VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.:

A. Audit of the Financial Statements

1. Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate 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 financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Valuation of investment properties The Company's investment properties amounted to TRY1,018,634,794, which has significant share of the total assets of the Company, and which consist of projects under construction, land, offices and trade units as at 31 December 2019. The accounting policy adopted by the Company management for the purpose of accounting for such investment properties is explained in detail in Notes 2 and 10. All of the Company's investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers authorized by the Capital Markets Board, and these values are evaluated by the Company's management and accounted for in the financial statements of the Company. The fair values of investment properties are related to the valuation methods adopted and the inputs and assumptions in the valuation model. For the valuation result, valuer's studies are carried out considering the detailed characteristics of the properties according to comparable market information based on the existing market data and transactions. Reasons for concentrating on this topic: • The significance of the balance in relation to the financial statements as a whole, • Significant assumptions associated with determining the fair value of investment properties.	• We tested the design and implementation of the control of the Company's management in determining the fair value of investment properties. • The following procedures were carried out as required by independent auditing standards for the management's expert engaged in the valuation work. - The valuer's accreditation and license recognized by the Capital Markets Board have been checked. - The valuer's competence, capability and objectivity have been assessed. - The valuation reports prepared for each investment property were read and agreed upon in valuation studies. • The title deed registration and ownership rates of each investment property have been tested. • We checked and compared significant inputs into the valuation, such as sales m2 and the sales value per m2, for consistency with other audit evidence and observable market data, in order to assess whether the inputs in the valuation are within an acceptable range. • We considered the Company's investment property valuation policies and their application as described in the notes to the financial statements for compliance with TFRS, in addition to the adequacy of disclosures in notes related to the fair value of the investment property. The procedures we performed resulted in no significant findings.

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

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

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

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

5. Auditor's Responsibilities for the Audit of the Financial Statements

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the 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.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company 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 independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.'s bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 17 February 2020.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Salim Alyanak, SMMM
Partner

Istanbul, 17 February 2020

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019 AND 2018

(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 31 December 2019	Restated (Note 29) Audited 31 December 2018
ASSETS			
CURRENT ASSETS		**92,601,695**	**230,761,688**
Cash and cash equivalents	4	784,110	143,109,148
Trade receivables			
- Trade receivables from third parties	*6*	*35,344,446*	*16,146,473*
Other receivables			
- Other receivables from third parties	*7*	*1,676,741*	*1,682,790*
Inventories	11	52,506,619	68,500,588
Prepaid expenses	8	559,147	351,264
Current income tax assets	9	1,345,715	879,057
Other current assets	9	384,917	92,368
NON-CURRENT ASSETS		**1,688,865,654**	**1,470,419,108**
Trade receivables			
- Trade receivables from third parties	*6*	*112,423,935*	*107,610,319*
Other receivables			
- Other receivables from third parties	*7*	*39,939*	*39,762*
Inventories	11	208,394,562	182,243,502
Investment properties	10	1,018,634,794	816,185,179
Tangible assets	12	500,220	904,951
Intangible assets			
-.Goodwill	*2-14*	14,631,400	*14,631,400*
- Other intangible assets	*13*	*67,060*	*76,600*
Prepaid expenses	8	269,552,670	269,546,660
Other non-current assets	9	64,621,084	79,180,735
TOTAL ASSETS		**1,781,467,349**	**1,701,180,796**
LIABILITIES			
CURRENT LIABILITIES		**247,021,507**	**245,568,511**
Short term borrowings			
- Short term borrowings from related parties	*5*	*70,411,095*	*27,396,686*
- Short term borrowings from third parties	*5*	*28,899,781*	*103,940,912*
Short-term portion of long-term borrowings			
- Short-term portion of long-term borrowings from related parties	*5*	*58,983,479*	*55,764,408*
- Short-term portion of long-term borrowings from third parties	5	*26,192,172*	*18,170,731*
Trade payables			
- Trade payables to related parties	*3,6*	*21,028*	*11,027*
- Trade payables to third parties	*6*	*58,479,812*	*29,705,070*
Payables for employee benefits		137,615	99,442
Other payables			
- Other payables to third parties	*7*	*421,900*	*2,282,516*
Deferred revenue (Other than contract liabilities)	17	2,140,027	5,651,940
Short term provisions			
- Short-term provisions for employee benefits	*16*	*510,144*	*141,874*
Other short-term liabilities	17	824,454	2,403,905
NON-CURRENT LIABILITIES		**470,785,227**	**488,159,442**
Long term borrowings			
- Long term borrowings from related parties	*5*	*66,994,795*	*104,289,435*
- Long term borrowings from third parties	5	84,012,022	*66,402,658*
Other payables			
- Other payables to third parties	*7*	*10,147,222*	*8,051,240*
Long term provisions			
- Long-term provisions for employee benefits	*16*	*386,188*	*171,109*
Deferred revenue (Other than contract liabilities)			
- Deferred revenue from related parties	*17*	*299,990,000*	*299,990,000*
- Deferred revenue from third parties	*17*	*9,255,000*	*9,255,000*
EQUITY		***1,063,660,615***	**967,452,843**
Paid in capital	18	230,000,000	225,000,000
Adjustment to share capital	18	21,99,008	21,599,008
Share premiums	18	*246,731,349*	*246,731,349*
Other comprehensive income to not be reclassified to profit or loss			
- Revaluation and remeasurement			
- Remeasurement of employee benefits	*18*	10,665	(44,839)
Restricted reserves		9,055,996	7,973,782
Retained earnings		460,111,329	439,015,426
Net profit for the year		*96,152,268*	*27,178,117*
TOTAL LIABILITIES		***1,781,467,349***	**1,701,180,796**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019 AND 2018
(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 1 January- 31 December 2019	Restated (Note 29) Audited 1 January- 31 December 2018
Profit/loss			
Revenue	19	21,930,864	190,902,077
Cost of sales (-)	19	(14,378,728)	(164,315,960)
Gross Profit		**7,552,136**	**26,586,117**
General administrative expenses (-)	20	(11,011,310)	(8,970,674)
Marketing expenses (-)	20	(1,951,209)	(1,359,240)
Other operating income	21	101,595,982	6,851,752
Operating Income		**96,185,599**	**23,107,955**
Operating Profit /(Loss)Before Financial Expenses		**96,185,599**	**23,107,955**
Financial income	23	7,091,338	9,657,077
Financial expenses (-)	23	(7,124,669)	(5,586,915)
Profit Before Tax		**96,152,268**	**27,178,117**
Net Profit for the Year		**96,152,268**	**27,178,117**
OTHER COMPREHENSIVE INCOME/(LOSS)		**55,504**	**(45,982)**
Other comprehensive income to not be reclassified to profit or loss			
- Gain or loss from the remeasurement of employee benefits		55,504	(45,982)
TOTAL COMPREHENSIVE INCOME		**96,207,772**	**27,132,135**
Earnings per share	25	0.4181	0.1208

