

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022
AND INDEPENDENT AUDITOR’S REPORT**

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

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the 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 2022, 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 of 31 December 2022, and consolidated its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

2) Basis for Opinion

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

3) Key Audit Matters

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

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

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.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 7 March 2023.

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 2022 does not comply with TCC and the provisions of the Group's articles of association in relation to financial reporting.

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

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

Additional paragraph for convenience translation to English

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Emrehan Demirel, SMMM
Partner

İstanbul, 7 March 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022 AND 31 DECEMBER 2021

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

	Notes	Audited 31 December 2022	Audited 31 December 2021
ASSETS			
Current assets		42,141,914	26,113,218
Cash and cash equivalents	4	6,107,609	3,728,285
Financial investments	5	-	500
Trade receivables	7	3,268,382	2,794,039
<i>Trade receivables due from related parties</i>	27	-	15,261
<i>Trade receivables due from third parties</i>		3,268,382	2,778,778
Other receivables		577,700	554,742
<i>Other receivables due from related parties</i>	27	-	182
<i>Other receivables due from third parties</i>	8	577,700	554,560
Inventories	9	28,955,350	17,853,446
Prepaid expenses		2,374,680	977,233
<i>Prepaid expenses to related parties</i>	27	1,433,207	-
<i>Prepaid expenses to third parties</i>	17	941,473	977,233
Other current assets	16	852,225	204,973
Current tax assets		5,968	-
Non-current assets		4,817,265	4,647,234
Trade receivables	7	3,730,187	3,630,723
<i>Trade receivables due from third parties</i>		3,730,187	3,630,723
Other receivables	8	21,650	11,473
<i>Other receivables due from third parties</i>		21,650	11,473
Financial investments		-	842
Investments accounted for using equity method		841	-
Investment properties	10	742,683	843,675
Right-of-use assets	11	17,721	180
Property, plant and equipment	12	285,862	152,613
Intangible assets	13	7,965	5,028
Deferred tax assets	25	10,356	2,700
Total assets		46,959,179	30,760,452

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022 AND 31 DECEMBER 2021**

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

	Notes	Audited 31 December 2022	Audited 31 December 2021
LIABILITIES AND EQUITY			
Current liabilities		25,293,981	12,838,385
Short-term borrowings	6	1,300,263	1,580,733
Short-term portions of long-term borrowings	6	1,814,145	1,179,002
Short-term portion of long-term borrowings from related parties			
Lease liabilities	6	3,823	4,508
Short-term portion of long-term borrowings			
Bank Loans	6	1,810,322	1,174,494
Trade payables	7	2,956,858	2,006,203
Trade payables due to related parties	27	1,774,954	503,948
Trade payables due to third parties		1,181,904	1,502,255
Other payables	8	516,169	196,047
Other payables to related parties	27	593	587
Other payables to third parties		515,576	195,460
Deferred income	17	18,423,670	7,695,649
Deferred income from related parties	27	1,004,341	255,424
Deferred income from third parties		17,419,329	7,440,225
Current tax liabilities	25	-	7,492
Short-term provisions		282,876	173,259
Short-term provisions for employee benefits		35,536	17,109
Other short-term provisions	14	247,340	156,150
Non-current liabilities		3,297,175	2,175,180
Long-term borrowings		3,103,650	2,030,678
Long-term borrowings from related parties			
Lease liabilities		11,837	3,358
Long-term borrowings from third parties			
Lease liabilities		15,792	-
Long-term borrowings from third parties			
Bank Loans	6	3,076,021	2,027,320
Trade payables	7	20	2,099
Trade payables due to third parties		20	2,099
Other payables	8	117,382	89,537
Other payables to third parties		117,382	89,537
Deferred income	17	4,738	4,738
Deferred income from third parties		4,738	4,738
Long-term provisions		48,753	25,268
Long-term provisions for employee benefits		48,753	25,268
Deferred tax liability	25	22,632	22,860
Shareholders' equity		18,368,023	15,746,887
Total equity attributable to equity holders of the Company		18,368,023	15,746,887
Paid-in capital	18	3,800,000	3,800,000
Treasury shares (-)		(296,231)	(296,231)
Share premium (discounts)		2,366,895	2,366,895
Other comprehensive income (expense) not to be reclassified to profit or loss		(42)	(42)
Gain (loss) on revaluation and remeasurement		(42)	(42)
Restricted reserves appropriated from profit		882,670	789,174
Retained earnings		8,617,598	7,754,768
Net profit for the year		2,997,133	1,332,323
Total liabilities and equity		46,959,179	30,760,452

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

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2022 AND 2021**

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

	Notes	Reviewed 1 January- 31 December 2022	Reviewed 1 January- 31 December 2021
Revenue	19	8,122,851	6,737,461
Cost of sales (-)	19	(3,481,310)	(4,536,400)
Gross profit		4,641,541	2,201,061
General administrative expenses (-)	20	(918,357)	(468,185)
Marketing expenses (-)	20	(167,358)	(83,334)
Other income from operating activities	22	975,988	680,245
Other expenses from operating activities (-)	22	(1,230,840)	(622,626)
Operating profit		3,300,974	1,707,161
Income from investing activities	23	27,347	30,798
Operating profit before financial income / (expense)		3,328,321	1,737,959
Financial income	24	617,881	187,732
Financial expenses (-)	24	(952,068)	(609,431)
Profit from continuing operations, before tax		2,994,134	1,316,260
Tax (expense)/income from continuing operations		2,999	16,063
<i>Current period tax expense</i>	25	(4,885)	(16,056)
<i>Deferred tax income</i>	25	7,884	32,119
Net profit for the period		2,997,133	1,332,323
Profit for the period is attributable to:			
Non-controlling interests		-	-
Owners of the Company		2,997,133	1,332,323
Total comprehensive income for the period		2,997,133	1,332,323
Total comprehensive income is attributable to:			
Non-controlling interests		-	-
Owners of the Company		2,997,133	1,332,323
Earnings per share (in full TL)	26	0.0082	0.0036

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. VE BAĞLI ORTAKLIKLARI

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

(Tutarlar aksi belirtilmedikçe bin Türk Lirası ("TL") olarak ifade edilmiştir.)

					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 Equity attributable to the parent	Equity attributable to the parent	Non-controlling interests	Total equity
1 January 2021	3,800,000	(296,231)	2,366,895	747,616	(42)	7,040,692	836,258	14,495,188	(1,180)	14,494,008
Transfers	-	-	-	41,558	-	794,700	(836,258)	-	-	-
Dividend	-	-	-	-	-	(79,444)	-	(79,444)	-	(79,444)
Total comprehensive income	-	-	-	-	-	-	1,332,323	1,332,323	-	1,332,323
31 December 2021	3,800,000	(296,231)	2,366,895	789,174	(42)	7,754,768	1,332,323	15,746,887	-	15,746,887
1 January 2022	3,800,000	(296,231)	2,366,895	789,174	(42)	7,754,768	1,332,323	15,746,887	-	15,746,887
Transfers	-	-	-	93,496	-	1,238,827	(1,332,323)	-	-	-
Dividend (Note 15) (*)	-	-	-	-	-	(375,997)	-	(375,997)	-	(375,997)
Total comprehensive income/(expense)	-	-	-	-	-	-	2,997,133	2,997,133	-	2,997,133
31 December 2022	3,800,000	(296,231)	2,366,895	882,670	(42)	8,617,598	2,997,133	18,368,023	-	18,368,023

(*) At the Ordinary General Assembly Meeting held on 7 April 2022, the decision to distribute a cash dividend of TL 375,997 (25 March 2021: TL 79,444) from the profits of 2021 was approved by majority vote. Since the Group owns its own shares with a nominal value of TL 1 at a rate of 3.65% as of 7 April 2022, the date of the profit distribution decision, the dividend related to the shares owned by the Group is netted off from the amount of dividends to be distributed. The dividend payment was made on 27 April 2022.

