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

THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020
AND INDEPENDENT AUDITOR'S REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

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

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3) Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 (“TCC”), the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 5 March 2021.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group’s set of accounts and consolidated financial statements prepared for the period 1 January-31 December 2020 does not comply with TCC and the provisions of the Group’s articles of association in relation to financial reporting.

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

The engagement partner on the audit resulting in this independent auditor’s report is Okan Öz.

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

Okan Öz
Partner

İstanbul, 5 March 2021

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

INDEX **PAGE**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

	Notes	*Audited* **31 December 2020**	*Audited* **31 December 2019**
ASSETS			
Current assets		**23,964,883**	**20,392,829**
Cash and cash equivalents	4	2,005,246	546,968
Financial investments	5	306,015	22,370
Trade receivables	7	2,524,625	2,916,749
Trade receivables due from related parties	*27*	*52,659*	*479,941*
Trade receivables due from third parties		*2,471,966*	*2,436,808*
Other receivables	8	925,593	1,139,809
Other receivables due from related parties	*27*	465	762
Other receivables due from third parties		*925,128*	*1,139,047*
Inventories	9	16,262,148	13,782,778
Prepaid expenses	17	1,625,385	1,750,228
Other current assets	16	315,871	230,934
Current tax assets	25	-	2,993
Non-current assets		**4,679,407**	**3,792,413**
Trade receivables	7	3,736,340	3,067,809
Trade receivables due from third parties		*3,736,340*	*3,067,809*
Other receivables	8	54,508	42,035
Other receivables due from third parties		*21,734*	*17,419*
Other receivables due from related parties	*27*	*32,774*	24,616
Financial investments		836	836
Investments accounted for using equity method	3	6,387	7,331
Investment properties	10	735,290	480,145
Right-of-use assets	11	75	539
Property, plant and equipment	12	115,677	105,913
Intangible assets	13	4,586	4,393
Other non-current assets	16	23,895	75,958
Deferred tax assets	25	1,813	7,454
Total assets		**28,644,290**	**24,185,242**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

	Notes	*Audited* **31 December 2020**	*Audited* **31 December 2019**
LIABILITIES AND EQUITY			
Current liabilities		**11,032,208**	**8,722,050**
Short-term borrowings	6	599,031	1,864,938
Short-term portions of long-term borrowings		1,602,587	1,313,683
Short-term portion of long-term borrowings from related parties		*3,399*	*2,988*
Lease liabilities	*27*	*3,399*	*2,988*
Short-term portion of long-term borrowings from third parties		*1,599,188*	*1,310,695*
Loans	*6*	*1,599,188*	*1,310,695*
Trade payables	7	2,494,109	505,768
Trade payables due to related parties	*27*	*1,286,481*	*25,803*
Trade payables due to third parties		*1,207,628*	*479,965*
Other payables	8	590,262	571,706
Other payables to related parties		*403*	*397*
Other payables to third parties		*589,859*	*571,309*
Deferred income	17	5,604,105	4,344,566
Deferred income from related parties	*27*	-	*64,732*
Deferred income from third parties		*5,604,105*	*4,279,834*
Short-term provisions		142,114	121,389
Short-term provisions for employee benefits	*15*	*14,957*	*11,148*
Other short-term provisions	*14*	*127,157*	*110,241*
Non-current liabilities		**3,118,074**	**1,720,150**
Long-term borrowings		2,983,427	1,590,567
Long-term borrowings from related parties		*2,333*	3,003
Lease liabilities	*27*	*2,333*	3,003
Long-term borrowings from third parties		*2,981,094*	*1,587,564*
Bank Loans	*6*	*2,981,094*	*1,587,564*
Trade payables		28	102
Other payables		59,985	48,887
Deferred income		4,738	4,591
Long-term provisions		15,804	13,846
Long-term provisions for employee benefits	15	*15,804*	*13,846*
Deferred tax liability	25	54,092	62,157
Shareholders' equity		**14,494,008**	**13,743,042**
Total equity attributable to equity holders of the Company		**14,495,188**	**13,744,527**
Paid-in capital	18	3,800,000	3,800,000
Treasury shares (-)		(296,231)	(284,480)
Share premium (discounts)		2,366,895	2,366,895
Other comprehensive income (expense) not to be reclassified to profit or loss		(42)	(42)
- Gain (loss) on remeasurement of employee benefits		*(42)*	*(42)*
Restricted reserves appropriated from profit		747,616	721,385
Prior years' profits		7,040,692	6,362,400
Net profit for the year		836,258	778,369
Non-controlling Interests		**(1,180)**	**(1,485)**
Total liabilities and equity		**28,644,290**	**24,185,242**

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

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Notes	*Audited* 1 January- 31 December 2020	*Audited* 1 January- 31 December 2019
Revenue	19	4,730,462	5,667,598
Cost of sales (-)	19	(3,603,101)	(4,122,381)
Gross profit		**1,127,361**	**1,545,217**
General administrative expenses (-)	20	(346,185)	(308,362)
Marketing expenses (-)	20	(88,587)	(83,188)
Other income from operating activities	22	641,381	506,062
Other expenses from operating activities (-)	22	(274,723)	(299,182)
Share of losses from investments accounted for using equity method		(949)	(6,770)
Operating profit		**1,058,298**	**1,353,777**
Income from investing activities	23	6,342	174
Operating profit before financial income / (expense)		**1,064,640**	**1,353,951**
Financial income	24	255,226	157,269
Financial expenses (-)	24	(485,727)	(739,936)
Profit from continuing operations, before tax		**834,139**	**771,284**
Tax (expense)/income from continuing operations		2,424	7,066
Deferred tax (expense)/income	*25*	*2,424*	*7,066*
Net profit for the period		**836,563**	**778,350**
Profit for the period is attributable to:			
Non-controlling interests		305	(19)
Owners of the Company		**836,258**	**778,369**
Total comprehensive income		**836,563**	**778,350**
Total comprehensive income is attributable to:			
Non-controlling interests		305	(19)
Owners of the Company		**836,258**	**778,369**
Earnings per share (in full TL)		**0.0023**	**0.0021**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