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD BETWEEN 1 JANUARY- 31 DECEMBER 2019 AND 2018

(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated.)

						Retained Earnings		
	Paid-in capital	**Adjustment to share capital**	**Share premium**	**Remeasurement of employee benefits**	**Restricted reserves**	**Retained earnings**	**Net profit for the year**	**Total equity**
Balance as of 1 January 2018	**217,500,000**	**21,599,008**	**246,731,349**	**1,143**	**7,543,019**	**371,589,564**	**75,356,625**	**940,320,708**
Capital increase	7,500,000	-	-	-	-	(7,500,000)	-	-
Transfers	-	-	-	-	430,763	74,925,862	(75,356,625)	-
Total comprehensive income	-	-	-	(45,982)	-	-	40,755,562	40,755,562
Balance as of 31 December 2018	**225,000,000**	**21,599,008**	**246,731,349**	**(44,839)**	**7,973,782**	**439,015,426**	**40,755,562**	**981,030,288**
Impact of restatement (Note 29)	-	-	-	-	-	-	(13,577,445)	(13,577,445)
As restated Balance as of 1 January 2019	**225,000,000**	**21,599,008**	**246,731,349**	**(44,839)**	**7,973,782**	**439,015,426**	**27,178,117**	**967,452,843**
Capital increase	5,000,000	-	-	-	-	(5,000,000)	-	-
Transfers	-	-	-	-	1,082,214	26,095,903	(27,178,117)	-
Total comprehensive income	-	-	-	55,504	-	-	96,152,268	96,207,772
Balance as of 31 December 2019	**230,000,000**	**21,599,008**	**246,731,349**	**10,665**	**9,055,996**	**460,111,329**	**96,152,268**	**1,063,660,615**

The accompanying notes from an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENT OF CASH FLOWS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated)