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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021**

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

		Reviewed 1 January- 31 December 2022	Reviewed 1 January- 31 December 2021
	Notes		
Cash flows from operating activities			
Profit for the period		2,997,133	1,332,323
Adjustments related to reconcile of net profit for the period			
Adjustments related to depreciation and amortization expenses	20, 22	52,058	30,682
Adjustments related to tax expense (income)	25	(2,999)	(16,063)
Adjustments related to (reversal of) impairments (net)		1,037,782	26,986
Adjustments related to (reversal of) impairment of inventories (net)	9	1,037,782	55,159
Adjustments for impairment loss (reversal of impairment loss) of investment properties	10	-	(28,173)
Adjustments related to provisions		140,880	51,133
Adjustments related to (reversal of) provisions for employee benefits		43,933	14,479
Adjustments related to (reversal of) provision for lawsuit and/or penalty	14	91,190	28,993
Adjustments related to (reversal of) provisions for possible risks	22	1,922	4,459
Adjustments for (reversal of) other provisions	7	3,835	3,202
Adjustments for interest (income) and expenses		43,890	325,680
Adjustments for interest income	22,24	(901,790)	(536,581)
Adjustments for interest expense	22,24	945,680	862,261
Adjustments related to (gain) loss on disposal of property		(25,548)	-
(Gain)/loss on sale of property, plant and equipment	19	(8,567)	-
Adjustments related to (gain) loss on disposal of investment property	19	(16,981)	-
Net cash from operations before changes in assets and liabilities		4,243,196	1,750,741
Changes in net working capital:			
Adjustments related to (increase)/decrease in trade receivable		(2,424,186)	245,733
Decrease/(increase) in trade receivables from related parties		15,261	37,398
Decrease/(Increase) in trade receivables from third parties		(2,439,447)	208,335
Adjustments related to decrease/(increase) in inventories		(11,956,091)	(1,485,443)
Adjustments related to increase/(decrease) in trade payables		738,228	(725,450)
Increase/(decrease) in trade payables to related parties		1,153,111	(935,149)
Increase/(decrease) in trade payables to third parties		(414,883)	209,699
Adjustments related to decrease/(increase) in other receivables related to operations		(82,850)	389,039
Adjustments related to increase/(decrease) in other payables related to operations		11,593,756	2,166,491
Adjustments related to other increase/(decrease) in working capital		(173,654)	253,814
Net cash flows from operating activities			
Interest received		76,801	345,260
Payments related to provisions for employee benefits	15	(2,021)	(2,863)
Income taxes paid		(526,504)	(376,070)
Cash flows from operating activities		1,486,675	2,561,252
Purchases of investment properties, property, plant and equipment and intangible assets	10,12,13	(148,354)	(51,875)
Purchases of financial assets		40,673	(500)
Interest received		-	2,625
Purchases of financial assets	5	-	(500)
Returns of financial assets		500	305,743
Other cash inflows (outflows)		1	6,653
Cash flows from investing activities		(107,180)	262,646
Proceeds from Borrowings		6,127,630	2,620,827
Proceeds from Loans	6	3,983,380	1,162,827
Proceeds from Issue of Debt Instruments	6	2,144,250	1,458,000
Repayments of borrowings		(4,693,805)	(3,039,752)
Loan Repayments	6	(2,634,215)	(1,616,698)
Payments of Issued Debt Instruments	6	(2,059,590)	(1,423,054)
Cash outflow from debt payments for lease contracts		(6,423)	(2,424)
Interest paid		(799,255)	(537,473)
Dividends paid	18	(375,997)	(79,444)
Interest received		565,514	180,281
Other cash inflows (outflows)		-	-
Cash flow from financing activities		817,664	(857,985)
Net increase (decrease) in cash and cash equivalents		2,197,159	1,965,913
Cash and cash equivalents at the beginning of the period	4	3,087,548	1,121,635
Cash and cash equivalents at the end of the period	4	5,284,707	3,087,548

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022**

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP

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

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

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

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

The registered address of the Group is Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul. As of 31 December 2022, the number of employees of the Group is 987 (31 December 2021 - 701).

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

The consolidated financial statements at 31 December 2022 have been approved by the Board of Directors on 7 March 2022.

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

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

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

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

Subsidiaries

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

Subsidiaries	Main Operations			
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. (“EPP”)	Real Estate Investments			
Emlak Konut Asansör Sistemleri Sanayi ve Ticaret A.Ş.	Production, Sales and Marketing			
	31 December 2022		31 December 2021	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş.	100	100	100	100
Emlak Konut Asansör Sistemleri Sanayi ve Ticaret A.Ş. (*)	100	100	100	100

(*) On 4 February 2022, the committed capital of TL 25,000 was paid. Payments of TL 31,250 on 21 April 2022 and TL 93,750 on 30 May 2022 were made in cash and capital increase was made .

Shares in Joint Operations

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

Shares in joint operations	Main Operations			
Dap Yapı İnşaat Sanayi ve Ticaret A.Ş. ve Eltes İnşaat Tesisat Sanayi ve Ticaret A.Ş.Ortak Girişimi – Emlak Konut GYO A.Ş. (“ İstmarina AVM Adi Ortaklığı”) Büyükyalı Tesis Yönetimi A.Ş	Shopping Mall and Office Management Shopping Mall and Office Management			
	31 December 2022		31 December 2021	
	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

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

The accompanying standalone financial statements of the Company have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) which is published on Official Gazette numbered 28676 dated 13 June 2013 and Turkish Financial Reporting Standards and appendices and interpretations related to them adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”) have been taken as basis. TFRS is updated through communiqués in order to comply with the changes in the International Financial Reporting Standards (IFRS).

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

The Group maintains its books of account and prepares its statutory financial statements in accordance with the principals issued by CMB, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements have been prepared on the basis of historical cost, with the necessary adjustments 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 Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

2.1. Basis of Presentation (continued)

Basis of Consolidation (continued)

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

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

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

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

Changes in the Group’s ownership interests in existing subsidiaries

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

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

Investments in associates and joint ventures

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

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

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

2.1. Basis of Presentation (continued)

Basis of Consolidation (continued)

Investments in associates and joint ventures (continued)

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

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

Interests in joint operations

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

Preparation of financial statements in hyperinflationary periods

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

POA made an announcement on 20 January 2022 regarding the application of TAS 29, “Financial Reporting in Hyperinflationary Economies” for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 - Financial Reporting in Hyperinflationary Economies for the year ended 31 December 2022. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying consolidated financial statements dated 30 June 2022 in accordance with TAS 29.

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

2.1. Basis of Presentation (continued)

Functional and Presentation Currency

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

Offsetting

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

2.2. Changes in accounting policies, accounting estimates and errors

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

2.3. Conformity with the Portfolio Limitations

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

2.4 Summary of significant accounting policies

The significant accounting policies followed in the preparation of these 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).

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

Summary of significant accounting policies (continued)

Related parties

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

Foreign currency transactions

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

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.

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

2.4 Summary of significant accounting policies (Continued)

Finansal yatırımlar (devamı)

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.

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

2.4 Summary of significant accounting policies (Continued)

Financial investments (Continued)

Derecognition of Financial Assets

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

Impairment

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

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

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

Trade receivables and payables

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

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

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

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**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 15,371.40 as of 31 December 2022 (31 December 2021: full TL 8,284.51).

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.

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**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 19,982.83 which is effective from 1 January 2023 has been taken into consideration when calculating the liability (1 January 2022: full TL 10,848.59) (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.

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

2.4 Summary of significant accounting policies (Continued)

Land and residential unit inventories (Continued)

4. Completed Residential and Commercial Unit Inventories

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

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

The 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.

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

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

Intangible assets

Intangible assets comprise of licenses and computer software. They are initially recognized at acquisition cost and amortized on a straight-line basis over 5 years their estimated useful lives (Note 13). Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount.

Investment properties

Investment properties are defined as land and buildings held to earn rental income or capital appreciation or both, rather than for use in the production of goods or services or for administrative purposes; or sale in the ordinary course of business. The Group uses cost model for all investment properties. Investment properties are presented in the consolidated financial statements at cost less accumulated depreciation and less impairment, if any (Note 10). Investment properties consist of residences and buildings and their economic life is 40 years.

Impairment of assets

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

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

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**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.

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

2.4 Summary of significant accounting policies (Continued)

Deferred tax (Continued)

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.

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.

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

2.4 Summary of significant accounting policies (Continued)

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).

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.

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

2.4. Önemli muhasebe politikalarının özeti (devamı)

Payments for Housing Acquisition Support (“HAS”)

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

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

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

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

Dividend distribution

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

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

2.4. Önemli muhasebe politikalarının özeti (devamı)

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 Company adjusts its standalone financial statements if such events arise which require an adjustment to the standalone financial statements (Note 30).

2.5 Critical Accounting Judgements, Assumptions and Estimates

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

Net realizable value of lands and residential inventories

When the estimated net realizable value of land and commercial units is less than the cost value, the allowance is recognized to reduce the value of inventories to their estimated net realizable value. As of 31 December 2021, valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş., Reel Gayrimenkul Değerleme A.Ş., Net Kurumsal Değerleme Danışmanlık A.Ş., and GEDAŞ Gayrimenkul Değerleme 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 2022, a total of TL 447,768 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 247,340 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.

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NOTE 3 – ACCOUNTING POLICIES

Interim condensed consolidated financial statements as of 31 December 2022 have been prepared by applying accounting policies that are consistent with the accounting policies applied in the preparation of the financial statements for the year ended 31 December 2021. Therefore, interim condensed financial statements should be read together with the end-of-year financial statements in order to create coherence.

