Company 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 Company 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 Company follows-up its revenue share in the deferred revenue (Note 15) and the share of the construction entity as a liability to contractors (Note 6). The Company’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 17).

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NOTE 2 - BASIS OF PRESENTATION OF STANDALONE 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 20-22).

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 Company at a price higher than the nominal value of the Company or the difference between the fair value and the fair value of the shares of the Company that the Company 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 Company, 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 standalone 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 Company.

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**NOTE 2 - BASIS OF PRESENTATION OF STANDALONE 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 Company, to the HAS beneficiaries. Accordingly, the shares of HAS beneficiaries were removed from the Company’s equity capital and comprehensive income for the current period based on the ratios specified in the law and recognized as debts to HAS beneficiaries under other payables. The amount payable was determined as the share in the net asset value of the Company at 28 February 2008. The payable amount does not bear any interest or does not change with subsequent changes in the net asset value in subsequent periods and is payable on demand any date after 28 February 2008. The Company has borrowed funds from the 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 Company undertook this liability on behalf of the Treasury and recorded as payable be paid together with the Company's own payables. However, Company 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 Company beforehand.

Dividend distribution

Dividends payable are recognized as an appropriation of the profit in the period in which they are declared and reflected to Company’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 Company generated from its main activities. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Company (fixed investments and financial investments).

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

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

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 Company adjusts its standalone financial statements if such events arise which require an adjustment to the standalone financial statements (Note 29).

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

2.5 Critical Accounting Judgements, Assumptions and Estimates

The preparation of standalone 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 standalone financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though these assumptions and estimates rely on the best estimates of the Company management both the actual results may differ and not material for these standalone 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 292,029 lawsuits have been filed against the Company. 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 12). According to the legal judgment of the lawyers, there is no risk of any outflow of resources from the company.

2.6 New and Revised Financial Reporting Standards

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

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

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 Company is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements.

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

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

2.6 New and Revised Financial Reporting Standards (continued)

TFRS 16 Leases (Continued)

Under TFRS 16, right-of-use assets will be 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.

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 Company 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.

Amendments in TFRS 16 have no significant impact on Company’s financial statements.

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.

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.

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

2.6 New and Revised Financial Reporting Standards (continued)

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

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

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

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.

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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 3 – CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	3	8
Banks	477,922	552,531
- Demand deposit	140,049	131,740
- Time deposits up to 3 months maturity	337,873	420,791
Other cash and cash equivalents	32,224	-
	510,149	552,539

Maturities of cash and cash equivalents are as follows:

	31 December 2019	31 December 2018
Demand	140,049	131,740
Up to 3 month	337,873	420,791
Less: Blocked deposits with maturities less than 3 months	(2,880)	(29,990)
	475,042	522,541

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

31 December 2019	31 December 2018
(%)	(%)
9.16%	18.47%

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

	31 December 2019	31 December 2018
Cash and cash equivalents	510,149	552,539
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
	395,219	371,894

(*) The contractors' portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Company is kept in deposits accounts in the name of the related projects under the control of the Company as stated in the agreement. 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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NOTE 4 - 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 Company received special issued Government Debt Securities amounting to TL 429,617 on behalf of Republic of Turkey Ministry Undersecretariat of Treasury ("Treasury") for the payments to Housing Acquisition Support ("HAS") beneficiaries in 2010. As HAS beneficiaries are determined, the Company amortizes a certain part of GDS early and transfers to the Company accounts for payment (Note 8). Since GDS received in 2010 were issued by Treasury, and since they are interest-free and not subject to trading in the secondary market, their fair values are their nominal values.

(**) The company 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 Company 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 Company and which have maturities more than 3 months is TL 8,331 (31 December 2018: TL 17,591), the Company portion is TL 3,985 (31 December 2018: TL 24,784).

Subsidiaries

As of 31 December 2019 and 31 December 2018, the carrying values of the subsidiaries of the Company on the balance sheet are as follows:

	31 December 2019		31 December 2018	
	Share (%)	TL	Share (%)	TL
Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş.	100	373,000	100	288,000
Total		373,000		288,000

Interests in joint ventures

As of 31 December 2019 and 31 December 2018, the carrying value of the Company's interest in joint ventures in the balance sheet is as follows:

	31 December 2019		31 December 2018	
	Share (%)	TL	Share (%)	TL
İstmarina AVM Adi Ortaklığı	40	-	40	-
Büyükaly Tesis Yönetim A.Ş.	37	37	-	-
Total		37		-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2019	31 December 2018
Short-term financial liabilities		
Issued debt instruments (*)	1,065,414	689,367
Short-term bank borrowings	799,524	111,137
Short-term portion of long-term borrowings	1,310,695	976,999
	3,175,633	1,777,503

(*) The company 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 03 March 2020 on 22 October 2019 and amounting to TL 150,000 with a profit share of 10.70% and a maturity date of 09 June 2020 on 24 December 2019. Additionally, the Company 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.