	Notes	Audited 2019	Audited 2018
A. Cash flows from operating activities:		**942,936**	**(79,564,940)**
Profit for the year		**96,152,268**	**27,178,117**
Adjustments to reconcile profit to cash provided by operating activities:			
Depreciation and amortisation	*12, 13*	437,795	288,475
Adjustments related to provisions for employee benefits		273,014	67,405
Adjustments related to interest income and expenses	*23*	(313,670)	(4,295,616)
Adjustment related to the fair value gain			
Fair value gain on investment properties	*10,21*	(99,362,922)	(4,812,620)
Adjustments related to profit or loss on sales of tangible assets		(59)	(2,634)
Net working capital changes in		**3,758,941**	**(97,935,994)**
Adjustments related to increase in other receivables		5,882	817,076
Adjustments related to increase in trade payable		28,784,743	1,875,263
Adjustments related to increase in trade receivable		(24,011,589)	(79,442,837)
Adjustments related to (increase)/ decrease in inventories		(10,157,091)	63,178,098
Adjustments related to increase in prepaid expenses		(213,893)	(201,432,512)
Adjustments related to increase in other working capital		9,115,523	109,502,616
Adjustments related to increase in other payables from operating activities		235,366	7,566,302
Cash (used in)/provided from operations		**945,367**	**(79,512,867)**
Employment termination benefits paid		(2,431)	(52,073)
B. Cash Flows from Investing Activities		**(103,110,159)**	**(149,202,312)**
Cash inflow from sale of property, plant and equipments and intangible assets		-	3,500
Cash outflow from acquisition of property, plant and equipments and intangible assets			
Cash outflow from acquisition of property, plant and equipments	*12*	(8,515)	*(291,354)*
Cash outflow from acquisition of intangible assets	*13*	*(14,951)*	*(80,695)*
Cash outflow from acquisition of investments properties		(103,086,693)	(134,153,363)
Cash outflow arising from purchase of shares or capital increase of subsidiaries and/or shareholders	14	-	(14,680,400)
C. Cash flows from financing activities		**(38,405,664)**	**340,986,285**
Cash inflow from borrowings	26	173,999,985	273,850,000
Cash inflows from issued debt instruments		-	87,210,000
Cash outflow from borrowings	26	(194,046,762)	(8,850,000)
Interest paid		(27,202,375)	(19,489,481)
Interest received		8,843,488	8,265,766
Change in cash and cash equivalents		**(140,572,887)**	**112,219,033**
Cash and cash equivalents at the beginning of the period	***4***	**141,356,547**	**29,137,514**
Cash and cash equivalents at the end of the period	***4***	**783,660**	**141,356,547**

The accompanying notes from an integral part of these financial statements.

1. COMPANY'S ORGANIZATION AND NATURE OF OPERATIONS

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. ("Vakıf GYO" or "Company") has been incorporated in accordance with Capital Market Law on 12 January 1996.

The Company's main scope of operation is to engage in written objectives and subjects stipulated in the Communiqué on real estate investment companies published by the Capital Markets Board of Turkey ("CMB") such as investing in real estate, capital market instruments based on real estate, real estate projects and capital market instruments.

Basis of operations of the Company are consistent with the regulatory requirements of CMB on the Principles of Real Estate Investment Trusts.

The address of the Company is as follows:

Şerifali Mah. Bayraktar Bulv. Nutuk Sok. No: 4 Ümraniye /Türkiye.

According to Central Securities Depository of Turkey, the shareholders structure of the Company is as follows as of 31 December 2019 and 31 December 2018:

	31 December 2019		31 December 2018	
	Share rate (%)	**Share amount**	**Share rate (%)**	**Share amount**
T.Vakıflar Bankası Türk Anonim Ortaklığı ("Vakıfbank")	38.70	89,015,827	38.70	87,080,685
T.C. Çevre ve Şehircilik Bakanlığı Toplu Konut İdaresi Başkanlığı ("TOKİ")	14.63	33,638,055	14.63	32,906,790
Vakıfbank Personeli Özel Sosyal. Güv. Hiz.Vakfı ("Vakıf")	8.78	20,192,433	9.60	21,601,384
Vakıfbank Memur ve Hizmetleri Emekli Sandığı	7.24	16,661,985	8.88	19,976,131
Other	30.65	70,491,700	28.19	63,435,010
Total	**100**	**230,000,000**	**100**	**225,000,000**

In the Ordinary General Assembly held on 24 June 2019, the Capital Market Board was consulted regarding the capital increase to be made in the form of free shares in the form of bonus shares. After the approval of the Board, shares with a nominal value of TRY 5,000,000 were reflected in the related capital accounts.

The Company shares are issued into two type of Groups; Group A and Group B. The Group A shares have 15 right to vote, Group B shares have 1 right to vote for election of Board of Directors.