3.1 New and Revised Turkish Financial Reporting Standards

a) Amendments and interpretations mandatorily effective as of 2022

Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

Amendments to TFRS 3 *Reference to the Conceptual Framework*

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

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

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

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

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Financial Reporting Standards (Continued)

a) Amendments and interpretations mandatorily effective as of 2022 (continued)

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

Annual Improvements to TFRS Standards 2018-2020 Cycle

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

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

Amendments to TFRS 9 *Financial Instruments*

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

Amendments to TAS 41 *Agriculture*

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

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

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Financial Reporting Standards (Continued)

a) Amendments and interpretations mandatorily effective as of 2022 (continued)

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to TFRS 16) that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group management evaluates the effects of these standards, amendments and improvements on the financial position and performance as of 2022.

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	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Accounting Estimates Definition</i>
Amendments to TAS 12	<i>Asset Arising from a Single Transaction and Deferred Tax on Liabilities</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)</i>

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Financial Reporting Standards (Continued)

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

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 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 effective for annual reporting periods beginning on or after 1 January 2023 and earlier 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 TAS 1 Disclosure of Accounting Policies

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

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

Amendments to TAS 8 Definition of Accounting Estimates

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

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

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NOTE 3 – ACCOUNTING POLICIES (Continued)

3.1 New and Revised Turkish Financial Reporting Standards (Continued)

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

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

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

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

Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

The possible effects of these standards, amendments and improvements on the Group's summary consolidated financial position and performance are being evaluated.

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NOTE 4- CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	8	16
Banks	5,881,812	3,623,164
- <i>Demand deposit</i>	19,158	42,970
- <i>Time deposits with maturities less than 3 months</i>	5,862,654	3,580,194
Other cash and cash equivalents	225,789	105,105
	6,107,609	3,728,285

Maturities of cash and cash flows are as follows:

	31 December 2022	31 December 2021
Demand	19,158	42,970
Up to 3 month	5,862,654	3,580,146
Less: Blocked deposits with maturities less than 3 months	-	48
	5,881,812	3,623,164

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

31 December 2022	31 December 2021
(%)	(%)
18.12%	18.71%

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

	31 December 2022	31 December 2021
Cash and cash equivalents	6,107,609	3,728,285
Less: Interest accruals on deposits	(22,765)	(12,284)
Less: LSRSA project deposits (*)	(805,745)	(632,091)
Less: Blocked deposits with maturities less than 3 months	-	(48)
Add: the effect of provisions released under TFRS 9	5,608	3,686
	5,284,707	3,087,548

(*) 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. There is no blocked deposit (31 December 2021: None) project accounts amounting TL 805,745 (31 December 2021: TL 632,091).

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NOTE 5 – FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2022	31 December 2021
Bank bonds	-	500
	-	500

NOTE 6 – FINANCIAL LIABILITIES

Short-term financial liabilities	31 December 2022	31 December 2021
Issued debt instruments (*)	594,188	513,580
Short-term bank loans	706,075	1,067,153
Short-term portion of long-term borrowings	1,810,322	1,174,494
Lease obligation	3,823	4,508
	3,114,408	2,759,735

(*) The Group issued 2 different lease certificate with a nominal amount of TL 384,250 with a maturity date of 4 January 2023 with 19% dividend on 28 September 2022 and TL 200,000 with a maturity date of 2 February 2023 with 22% dividend on 2 November 2022.

Long-term financial liabilities	31 December 2022	31 December 2021
Long-term borrowings	3,076,021	2,027,320
Lease obligation	27,629	3,358
	3,103,650	2,030,678

Borrowings used as of 31 December 2022 are denominated in TL and the weighted average interest rate is 15.60% (31 December 2021: 11.94%).

The redemption schedules of the borrowings as of 31 December 2022 and 31 December 2021 are as follows :

	31 December 2022	31 December 2021
2023	-	863,076
2024	1,870,879	808,538
2025	1,205,142	355,706
	3,076,021	2,027,320

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NOTE 6 – FINANCIAL LIABILITIES (Continued)

The maturity distributions of the borrowings are as follows:

	31 December 2022		31 December 2021	
Less than 3 months	694,818		1,282,113	
Between 3 - 12 months	1,821,579		959,534	
Between 1 - 5 years	3,076,021		2,027,320	
	5,592,418		4,268,967	
	Loans		Commercial bill	
	1 January- 31 December 2022	1 January- 31 December 2021	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	4,268,967	4,703,782	513,580	475,531
Interest expenses	667,740	486,717	101,749	72,915
Interest paid	(693,454)	(467,661)	(105,801)	(69,812)
Cash inflow from financial borrowings	3,983,380	1,162,827	2,144,250	1,458,000
Cash outflow from financial borrowings	(2,634,215)	(1,616,698)	(2,059,590)	(1,423,054)
Closing balance	5,592,418	4,268,967	594,188	513,580

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	31 December 2022	31 December 2021
Receivables from contractors of the lands invoiced under LSRSA	945,063	1,266,849
Receivables from sale of residential and commercial units	1,876,417	1,476,075
Receivables from land sales	534,878	93,361
Receivables from related parties (Note 27)	-	15,261
Receivables from lessees	50,984	18,244
Notes of receivables	962	498
Other	9,918	14,422
Unearned finance income	(149,840)	(90,671)
	3,268,382	2,794,039
Doubtful receivables	3,835	3,202
Less: Provision for doubtful receivables	(3,835)	(3,202)
	3,268,382	2,794,039

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NOTE 7 – TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2022	31 December 2021
Long-term trade receivables		
Receivables from sale of residential and commercial units	3,902,853	4,487,545
Receivables from land sales	586,454	89,162
Unearned finance income	(759,120)	(945,984)
	3,730,187	3,630,723

	31 December 2022	31 December 2021
Short-term trade payables		
Payables to related parties (Note 27)	1,774,954	503,948
Payables to LSRSA contractors invoiced	435,100	869,628
Trade payables	677,102	556,781
Interest accruals on time deposits of contractors (*)	69,702	75,846
	2,956,858	2,006,203

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

	31 December 2022	31 December 2021
Long-term trade payables		
Trade payables	20	2,099
	20	2,099

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

	31 December 2022	31 December 2021
Short-term other receivables		
Advances given to contractor firms	505,962	523,605
Receivables from the authorities	29,536	27,134
Other receivables from related parties (Note 22)	-	182
Other	42,202	3,821
	577,700	554,742

	31 December 2022	31 December 2021
Long-term other receivables		
Other receivables from third parties	20,636	10,459
Deposits and guarantees given	1,014	1,014
	21,650	11,473

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NOTE 8 – OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2022	31 December 2021
Short-term other payables		
Taxes and funds payable	327,272	35,179
Payables to contractors (*)	88,752	88,752
Other payables to related parties (Note 22)	589	587
Other	99,556	71,529
	516,169	196,047

(*) 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 2021: TL 88,752).

As of 31 December 2022, other long-term payables are amount to TL 107,147 and consist of deposits and guarantees received (31 December 2021: TL 89,537).

NOTE 9 – INVENTORIES

	31 December 2022	31 December 2021
Lands	11.014.960	5.100.933
<i>Cost</i>	<i>11.016.991</i>	<i>5.139.297</i>
<i>Impairment</i>	<i>(2.030)</i>	<i>(38.364)</i>
Planned land by LSRSA	6.270.226	5.100.959
Planned land by turnkey project	8.092.958	5.112.342
<i>Planned land by turnkey project</i>	<i>9.423.880</i>	<i>5.319.175</i>
<i>Impairment (*)</i>	<i>(1.330.922)</i>	<i>(206.833)</i>
Residential and commercial units ready for sale	3.530.887	2.539.212
<i>Cost</i>	<i>3.530.886</i>	<i>2.492.072</i>
<i>Impairment</i>	<i>-</i>	<i>(49.973)</i>
Inventories of Emlak Konut Asansör	46.319	-
	28.955.350	17.853.446

(*) It is the provision for impairment due to the increase in construction costs in the global and Turkish markets. The mentioned provision belongs to the ongoing Bizim Mahalle and Emlak Konut Vadi Evleri projects.

As of 31 December 2022, the valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş., GEDAŞ Gayrimenkul Değerleme A.Ş., Net Kurumsal Değerleme Danışmanlık A.Ş. and Reel Değerleme Danışmanlık A.Ş. have taken into consideration in the net realizable value of assets classified as “Inventories” and in the calculation on impairment, if any and for the purchases made during the current period, the valuation reports as of purchase date prepared by Atak Gayrimenkul Değerleme A.Ş., Reel Gayrimenkul Değerleme A.Ş., and Net Kurumsal Değerleme Danışmanlık A.Ş. have taken into consideration.