	31 December 2019	31 December 2018
Long-term financial liabilities		
Long-term borrowings	1,587,564	1,685,943
	1,587,564	1,685,943

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 maturity distributions of the remaining time of borrowings to repricing 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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

	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	689,367	-
Interest expenses	463,264	331,076	130,664	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	937,000
Cash outflow from financial borrowings	(2,022,009)	(450,163)	(1,952,246)	(270,000)
Closing balance	3,697,783	2,774,079	1,065,414	689,367

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Short-term trade receivables		
Receivables from contractors of the lands invoiced under LSRSA	1,473,299	851,820
Receivables from sale of residential and commercial units	666,513	649,874
Receivables from the sale of transferred residential and commercial units (*)	44,958	44,958
Receivables from land sales	258,411	24,754
Receivables from related parties (Note 25)	479,941	10,711
Receivables from lessees	7,243	6,734
Other	5,571	2,369
Unearned finance income	(27,222)	(17,571)
	2,908,714	1,573,649
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	2,908,714	1,573,649

(*)The Company 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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2019	31 December 2018
Short-term trade payables		
Payables to related parties (Note 25)	19,297	69,985
Payables to contractors according to revenue sharing basis	191,691	361,559
Trade payables	263,636	514,244
Interest accruals on time deposits of contractors (*)	14,744	19,742
	489,368	965,530

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

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Short-term other receivables		
Advances given to contractor firms	720,661	759,276
Housing Acquisition Support (“HAS”) receivables from the Turkish Treasury	402,527	390,768
Receivables from the authorities	14,507	6,909
Other	226	698
	1,137,921	1,157,651

	31 December 2019	31 December 2018
Long-term other receivables		
Deposits and guarantees given	1,014	1,014
	1,014	1,014

	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
Taxes and funds payable	23,077	22,801
Notes payable	0	47,477
Other	54,909	69,938
	569,451	631,778

(*) 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)

The movements of HAS payments transferred from Company'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)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 8 - INVENTORIES

	31 December 2019	31 December 2018
Lands	4,057,042	3,278,940
<i>Cost</i>	4,139,098	3,427,421
<i>Impairment</i>	(82,056)	(148,481)
Planned land by LSRSA	4,778,010	7,100,097
Planned land by turnkey project	2,319,305	3,118,629
Residential and commercial units ready for sale	1,685,237	1,252,239
<i>Cost</i>	1,895,068	1,286,112
<i>Impairment</i>	(209,831)	(33,873)
	12,839,594	14,749,905

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 8 - INVENTORIES (Continued)

As of 31 December 2019 and 31 December 2018 the details of land and residential inventories of the Company 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
İstanbul Kartal Lands	109,183	109,183
Samsun Canik Lands	111,916	94,265
İstanbul Ataşehir Lands	40,238	40,132
İstanbul Esenyurt Lands	50,577	39,178
Ankara Çankaya Lands	45,644	17,695
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
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
Kocaeli Tütünçiftliği Lands	-	618
Other	1,594	974
	4,057,042	3,278,940

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 8 - INVENTORIES (Continued)

Planned lands by LSRSA	31 December 2019	31 December 2018
Nidapark İstinye Project	993,780	993,433
Nidapark Kucukyali 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
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
Florya Şenlik Mahallesi Project	-	370,512
Yeniköy Konakları İstanbul Project	-	45,368
Bizim 2.Mahalle Project	-	476,638
İstanbul Finans Merkezi Project	-	22,444
İstmarina Project	-	29,170
Çankaya Oran Project	-	33,079
Kocaeli Derince Project	-	70,360
Maslak 1453 Project	-	35,422
Other	2,116	92
	4,778,010	7,100,097

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

NOTE 8 - INVENTORIES (Continued)