As of 31 December 2019, The Company's paid in capital is TRY1,000,000,000. (31 December 2018: TRY1,000,000,000). As of 31 December 2019, the number of employees of Company is 34. (31 December 2018: 29).

The ultimate parent and ultimate controlling party of the Company is Vakıfbank.

The financial statement of the Company is approved on 17 February 2020 by Board of Directors as of 31 December 2019. The General Assembly has the power to amend the financial statements after issue.

1. COMPANY'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Venture

A jointly controlled entity exists when an agreement's parties, who have joint control over the agreement, have the right to relevant assets and liabilities on relevant debts. A joint venture is assessed according to the assets, liabilities, revenue, and cost it owns. Assets, liabilities, equity items, income and expense accounts, and cash flow movements related to jointly controlled entities are included in the financial statements through the proportional consolidation method. Intra-group transactions performed with such jointly controlled entities, relevant balances, and unrealised profit/losses are eliminated from the financial statements.

Joint Venture	Nature of the business	Entrepreneur partner
Halk GYO-Vakıf GYO Adi Ortaklığı ("Halk-Vakıf")	Real estate project	Halk GYO A.Ş.
Vakıf GYO-Obaköy Adi Ortaklığı ("Vakıf-Obaköy")	Real estate project	Obaköy Gayrimenkul Geliştirme İnşaat Yatırım Taahhüt Sanayi ve Ticaret A.Ş. ("Obaköy")

Halk - Vakıf

Halk-Vakıf has been incorporated as an ordinary partnership with a joint venture agreement on 29 August 2014 and started to operate on 16 October 2014 with 50% shares and 50% voting right, with a total capital of TRY100,000. The subject of the joint venture is to conduct construction and sales of the housing development project in Sancaktepe in İstanbul. The Company purchased a 95,221.84 m^2 piece of land in Istanbul's Sancaktepe district for TRY110,000,000 + VAT, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Halk GYO.

Vakıf - Obaköy

On April 29, 2016, Vakıf-Obaköy was established as a joint venture with the project partnership agreement signed on 29 April 2016. Vakıf-Obaköy was established with a capital of TRY100,000 and a share of 50% and 50% and the purpose of the established partnership is to develop a housing project in Maltepe, Istanbul. The Company purchased a land of 15,264 m2 in Maltepe, Istanbul, for a total of TRY66,971,250, 50% for Vakıf GYO and 50% for Obaköy. According to the decision of 2018/4 made by the Board of Directors signed on January 31, 2018, The Company has been signed and decided to increase Obaköy Gayrimenkul Geliştirme İnşaat Yatırım Taahhüt Sanayi ve Ticaret A.Ş. (Obaköy) shares from 50% to 99%. Vakıf GYO paid 49%(which is equal to 42.151.214 TRY) of the total amount of the investment share which was shared jointly by Obaköy by two partners up to TRY14.680.400 as a share transfer fee, and total amounting TRY56,831,614. In the financial statements prepared as of the date of the change of Vakıf GYO's share ratio and the fair value of the partnership, the net asset value is classified as goodwill in the financial statements. As of 31 December 2019, goodwill amount is TRY14,631,400. The goodwill arising as a result of the business combination will be depreciated over the sales rate of the project together with the delivery of the project and the goodwill will not be recognized in the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

2.1. Basis of preparation

a Financial statements of preparation

The financial statements of the Company have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676.

The Company maintains their books of account and prepares their statutory financial statements ("Statutory Financial Statements") in TRY in accordance with the Turkish Commercial Code ("TCC"), and the Uniform Chart of Accounts issued by the Ministry of Finance.

b **Declaration of conformity to TFRS**

The financial statements of the Company have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with CMB Accounting Standards, companies should apply Turkish Financial Reporting Standards ("TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA"). In addition, the accompanying unconsolidated financial statements are presented in accordance with the TFRS announced by the Auditing Standards Authority ("POA") taxonomy published on 15 April 2019 .

c **Adjustment of financial statements in periods of high inflation**

Inflation accounting application is terminated for the companies operating in Turkey and preparing their financial statements in accordance with the provisions of the CMB according to the decision taken by CMB dated on 17 March 2005 and numbered 11/367, to be effective from 1 January 2005. Accordingly, "Financial Reporting in Hyperinflationary Economies" Standard ("TAS 29") published by the Public Oversight Agency, did not apply as from 1 January 2005.

d Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional and presentation currency is TRY.

e Joint Ventures

Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and one or more other parties. The Company exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself.