					Other Accumulated Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings				
	Share capital	Treasury shares (-)	Share premium/ discounts	Restricted reserves appropriated from profit	Gain/Loss on remeasurement of defined benefit plans	Prior years' profit	Net profit for the period	Equity attributable to the parent	Non-controlling interests	Total equity
1 January 2019	**3,800,000**	**(284,480)**	**2,366,895**	**662,853**	**(42)**	**5,271,709**	**1,268,049**	**13,084,984**	**(1,466)**	**13,083,518**
Transfers	-	-	-	58,532	-	1,209,517	(1,268,049)	**-**	-	**-**
Dividend	-	-	-	-	-	(118,826)	-	**(118,826)**	-	**(118,826)**
Total comprehensive income	-	-	-	-	-	-	778,369	**778,369**	(19)	**778,350**
31 December 2019	**3,800,000**	**(284,480)**	**2,366,895**	**721,385**	**(42)**	**6,362,400**	**778,369**	**13,744,527**	**(1,485)**	**13,743,042**
1 January 2020	**3,800,000**	**(284,480)**	**2,366,895**	**721,385**	**(42)**	**6,362,400**	**778,369**	**13,744,527**	**(1,485)**	**13,743,042**
Transfers	-	-	-	26,231	-	752,138	(778,369)	**-**	-	**-**
Dividend (Note 18) (*)	-	-	-	-	-	(73,846)	-	**(73,846)**	-	**(73,846)**
Increases/(Decreases) Related to the Acquisition of Treasury Shares	-	(11,751)	-	-	-	-	-	**(11,751)**	-	**(11,751)**
Total comprehensive income	-	-	-	-	-	-	836,258	**836,258**	305	**836,563**
31 December 2020	**3,800,000**	**(296,231)**	**2,366,895**	**747,616**	**(42)**	**7,040,692**	**836,258**	**14,495,188**	**(1,180)**	**14,494,008**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Notes	1 January- 31 December 2020	1 January- 31 December 2019
Cash flows from operating activities			
Profit for the period		836,563	778,350
Adjustments related to reconcile of net profit for the period			
Adjustments related to depreciation and amortization expenses	20, 22	30,226	30,852
Adjustments related to tax expense (income)	25	(2,424)	(7,066)
Adjustments related to undistributed losses of investments accounted for using the equity method		949	6,770
Adjustments related to (reversal of) impairments		(51,876)	137,706
Adjustments related to (reversal of) impairment of inventories	*9*	*(51,876)*	*109,533*
Adjustments for ımpairment loss (reversal of ımpairment loss) of investment properties	*22*	*-*	*28,173*
Adjustments related to provisions		24,550	(8,594)
Adjustments related to (reversal of) provisions for employee benefits	15	*8,755*	*10,259*
Adjustments related to (reversal of) provision for lawsuit and/or penalty	*14*	*16,916*	*(21,293)*
Adjustments related to (reversal of) provisions for possible risks	*22*	*(1,121)*	*2,440*
Adjustments for interest (income) and expenses		(78,408)	249,493
Adjustments for interest income	*22, 23, 24*	*(560,101)*	*(480,201)*
Adjustments for interest expense	*24*	*481,693*	*729,694*
Net cash from operations before changes in assets and liabilities		**759,580**	**1,187,511**
Changes in net working capital:			
Adjustments related to (increase) / decrease in trade receivable		(28,288)	(2,339,288)
Decrease (increase) in trade receivables from related parties		*427,282*	*(467,320)*
Decrease (Increase) in trade receivables from third parties		*(455,570)*	*(1,871,968)*
Adjustments related to decrease/(increase) in inventories		(1,421,862)	1,413,256
Adjustments related to increase/(decrease) in trade payables		724,002	(504,180)
Increase (decrease) in trade payables to related parties		*43,890*	*1,464*
Increase (decrease) in trade payables to third parties		*680,112*	*(505,644)*
Adjustments related to decrease (increase) in other receivables related to operations		199,747	(143,161)
Adjustments related to increase (decrease) in other payables related to operations		1,551,945	(476,451)
Adjustments related to other increase (decrease) in working capital		(768,416)	68,637
Net cash flows from operating activities			
Interest received		146,365	146,932
Payments related to provisions for employee benefits	15	(2,988)	(75)
Income taxes paid		(174,683)	(132,147)
Cash flows from operating activities		**985,402**	**(778,966)**
Cash outflows used in obtaining control of subsidiaries		-	(47,477)
Cash outflows arising from purchase of shares of associates		-	(6,381)
Purchases of investment properties, property, plant and equipment and intangible assets	10, 12, 13	(13,653)	(41,003)
Interest received		599	174
Purchases of financial assets		(338,021)	(10,000)
Returns of financial assets	8	48,075	12,013
Other cash inflows (outflows)		12,988	14,590
Cash flows from investing activities		**(290,012)**	**(78,084)**
Payments for acquisition of treasury shares	18	(11,751)	-
Proceeds from Borrowings		4,011,401	5,272,675
Proceeds from Loans	*6*	*2,406,401*	*2,944,675*
Proceeds from Issue of Debt Instruments	*6*	*1,605,000*	*2,328,000*
Repayments of borrowings		(3,662,607)	(3,864,749)
Loan Repayments	*6*	*(1,456,279)*	*(2,022,009)*
Payments of Issued Debt Instruments	*6*	*(2,206,328)*	*(1,842,740)*
Cash outflow from debt payments for lease contracts		(1,137)	(1,153)
Interest paid	6	(398,062)	(592,597)
Dividends paid	18	(73,846)	(118,826)
Interest received		183,550	109,661
Other cash inflows (outflows)		(53,341)	(10,149)
Cash flow from financing activities		**(5,793)**	**794,862**
Net increase (decrease) in cash and cash equivalents		**689,597**	**(62,188)**
Cash and cash equivalents at the beginning of the period	**4**	432,038	494,226
Cash and cash equivalents at the end of the period	**4**	**1,121,635**	**432,038**

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP

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

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

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

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

The registered address of the Group is Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul. Group has approximately 601 employees (31 December 2019 – 563).

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

The consolidated financial statements at 31 December 2020 have been approved by the Board of Directors on 5 March 2021.

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

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

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

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

Subsidiaries

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

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

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

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

Investments valued by equity method (Affiliates)

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

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

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

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

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

Shares in Joint Operations

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Preparation

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

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

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

2.1. Basis of Preparation (Continued)

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

Basis of Consolidation

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

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

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

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

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

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

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

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

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

Basis of Consolidation (Consolidated)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Investments in associates and joint ventures

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

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

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

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

Basis of Consolidation (Consolidated)

Investments in associates and joint ventures (Continued)

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

Interests in joint operations

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

Preparation of financial statements in hyperinflationary periods

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

Functional and presentation currency

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

Offsetting

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

Going concern

It remains unclear how the coronavirus pandemic ("COVID-19") will affect the economy in general in the upcoming period. Despite this uncertainty, the Group's current assets exceed its current liabilities by TL 12,932,675 as of 31 December 2020. It has cash and cash equivalents amounting to TL 2,005,246 and the Company has made a net profit of TL 836,258 in the period ended on 31 December 2020. The Company Management believes that the Company has the necessary liquidity and the principle of going concern is appropriate. Therefore, the financial statements have been prepared on the basis of going concern.

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

2.1. Basis of Preparation (Continued)

Significant changes regarding the current period

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

The necessary actions have been taken by the Group management to minimize the possible effects of COVID-19, which affects the entire world, on the Group's activities and financial status. The activities of the Company have not been ceased during the curfews. The Group evaluated the possible effects of the COVID-19 outbreak on the financial statements while preparing its consolidated financial statements dated 31 December 2020 and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has evaluated possible impairment in the values of trade receivables, inventories, property, plant and equipment and investment properties included in the consolidated financial statements dated 31 December 2020, and no significant impairment has been detected due to COVID-19. Nevertheless, with the effect of falling interest rates, real estate prices and sales have increased. The Group has increased its sales promise contract with the campaign it has initiated "Do not Delay Your Dreams Turkey".

2.2 Changes in accounting policies, accounting estimates and errors

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

2.3. Conformity with the Portfolio Limitations

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

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

2.4 Summary of significant accounting policies

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial. The contractors' portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Group is kept in deposits accounts in the name of the related projects under the control of the Group as stated in the agreement. However, since the Group does not have the right of disposition of the cash and cash equivalents used in the cash flow statements, except for keeping these amounts in time deposit accounts, these amounts are exempted from cash and cash equivalents in the cash flow statement (Note 4).

Related parties

Shareholders, key management personnel, Board of Directors, close family members, and companies which are controlled by those are regarded as related party for the purpose of preparation of these consolidated financial statements. In accordance with TAS 24 – Related party standards, the description of related parties has been restricted. The Group has also transactions with State owned banks and the Republic of Turkey Prime Ministry Under Secretariat of Treasury (the "Treasury") however quantitative information regarding Turkish State Banks and Treasury is not disclosed in accordance with this exemption. The ultimate parent and ultimate controlling party of the Group is ("TOKİ"). TOKİ is a State institution under control of Republic of Turkey Prime Ministry. The transactions made between the Group and TOKİ and its affiliates are presented in Note 27.

Foreign currency transactions

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

Financial investments

Classification

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

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

2.4 Summary of significant accounting policies (Continued)

Financial investments (Continued)

Recognition and Measurement

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

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

Derecognition of Financial Assets

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

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

2.4 Summary of significant accounting policies (Continued)

Financial investments (Continued)

Impairment

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

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

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

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

Trade receivables and payables

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

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

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

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

2.4 Summary of significant accounting policies (Continued)

Trade receivables and payables (Continued)

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

Financial liabilities

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

Employment termination benefits

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

The amount payable consists of one month's salary limited to a maximum of full TL 7,117.17 as of 31 December 2020 (31 December 2019: full TL 6,379.86).

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

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

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

2.4 Summary of significant accounting policies (Continued)

Employment termination benefits (Continued)

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of full TL 7,638.96 which is effective from 1 January 2021 has been taken into consideration when calculating the liability (1 January 2020: full TL 6,730.15) (Note 15).

Provisions, contingent assets and liabilities

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

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

Land and residential unit inventories

The Group has four types of inventories in its consolidated financial statements (Note 9). These are;

1. Vacant land and plots

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

2. Turnkey Projects

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

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

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

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

2.4 Summary of significant accounting policies (Continued)

Land and residential unit inventories (Continued)

4. Completed Residential and Commercil Unit Inventories

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

Intangible assets

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

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

Investment properties

Investment properties are defined as land and buildings held to earn rental income or capital appreciation or both, rather than for use in the production of goods or services or for administrative purposes; or sale in the ordinary course of business. The Group uses cost model for all investment properties. Investment properties are presented in the standalone financial statements at cost less accumulated depreciation and less impairment, if any (Note 10).