Planned lands by turnkey project	31 December 2019	31 December 2018
Başkent Emlak Konutları Project	922,882	557,844
Kuzey Yakası Project	516,630	349,753
Ankara Başkent Project	358,729	255,532
Halkalı Emlak Konutları Project	259,306	-
Hoşdere 6.Etap Projesi	101,355	-
Yeniköy Konakları	114,735	-
Gebze Emlak Konutları	10,415	618,036
Hoşdere Hayat Parkı Project	30,059	-
Ankara Saraçoğlu Project	5,194	-
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
Niğde Emlak Konutları	-	162,387
Başakşehir Ayazma 2. Etap Project	-	39,623
	2,319,305	3,118,629

Residential and commercial units completed	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
Büyükyalı Project	74,606	-
Niğde Emlak Konutları	57,351	-
İstmarina Project	52,831	51,728
Koordinat Çayyolu Project	35,410	-
Göl Panorama Project	33,478	-
Nidakule Ataşehir Project	24,052	24,052
Ispartakule Emlak Konutları	19,919	-
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
Başakşehir Ayazma Emlak Konutları	8,745	115,630
Unikonut Project	6,890	9,411
Bahçekent Emlak Konutları	3,578	8,445
Nevşehir Emlak Konutları	3,459	-
Metropol İstanbul Project	3,444	7,889
Bulvar İstanbul Project	2,424	3,208
Avrupa Konutları Başakşehir Project	1,178	8,553
Esenler Emlak Konutları	1,096	6,895
Bahçekent Flora Evleri	1,777	1,082
Park Yaşam Mavişehir Evleri	-	1,739
Other	42,434	16,451
	1,685,237	1,252,239

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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NOTE 9 –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:

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2019	329,182	40,922	370,104
Transfers from commercial units and land inventories	155,061	-	155,061
Transfers to residential and commercial unit inventories	(1,757)	-	(1,757)
Purchases	27,905	-	27,905
Impairment (-)	(28,173)	-	(28,173)
Closing balance as of 31 December 2019	482,218	40,922	523,140

Accumulated Depreciation

Opening balance as of 1 January 2019	-	2,722	2,722
Charge for the period	19,289	1,475	20,764
Ending balance as of 31 December 2019	19,289	4,197	23,486
Carrying value as of 31 December 2019	462,929	36,725	499,654

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2018	17,608	40,922	58,530
Purchases (*)	272,179	-	272,179
Transfers from unplanned lands	33,021	-	33,021
Transfers from residential and commercial unit inventories	19,938	-	19,938
Transfers to unplanned lands	(13,564)	-	(13,564)
Closing balance as of 31 December 2018	329,182	40,922	370,104

Accumulated Depreciation

Opening balance as of 1 January 2018	-	1,247	1,247
Charge for the period	-	1,475	1,475
Closing balance as of 31 December 2018	-	2,722	2,722
Carrying value as of 31 December 2018	329,182	38,200	367,382

(*) Comprises independent commercial units purchased by the Company 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 14,646 (1 January – 31 December 2018 :TL 6,693).

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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NOTE 9 - INVESTMENT PROPERTIES (Continued)

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

	31 December 2019	31 December 2018
Lands, residential and commercial units	218,291	69,800
Atasehir general management building A block	98,000	83,524
Independent commercial units of Istmarina AVM	272,515	272,179
	588,806	425,503

As of 31 December 2019 and 31 December 2018 Company'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
		TL	TL	TL
	31 December 2019			
Lands, residential and commercial units	218,291	-	-	218,291
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
		TL	TL	TL
	31 December 2018			
Lands, residential and commercial units	69,800	-	-	69,800
Atasehir general management building A block	83,524	-	-	83,524
Independent commercial units of Istmarina AVM	272,179	-	-	272,179

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

31 December 2019	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2019	56,884	550	5,963	97	63,494
Additions	5,576	-	1,643	-	7,219
Depreciation expense (-)	(2,155)	(308)	(2,880)	-	(5,343)
Net carrying value 31 December 2019	60,305	242	4,726	97	65,370
Cost	67,662	2,160	20,886	97	90,805
Accumulated depreciation (-)	(7,357)	(1,918)	(16,160)	-	(25,435)
Net carrying value 31 December 2019	60,305	242	4,726	97	65,370

31 December 2018	Buildings	Motor vehicles	Furniture, equipment and fixtures	Construction in progress	Total
Net carrying value as of 1 January 2018	58,504	833	7,427	94	66,858
Additions	-	-	1,400	3	1,403
Depreciation expense (-)	(1,620)	(283)	(2,864)	-	(4,767)
Net carrying value 31 December 2018	56,884	550	5,963	97	63,494
Cost	61,751	2,160	19,261	97	83,269
Accumulated depreciation (-)	(4,867)	(1,610)	(13,298)	-	(19,775)
Net carrying value 31 December 2018	56,884	550	5,963	97	63,494