The movements of impairment on inventories are as follows:

	2022	2021
Opening balance at 1 January	295,170	240,011
Impairment on inventories within the current period (Note 22)	1,093,982	287,213
Reversal of impairment on inventories within the current period (Note 22)	(56,200)	(232,054)
Closing balance at 31 December	1,332,952	295,170

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NOTE 9 – INVENTORIES (Continued)

As of 31 December 2022 and 31 December 2021 the details of land and residential inventories of the Group are as follows:

Lands	31 December 2022	31 December 2021
Muğla Bodrum Lands	2,709,607	-
İstanbul Esenler Lands	2,400,885	-
İstanbul Küçükçekmece Lands	1,192,509	1,114,054
İstanbul Başakşehir Lands	838,067	407,836
İstanbul Avcılar Lands	826,641	1,426,897
İstanbul Sarıyer Lands	608,709	5,332
İstanbul Çekmeköy Lands	535,963	544,883
İzmir Çeşme Lands	439,076	-
İstanbul Şişli Arsaları	350,000	-
İzmir Urla Lands	201,394	-
İstanbul Arnavutköy Lands	171,408	171,408
İstanbul Eyüp Lands	169,445	169,441
İstanbul Resneli Lands	109,231	78,938
İzmir Seferihisar Lands	79,473	-
Muğla Milas Lands	79,281	-
Denizli Merkez Efendi Lands	56,081	56,081
Ankara Çankaya Lands	51,295	135,863
Kocaeli Lands	32,074	9,167
İstanbul Esenyurt Lands	29,314	36,654
İstanbul Kartal Lands	28,174	24,338
İstanbul Tuzla Lands	26,732	149,198
Antalya Aksu Lands	25,411	280,423
Balıkesir Lands	13,633	-
İzmir Konak Umurbey Lands	13,051	13,051
İzmir Dikili Lands	10,986	-
Tekirdağ Çorlu Lands	6,153	6,153
Sakarya Sapanca Lands	5,345	7,108
Yalova Lands	3,985	3,986
İstanbul Ataşehir Lands	417	100,659
İstanbul Ümraniye Lands	-	301,844
İstanbul Zekeriyaköy Lands	-	53,918
Maltepe Küçükyalı Lands	-	2,477
Tekirdağ Kapaklı Lands	-	1,058
Other	620	166
	11,014,960	5,100,933

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NOTE 9 - INVENTORIES (Continued)

Planned lands by LSRSA	31 December 2022	31 December 2021
Nişantaşı Koru Project	645,636	643,971
Nidapark İstinye Project	567,635	993,030
Yeni Levent Project	436,264	435,048
İstanbul Tuzla Merkez Project	400,150	-
Bizim Mahalle 2. Etap 2. Kısım Project	348,476	-
Nidapark Küçükyalı Project	335,556	361,176
Batıyakası 2. Etap Project	324,320	324,320
Merkez Ankara Project	321,698	510,432
Ümraniye İnkılap Project	306,023	-
Beşiktaş Ortaköy Project	262,395	257,005
Ormanköy Project	219,091	347,583
Batıyakası 1. Etap Project	210,245	208,785
Meydan Başakşehir Project	203,623	203,623
Bizim Mahalle 2. Etap 1. Kısım Project	203,064	-
İstanbul Kayabaşı 8. Etap Project	202,853	202,853
Avcılar Firüzköy 1. Etap 2. Kısım Project	158,514	-
Avcılar Firüzköy 2. Etap Project	156,103	-
Avcılar Firüzköy 1. Etap 1. Kısım Project	145,854	-
Avrasya Konutları Project	142,238	132,745
Düşler Vadisi Project	138,130	293,205
Antalya Aksu Project	134,705	-
Ankara Çayyolu 2. Etap Project	84,723	-
Beşiktaş Dikilitaş Project	68,419	68,237
İstanbul Ataşehir Küçükbakkalköy Project	62,582	-
Nezihpark Project	50,177	-
Köy 4. Etap Project	49,554	-
Nidapark Kayaşehir Project	35,761	35,761
Ebruli Ispartakule Project	28,161	28,121
Cer İstanbul Project	14,648	47,022
İdealist Cadde Project	6,019	6,322
Allsancak Project	7,545	1,543
Evora İzmir Project	64	177
	6,270,226	5,100,959

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NOTE 9 - INVENTORIES (Continued)

Residential and commercial units completed	31 December 2022	31 December 2021
Bizim Mahalle 1. Etap 1. Kısım Project	1,264,652	
Merkez Ankara Project	1,259,542	807,150
Maslak 1453 Project	334,601	311,402
Kuzey Yakası Project	287,789	310,084
Sarphan Finanspark Project	108,696	152,911
Köy Project	42,603	321,622
Nidapark İstinye Project	40,156	-
Karat 34 Project	34,543	41,490
Semt Bahçekent 1. Etap 2. Kısım Project	27,067	-
Temaşehir Project	20,592	1,541
Denizli Merkez Efendi İkmal İşi Project	18,222	18,222
Avangart İstanbul Project	15,381	-
Büyükyalı Project	14,656	55,573
Avrupark Hayat Project	13,919	-
Kocaeli Körfezkent Emlak Konutları	10,670	17,580
Yalova Armutlu Project	7,845	73,872
Koordinat Çayyolu Project	7,604	8,889
Evora Denizli Project	7,194	7,194
Semt Bahçekent 1. Etap 1. Kısım Project	5,411	-
Metropol İstanbul Project	3,448	3,448
Validebağ Konakları Project	2,594	122,973
Yeniköy Konakları İstanbul Project	2,536	4,957
Göl Panorama Project	676	1,138
Başakşehir Ayazma Emlak Konutları	490	1,757
Gebze Emlak Konutları	-	151,109
IGTOD Rami Gıda Toptancıları Project	-	58,219
Ofis Karat Bakırköy Project	-	31,112
Nidakule Ataşehir Project	-	10,664
Semt Bahçekent 1. Etap Project	-	7,950
Başkent Emlak Konutları Project	-	4,544
Niğde Emlak Konutları	-	3,536
Dumankaya Miks Project	-	2,293
Tual Bahçekent Project	-	2,105
Tual Adalar Project	-	2,089
Batışehir Project	-	1,210
Other	-	2,578
	3,530,887	2,539,212

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NOTE 9 - INVENTORIES (Continued)

Planned lands by turnkey project	31 December 2022	31 December 2021
Çekmeköy Çınarköy Project	2,734,646	1,448,245
Bizim Mahalle Project	1,251,522	1,287,476
Emlak Konut Florya Evleri Project	1,165,221	570,191
Köy Project	679,019	313,090
Ankara Saraçoğlu Project	615,141	169,425
Emlak Konut Vadi Evleri Project	372,564	77,697
Denizli Merkez Efendi İkmal İşi Project	346,587	71,297
İstanbul Avcılar Firuzköy Project	326,642	-
Ümraniye Kentsel Dönüşüm Project	281,526	93,150
Tariş Kooperatifleri Project	176,466	-
Merkez Ankara Projesi O Blok Yapım İşi Project	70,754	-
Kayabaşı Emlak Konutları Project	46,706	46,095
Halkalı Emlak Konutları Project	-	704,529
Merkez Ankara Projesi R Blok Yapım İşi	-	211,733
Semt Bahçekent Project	-	119,414
Other	26,164	-
	8,092,958	5,112,342

NOTE 10 – INVESTMENT PROPERTIES

Rent income is obtained in investment properties and the appraisal used in calculation of low value is made through a precedent comparison and income reduction. As of 31 December 2022, the Group evaluated that there is no situation that would lead to low value in investment properties.

The movements of investment properties as of 31 December 2022 and 2021 are as follows:

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NOTE 10 – INVESTMENT PROPERTIES (Continued)

	Lands, residential and commercial	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2022	857,787	40,922	898,709
Transfers to commercial units and land inventories	(104,367)	-	(104,367)
Transfers from residential and commercial unit inventories	26,718	-	26,718
Disposals (-)	(10,976)	-	(10,976)
Closing balance as of 31 December 2022	769,162	40,922	810,084
Accumulated Depreciation			
Opening balance as of 1 January 2022	48,340	6,694	55,034
Charge for the year	13,883	1,022	14,905
Disposals (-)	(2,538)	-	(2,538)
Closing balance as of 31 December 2022	59,685	7,716	67,401
Carrying value as of 31 December 2022	709,477	33,206	742,683

	Lands, residential and commercial units	Atasehir general management building A block	Total
Cost Value			
Opening balance as of 1 January 2021	733,217	40,922	774,139
Purchases (*)	103,732	-	103,732
Reversal of Impairment (Note 23)	28,173	-	28,173
Transfers from commercial units and land inventories	(46,286)	-	(46,286)
Transfers to residential and commercial unit inventories	38,951	-	38,951
Closing balance as of 31 December 2021	725,882	40,922	870,536

Accumulated Depreciation			
Opening balance as of 1 January 2021	33,177	5,672	38,849
Charge for the year	15,163	1,022	16,185
Closing balance as of 31 December 2021	48,340	6,694	55,034
Carrying value as of 31 December 2021	809,447	34,228	843,675

(*) The amount consists of the independent commercial units purchased by the Group in 2021 to generate rent income from Büyükyalı shopping mall completed under “Revenue Share from the Sale of Zeytinburnu Kazlıçeşme Land Sale. The related transaction is a sharing transaction from the relevant project and has had no impact in the Group’s consolidated statement of cash flows for the period 1 January 2021 – 31 December 2021 under TAS 7.