Impairment of assets

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

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

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

2.4 Summary of significant accounting policies (Continued)

Taxation

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

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

Current tax

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

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

Deferred tax

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

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

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

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

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

2.4 Summary of significant accounting policies (Continued)

Segment reporting

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

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

Revenue recognition

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

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

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

1. Sale of vacant land and plots

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

2. Sale of residential units produced by Turnkey projects

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

3. Sale of land and plots by way of LSRSA

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

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

2.4 Summary of significant accounting policies (Continued)

Interest income and expense

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

Paid-in capital

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

Share premium

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

Earnings per share

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

In Turkey, companies can increase their share capital by making a pro rata distribution of their shares "bonus shares" to existing shareholders funded from retained earnings. For the purpose of earnings per share computations, such "bonus share" issuances are regarded as issued shares. Accordingly, the weighted average number of shares used in earnings per share computations are determined by taking into consideration the retroactive effect of aforementioned share distributions. In case of increase in issued shares after balance sheet date but before the date that consolidated financial statement is prepared due to the bonus share distribution, earning per share calculation is performed taking account of total new share amount.

Payments for Housing Acquisition Support ("HAS")

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

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

2.4 Summary of significant accounting policies (Continued)

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

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

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

Dividend distribution

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

Statement of cash flows

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

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

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

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

Events after the reporting period

Events after the reporting period cover any events that arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Group adjusts its consolidated financial statements if such events arise which require an adjustment to the consolidated financial statements (Note 31).

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

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

2.5 Critical Accounting Judgements, Assumptions and Estimates

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

Net realizable value of lands and residential inventories

When the estimated net realizable value of land and commercial units is less than the cost value, the allowance is recognized to reduce the value of inventories to their estimated net realizable value. As of 31 December 2020, valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş. Reel Gayrimenkul Değerleme A.Ş. GEDAŞ Gayrimenkul Değerleme A.Ş. ve Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş.. have been taken into consideration when determining the net realizable value of lands and residential inventories.

Provisions for lawsuits

As of 31 December 2020, a total of TL 266,590 lawsuits have been filed against the Group. For those lawsuits in which there is a high probability of potential outflow of potential resources from these cases, a provision amounting to TL 127,157 has been provided by taking the opinion of the lawyers (Note 14). According to the legal judgment of the lawyers, there is no risk of any outflow of resources from the Group.

2.6. New and Revised Turkish Financial Reporting Standards

a) Amendments and interpretations madatorily effective as of 2020

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

Amendments to TFRS 3 *Definition of a Business*

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

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

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

2.6. New and Revised Turkish Financial Reporting Standards (Continued)

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

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

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

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

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

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

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 and
- There are no substantive changes to other terms and conditions of the lease.

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

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

Amendments to *References to the Conceptual Framework in TFRS Standards*

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

As of 31 December 2020, the relevant standard changes do not have a significant effect on the financial statements of the Group.

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

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

2.6. New and Revised Turkish Financial Reporting Standards (Continued)

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

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

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 3	*Reference to the Conceptual Framework*
Amendments to TAS 16	*Property, Plant and Equipment – Proceed before Intended Use*
Amendments to TAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to TFRS Standards 2018- 2020	*Amendments to TFRS 1, TFRS 9, TFRS 16 and TAS 41*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying TFRS 9*
Amendments to TFRS 9, TMS 39, TFRS 7, TFRS 4 and TFRS 16	*Interest Rate Benchmark Reform – Phase 2*

TFRS 17 *Insurance Contracts*

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

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

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

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

Amendments to TFRS 3 *Reference to the Conceptual Framework*

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

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

2.6. New and Revised Turkish Financial Reporting Standards (Continued)

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

Amendments to TFRS 3 *Reference to the Conceptual Framework (Continued)*

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

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

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

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

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

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

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

Annual Improvements to TFRS Standards 2018-2020

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

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

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

2.6. New and Revised Turkish Financial Reporting Standards (Continued)

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

Annual Improvements to TFRS Standards 2018-2020 (Continued)

Amendments to TFRS 9 *Financial Instruments*

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

Amendments to TAS 41 *Agriculture*

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

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

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

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

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 *Interest Rate Benchmark Reform — Phase 2*

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

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

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

NOTE 3 – SHARES IN OTHER AFFILIATES

a) Affiliates

As of 31 December 2020, the details of the Group's key affiliates are as follows:

In the accounting period ended on 31 December 2020, the carrying value of the Group's subsidiary Bio, valued with the equity method, is TL 6,387 (31 December 2019: TL 7,331).

NOTE 4- CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	19	73
Banks	1,953,138	514,671
- Demand deposit	25,509	142,686
- Time deposits with maturities less than 3 months	1,927,629	371,985
Other cash and cash equivalents	52,089	32,224
	2,005,246	**546,968**

Maturities of cash and cash equivalents are as follows:

	31 December 2020	31 December 2019
Demand	25,509	142,686
Up to 3 month	1,927,629	371,985
Less: Blocked deposits with maturities less than 3 months	(201)	(2,880)
	1,952,937	**511,791**

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

	31 December 2020	31 December 2019
	(%)	**(%)**
	17.66%	9.58%

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

NOTE 4- CASH AND CASH EQUIVALENTS (Continued)

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

	31 December 2020	31 December 2019
Cash and cash equivalents	2,005,246	546,968
Less: Interest accruals on deposits	(557)	(758)
Less: LSRSA project deposits (*)	(741,280)	(117,489)
Less: T.C. Çevre ve Şehircilik Bakanlığı'na ait hesaplar (**)	(144,625)	-
Less: Blocked deposits with maturities less than 3 months	(77)	(929)
Add: the effect of provisions released under TFRS 9	2,928	4,246
	1,121,635	**432,038**

(*) The contractors' portion of the residential unit sales from the LSRSA projects under construction and which accumulated in the bank accounts opened under the control of the Group is kept in deposits accounts in the name of the related projects under the control of the Group as stated in the agreement. TL 124 (31 December 2019: TL 1,951) of the deposits of the project accounts amounting TL 741,280 (31 December 2019: TL 117,489) consists of blocked deposits of the projects.

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

NOTE 5 – FINANCIAL INVESTMENTS

Short-term financial investments	**31 December 2020**	**31 December 2019**
Lease certificate (*)	305,743	-
Blocked deposits with maturities longer than 3 months (**)	272	12,316
Special issue government bonds (***)	-	10,054
	306,015	**22,370**

(*) The Group purchased a lease certificate with a nominal amount of TL 200,000, a maturity date of 16 February 2021 and an interest rate of 8% on 19 August 2020 and another one with a nominal amount of TL 100,000, a maturity date of 3 February 2021 and an interest rate of 8.25% on 6 August 2020. Both of the relevant lease certificates was purchased from Türkiye Emlak Katılım Bankası A.Ş. which is one of the related parties of the Company (Note: 27).

(**) The Group keeps the credit amounts used by customers as blocked deposits at the bank in order to provide low interest rate financing to its customers who want to purchase residentials from the projects that the Group has developed. The relevant amounts are ready for the use of the company at the specified terms. While the contractor portion of blocked deposits in the bank accounts which opened in the name of the related project under the control of the Group and which have maturities more than 3 months is TL 184 (31 December 2019: TL 8,331), the Group portion is TL 88 (31 December 2019: TL 3,985).

(***) Under the Lar No. 5664, the Group received special issued Government Debt Securities amounting to TL 429,617 on behalf of Republic of Turkey Ministry Undersecreteriat of Treasury ("Treasury") for the payments to Housing Acquisition Support ("HAS") beneficiaries in 2010. As HAS beneficiaries are determined, the Group amortizes a certain part of GDS early and transfers to the Group accounts for payment (Note 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.

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

NOTE 5 – FINANCIAL INVESTMENTS (Continued)

As of 31 December 2020, the Group's long-term investments comprise investments with less than 10% in capitals of Kazakistan Ziraat International Bank, Sınırlı Sorumlu İstanbul Gıda Toptancıları İmalat Sanayi ve Depocuları Toplu İşyeri Yapı Kooperatifi, Cathay-EPP Adi Ortaklığı ve Tobaş Toplu Konut Büyükşehir Belediyesi İnşaat Emlak Mimarlık ve Proje A.Ş.