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

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

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

NOTE 11 – INTANGIBLE ASSETS

31 December 2019	Licenses	Computer software	Total
Net carrying value as of 1 January 2019	1,432	392	1,824
Additions	3,944	417	4,361
Amortization expense (-)	(2,082)	(332)	(2,414)
Net carrying value 31 December 2019	3,294	477	3,771
Cost	10,174	2,977	13,151
Accumulated amortization (-)	(6,880)	(2,500)	(9,380)
Net carrying value 31 December 2019	3,294	477	3,771

31 December 2018	Licenses	Computer software	Total
Net carrying value as of 1 January 2018	2,434	477	2,911
Amortization expense (-)	(1,002)	(85)	(1,087)
Net carrying value 31 December 2018	1,432	392	1,824
Cost	6,228	2,977	9,205
Accumulated amortization (-)	(4,796)	(2,585)	(7,381)
Net carrying value 31 December 2018	1,432	392	1,824

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NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Provisions		
Provision for lawsuits	110,241	131,503
	110,241	131,503

According to the opinions of the Company'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
Opening balance at 1 January	131,503	46,916
Provision released within the current period (Note 20)	(23,298)	-
Provision added within the current period (Note 20)	2,036	84,587
Closing balance at 31 December	110,241	131,503

12.1 Continuing Lawsuits and Provisions

12.1.1 The LSRSA Project Agreement dated 21 December 2005 regarding 750 units in İzmir Mavisehir Upper North Area 2. Phase was abolished on 21 December 2009 since the contractor did not meet the requirements of the provisions in the agreement. Following the cancellation of the agreement, the project was transferred to the Company 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 Company as in Turnkey projects.

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

In the expert report dated 19 January 2016, it has been determined that the related cancellation is unfair, and alternative calculations has been realized over the possibility of whether the cancellation is right and over the effects on forward and backward. The expert report has been contested and it has been requested from the court that the expert report is declared "null and void" and that to receive a report that contains the objections of parties by creating a new comitee. The company 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 Company made provision amounting to TL 75,840 as of 31 December 2019.

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

12.1 Continuing Lawsuits and Provisions (Continued)

12.1.2 Contractor firm filed a lawsuit against the Company claiming compensation because of damage caused by the company 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 Company and the Supreme Court of Appeals overturned the decision in favor of the Company. The decision of the local court is expected. As of 31 December 2019, a provision amounting to TL 20,521 has been made.

12.1.3 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 company 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.

12.2 Contingent Liabilities of Emlak Konut GYO

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 Company 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 Company in order to fulfill its obligation.

12.2.1 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 Company 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 Company 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 Company and the contractor, respectively. Although the relationship between the parties was described as "ordinary partnership" in the expert report, the Company 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.

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NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

12.2 Contingent Liabilities of Emlak Konut GYO (Continued)

- 12.2.1** The court rejected the case on 5 March 2015. The complainant filed an appeal. As a result of the appeal investigation, the court order was upheld by the Supreme Court. According to the opinion of the company lawyer, no liability is expected to born as a result of the related lawsuit.
- 12.2.2** 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 company lawyer, no liability is expected to born as a result of the related lawsuit.
- 12.2.3** 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 company lawyer, no liability is expected to born as a result of the related lawsuit.

12.3 Contingent Assets of Emlak Konut GYO

- 12.3.1** 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 delivered within the scope of the sales promise contract that is not yet included in the balance sheet as it does not meet the TFRS 15 criteria, expected collection times of nominal installments that are not due or collected by maturities are as follows:

31 December 2019	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	924,924	814,257	1,739,181
2 year	527,251	451,078	978,329
3 year	467,415	316,116	783,531
4 year	395,261	207,783	603,044
5 year and above	2,111,414	415,923	2,527,337
	4,426,265	2,205,157	6,631,422

31 December 2018	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	674,628	1,078,613	1,753,241
2 year	397,839	873,235	1,271,074
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
	2,853,128	4,405,042	7,258,170

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NOTE 13 – EMPLOYEE BENEFITS

	31 December 2019	31 December 2018
Short-term provisions		
Unused vacation provision	9,475	6,125
	9,475	6,125
Long-term provisions		
Provision for employment termination benefit	10,002	7,677
	10,002	7,677

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

	31 December 2019	31 December 2018
Discount Rate (%)	3.90	4.23
Turnover rate to estimate probability of retirement (%)	0.64	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 996.