As of 31 December 2022, the valuation reports prepared by Atak Gayrimenkul Değerleme A.Ş., GEDAŞ Gayrimenkul Değerleme A.Ş., Net Kurumsal Değerleme Danışmanlık A.Ş., and Reel Değerleme Danışmanlık A.Ş. have taken into consideration when determining the fair values of investment properties. The fair values of the investment property determined by independent valuation experts are as follows:

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NOTE 10 – INVESTMENT PROPERTIES (Continued)

	31 December 2022	31 December 2021
Lands and completed units	1,430,628	737,539
Atasehir General Management Office A Block	1,101,695	137,217
Independent commercial units of Istmarina AVM	680,000	323,341
Independent commercial units of Büyükyalı AVM	717,418	138,441
	3,929,741	1,336,538

NOTE 11 – RIGHT-OF-USE ASSETS

Cost Value	Lands
Opening balance as of 1 January 2022	1,747
Closing balance as of 31 December 2022	24,631
Accumulated Amortization	
Opening balance as of 1 January 2022	(1,567)
Charge for the period	(5,343)
Closing balance as of 31 December 2022	(6,910)
Carrying value as of 31 December 2022	17,721
Cost Value	Lands
Opening balance as of 1 January 2021	541
Additions	1,206
Closing balance as of 31 December 2021	1,747
Accumulated Amortization	
Opening balance as of 1 January 2021	(466)
Charge for the period	(1,101)
Closing balance as of 31 December 2021	(1,567)
Carrying value as of 31 December 2021	180

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

31 December 2022	Buildings	Motor vehicles	Machinery and equipment	Furniture, equipment and fixtures	Special Cost	Construction in progress	Total
Net carrying value as of 1 January 2022	104,120	882	-	18,442	-	29,169	152,613
Additions	-	396	7,446	15,971	25,024	88,868	137,705
Transfers from constructions in progress, (net)	-	-	43,446	8,658	-	(52,104)	-
Disposal, (net) (-)	(9,418)	18	-	-	-	-	(9,400)
Transfers from investment property (net)	29,054	-	-	(12)	-	-	29,042
Depreciation expense(-)	(5,602)	(1,296)	(8,905)	(6,415)	(1,880)	-	(24,098)
Net carrying value 31 December 2022	118,154	-	41,987	36,644	23,144	65,933	285,862
Cost	139,119	4,769	50,892	68,810	25,024	65,933	354,547
Accumulated depreciation (-)	(20,965)	(4,769)	(8,905)	(32,166)	(1,880)	-	(68,685)
Net carrying value 31 December 2022	118,154	-	41,987	36,644	23,144	65,933	285,862

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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, equipment and fixtures	4-5
Machinery and equipment	5

NOTE 13 – INTANGIBLE ASSETS

31 December 2022	Licenses	Computer software	Rights	Total
Net carrying value as of 1 January 2022	1,923	3,074	31	5,028
Additions	10,649	-	-	10,649
Amortization expense (-)	(6,053)	(1,628)	(31)	(7,712)
Net carrying value 31 December 2022	6,519	1,446	-	7,965
Cost	19,784	5,016	91	24,891
Accumulated amortization (-)	(13,265)	(3,570)	(91)	(16,926)
Net carrying value 31 December 2022	6,519	1,446	-	7,965

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

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Provisions		
Provision for lawsuits	247,340	156,150
	247,340	156,150

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

According to the opinions of the Group’s lawyers, provisions amounting to TL 247,340 have been made as of 31 December 2022 (31 December 2021: TL 156,150). As of 31 December 2022, there are 4 cases of defect, 11 cases of loss of rent, 8 cases of cancellation of title deeds and registration, 3 cases of business and 38 other cases. The amount of risk arising from the total possible cash outflow is TL 480,013 (31 December 2021: TL 451,929) and the lawsuits are still pending. The movements of provision for lawsuits as of 31 December 2022 and 2021 are as follows:

	2022	2021
Balance at 1 January	156,150	127,157
Provision added within the current period (Note 18)	91,190	28,993
Closing balance at 31 December	247,340	156,150

14.1 Continuing Lawsuits and Provisions

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

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

- 14.1.2** According to the various expert reports submitted to the file, the complainant increased the lawsuit cost to TL 76,161 with the claim that the lawsuit was terminated unfairly by Emlak Konut during the prosecution process of the compensation lawsuit filed by the contractor for the detection of invalidity of termination on condition that the surplus rights are reserved. The Group made provision amounting to TL 139,770 including interest and litigation costs as of 31 December 2022.

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

14.1 Continuing Lawsuits and Provisions (Continued)

14.1.3 The lawsuit filed by the contractor firm is action of debt, deed cancellation and registration case. The decision of the contractor's contract was terminated unfairly, passing through degrees. Lawsuits filed by the company and amounting to TL 2,071 have been partially accepted and the decision was appealed by the parties, the trial is ongoing at the Istanbul 16th Commercial Court of First Instance. As of 31 December 2022 a provision amounting to TL 7,929 including interest and litigation costs has been made.

14.1.4 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 11,792 including interest and litigation costs has been made as of 31 December 2022.

14.1.5 This is a lawsuit filed by Şekerbank T.A.Ş. who has been assigned a receivable of TL 46,000, which has arisen and will arise from the Istanbul Ümraniye 1st Stage Revenue Sharing Work contractor Yeni Sarp-Özarak Ordinary Partnership's Emlak Konut GYO A.Ş. alleging that TL 34,135 of the assignment receivable remaining from the assignment has not been unfairly paid to him. At the same time with this lawsuit, the plaintiff requested to place a mortgage equal to the amount of the lawsuit to some of the immovables within the scope of the project in order to constitute the guarantee of the receivable subject to the lawsuit. On 15 October 2020, the court decided to reject the case. The plaintiff requested an appeal and the appeal court overturned the decision. As of 31 December 2022, a provision has been made in the amount of TL 67,802 including interest and litigation costs.

14.2 Contingent Liabilities of the Group

In the financial statements prepared as of 31 December 2022, 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 2022 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in cases filed against the Group in order to fulfill its obligation.

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

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

Contingent Liabilities of the Group (continued)

14.2.2 In case it is not possible to register on behalf of the plaintiff with the reversal of the responsibility of TOKİ ¼ share (65,122.35 m2) of the parcel with an area of 260,489.41 m2 in Istanbul province, Tuzla district, Orhanlı Mah. 120 Island 1, which is still registered to TOKİ, and in case the immovable share value of TL 117,220,230.00 is not possible from the date of transfer for now, the lawsuit (total amount including interest TL 135,615,295.60) filed against our Company by the plaintiff of 2021/740 E. Anadolu Yakası Ticaret Lojistik ve Yapı A.Ş. of Istanbul Anadolu 1st Commercial Court of First Instance, is seen in the file numbered 2021/740 of the Istanbul Anadolu 1st Commercial Court of First Instance and has a hearing on 14.06.2023.

14.3 Contingent Assets of the Group

14.3.1 As of 31 December 2022 and 31 December 2021, breakdown of nominal commercial receivables from residential and commercial unit sales by maturities and based on the residential and commercial units that are under construction or completed but not yet delivered within the scope of the sales promise contract that is not yet included in the balance sheet as it does not meet the TFRS 15 criteria, expected collection times of nominal installments that are not due or collected by maturities are as follows:

31 December 2022	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	2,411,295	5,986,070	8,397,365
2 year	1,405,578	3,666,731	5,072,310
3 year	964,431	1,640,467	2,604,898
4 year	653,450	685,734	1,339,184
5 year and above	1,465,847	238,686	1,704,533
	6,900,602	12,217,689	19,118,291

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

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NOTE 13 -EMPLOYEE BENEFITS

	31 December 2022	31 December 2020
Short-term provisions		
Unused vacation provision	35,536	17,109
	35,536	17,109
Long-term provisions		
Provision for employment termination benefit	48,753	25,268
	48,753	25,268

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

	31 December 2022	31 December 2020
Discount Rate (%)	3.51	4.27
Turnover rate to estimate probability of retirement (%)	1.09	0.99

The basic assumption is that the ceiling provision for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the expected effects of inflation.

If the discount rate is 1% lower, the severance pay liability will be TL 6,387 more.

Leaving the other assumptions the same, if the probability of leaving the job voluntarily is 1% higher, the severance pay liability will be TL 2.194 more.

Movement in the provision for severance pay during the period is as follows:

	2022	2021
Balance at 1 January	25,268	15,804
Service cost	22,095	11,720
Interest cost	3,411	607
Payment within the period	(2,021)	(2,863)
Closing balance at 31 December	48,753	25,268

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NOTE 16 – OTHER ASSETS

	31 December 2022	31 December 2021
Other current assets		
Deferred VAT	735,509	47,135
Progress payments to contractors	68,313	132,332
Receivables from tax office	33,293	10,935
Income accruals	8,154	13,561
Prepaid income tax	4,178	0
Other	2,778	1,010
	852,225	204,973

NOTE 17 – DEFERRED INCOME AND PREPAID EXPENSES

Short-term deferred income	31 December 2022	31 December 2021
Deferred income from LSRSA projects (*)	3,696,732	2,479,097
Advances taken from turnkey project sales	8,732,212	2,833,875
Advances taken from LSRSA contractors (**)	4,658,983	1,480,532
Advances received from related parties (Note 27)	1,004,341	255,424
Deferred income related to sales of independent units	331,402	646,721
	18,423,670	7,695,649

(*) 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.