NOTE 6 - FINANCIAL LIABILITIES

	31 December 2020	31 December 2019
Short-term financial liabilities		
Short-term portion of long-term borrowings	1,599,188	1,310,695
Issued debt instruments (*)	475,531	1,065,415
Short-term bank loans	123,500	799,523
Lease obligation (Note 27)	3,399	2,988
	2,201,618	**3,178,621**

(*) The Company issued 5 different lease certificates with nominal amount of TL 100,000, a profit share of 8.10% and a maturity date of 6 January 2021, with nominal amount of TL 100,000, a profit share of 12% and a maturity date of 3 February 2021, with nominal amount of TL 100,000, a profit share of 12.95% and a maturity date of 3 March 2021, with nominal amount of TL 50,000, a profit share of 13.50% and a maturity date of 31 March 2021 and lastly with nominal amount of TL 100,000, a profit share of 17.10% and a maturity date of 31 March 2021. Issue date of these certificates are 6 August 2020, 1 September 2020, 30 September 2020, 3 November 2020 and 9 December 2020, respectively.

Long-term financial liabilities	31 December 2020	31 December 2019
Long-term borrowings	2,981,094	1,587,564
Lease obligation (Note 27)	2,333	3,003
	2,983,427	**1,590,567**

All borrowings used as of 31 December 2020 are denominated in TL and their weighted average interest rate is 10.88% (31 December 2019: 17.70%).

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

	31 December 2020	31 December 2019
2021	-	1,344,827
2022	1,086,705	131,092
2023	735,390	51,759
2024	802,361	59,886
2025	356,638	-
	2,981,094	**1,587,564**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	31 December 2020	31 December 2019
Less than 3 months	517,368	790,900
Between 3 - 12 months	1,205,320	1,319,319
Between 1 - 5 years	2,981,094	1,587,564
	4,703,782	**3,697,783**

Cash flow reconciliation of loans and debt instruments issued as of 31 December 2020 and 2019 are as follows:

	Loans		Commercial bill	
	1 January- 31 December 2020	1 January- 31 December 2019	1 January- 31 December 2020	1 January- 31 December 2019
Opening balance	3,697,783	2,774,079	1,065,415	587,526
Interest expenses	386,268	463,264	79,115	123,000
Interest paid	(330,391)	(462,226)	(67,671)	(130,371)
Cash inflow from financial borrowings	2,406,401	2,944,675	1,605,000	2,328,000
Cash outflow from financial borrowings	(1,456,279)	(2,022,009)	(2,206,328)	(1,842,740)
Closing balance	**4,703,782**	**3,697,783**	**475,531**	**1,065,415**

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**31 December 2020**	**31 December 2019**
Receivables from contractors of the lands invoiced under LSRSA	1,470,439	1,473,299
Receivables from sale of residential and commercial units	651,932	669,109
Receivables from land sales	364,721	258,411
Receivables from related parties (Note 27)	52,659	479,941
Receivables from lessees	8,184	10,431
Notes of receivables	835	139
Receivables from the sale of transferred residential and commercial units (*)	-	44,958
Other	13,879	7,683
Unearned finance income	(38,024)	(27,222)
	2,524,625	**2,916,749**
Doubtful receivables	2,538	1,837
Less: Provision for doubtful receivables	(2,538)	(1,837)
	2,524,625	**2,916,749**

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

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2020	31 December 2019
Long-term trade receivables		
Receivables from sale of residential and commercial units	4,057,766	3,323,401
Receivables from land sales	227,084	177,940
Unearned finance income	(548,510)	(433,532)
	3,736,340	**3,067,809**

	31 December 2020	31 December 2019
Short-term trade payables		
Payables to related parties (Note 27)	1,286,481	25,803
Payables to LSRSA contractors invoiced	857,840	191,691
Trade payables	302,404	273,530
Interest accruals on time deposits of contractors (*)	47,384	14,744
	2,494,109	**505,768**

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019
Short-term other receivables		
Advances given to contractor firms	496.485	721.605
HAS related receivables from Turkish Treasury	402.527	402.527
Other receivables from related parties (Note 27)	465	762
Receivables from the authorities	24.274	14.507
Other	1.842	408
	925.593	**1.139.809**

	31 December 2020	31 December 2019
Long-term other receivables		
Other receivables from related parties (Note 27)	32.774	24.616
Other receivables from third parties	20.720	15.138
Deposits and guarantees given	1.014	2.281
	54.508	**42.035**

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

NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2020	31 December 2019
Short-term other payables		
Payables to HAS beneficiaries	402,713	402,713
Payables to contractors (*)	88,752	88,752
Taxes and funds payable	28,248	23,077
Other payables to related parties (Note 27)	403	397
Other	69,953	56,767
	590,262	**571,706**

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

As of 31 December 2020 other long-term payables comprises of deposits and guarantees received.

The movements of HAS payments transferred from Group's shareholder's equity and HAS receivables and payables related to Treasury Support for the periods 31 December 2020 and 2019 are as follows:

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

	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)**

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

NOTE 9 - INVENTORIES

	31 December 2020	**31 December 2019**
Lands	5,707,639	4,085,357
Cost	*5,746,629*	*4,167,413*
Impairment	*(38,990)*	*(82,056)*
Planned land by LSRSA	4,423,215	4,778,010
Planned land by turnkey project	4,434,722	3,234,174
Residential and commercial units ready for sale	1,696,572	1,685,237
Cost	*1,897,593*	*1,895,068*
Impairment	*(201,021)*	*(209,831)*
	16,262,148	**13,782,778**

As of 31 December 2020, the valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş. Reel Gayrimenkul Değerleme A.Ş. GEDAŞ Gayrimenkul Değerleme A.Ş. and Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. have taken into consideration in the valuation of assets classified as "Inventories" and in the calculation on impairment, if any.

The movements of impairment on inventories are as follows:

	2020	**2019**
Opening balance at 1 January	**291,887**	**182,354**
Impairment on inventories within the current period (Note 22)	207,300	185,084
Reversal of impairment on invetories within the current period (Note 22)	(259,176)	(75,551)
Closing balance at 31 December	**240,011**	**291,887**

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

NOTE 9 – INVENTORIES (Continued)

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

Lands	**31 December 2020**	**31 December 2019**
İstanbul Avcılar Lands	1,420,000	19,307
İstanbul Küçükçekmece Lands	1,113,989	1,942,494
İstanbul Çekmeköy Lands	990,043	-
İstanbul Kartal Lands	532,565	109,183
İstanbul Sarıyer İstinye Lands	410,094	7,734
İstanbul Beşiktaş Lands	325,161	256,965
İstanbul Başakşehir Lands	271,465	627,674
İstanbul Arnavutköy Lands	170,581	170,581
İstanbul Eyüp Lands	168,485	-
İstanbul Ataşehir Lands	100,642	40,642
İstanbul Zekeriyaköy Lands	52,940	677
Ankara Çankaya Lands	51,173	45,644
İstanbul Esenyurt Lands	39,178	50,577
İstanbul Resneli Lands	20,333	20,333
İzmir Konak Umurbey Lands	13,030	12,258
Kocaeli Gebze Lands	8,278	729
Sakarya-Sapanca Lands	7,027	7,027
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	3,010
İstanbul Umraniye Lands	1,844	1,844
Tekirdağ Kapaklı Lands	1,058	1,665
Tuzla Orhanlı Project	540	540
İstanbul Bakırköy Lands	-	364,227
İstanbul Florya Lands	-	262,556
Samsun Canik Lands	-	111,916
İstanbul Tuzla Lands	-	20,016
Other	50	1,605
	5,707,639	**4,085,357**

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

NOTE 9 – INVENTORIES (Continued)

Planned lands by LSRSA	**31 December 2020**	**31 December 2019**
Nidapark Istinye Project	992,600	993,780
Merkez Ankara Project	659,410	642,054
Nişantaşı Project	643,965	571,037
Nidapark Kucukyalı Project	564,518	678,852
Beykoz Riva Project	390,613	386,193
İstanbul Çekmeköy Taşdelen Project	347,731	312,972
Başakşehir İkitelli Project	161,578	-
Başakşehir Avrasya Konutları Project	132,745	-
Avangart İstanbul Project	111,644	120,391
Validebağ Konakları Project	72,096	154,929
Cer İstanbul Project	67,308	67,403
Evora Denizli Project	62,319	63,618
Avrupark Hayat Project	54,057	54,057
Nidapark Kayasehir Project	35,761	35,367
Ispartakule 6. Etap Project	31,288	31,641
Ofis Karat Bakırköy Project	30,826	30,955
Ebruli Ispartakule Project	28,204	58,200
Şile Çavuş Project	10,079	9,813
Köy Project	9,517	153,054
Büyükyalı Project	-	263,492
Temaşehir Konya Project	-	87,489
Tual Adalar Project	-	11,828
Karat 34 Project	-	5,673
Other	16,956	45,212
	4,423,215	**4,778,010**