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 362.

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

	2018	2017
Balance at 1 January	7,677	6,162
Service cost	1,944	1,486
Interest cost	387	877
Payment within the period	(6)	(848)
Closing balance at 31 December	10,002	7,677

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NOTE 14 – OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Other current assets		
Progress payments to contractors	115,894	160,128
Income accruals	69,912	114,049
Receivables from tax office	10,708	17,703
	196,514	291,880

	31 December 2019	31 December 2018
Other non-current assets		
Deferred VAT	37,198	231,222
	37,198	231,222

NOTE 15 – DEFERRED INCOME AND PREPAID EXPENSES

	31 December 2019	31 December 2018
Short-term deferred income		
Deferred income from LSRSA projects (*)	1,698,186	2,316,823
Advances taken from LSRSA contractors (**)	570,237	688,925
Advances taken from turnkey project sales	704,576	403,299
Transferred deferred incomes (***)	239,333	336,000
Deferred income related to sales of completed units	392,392	415,520
Advances received from related parties (Note 25)	64,732	64,732
	3,669,456	4,225,299

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

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

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

	31 December 2019	31 December 2018
Prepaid expenses		
Advances given for inventory (*)	1,747,074	1,430,510
Prepaid expenses	1,308	53
	1,748,382	1,430,563

(*) A protocol has been signed between the Company and the Tariş Cooperatives Union to develop revenue sharing project on a total of 143,366-m2 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 Company 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 Yenimahalle Station, Nidapark Küçükalyalı and Büyükyalı projects.

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NOTE 16 - SHAREHOLDERS' EQUITY

The Company'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 Company's shareholders and their shareholding percentages as of 31 December 2019 and 31 December 2018 is as follows:

Shareholders	31 December 2019		31 December 2018	
	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 Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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 amounting to TL 4,154 is related to repurchased shares and offsetted under equity.

Between 1 November 2017 and 17 November 2017, The Company 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%.

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NOTE 17 - REVENUE AND COST OF SALES

	1 January- 31 December 2019	1 January- 31 December 2018
Sales income		
Land sales	3,652,068	2,298,169
<i>Sales of planned lands by way of LSRSA</i>	<i>2,131,124</i>	<i>1,831,981</i>
<i>Land sales income</i>	<i>1,520,944</i>	<i>466,188</i>
Residential and commercial units sales	1,982,654	1,613,690
Other income	14,646	6,693
	5,649,368	3,918,552
Sales returns	(3,490)	(222)
Sales discounts	(285)	(356)
Net sales income	5,645,593	3,917,974
Cost of sales		
Cost of lands	(2,178,417)	(928,653)
<i>Cost of lands planned by way of LSRSA</i>	<i>(919,900)</i>	<i>(733,168)</i>
<i>Cost of lands sold</i>	<i>(1,258,517)</i>	<i>(195,485)</i>
Cost of residential and commercial units sold	(1,920,533)	(1,319,387)
	(4,098,950)	(2,248,040)
Gross Profit	1,546,643	1,669,934

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2019	1 January- 31 December 2018
General administrative expenses		
Personnel expenses	(94,027)	(79,134)
Consultancy expenses	(44,766)	(30,626)
Taxes, duties and fees	(62,733)	(38,667)
Donations	(19,997)	(20,000)
Due and contribution expenses	(10,725)	(4,138)
Information technologies expenses	(7,265)	(8,583)
Travel expenses	(7,793)	(6,415)
Depreciation and amortisation	(7,757)	(7,329)
Lawsuit and notary expenses	(4,378)	(3,588)
Maintenance and repair expenses	(1,034)	(4,337)
Insurance expenses	(1,928)	(895)
Communication expenses	(856)	(622)
Other	(25,917)	(22,770)
	(289,176)	(227,104)

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**NOTE 18 - 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	(7,598)	(8,448)
Lawsuit and notary expenses	(41)	(284)
Office expenses	(11)	(203)
Other	(1,052)	(4,874)
	(64,564)	(71,537)