	31 December 2022	31 December 2021
Long-term deferred income		
Other advances given	4,738	4,738
	4,738	4,738

	31 December 2022	31 December 2021
Prepaid expenses		
Prepaid expenses to related parties (Note 22)	1,433,207	-
Advances given for inventory (*)	904,677	953,810
Prepaid expenses	28,053	5,973
Advances given (**)	8,743	17,450
	2,374,680	977,233

(*) 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 289,459 (31 December 2021: TL 395,960) has been made. The Group has also provided an inventory advance amounting to TL 391,337 (31 December 2021: TL 531,276) to the contractors for the residential and commercial units which it will acquire based on preliminary sales contract from ongoing Ankara Yenimahalle Station, Nidapark Küçükyalı and Büyükyalı projects.

(**) Order advances given as of 31 December 2022 consist of Emlak Konut Asansör Sistemleri Sanayi ve Ticaret A.Ş .

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NOTE 18 – SHAREHOLDERS' EQUITY

The Group's authorized capital amount is TL 3,800,000 (31 December 2021: TL 3,800,000) and consists of 380,000,000,000 (31 December 2021: 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 2022 and 31 December 2021 is as follows:

Shareholders	31 December 2022		31 December 2021	
	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 7 April 2022, the General Assembly decided to distribute dividends amounting to TL 390,260. This dividend amounting to TL 14,263 is related to repurchased shares and net off under equity.

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NOTE 19 – REVENUE AND COST OF SALES

	1 January- 31 December 2022	1 January- 31 December 2021
Sales income		
Land sales	4,594,509	2,681,100
<i>Sales of planned lands by way of</i>		
LSRSA	2,962,491	2,622,402
<i>Land sales income</i>	1,632,018	58,698
Residential and commercial units sales	2,953,831	3,834,900
Consultancy income	523,539	146,610
Rent income	58,619	93,059
	8,130,498	6,755,669
Sales returns	(9,084)	-
Sales discounts	1,437	(1,427)
Net sales income	8,122,851	6,737,461
Cost of sales		
Cost of lands	(1,327,324)	(945,812)
<i>Cost of lands planned by way of</i>		
LSRSA	(977,031)	(912,481)
<i>Cost of lands sold</i>	(350,293)	(33,331)
Cost of residential and commercial units sold	(2,153,986)	(3,590,588)
	(3,481,310)	(4,536,400)
Gross Profit	4,641,541	2,201,061

NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	31 December 2022	31 December 2021
General administrative expenses		
Personnel expenses	(344,644)	(181,803)
Taxes, duties and fees	(153,025)	(67,645)
Consultancy expenses	(115,911)	(54,444)
Security and cleaning expenses	(67,598)	(28,938)
Donations	(49,877)	(38,258)
Depreciation and amortization (Note 11,12,13)	(37,153)	(14,497)
Maintenance and repair expenses	(19,689)	(14,695)
Travel expenses	(19,225)	(10,257)
Due and contribution expenses	(18,151)	(13,736)
Information technologies expenses	(13,427)	(6,149)
Lawsuit and notary expenses	(7,801)	(5,915)
Communication expenses	(2,107)	(1,522)
Insurance expenses	(1,715)	(1,735)
Other	(68,034)	(28,591)
	(918,357)	(468,185)

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**NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES
(Continued)**

	1 January- 31 December 2022	1 January- 31 December 2021
Marketing and sales expenses		
Advertising expenses	(110,655)	(57,300)
Personnel expenses	(36,066)	(17,895)
Consultancy expenses	(9,986)	(6,554)
Office expenses	(618)	(13)
Lawsuit and notary expenses	-	(2)
Other	(10,033)	(1,570)
	(167,358)	(83,334)

DİPNOT 21 – NİTELİKLERİNE GÖRE GİDERLER

	1 January - 31 December 2021	1 January- 31 December 2020
Expenses from residential and commercial units sales	2,153,986	3,590,588
Land costs	1,327,324	945,812
Personnel expenses	380,710	199,698
Taxes,duties and fees	153,025	67,645
Consultancy expenses	125,897	60,998
Advertising expenses	110,655	57,300
Security and cleaning expenses	67,598	28,938
Donations	49,877	38,258
Depreciation and amortisation (Note 11,12,13)	37,153	14,497
Due and contribution expenses	18,151	13,736
Information technologies expenses	13,427	6,149
Lawsuit and notary expenses	7,801	5,917
Communication expenses	2,107	1,522
Insurance expenses	1,715	1,735
Other	117,599	55,126
	4,567,025	5,087,919

NOTE 22 – OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

	1 January- 31 December 2022	1 January- 31 December 2021
Other income from operating activities		
Financial income from forward sales	208,687	2,115
Reversal of unaccrued financial income, net	380,559	-
Income from transfer commissions	123,782	40,738
Default interest income from projects	76,801	347,885
Impairment provisions released (Note 9)	56,200	232,054
Income from tender contract sales	3,376	896
Other	126,583	56,557
	975,988	680,245

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	1 January- 31 December 2022	1 January- 31 December 2021
Other expenses from operating activities		
Provision for impairment of land and residential inventories (Note 9)	(1,093,982)	(287,213)
Provision for lawsuits (Note 14)	(88,840)	(28,993)
Investment properties amortisation expenses (Note 10)	(14,905)	(16,185)
Provisions for possible risks	(1,922)	(4,459)
Reversal of unaccrued financial expense, net	-	(256,799)
Other	(31,191)	(28,977)
	(1,230,840)	(622,626)

NOTE 23 – INCOME/EXPENSE FROM INVESTMENT ACTIVITIES

	1 January- 31 December 2022	1 January- 31 December 2021
Revenue from investment activities		
Investment property sales profit	16,981	-
Fixed asset sales profit	8,567	-
Interest income from sales of investment property	1,799	-
Lease certificate income	-	30,798
	27,347	30,798

NOTE 24 – FINANCIAL INCOME / EXPENSES

	1 January- 31 December 2022	1 January- 31 December 2021
Financial expenses		
Borrowings interest and lease certificate expenses	(769,489)	(559,632)
T.C. Çevre, Şehircilik ve İklim Değişikliği Bakanlığı interest expenses (*)	(92,453)	(39,522)
Interest discount on pay off debt	(77,657)	(3,392)
Foreign exchange losses	(6,388)	(3,969)
Interest expense on lease liabilities	(5,982)	(2,817)
Assigned receivables and commission expense	(99)	(99)
	(952,068)	(609,431)
Financial income		
Interest income from time deposits	599,197	182,893
Interest income from land acquisition	17,105	1,063
Foreign exchange gains	915	626
Interest income related to leases	664	3,150
	617,881	187,732

(*)This amount consists of interest expense accrued as of 31 December 2022 for the Company's debt in return for the land purchased from The Ministry of Environment, Urbanisation and Climate Change .

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

Corporate Tax

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

Pursuant to the temporary article added to the Corporate Tax Law with Article 11 of the Law No. 7316 published in the Official Gazette dated 22 April 2021 and numbered 31462; The corporate tax rate for the corporate earnings of the 2022 taxation period is 23% (2021: 23% for the year 2022, 20% for the year 2023).

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

The current tax liability of the Group as of 31 December 2022 is as follows :

	31 December 2022	31 December 2021
<u>Current tax liability</u>		
Current corporate tax provision	4,885	16,056
Less: prepaid taxes and funds	(4,885)	(8,564)
	<u>-</u>	<u>7,492</u>

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

Deferred Tax:

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

The tax rate used in the calculation of deferred tax assets and liabilities is 23% over the temporary timing differences expected to reverse in 2022, and 20% over the temporary timing differences that are expected to reverse after 2022. (2021: 23% for 2022, 20% for 2023).