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

NOTE 9 – INVENTORIES (Continued)

Residential and commercial units completed	**31 December 2020**	**31 December 2019**
Maslak 1453 Project	462,675	491,323
Kuzey Yakası Project	290,132	-
Gebze Emlak Konutları	192,509	590,245
Başkent Emlak Konutları Project	187,425	-
Sarphan Finanspark Project	185,738	179,190
Karat 34 Project	78,592	-
Büyükyalı Project	56,241	74,606
İstmarina Project	47,327	52,831
Batışehir Project	28,604	14,268
Niğde Emlak Konutları	21,230	57,351
Tual Bahçekent Project	19,967	-
Koordinat Çayyolu Project	19,352	35,410
Evora Denizli Project	17,770	-
Kocaeli Körfezkent Emlak Konutları	12,209	16,686
Nidakule Ataşehir Project	16,597	24,052
Ispartakule Emlak Konutları	9,477	19,919
Batışehir Project	8,282	11,730
Göl Panorama Project	7,832	33,478
Tual Adalar Project	6,958	-
Unikonut Project	4,838	6,890
Temaşehir Project	3,512	-
Metropol İstanbul Project	3,448	3,444
Nevşehir Emlak Konutları	2,972	3,459
Bahçekent Flora Evleri	2,553	1,777
Başakşehir Ayazma Emlak Konutları	2,299	8,745
Esenler Emlak Konutları	1,999	1,096
Bulvar İstanbul Project	1,383	2,424
Bahçekent Emlak Konutları	584	3,578
Başakşehir Emlak Konutları	-	9,123
Avrupa Konutları Başakşehir Project	-	1,178
Other	4,067	42,434
	1,696,572	**1,685,237**

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

NOTE 9 – INVENTORIES (Continued)

Planned lands by turnkey project	31 December 2020	31 December 2019
Küçükçekmece Bizim Mahalle Project	926,609	-
IGTOD Rami Gıda Toptancıları Project	894,950	703,235
Zekeriyaköy Emlak Konutları Project	586,733	-
Halkalı Emlak Konutları Project	544,523	259,306
Hoşdere 6.Etap Project	497,253	101,356
Florya Evleri Project	416,258	-
Yeniköy Konakları	352,370	114,736
Yalova Armutlu Project	139,421	211,633
Ümraniye Kentsel Dönüşüm Project	39,261	-
Ankara Saraçoğlu Project	27,806	5,192
Tariş Kooperatifleri Project	7,142	-
Hoşdere Hayat Parkı Project	2,396	30,059
Başkent Emlak Konutları Project	-	922,882
Kuzey Yakası Project	-	516,630
Ankara Başkent Project	-	358,729
Gebze Emlak Konutları	-	10,416
	4,434,722	**3,234,174**

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

NOTE 10 – INVESTMENT PROPERTIES

Lease income is generated from investment properties, and the expertise used in the calculation of impairment is made through peer comparison and income reduction. As of 31 December 2020, the Group assessed that there was no impairment in its investment properties within the scope of the Covid-19 outbreak. Although there has been a decrease in the rental income of the Group from investment properties due to the COVID-19, there has not been a significant change in the total rental income due to the new rental income increase arising from transfers to investment properties.

The movements of investment properties as of 31 December 2020 and 2019 are as follows:

	Lands, residential	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2020	461,551	40,922	502,473
Transfers from commericial units and land inventories	322,813	-	322,813
Transfers to residential and commercial unit inventories	(35,626)	-	(35,626)
Disposals (-)	(15,521)	-	(15,521)
Closing balance as of 31 December 2020	733,217	40,922	774,139
Accumulated Depreciation			
Opening balance as of 1 January 2020	19,289	3,039	22,328
Charge for the year	18,295	317	18,612
Disposals (-)	(2,091)	-	(2,091)
Closing balance as of 31 December 2020	35,493	3,356	38,849
Carrying value as of 31 December 2020	697,724	37,566	735,290

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

As of 31 December 2020, the rental income from investment properties is TL 36,410 (1 January – 31 December 2019: TL 39,541).

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

NOTE 10 – INVESTMENT PROPERTIES (Continued)

Reports prepared by Atak Gayrimenkul Değerleme A.Ş. ve 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 2020. The fair values of the investment property determined by independent valuation experts are as follows:

	31 December 2020	31 December 2019
Lands and completed units	588,147	175,630
Atasehir General Management Office A Block	126,478	98,000
Independent commercial units of Istmarina AVM	286,143	272,515
	1,000,768	**546,145**

As of 31 December 2020 and 31 December 2019 Group's investment properties and their fair value hierarchy are as follows:

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

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

NOTE 11 – RIGHT-OF-USE ASSETS

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

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

NOTE 11 – RIGHT-OF-USE ASSETS (Continued)

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

NOTE 13 – INTANGIBLE ASSETS

31 December 2020	**Licenses**	**Computer software**	**Total**
Net carrying value as of 1 January 2020	3,294	477	3,771
Additions	714	2039	2,753
Amortization expense (-)	(2,332)	(432)	(2,764)
Net carrying value 31 December 2020	**1,676**	**2,084**	**3,760**
Cost	10,888	5,016	15,904
Accumulated amortization (-)	(9,212)	(2,932)	(12,144)
Net carrying value 31 December 2020	**1,676**	**2,084**	**3,760**

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**

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2020	**31 December 2019**
Provisions		
Provision for lawsuits	127,157	110,241
	127,157	**110,241**

According to the opinions of the Group's lawyers, provisions amounting to TL 127,157 have been made as of 31 December 2020 (31 December 2019: TL 110,241). As of 31 December 2020, there are 38 cases of defect, 13 cases of loss of rent, 14 cases of cancellation of title deeds and registration, 4 cases of business and 54 other cases. The amount of risk arising from the total possible cash outflow is TL 266,590 and the lawsuits are still pending. The movements of provision for lawsuits as of 31 December 2020 and 2019 are as follows:

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

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

	2020	**2019**
Balance at 1 January	**110,241**	**131,534**
Provision released within the current period (Note 22)	-	(23,329)
Provision added within the current period (Note 22)	16,916	2,036
Closing balance at 31 December	**127,157**	**110,241**

14.1 Conitnuing Lawsuits and Provisions

14.1.1 The LSRSA Project Agreement dated 21 December 2005 regarding 750 units in İzmir Mavisehir Upper North Area 2. Phase was abolished on 21 December 2009 since the contractor did not meet the requirements of the provisions in the agreement. Following the cancellation of the agreement, the project was transferred to the 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 Group claiming that the completion percentage of the project was significantly high and that the agreement between the parties was based on construction right in return for flat. Izmir Karsiyaka Commercial Court of First Instance issued an expert report and determine that the level of work was at around 83%, and that the legal relationship of the parties were not related to construction right in return of the flat. The Company and the contractor filed counter lawsuits in the following period and an additional report was decided to be issued. The additional report is about the final receivables and payables of the parties considering all the claims. As a result of the examination of the additional report at the hearing on 11 June 2014, the second expert committee was examined however, since the expert report was not received, the date of the case was not finalized. In addition, the file was transferred to the delegation, as the Commercial Courts turned into Delegation Judges.

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

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 92,233 as of 31 December 2020.

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

14.1 Conitnuing Lawsuits and Provisions (Continued)

14.1.2 The lawsuit filed by the contractor firm is action of debt, deed cancellation and registration case. The decision of the contractor's contract was terminated unfairly, passing through degrees. Lawsuits filed by the company and amounting to TL 7,141 have been partially accepted and the decision was appealed by the parties, the trial is ongoing at the Istanbul 16th Commercial Court of First Instance. As of 31 December 2020 a provision amounting to TL 7,601 has been made.