NOTE 19 - EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Expenses from residential and commercial units sales	1,920,533	1,319,387
Land costs	2,178,417	928,653
Personnel expenses	101,625	87,582
Taxes, duties and fees	62,733	38,667
Advertising expenses	55,862	57,728
Consultancy expenses	44,766	30,626
Donations	19,997	20,000
Due and contribution expenses	10,725	4,138
Information technologies expenses	7,265	8,583
Depreciation and amortisation (Note: 9,10,11)	7,757	7,329
Lawsuit and notary expenses	4,419	3,791
Insurance expenses	1,928	895
Communication expenses	856	622
Other	35,807	38,680
	4,452,690	2,546,681

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NOTE 20 – 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 8)	75,551	11,081
Income from transfer commissions	25,038	27,107
Lawsuit provisions released (Note 12)	23,298	-
Income from natural gas and contribution expenses	13,322	5,589
Income from tender contract sales	42	151
Provisions released for possible risks	-	2,336
Other	47,113	33,495
	509,042	512,835

	1 January- 31 December 2019	1 January- 31 December 2018
Other expenses from operating activities		
Provision for impairment of land and residential inventories (Note 8)	(185,084)	(171,606)
Expenses from provision for impairment of investment properties (Note 9)	(28,173)	-
Investment properties amortisation expenses	(20,764)	-
Provisions released reversed for possible risks	(2,440)	-
Provision for lawsuits (Note 12)	(2,036)	(84,587)
Other	(59,056)	(12,346)
	(297,553)	(268,539)

NOTE 21 – INCOME FROM INVESTING ACTIVITIES

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

NOTE 22 – FINANCIAL INCOME / EXPENSES

	1 January- 31 December 2019	1 January- 31 December 2018
Financial income		
Interest income from time deposits	76,812	112,945
Interest income from TOKİ	45,646	91,492
Foreign exchange gains	51	12
	122,509	204,449

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NOTE 22 – FINANCIAL INCOME / EXPENSES (Continued)

	1 January- 31 December 2019	1 January- 31 December 2018
Financial expenses		
Borrowings and sukuk interest expense	(593,928)	(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 TOKİ	-	(67,514)
Foreign exchange losses	(365)	(224)
	(746,569)	(550,439)

NOTE 23 – TAX ASSETS AND LIABILITIES

"Corporate Tax Law" No. 5520 ("New Tax Law") was taken into effect after being published in the Official Gazette No. 26205 dated 21 June 2006. Many clauses of the New Tax Law are effective from 1 January 2006. According to Tax Law, No. 5520, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006. This rate is applied to accounting income modified for certain exemptions (affiliation privilege) and deductions and additions for certain non-tax deductible expenses and allowances for tax purposes. No further tax is payable unless the profit is distributed.

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

The company is exempt from Corporate 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.

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NOTE 24 – 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 Company’s shares for the period.

The Company 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	780,506	1,269,807
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 25 - RELATED PARTY DISCLOSURES

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

1. T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)
2. Emlak Planlama, İnşaat, 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 25 - 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 Company has transactions with state banks (T.C.Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş.) and Republic of Turkey Undersecretariat of Treasury.

- Balances and transactions with respect to Treasury are detailed in Note 3, 4 and 7.
- The company keeps its deposits predominantly in state banks in accordance with the relevant provisions. As of 31 December 2019, the Company has deposits amounting to TL 454,016 in state banks (31 December 2018: TL 219,689). Average effective interest rates of time deposits of the Company as of 31 December 2019 are explained in Note 4.

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

	31 December 2019	31 December 2018
Trade receivables from related parties		
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü (*)	470,866	-
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 Ortak Girişimi	1,338	1,337
	479,941	10,711

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

	31 December 2019	31 December 2018
Trade payables to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	17,974	68,661
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	1,323	1,324
	19,297	69,985

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

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

	1 January- 31 December 2019	1 January- 31 December 2018
Purchases from related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	575,207	407,032
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş. O.G.	-	887
	575,207	407,919

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

	1 January- 31 December 2019	1 January- 31 December 2018
Finance expense from related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	-	67,514
Türkiye Emlak Katılım Bankası A.Ş.	8,905	-
Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş.	8,150	-
	17,055	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.

	1 January- 31 December 2019	1 January- 31 December 2018
Sales to related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	315,204	7,929
İller Bankası A.Ş.	115,640	-
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü	470,867	-
	901,711	7,929

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 Company including any manager. Salaries and other short-term benefits provided to the key management personnel, General Manager of the Board of Directors, Assistant General Managers and General Manager Consultant, are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Compensation to key management		
Salaries and other short-term benefits	6,957	6,134
	6,957	6,134

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Liquidity risk

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

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

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

The company covers the payments of other trade and financial payables with cash and cash equivalents and cash generated from sales. In addition, it aims to provide flexibility in funding by continuing its credit facilities. Although the amounts stated in the table are non-discounted amounts depending on the contract, the Company manages the structural liquidity risk based on the expected non-discounted cash flows.