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

	31 December 2022	31 December 2021
<u>Deferred tax (assets)/liabilities:</u>		
Fair value adjustment to inventories in acquired associates	22.632	22.860
Effect of amortized cost method on receivables	(9.648)	-
Depreciation / amortization differences of property, plant and equipment and other intangible assets	928	(1.302)
Provision for employment termination benefits	(1.636)	(1.398)
	<u>12.276</u>	<u>20.160</u>

The movements of deferred tax (asses)/ liabilities for the periods ended 31 December 2022 and 2021 are as follows :

	1 January- 31 December 2022	1 January- 31 December 2021
<u>Movement of deferred tax (assets)/liabilities:</u>		
Opening balance as of 1 January	(20,160)	(52,279)
Charged to profit or loss	7,884	32,119
Closing balance at 31 December	<u>(12,276)</u>	<u>(20,160)</u>
	1 January- 31 December 2022	1 January- 31 December 2021
<u>Tax (expense) / income comprises:</u>		
Current tax expense	(4,885)	(16,056)
Deferred tax income	7,884	32,119
Total tax income	<u>2,999</u>	<u>16,063</u>

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

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

	1 January- 31 December 2022	1 January- 31 December 2021
<u>Reconciliation of tax provision:</u>		
Profit from continuing operations	2,994,134	1,316,260
Profit from operations before tax	<u>2,994,134</u>	<u>1,316,260</u>
Tax at the domestic income tax rate 2022: 23% (2021: 25%)	(688,651)	(329,065)
Tax effects of:		
- revenue that is exempt from taxation	699,520	358,547
- the effect of tax rate change from 25% to 23%	1,085	(8,153)
- other	(8,955)	(5,266)
Income tax expense recognised in profit	<u><u>2,999</u></u>	<u><u>16,063</u></u>

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 2022	1 January- 31 December 2021
Net income attributable to equity holders of the parent in full TL	2,997,133	1,332,323
Weighted average number of ordinary shares	3,659,447,630	3,659,447,630
Earnings per share in full TL	<u><u>0.0082</u></u>	<u><u>0.0036</u></u>

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NOTE 27 – RELATED PARTY DISCLOSURES

The main shareholder of the Group is T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”). TOKİ is a state institution under the control of Republic of Turkey Ministry of Environment 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.) (an affiliate of TOKİ)
3. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (an affiliate of TOKİ)
4. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (an affiliate of TOKİ)
5. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (an affiliate of TOKİ)
6. Emlak-Toplu Konut İdaresi Spor Kulübü
7. Emlak Planlama İnşaat Proje Yönetimi ve Tic. A.Ş. - Emlak Basın Yayın A.Ş. Ortak Girişimi
8. Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. Ortak Girişimi
9. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi
10. Emlak Konut Spor Kulübü Derneği
11. Türkiye Emlak Katılım Bankası A.Ş.
12. T.C. Çevre, Şehircilik ve İklim Değişikliği Bakanlığı Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü
13. İller Bankası A.Ş.
14. Emlak Basın Yayın A.Ş.

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

- The Group keeps its deposits predominantly in state banks in accordance with the relevant provisions. As of 31 December 2022, the Group has deposits amounting to TL 3,266,552 in state banks (31 December 2021: TL 2,946,789). Average effective interest rates of time deposits of the Group as of 31 December 2022 are explained in Note 4.

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

	31 December 2022	31 December 2021
Trade receivables from related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	-	280
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G.	-	13,638
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	-	1,343
	-	15,261
Short-term other receivables from related parties		
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	-	182
	-	182

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NOTE 27 – RELATED PARTY DISCLOSURES (Continued)

	31 December 2022	31 December 2021
Trade payables to related parties		
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ") (*)	1,774,954	-
T.C. Çevre ve Şehircilik Bakanlığı Altyapı ve Kentsel Dönüşüm Hiz. Gen. Müd.	-	14,692
İller Bankası A.Ş. (**)	-	487,832
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	-	1,324
Emlak Basın Yayın A.Ş.	-	100
	1,774,954	503,948

(*) Remaining debt amount related to the acquisition of 22 parcels purchased by the company in the protocol signed with TOKİ on 9 March 2022.

(**) According to the protocol signed with İller Bankası A.Ş. on 14 December 2020, the Company's debt and deferred income balance arising from the transfer of the lands owned by İlbank and the real estate owned by Emlak Konut. Ownership of the real estate was transferred to Ilbank in 2022 and there was no debt or deferred income on 31 December 2022.

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.

	31 December 2022	31 December 2021
Deferred income from related parties		
İller Bankası A.Ş.	-	255,424
Türkiye Emlak Katılım Bankası A.Ş.	1,004,342	-
	1,004,342	255,424

	31 December 2022	31 December 2021
Short-term other payables from related parties		
Emlak Planl. İnş. Prj. Yön. A.Ş. - Cathay Ortak Girişimi	593	587
	593	587

	31 December 2022	31 December 2021
Deposits at related parties		
Türkiye Emlak Katılım Bankası A.Ş.	57,516	247,672
	57,516	247,672

	31 December 2022	31 Aralık 2021
Prepaid expenses to related parties		
T.C. Çevre, Şehircilik ve İklim Değişikliği Bakanlığı	1,433,207	-
	1,433,207	-

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.

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NOTE 27 – RELATED PARTY DISCLOSURES (Continued)

	1 January- 31 December 2022	1 January- 31 December 2021
Purchases from related parties		
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	5,208,323	1,069,453
T.C. Çevre ve Şehircilik Bakanlığı	4,014,901	1,021,789
Emlak Basın Yayın A.Ş.	1,515	914
	9,224,739	2,092,156

	1 January- 31 December 2022	1 January- 31 December 2021
Sales to related parties		
İller Bankası A.Ş.	798,932	-
T.C. Çevre ve Şehircilik Bakanlığı	135,000	162,479
T.C. Toplu Konut İdaresi Başkanlığı (“TOKİ”)	3,325	19,283
Gedaş Gayrimenkul Değerleme A.Ş.	-	72
	937,257	181,834

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:

	1 January- 31 December 2022	1 January- 31 December 2021
Compensation to key management		
Salaries and other short-term benefits	20,310	15,939
	20,310	15,939

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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 maturity distribution of financial liabilities of the Group as of 31 December 2022 and 2021 is as follows:

	Carrying value	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year- to 5 years
31 December 2022					
Short-term financial liabilities (Non-derivative):					
Financial liabilities	3,114,408	3,546,821	1,401,755	2,145,066	-
Trade payables	2,956,858	2,956,858	2,956,858	-	-
Other payables	516,169	516,169	426,828	89,341	-
	6,587,435	7,019,848	4,785,441	2,234,407	-
Long-term financial liabilities (Non-derivative):					
Financial liabilities	3,103,650	3,693,653	-	-	3,693,653
Trade payables	20	20	-	-	20
Other payables	117,382	117,382	-	-	117,382
	3,221,052	3,811,055	-	-	3,811,055
31 December 2021					
Short-term financial liabilities (Non-derivative):					
Financial liabilities	2,759,735	3,070,113	1,535,513	1,534,600	-
Trade payables	2,006,203	2,006,203	2,006,203	-	-
Other payables	196,047	196,047	106,708	89,339	-
	4,961,985	5,272,363	3,648,424	1,623,939	-
Long-term financial liabilities (Non-derivative):					
Financial liabilities	2,030,678	2,350,067	-	-	2,350,067
Trade payables	2,099	2,099	-	-	2,099
Other payables	89,537	89,537	-	-	89,537
	2,122,314	2,441,703	-	-	2,441,703

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

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 2022 and 2021 are as follows:

	31 December 2021 (%)	31 December 2021 (%)
Current assets		
Cash and cash equivalents	18,16%	18,71%
Trade receivables	15,25%	17,85%
Current liabilities		
Financial liabilities	18,83%	12,11%
Non-current liabilities		
Financial liabilities	14,74%	10,72%

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

	31 December 2021	31 December 2021
Financial instruments with fixed interest rate		
Time deposits	5,862,654	3,580,194
Financial liabilities	6,218,058	4,790,413

Credit 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.

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

Credit risk disclosures (continued)

As of 31 December 2022, details of credit and receivables risk are as follows:

31 December 2021	Trade Receivables		Other Receivables		Deposits at Banks	Blocked deposits with maturities more than 3 months
	Related Party	Other	Related Party	Other		
Maximum credit risks exposed as of reporting date	-	6,998,569	-	599,350	5,881,812	-
Secured portion of the maximum credit risk by guarantees,etc,	-	6,837,832	-	599,350	5,881,812	-
Net carrying value of financial assets that are neither past due nor impaired	-	6,837,832	-	599,350	5,881,812	-
Secured portion by guarantees etc.	-	6,837,832	-	599,350	-	-
Net carrying value of assets with negotiated terms	-	-	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-	-	-
Net carrying value of financial assets that are past due but not impaired	-	160,737	-	-	-	-
Secured portion by guarantees etc.	-	160,737	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-	-
Past due (Gross carrying value)	-	3,835	-	-	-	-
Impairment (-)	-	(3,835)	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-	-	-

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

31 December 2020	Trade Receivables		Other Receivables		Deposits at Banks	Blocked deposits with maturities more than 3 months
	Related Party	Other	Related Party	Other		
Maximum credit risks exposed as of reporting date	15,261	6,409,501	182	566,033	3,623,164	-
Secured portion of the maximum credit risk by guarantees,etc,	15,261	6,208,824	182	566,033	3,623,164	-
A. Net carrying value of financial assets that are neither past due nor impaired	15,261	6,208,824	182	566,033	3,623,164	-
Secured portion by guarantees etc.	15,261	6,208,824	182	566,033	-	-
B. Net carrying value of assets with negotiated terms	-	-	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-	-	-
C. Net carrying value of financial assets that are past due but not impaired	-	200,677	-	-	-	-
Secured portion by guarantees etc.	-	200,677	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
Past due (Gross carrying value)	-	3,202	-	-	-	-
Impairment (-)	-	(3,202)	-	-	-	-
Secured portion by guarantees etc.	-	-	-	-	-	-

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.