14.1.3 Within the scope of Revenue Sharing in Return for Riva Land Sale Tender for immovables parcel numbered 3201, 3202, 3203 located in Istanbul Province, Beykoz/Riva District as per the Article 14 of Bidding Specification of the aforementioned tender, bid bonds have been submitted to the client company by the Joint Venture, in the second session of the tender held on 15 June 2017, it was decided to leave the tender under the responsibility of the Joint Venture, which gave the most economically advantageous bid however, companies that have applied to the client company and invited for signature were requested to revise the terms and criteria of the tender, with the justification that the Planned Areas Type Zoning Regulation by the Ministry of Environment and Urbanization published on Official Gazette No. 30113 dated 3 July 2017 contains regulations that cause a significant reduction in the construction area subject to the tender, with the entry into force of the provisions of the said Regulation, the revision requests of the plaintiff companies were rejected on the grounds that there would be no change in the construction field based on the precedent and the Company gave a deadline until 15 August 2017 for the signing of the contract, as the client company did not come to sign the contract at the end of the period, the bid bonds submitted by the plaintiff companies within the scope of the Revenue Sharing in Return for Riva Land Sale Tender were registered as revenue and the tender was awarded to the non-litigated contractor who submitted the second most appropriate bid for the subject matter and there are pecuniary and non-pecuniary damages lawsuits filed on the grounds that the claimant's revision requests regarding the conditions and criteria of the aforementioned tender were rejected and that the recognition of the letters of guarantee as revenue was unfair. Provision amounting to TL 10,306 has been made as of 31 December 2020.

14.2 Contingent Liabilities of the Group

In the financial statements prepared as of 31 December 2020, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Group Management and its lawyers, no provision has been made in the financial statements prepared as of 31 December 2020 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in cases filed against the Group in order to fulfill its obligation.

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

14.2.2 İstanbul Ümraniye 1.Phase is the action of debt filed by the contractor with the claim that TL 34,164 remaining from the transfer of the receivable amounting to TL 46,000 which derived or will be derived before the contractor of LSRA to the bank, has not been paid unfairly to him by the bank. At the same time, the complainant requested to put as much mortgage as the amount of the lawsuit on a part of the immovable within the scope of the project in order to guarantee the receivable subject to the case. The case is proceeding. According to the opinion of the Group lawyer, no liability is expected to born as a result of the related lawsuit.

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

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

14.3 Contingent Assets of Emlak Konut GYO

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

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

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

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

NOTE 15 – EMPLOYEE BENEFITS

	31 December 2020	31 December 2019
Short-term provisions		
Unused vacation provision	14,957	11,148
	14,957	**11,148**
Long-term provisions		
Provision for employment termination benefit	15,804	13,846
	15,804	**13,846**

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

	31 December 2020	31 December 2019
Discount Rate (%)	4.10	3,90
Turnover rate to estimate probability of retirement (%)	0.90	2.47

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

If the discount rate would have been 1% lower, provision for employee termination benefits would increase by TL 1,004.

If the anticipated turnover rate would have been 1% higher while all other variables were held constant, provision for employee termination benefits would increase by TL 389.

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

	2020	2019
Balance at 1 January	**13,846**	**8,685**
Service cost	4,495	4,708
Interest cost	451	528
Payment within the period	(2,988)	(75)
Closing balance at 31 December	**15,804**	**13,846**

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

NOTE 16 – OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2020	31 December 2019
Progress payments to contractors	156,643	115,896
Deferred VAT	111,784	568
Income accruals	27,577	68,349
Receivables from tax office	19,576	42,526
Other	291	3,595
	315,871	**230,934**

Other non-current assets	31 December 2020	31 December 2019
Deferred VAT	23,895	75,958
	23,895	**75,958**

NOTE 17 – DEFERRED INCOME AND PREPAID EXPENSES

Short-term deferred income	31 December 2020	31 December 2019
Deferred income from LSRSA projects (*)	2,485,417	1,698,186
Advances taken from turnkey project sales	2,117,317	1,379,687
Advances taken from LSRSA contractors (**)	600,182	570,237
Deferred income related to sales of independent units	401,189	392,391
Transferred deferred incomes (***)	-	239,333
Advances received from related parties (Note 27)	-	64,732
	5,604,105	**4,344,566**

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

Prepaid expenses	31 December 2020	31 December 2019
Advances given for inventory (*)	1,619,676	1,747,573
Prepaid expenses	5,709	2,655
	1,625,385	**1,750,228**

(*) A protocol has been signed between the Group and the Tariş Cooperatives Union to develop revenue sharing project on a land, which belongs to the Tariş Cooperatives Union, located within the borders of Kuruçay/Umurbey, Konak district of İzmir and an inventory advance amounting to TL 405,175 has been made. The Group has also provided an inventory advance amounting to TL 1,207,551 to the contractors for the residential and commercial units which it will acquire based on preliminary sales contract from ongoing Ankara Yeninahalle Station, Nidapark Küçükyalı and Büyükyalı projects.

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

NOTE 18 - SHAREHOLDERS' EQUITY

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

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

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

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

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

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

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

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

On 22 July 2020, the General Assembly decided to distribute dividends amounting to TL 76,646. This dividend amounting to TL 2,800 is related to repurchased shares and net off under equity.

On 20 March 2020, The Company repurchased 10,500,000 numbers of shares with nominal value between full TL 1.11 and full TL 1.12 (full TL) and with the transaction cost amounting to thousand TL 11,751. The ratio of total shares acquired as a result of the purchase transactions to total number was 3.65%.

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

NOTE 19 – REVENUE AND COST OF SALES

	1 January- 31 December 2020	1 January- 31 December 2019
Sales income		
Land sales	2,262,478	3,653,421
Sales of planned lands by way of LSRSA	*1,679,391*	*2,132,477*
Land sales income	*583,087*	*1,520,944*
Residential and commercial units sales	2,365,863	1,982,654
Other income	118,905	38,265
	4,747,246	**5,674,340**
Sales returns	(10,754)	(6,457)
Sales discounts	(6,030)	(285)
Net sales income	**4,730,462**	**5,667,598**
Cost of sales		
Cost of lands	(996,015)	(2,178,417)
Cost of lands planned by way of LSRSA	*(725,989)*	*(919,900)*
Cost of lands sold	*(270,026)*	*(1,258,517)*
Cost of residential and commercial units sold	*(2,607,086)*	*(1,943,964)*
	(3,603,101)	**(4,122,381)**
Gross Profit	**1,127,361**	**1,545,217**

NOTE 20 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
General administrative expenses		
Personnel expenses	(136,398)	(106,374)
Taxes, duties and fees	(52,027)	(63,569)
Consultancy expenses	(32,714)	(45,849)
Donations	(26,485)	(19,997)
Due and contribution expenses	(12,781)	(11,756)
Depreciation and amortisation	(11,614)	(11,246)
Travel expenses	(7,913)	(8,125)
Maintenance and repair expenses	(6,924)	(1,221)
Information technologies expenses	(6,511)	(7,265)
Lawsuit and notary expenses	(4,506)	(4,403)
Insurance expenses	(1,954)	(2,000)
Communication expenses	(1,527)	(972)
Other	(44,831)	(25,585)
	(346,185)	**(308,362)**

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

NOTE 20 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
Marketing and sales expenses		
Advertising expenses	(60,890)	(55,862)
Personnel expenses	(24,551)	(25,150)
Office expenses	(339)	(11)
Lawsuit and notary expenses	(7)	(41)
Other	(2,800)	(2,124)
	(88,587)	**(83,188)**

NOTE 21 – EXPENSES BY NATURE

	1 January - 31 December 2020	1 January- 31 December 2019
Expenses from residential and commercial units sales	2.607.086	1.943.964
Land costs	996.015	2.178.417
Personnel expenses	160.949	131.524
Taxes,duties and fees	52.027	63.569
Advertising expenses	60.890	55.862
Consultancy expenses	32.714	45.849
Donations	26.485	19.997
Due and contribution expenses	12.781	11.756
Depreciation and amortisation (Note 11,12,13)	11.614	11.246
Information technologies expenses	6.511	7.265
Lawsuit and notary expenses	4.513	4.444
Insurance expenses	1.954	2.000
Communication expenses	1.527	972
Other	62.807	37.066
	4.037.873	**4.513.931**

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

NOTE 22 - OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities	1 January- 31 December 2020	1 January- 31 December 2019
Financial income from forward sales	157,554	180,943
Impairment provisions released (Note 9)	259,176	75,551
Default interest income from projects	146,964	143,735
Income from transfer commissions	16,771	25,038
Provisions for possible risks	1,317	-
Income from tender contract sales	593	1,026
Lawsuit provisions released (Note 14)	-	23,329
Income from natural gas and contribution expenses	-	13,322
Other	59,006	43,118
	641,381	**506,062**