The maturity distribution of financial liabilities of the Company as of 31 December 2019 and 2018 is as follows:

	Carrying value	Constructual cash flows	Up to 3 months	3 months to 1 year	1 year- to 5 years
31 December 2019					
Short-term financial liabilities (Non-derivative):					
Financial liabilities	3,175,633	3,409,206	1,531,172	1,878,034	-
Trade payables	489,368	489,368	-	489,368	-
Other payables	569,451	569,451	77,986	491,465	-
	4,234,452	4,468,025	1,609,158	2,858,867	-
Long-term financial liabilities (Non-derivative):					
Financial liabilities	1,587,564	1,796,296	-	-	1,796,296
Trade payables	102	102	-	-	102
Other payables	37,045	37,045	-	-	37,045
	1,624,711	1,833,443	-	-	1,833,443
31 December 2018					
Short-term financial liabilities (Non-derivative):					
Financial liabilities	1,777,503	2,234,502	1,141,322	1,093,180	-
Trade payables	965,530	965,530	-	965,530	-
Other payables	631,778	631,778	92,739	539,039	-
	3,374,811	3,831,810	1,234,061	2,597,749	-
Long-term financial liabilities (Non-derivative):					
Financial liabilities	1,685,943	1,974,332	-	-	1,974,332
Trade payables	69,327	69,327	-	-	69,327
Other payables	68,792	68,792	-	-	68,792
	1,824,062	2,112,451	-	-	2,112,451

Interest rate risk

The Company 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk (Continued)

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

	31 December 2019 (%)	31 December 2018 (%)
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%

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

	31 December 2019	31 December 2018
Financial instruments with fixed interest rate		
Time deposits	337,873	420,791
Financial liabilities	4,763,197	3,463,446
Financial instruments with 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).

Credit risk disclosures

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

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk disclosures (Continued)

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

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

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 26 - 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:

31 December 2019	Trade Receivables		Other Receivables		Deposits at Banks	Blocked deposits with maturities more than 3 months
	Related Party	Other	Related Party	Other		
Maximum credit risks exposed as of reporting date	479,941	5,496,582	-	1,138,935	477,922	12,316
Secured portion of the maximum credit risk by guarantees, etc.,	479,941	5,296,445	-	1,138,935	477,922	12,316
A. Net carrying value of financial assets that are neither past due nor impaired	479,941	5,296,445	-	1,138,935	477,922	12,316
Secured portion by guarantees etc.	479,941	5,296,445	-	1,138,935	-	-
B. Net carrying value of assets with negotiated terms						
Secured portion by guarantees etc.	-	-	-	-	-	-
C. Net carrying value of financial assets that are past due but not impaired	-	200,137	-	-	-	-
Secured portion by guarantees etc.	-	200,137	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
Past due (Gross carrying value)	-	1,837	-	-	-	-
Impairment (-)	-	(1,837)	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-	-	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

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NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)***Credit risk (Continued)***

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

31 December 2018	Trade Receivables		Other Receivables		Deposits at Banks	Blocked deposits with maturities more than 3 months
	Related Party	Other	Related Party	Other		
Maximum credit risks exposed as of reporting date	10,711	3,458,767	-	1,158,665	552,531	42,375
Secured portion of the maximum credit risk by guarantees, etc,	10,711	3,410,167	-	1,158,665	552,531	42,375
A. Net carrying value of financial assets that are neither past due nor impaired	10,711	3,410,167	-	1,158,665	552,531	42,375
Secured portion by guarantees etc.	10,711	3,410,167	-	1,158,665	-	-
B. Net carrying value of assets with negotiated terms						
Secured portion by guarantees etc.	-	-	-	-	-	-
C. Net carrying value of financial assets that are past due but not impaired		48,600	-	-	-	-
Secured portion by guarantees etc.	-	48,600	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
Past due (Gross carrying value)		1,837				
Impairment (-)	-	(1,837)	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-	-	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 26 - 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 Company's asset that subject to credit risk of financial activities. In addition, the Company does not have any items that include off-balance credit risk and assets that are overdue but not impaired.