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

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 2022, 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 2022 and 2021. TL equivalents of carrying values of assets and liabilities denominated in foreign currencies are as follows:

31 December 2022			
	TL Equivalent (Functional currency)	US Dollar	EURO
1a. Monetary Financial Assets	147,655	7,845	70
2.CURRENT ASSETS	147,655	7,845	70
3. TOTAL ASSETS	147,655	7,845	70
4a. Monetary Other Liabilities	-	-	-
5. CURRENT LIABILITIES	-	-	-
6.TOTAL LIABILITIES	-	-	-
7.Net foreign currency asset / liability position	147,655	7,845	70
8. Monetary items net foreign currency asset / liability position (1a-4a)	147,655	7,845	70

31 December 2021			
	TL Equivalent (Functional currency)	US Dollar	EURO
1a. Monetary Financial Assets	2,098	965	1,133
2.CURRENT ASSETS	2,098	965	1,133
3. TOTAL ASSETS	2,098	965	1,133
4a. Monetary Other Liabilities	-	-	-
5. CURRENT LIABILITIES	-	-	-
6.TOTAL LIABILITIES	-	-	-
7.Net foreign currency asset / liability position	2,098	965	1,133
8. Monetary items net foreign currency asset / liability position (1a-4a)	2,098	965	1,133

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

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 2022 and 2021 is as follows:

	31 December 2022	31 December 2020
Financial Liabilities	6,218,058	4,790,413
Less: Cash and cash equivalents	(6,107,609)	(3,728,285)
Net Liability/(Asset)	110,449	1,062,128
Total Shareholder's Equity	18,368,023	15,746,887
Total Capital	18,478,472	16,809,015
Net liability (asset)/Total Capital Ratio	1%	6%

NOTE 29 – FINANCIAL INSTRUMENTS

	Financial assets at amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Carrying value	Note
31 December 2022					
<u>Financial assets</u>					
Cash and cash equivalents	6,107,609	-	-	6,107,609	4
Trade receivables	6,998,569	-	-	6,998,569	7
Other financial assets	599,350	-	-	599,350	8
Borrowings	-	-	6,218,058	6,218,058	6
Trade payables	-	-	2,956,858	2,956,858	7
Due to related parties	-	-	1,774,954	1,774,954	27
Other financial liabilities	-	-	632,958	632,958	8
31 December 2021					
<u>Financial assets</u>					
Cash and cash equivalents	3,728,285	-	-	3,728,285	4
Short term financial investments	-	500	-	500	5
Long term financial investments	-	842	-	842	5
Trade receivables	6,409,501	-	-	6,409,501	7
Trade receivables due from related parties	15,261	-	-	15,261	27
Other financial assets	566,033	-	-	566,033	8
Other receivables due from related parties	182	-	-	182	27
Borrowings	-	-	4,790,413	4,790,413	6
Trade payables	-	-	3,004,510	3,004,510	7
Due to related parties	-	-	503,948	503,948	27
Other financial liabilities	-	-	284,997	284,997	8

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NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

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

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

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

Financial assets:

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

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

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

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

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

Financial liabilities:

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

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

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

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

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

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NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial assets	Fair value levels as of 31 December 2022		
	Level 1 TL	Level 2 TL	Level 3 TL
Special issue government bonds	-	-	-
Long term financial investments	-	-	-

Financial assets	Fair value levels as of 31 December 2021		
	Level 1 TL	Level 2 TL	Level 3 TL
Bond	-	-	-
Special issue government bonds	-	-	842

NOTE 30 – COMMITMENTS

The Group’s mortgage and guarantees received as of 31 December 2022 and 31 December 2021 are as follows :

	31 December 2022	31 December 2021
Guarantees received (*)	9,927,314	4,432,492
Mortgages received (**)	330,977	171,426
	10,258,291	4,603,918

(*) 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.

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NOTE 30 – COMMITMENTS (Continued)

The collaterals, pledges and mortgages (“CPM”) of the Group as of 31 December 2022 and 31 December 2021 are as follows :

	31 December 2022	31 December 2021
A. CPM given on behalf of the Company's legal personality	413,684	120,845
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	-	-
	413,684	120,845

NOTE 31 – FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

	2022			2021		
	BDK	Other BDK	Total	BDK	Other BDK	Total
Independent audit fee for the reporting period	1,263	-	1,263	516	-	516
Fees for tax advisory services	-	798	798	150	622	772
	1,263	798	2,061	666	622	1,288

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NOTE 32 - EVENTS AFTER THE REPORTING PERIOD

Due to the earthquakes that took place in Kahramanmaraş Pazarcık district on 06.02.2023 and in Kahramanmaraş Elbistan district on the same day, losses occurred in 10 provinces in the region that deeply upset our country. There is no project carried out by the Company in the region where the aforementioned earthquakes occurred and due to the extraordinary urgent need in the region, 300 construction machines, 400 personnel, 978 thousand equipment and humanitarian aid materials used in the construction sites related to the Company and its subsidiaries EPP and EKA have been dispatched to the earthquake-affected regions from the first day to support search and rescue, debris removal and temporary shelter. In addition to these studies, within the framework of the aid campaign launched by the TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) with the decision of the Board of Directors dated 15.02.2023 and numbered 9-018, it has been decided to make a cash donation amounting to TL 1,000,000,000 and this donation will be made from the donation budget of 2023. TL 700,000,000 of this donation amount was paid in cash.

Within the framework of share repurchase, the Company carried out a total of 29,400,429 share buyback transactions on 16.01.2023, 17.02.2023, 23.02.2023 and 03.03.2023. The total number of the Company's repurchased shares reached 156,280,291 shares and the ratio of the repurchased shares in the Company's capital reached 4.11%.

The highest bid in the Istanbul Başakşehir Kayabaşı 9th Stage Revenue Sharing for Land Sales tender held on 01.03.2023 was given by BİNBAY YAPI İNŞ. SAN. VE TİC. LTD. ŞTİ. & SOM GROUP İNŞ. LTD. ŞTİ. & İSTANBUL HAS YAPI İNŞ. LTD. ŞTİ. İŞ ORTAKLIĞI with a Total Sales Revenue of 6,427,500,000, a Company Share income of TL 2,571,000,000 and a Company Share Revenue Ratio of 40%.

The real estate numbered 292/220 Island/Parcel located in Istanbul province, Bakırköy district, Florya Mahallesi, owned by the company, was sold for TL 1,171,800,000 including VAT.

The Law No. 7438 on Social Insurance and General Health Insurance and the Law No. 375 on the Amendment to the Decree Law No. 375, which includes the regulation on Persons Aged at Retirement (EYT), entered into force after being published in the Official Gazette dated 3 March 2023 and numbered 32121. Although this issue is considered as a non-adjusting event after the reporting period within the scope of TAS 10 Events After the Reporting Period, studies on measuring the impact on the Group's operations and financial condition are ongoing.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022**

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

**ADDITIONAL NOTE – CONTROL OF COMPLIANCE WITH THE PORTFOLIO
LIMITATIONS**

	Non-Consolidated (Standalone) Financial Statements Main Account Items	Related Regulation	31 December 2022 (TL)	31 December 2021 (TL)
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	5,183,773	3,002,793
	Properties, Projects based on Properties and			
B	Rights based on Properties	Series:III-No:48, Art,24/(a)	32,063,076	18,761,345
C	Affiliates	Series:III-No:48, Art,24/(b)	648,037	498,037
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		8,863,013	8,366,943
D	Total Assets	Series:III-No:48, Art,3/(k)	46,757,899	30,629,118
E	Financial Liabilities	Series:III-No:48, Art,31	6,000,956	4,617,547
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	18,542,635	15,877,239
	Other Resources		22,214,308	10,134,332
D	Total Resources	Series:III-No:48, Art,3/(k)	46,757,899	30,629,118
	Non-Consolidated (Standalone) Financial Statements Other Account Items	Related Regulation	31 December 2022 (TL)	31 December 2021 (TL)
	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)	5,183,773	2,099,032
A1	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	6,006,675	3,531,620
A2	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
A3	Foreign Properties, Projects based on			
B1	properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
B2	Idle Lands	Series:III-No:48, Art,24/(c)	2,604,293	2,124,409
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	-
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	648,000	34,395
J	Non-cash Loans	Series:III-No:48, Art,31	384,502	45,597
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022**

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

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

	Portfolio restrictions	Related regulation	31 December 2022 (%)	31 December 2021 (%)	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)	79.66	68	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	1.39	4.58	<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)	5.57	7	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	1.390	0.001	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	34.44	29	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	1.79	0.05	<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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