Other expenses from operating activities	1 January- 31 December 2020	1 January- 31 December 2019
Provision for impairment of land and residential inventories (Note 9)	(207,300)	(185,084)
Investment properties amortisation expenses (Note 10)	(18,612)	(19,606)
Provision for lawsuits (Note 14)	(16,916)	(2,036)
Provisions for possible risks	(196)	(2,440)
Investment properties impairment provision expenses (Note 11)	-	(28,173)
Other	(31,699)	(61,843)
	(274,723)	**(299,182)**

NOTE 23 – INCOME FROM INVESTMENT ACTIVITIES

	1 January- 31 December 2020	1 January- 31 December 2019
Income from lease certificate	6,342	-
Interest income from bonds	-	174
	6,342	**174**

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

NOTE 24 – FINANCE INCOME / EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
Borrowings interest and sukuk expenses	(466,437)	(586,264)
Interest discount on pay off debt	(12,406)	(142,480)
Assigned receivables and commission expense	(3,774)	(9,796)
Interest expense on lease liabilities	(2,850)	-
Foreign exchange losses	(260)	(446)
	(485,727)	**(738,986)**

	1 January- 31 December 2020	1 January- 31 December 2019
Interest income from time deposits	182,576	108,687
Interest income from land acquisition	62,601	45,646
Foreign exchange gains	5,985	1,920
Interest income related to leases	4,064	1,016
	255,226	**157,269**

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

Current tax assets	31 December 2020	31 December 2019
Prepaid taxes and funds	-	2,993
	-	2,993

Corporate Tax

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

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

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

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

Corporate Tax (Continued)

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

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

Deferred Tax:

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

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

Since entities in Turkey cannot declare a consolidated tax return, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and are presented separately.

Deferred tax (assets)/liabilities:	31 December 2020	31 December 2019
Fair value adjustment to inventories due to purchase accounting	54,092	62,157
Carry forward tax loss effect	-	(6,604)
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(401)	(361)
Provision for employment termination benefits	(1,412)	(489)
	52,279	54,703

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

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

The movements of deferedd tax (asses)/ liabilities for the periods ended 31 December 2020 and 2019 are as follows:

Movement of deferred tax (assets)/liabilities:	1 January- 31 December 2020	1 January- 31 December 2019
Opening balance as of 1 January	(54,703)	(61,769)
Charged to profit or loss	2,424	7,066
Closing balance at 31 December	(52,279)	(54,703)

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

Reconciliation of tax provision	1 January- 31 December 2020	1 January- 31 December 2019
Profit from continuing operations	834,139	771,284
Profit from operations before tax	834,139	771,284
Tax at the domestic income tax rate 2020: 22% (2019: 22%)	(183,511)	(169,682)
Tax effects of:		
- revenue that is exempt from taxation	189,128	171,711
- the effect of tax rate change from 22% to 20%	5,409	-
-previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	-	6,604
- other	(8,602)	(1,567)
Income tax expense recognised in profit	2,424	7,066

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

NOTE 26 – EARNINGS PER SHARE

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

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

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

	1 January- 31 December 2020	1 January- 31 December 2019
Net income attributable to equity holders of the parent in full TL	859,671	780,506
Weighted average number of ordinary shares	3,659,447,630	3,663,584,506
Earnings per share in full TL	**0.0023**	**0.0021**

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

NOTE 27 - RELATED PARTY DISCLOSURES

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

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

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

- Balances and transactions with respect to Treasury are detailed in Note 5, 6 and 9.
- The Group keeps its deposits predominantly in state banks in accordance with the relevant provisions. As of 31 December 2020, the Group has deposits amounting to TL 1,866,582 in state banks (31 December 2019: TL 484,216). Average effective interest rates of time deposits of the Group as of 31 December 2020 are explained in Note 5.

The relationships between the Group and related parties are explained below:

Trade receivables from related parties	31 December 2020	31 December 2019
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürülüğü (*)	-	469,097
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	42,616	-
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G.	6,006	5,577
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	1,769	1,769
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	1,338	1,338
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	930	2,160
	52,659	**479,941**

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

Borrowings to related parties	31 December 2020	31 December 2019
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	5,732	5,991
	5,732	**5,991**

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Short-term other receivables from related parties	**31 December 2020**	**31 December 2019**
Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı	119	169
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	95	145
Gedaş Gayrimenkul Değerleme A.Ş.	251	448
	465	**762**

Long-term other receivables from related parties	**31 December 2020**	**31 December 2019**
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	32,774	24,616
	32,774	24,616

Trade payables to related parties	**31 December 2020**	**31 December 2019**
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ") (*)	207,085	24,504
İller Bankası A.Ş. (**)	465,100	-
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü	607,204	-
Fideltus İnşaat Taahhüt San. ve Tic. A.Ş.	5,617	-
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,324	-
Emlak Basın Yayın A.Ş.	106	-
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	45	1,299
	1,286,481	**25,803**

(*) Represents the amount of payable arising from the transfer of 14 parcels according to the protocol signed with Republic of Turkey Housing Development Administration on 2 December 2020.
(**) Represents the amount of payable arising from the transfer of 2 parcels in accordance with the protocol signed with İlbank A.Ş. on 14 December 2020.
(***) Represents the amount of payable arising from the transfer of 4 parcels in accordance with the protocol signed with Republic of Turkey Ministry of Environment and Urbanization General Directorate of Urban Transformation Services on 20 November 2020.

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

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

Financial investments from related parties	**31 December 2020**	**31 December 2019**
Türkiye Emlak Katılım Bankası A..Ş.	305,732	-
	305,732	-

Investment income from related parties	**1 January- 31 December 2020**	**1 January- 30 September 2019**
Türkiye Emlak Katılım Bankası A..Ş.	5,743	-
	5,743	-

Finance income from related parties	**1 January- 31 December 2020**	**1 January- 31 December 2019**
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	-	45,646
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü	55,987	-
	55,987	**45,646**

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Finance expense from related parties	1 January- 31 December 2020	1 January- 31 December 2019
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	168	949
Türkiye Emlak Katılım Bankası A.Ş.	-	8,905
	168	**9,854**

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

Purchases from related parties	1 January- 31 December 2020	1 January- 31 December 2019
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	1,879,959	575,207
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü	1,306,745	-
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	1,324	-
Emlak Basın Yayın A.Ş.	1,267	-
Gedaş Gayrimenkul Değerleme A.Ş.	133	-
	3,189,428	**575,207**

Sales to related parties	1 January- 31 December 2020	1 January- 31 December 2019
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	10,519	315,693
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	-	333
Gedaş Gayrimenkul Değerleme A.Ş.	-	27
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş.- Fideltus İnş. - Öztaş İnş. O.G.	15	3
İller Bankası A.Ş.	-	115,640
T.C. Çevre ve Şehircilik Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü	143,967	470,867
	154,501	**786,563**

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

Compensation to key management	1 January- 31 December 2020	1 January- 31 December 2019
Salaries and other short-term benefits	12,530	8,244
	12,530	**8,244**

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

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

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

Liquidity risk

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

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

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

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

The maturity distribution of financial liabilities of the Group as of 31 December 2020 and 2019 is as follows:

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

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

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

Liquidity risk (Continued)

31 December 2019	Carrying value	Constractual cash flows	Up to 3 months	3 months to 1 year	1 year- to 5 years
Short-term financial liabilities (Non-derivative):					
Financial liabilities	3,178,621	3,409,206	1,531,172	1,878,034	-
Trade payables	505,768	505,768	-	505,768	-
Other payables	571,706	571,706	80,241	491,465	-
	4,256,095	**4,486,680**	**1,611,413**	**2,875,267**	**-**
Long-term financial liabilities (Non-derivative):					
Financial liabilities	1,590,567	1,796,296	-	-	1,796,296
Trade payables	102	102	-	-	102
Other payables	48,887	48,887	-	-	48,887
	1,639,556	**1,845,285**	**-**	**-**	**1,845,285**

Interest rate risk

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

Average effective annual interest rates of balance sheet items as of 31 December 2020 and 2019 are as follows:

	31 December 2020 (%)	31 December 2019 (%)
Current assets		
Cash and cash equivalents	17.66%	9.16%
Trade receivables	13.76%	11.92%
Current liabilities		
Financial liabilities	11.22%	14.50%
Non-current liabilities		
Financial liabilities	10.68%	17.71%

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

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

Interest rate risk (Continued)

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

	31 December 2020	31 December 2019
Financial instruments with fixed interest rate		
Time deposits	1,927,629	371,985
Financial liabilities	5,185,045	4,769,188
Financial instruments wiht floating interest rate		
Financial liabilities	-	-

If the interest denominated in TL had been 100 base point lower/higher while all other variables were held constant, the profit before tax would increase/decrease by TL 0 as of 31 December 2020 (31 December 2019: TL 0).