Foreign exchange risk

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

Foreign currency position

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

As of 31 December 2018, the Company's foreign currency assets and liabilities did not need to be balanced with any off-balance sheet items.

The table below summarizes the Company's foreign currency position of the Company 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 Financial Assets	107	18
2.CURRENT ASSETS	107	18
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)

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk (Continued)

	31 December 2018	
	TL Equivalent (Functional currency)	US Dollar
1a. Monetary Financial 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 Company attempts to manage its capital by minimizing the investment risk with portfolio diversification. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

While managing the capital, the Company's objectives are to maintain the Company'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	4,763,197	3,463,446
Less: Cash and cash equivalents	(510,149)	(552,539)
Net Liability/(Asset)	4,253,048	2,910,907
Total Shareholder's Equity	13,748,422	13,086,742
Total Capital	18,001,470	15,997,649
Net liability (asset)/Total Capital Ratio	24%	18%

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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NOTE 27 – 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
<u>Financial assets</u>					
Cash and cash equivalents	510,149	-	-	510,149	3
Blocked deposits with maturities longer than 3 months	12,316	-	-	12,316	4
Short-term financial investments	-	10,054	-	10,054	4
Investments in subsidiaries, joint ventures and associates	373,037	-	-	373,037	4
Trade receivables	5,496,582	-	-	5,496,582	6
Due from related parties	479,941	-	-	479,941	25
Other receivables	1,138,935	-	-	1,138,935	7
<u>Financial liabilities</u>					
Borrowings	-	-	4,763,197	4,763,197	5
Trade payables	-	-	470,173	470,173	6
Due to related parties	-	-	19,297	19,297	25
Other financial liabilities	-	-	606,496	606,496	7
31 December 2018	Financial assets at amortized cost	Fair value through other comprehensive profit or loss	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>					
Cash and cash equivalents	552,539	-	-	552,539	3
Blocked deposits with maturities longer than 3 months	42,375	-	-	42,375	4
Short-term financial investments	-	12,067	-	12,067	4
Investments in subsidiaries, joint ventures and associates	288,000	-	-	288,000	4
Trade receivables	3,458,767	-	-	3,458,767	6
Due from related parties	10,711	-	-	10,711	25
Other receivables	1,158,665	-	-	1,158,665	7
<u>Financial liabilities</u>					
Borrowings	-	-	3,463,446	3,463,446	5
Trade payables	-	-	964,872	964,872	6
Due to related parties	-	-	69,985	69,985	25
Other financial liabilities	-	-	700,570	700,570	7

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
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NOTE 27 – 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 Company has determined the estimated fair values of financial instruments using current market information and appropriate valuation methods. However, evaluating market information and estimating fair values requires interpretation and judgment. As a result, the estimations presented here cannot be an indication of the amounts that the Company 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 Company 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 Company and they can be amortised at carrying value by the Company 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 Company’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 Company 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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NOTE 27 – FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (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 value classification of financial assets and liabilities measured at fair value is as follows:

Financial assets	Fair value levels as of 31 December 2019		
	Level 1	Level 2	Level 3
	TL	TL	TL
Special issue government bonds	10,054	-	-

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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NOTE 28 – COMMITMENTS

Company'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 (*)	3,323,564	3,008,731
Mortgages received (**)	58,564	78,342
	3,382,128	3,087,073

(*) 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 Company as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
A. Total amount of CPM given on behalf of the Company's own legal entity	83,041	53,468
B. Total amount of CPM given against the subsidiaries included in full consolidation	-	-
C. Total amount of CPM given to maintain operations and collect payables from third parties	-	-
D. Total amount of other CPM given	-	-
i) In the name of the parent Company	-	-
ii) In the name of other group companies that are not included in the scope of item B and C	-	-
iii) In the name of third parties that are not included in the scope of item C	-	-
	83,041	53,468

NOTE 29 – EVENTS AFTER THE REPORTING PERIOD

- 1- The Company 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 Company 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 Company 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.

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE STANDALONE FINANCIAL STATEMENTS
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**ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS**

	Non-Consolidated (Individual) Financial Statements		Current Period	Prior Period
	Main Account Items	Related Regulation	31 December 2019	31 December 2018
			(TL)	(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		Current Period	Prior Period
	Other Account Items	Related Regulation	31 December 2019	31 December 2018
			(TL)	(TL)
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series :III-No:48, Art,24/(b)	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)	-	-

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(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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