C***redit risk disclosures***

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

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

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

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

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

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

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

Credit risk disclosures (Continued)

Credit and receivable risks of as of 31 December 2020 are as follows:

	Trade Receivables		Other Receivables			
31 December 2020	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at Banks**	**Blocked deposits with maturities more than 3 months**
Maximum credit risks exposed as of reporting date	**52,659**	**6,208,306**	**33,239**	**946,862**	**1,953,138**	**272**
Secured portion of the maximum credit risk by guarantees,etc,	52,659	5,962,279	465	946,862	1,953,138	272
A. Net carrying value of financial assets that are neither past due nor impaired	52,659	5,962,279	465	946,862	1,953,138	272
Secured portion by guarantees etc.	52,659	5,962,279	465	946,862	-	-
B. Net carrying value of assets with negotiated terms						
Secured portion by guarantees etc.	-	-	-	-	-	-
C. Net carrying value of fianancial assets that are past due but not impaired	-	246,027	32,774	-	-	-
Secured portion by guarantees etc.	-	246,027	32,774	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
Past due (Gross carrying value)	-	1,837	-	-	-	-
Impairment (-)	-	(1,837)	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-	-	-

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

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

Credit risk disclosures (Continued)

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

		Trade Receivables		Other Receivables			
	31 December 2019	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at Banks**	**Blocked deposits with maturities more than 3 months**
	Maximum credit risks exposed as of reporting date	**479,941**	**5,504,617**	**25,378**	**1,156,466**	**514,671**	**12,316**
	Secured portion of the maximum credit risk by guarantees,etc,	479,941	2,775,237	762	1,156,466	514,671	12,316
A.	Net carrying value of financial assets that are neither past due nor impaired	479,941	2,775,237	762	1,156,466	514,671	12,316
	Secured portion by guarantees etc.	479,941	2,775,237	762	1,156,466	-	-
B.	Net carrying value of assets with negotiated terms						
	Secured portion by guarantees etc.	-	-	-	-	-	-
C.	Net carrying value of fianancial assets that are past due but not impaired		200,137	24,616	-	-	-
	Secured portion by guarantees etc.	-	200,137	24,616	-	-	-
D.	Net carrying value of impaired assets	-	-	-	-	-	-
	Past due (Gross carrying value)		1,837				
	Impairment (-)	-	(1,837)	-	-	-	-
	Secured portion by guarantees etc.	-	-	-	-	-	-

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

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

Credit risk disclosures (Continued)

Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality. There is no impairment on the Group's asset that subject to credit risk of financial activities. In addition, the Group does not have any items that include off-balance credit risk and assets that are overdue but not impaired.

Foreign exchange risk

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

Foreign currency position

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

As of 31 December 2020, the Group's foreign currency assets and liabilities did not need to be balanced with any off-balance sheet items.

The table below summarizes the Group's foreign currency position of the Group as of 31 December 2020 and 2019. TL equivalents of carrying values of assets and liabilities denominated in foreign currencies are as follows:

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

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

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

Foreign currency position (Continued)

	31 December 2019	
	TL Amount (Functional Currency)	**US Dollar**
1a. Monetary Finacial Assets	17,963	3,024
2.CURRENT ASSETS	17,963	3,024
3. TOTAL ASSETS	17,963	3,024
4a. Monetary Other Liabilities	5,090	857
5. CURRENT LIABILITIES	5,090	857
6.TOTAL LIABILITIES	5,090	857
7.Net Foreign Currency Assets/Liabilities Position	12,873	2,167
8.Monetary Items Net Foreign Currency Assets / Liabilities (1a-4a)	12,873	2,167

Capital risk management

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

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

Gearing ratio as of 31 December 2020 and 2019 is as follows:

	31 December 2020	**31 December 2019**
Financial Liabilities	5,185,045	4,769,188
Less: Cash and cash equivalents	(2,005,246)	(546,968)
Net Liability/(Asset)	3,179,799	4,222,220
Total Shareholder's Equity	14,494,008	13,743,042
Total Capital	17,673,807	17,965,262
Net liability (asset)/Total Capital Ratio	**18%**	**24%**

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

NOTE 29 – FINANCIAL INSTRUMENTS

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

31 December 2019	Financial assets at amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	546,968	-	-	546,968	4
Blocked deposits more than 3 months maturity	12,316	-	-	12,316	5
Short term financial investments	-	10,054	-	10,054	5
Long term financial investments	-	836	-	836	5
Trade receivables	5,504,617	-	-	5,504,617	7
Trade receivables due from related parties	479,941	-	-	479,941	27
Other financial assets	1,156,466	-	-	1,156,466	8
Other receivables due from related parties	25,378	-	-	25,378	27
Financial liabilities					
Borrowings	-	-	4,769,188	4,769,188	6
Trade payables	-	-	959,930	959,930	7
Due to related parties	-	-	25,803	25,803	27
Other financial liabilities	-	-	620,196	620,196	8

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

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

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

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

Financial assets:

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

The carrying values of trade and other receivables are expected to reflect the fair value along with the relevant impairment provisions.

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

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

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

Financial liabilities:

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

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

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

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (Continued:

Fair Value of Financial Instruments

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

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

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

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

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

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

NOTE 30 – COMMITMENTS

Group's mortgage and guarantees received as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Guarantees received (*)	3,106,877	3,375,478
Mortgages received (**)	230,760	58,564
	3,337,637	**3,434,042**

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

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

	31 December 2020	31 December 2019
A. CPM given on behalf of the Company's legal personality	37,087	93,065
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	
i) Total amount of CPM given on behalf of majority shareholder	-	-
ii) Total amount of CPM given on behalf of other companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	37,087	**93,065**

NOTE 31 – EVENTS AFTER THE REPORTING PERIOD

By taking into account the needs of the construction and real estate sector, the Group has decided to establish a new subsidiary and to participate in this new established subsidiary in order to create a domestic brand, the main activity of which will be elevator systems and which will have the potential to compete with the important actors of the global market.

The Group sold all its shares in Bio Istanbul Proje Geliştirme ve Yatırım A.Ş., which it participates in shareholding by 32.5%, to Bio City Development Company B.V. on 12 January 2021.

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

ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Individual) Financial Statements Main Account Items	**Related Regulation**	**Current Period 31 December 2020 (TL)**	**Prior Period 31 December 2019 (TL)**
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	1,515,824	2,631,384
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	16,258,736	14,194,874
C	Affiliates	Series:III-No:48, Art,24/(b)	373,037	373,037
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		9,530,996	10,297,768
D	**Total Assets**	**Series:III-No:48, Art,3/(k)**	**27,678,593**	**27,497,063**
E	Financial Liabilities	Series:III-No:48, Art,31	5,009,313	5,303,657
F	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
G	Due from Financial Leases	Series:III-No:48, Art,31	-	-
H	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
I	Shareholders' equity	Series:III-No:48, Art,31	14,522,496	14,251,761
	Other Resources		8,146,784	7,941,645
D	**Total Resources**	**Series:III-No:48, Art,3/(k)**	**27,678,593**	**27,497,063**

	Non-Consolidated (Individual) Financial Statements Other Account Items	**Related Regulation**	**Current Period 31 December 2020 (TL)**	**Prior Period 31 December 2019 (TL)**
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series:III-No:48, Art,24/(b)	1,392,027	1,024,945
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	1,899,755	3,320,060
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)	732,991	840,859
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	373,000	373,000
J	Non-cash Loans	Series:III-No:48, Art,31	7,161	7,161
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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

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

	Portfolio restrictions	Related regulation	31 December 2020 (%)	31 December 2019 (%)	Minimum/ Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)(b)	64	55	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	1.80	7.20	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-	<49%
5	Idle Lands	Series:III-No:48, Art,24/(c)	3	3	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	0.01	0.01	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	35	37	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	0.02	-	<10%

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

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