The details of the joint ventures of the Company are explained in Note 1 as of 31 December 2019. The Company consolidated its joint venture by using proportional consolidation method.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. Basis of preparation (Continued)

f Going concern

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

The Company's financial statements are prepared under the going concern assumption. As of 31 December 2019, current assets of the Company are TRY 92,601,695 and short-term liabilities amount to TRY 247,021,507. The Company does not foresee any shortcomings regarding the fulfillment of these short-term liabilities.

As of 31 December 2019, the Company's inventory and investment properties are TRY1,279,535,975. Also, marketing and sales activities are in progress for the sale of inventories.

2.2. Changes and mistakes in accounting policies and accounting forecasts

If the rearrangement ensures that the entity's financial status, performance, or the impacts of the operations and events on the cash flows are presented in a more appropriate and reliable manner, the major changes in accounting policies and major accounting mistakes are applied retrospectively and the previous period's financial statements are restated. Within the current year, the company's accounting forecasts did not change.

TFRS 16, "Leasing Transactions"

The accounting policies of the Company has been disclosed under note 2.4.15 section leasing transactions. TFRS 16 does not have a significant impact on the Company's financial statements.

2.3. Turkish Financial Reporting Standards Change and Comparative Information and Reclassifications in the Previous Period's Financial Statements

2.3.1 Changes in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2019:

- **Amendment to TFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

- **Amendment to TAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3. Turkish Financial Reporting Standards Change and Comparative Information and Reclassifications in the Previous Period's Financial Statements

- **TFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- **TFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - TFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3. Turkish Financial Reporting Standards Change and Comparative Information and Reclassifications in the Previous Period's Financial Statements (Continued)

- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

b. The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 December 2019, however is not effective yet:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:

  i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in TAS 1 about immaterial information.

- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The company assesses the effect of the regarding changes mentioned above and will apply accordingly, if relevant.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation

Significant accounting policies applied during the preparation of the financial statements are summarised as follows:

2.4.1 Revenue

Rental income generated by the lease of property

Revenue is rental income that have generated from investment property and recognized in profit or loss on accrual basis. If the company provide benefits to their lessees, these benefits must be recorded as income deduction throughout the leasing term.

Sale of the property

The real estate promised in accordance with the revenue contract is transferred to the customer and it is included in the financial statements when the performance obligation determined in the contract is fulfilled. The property is transferred when the buyer takes control of the property.

Revenue recognition

In accordance with TFRS 15 "Revenue from Customer Contracts Standard", which entered into force as of January 1, 2018, the Company recognizes its revenue in the financial statements within the scope of the five-stage model below;

- Defining the contract between the company and buyers,
- Defining the obligations of the contract,
- Determining the transaction fee in the contract,
- Allocating the transaction fees to the obligations,
- Recognizing the revenue.

Contractual commitments of different contracts must be considered as different obligations of the company. Expectations regarding the execution time of the obligations are determined at the start of the contract. If the Company transfers control of a good or service over time and therefore fulfills its performance obligations related to the sales, it takes the revenue to the financial statements over time by measuring the progress towards the fulfillment of the performance obligations in question.

As the Company fulfills or fulfills its performance obligation by transferring a committed product or service to its customer, it records the transaction value corresponding to this performance obligation in its financial statements. The goods are transferred.

When the company evaluates the transfer of the goods or services control to the customer when the control of the goods or services or services sold is in the hands of the customers (or as it passes),

a) The Company's right to collect goods or services,
b) The client's legal ownership of the goods or services,
c) Transfer of possession of the good or service,
d) Ownership of significant risks and returns arising from owning the property of the good or service,
e) Consider the conditions for the customer to accept the good or service.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.1 Revenue (Continued)

The effect of a significant financing component on the promised price at the beginning of the contract, if the period between the transfer date of the goods or services promised to the customer and the date on which the customer pays for this goods or service will be one year or less. does not make corrections for. On the other hand, if there is an important financing element in the revenue, the revenue value is determined by reducing the future collections with the interest rate included in the financing element. The difference is recorded in the relevant periods as other income from the main activities on an accrual basis.

2.4.2 Investment Property

Investment properties comprise of operating investment properties and investment properties under development.

a) Operating investment properties

Operating investment properties held to earn rental income or capital appreciation or both. Operating investment properties of the Company comprise of buildings and lands.

b) Investment property under development

Investment properties under development are those which are held either to rent income or capital appreciation or for both. Investment properties under development of the Company comprise of lands.

An investment property can be accounted as an asset, if and only if, it is probable that economic benefits related to real estate would flow to the company and the cost of the investment property would be measured reliably.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. The profit or loss recognized due to the changes in the fair value of an investment property is included in the current year's comprehensive income statement.

2.4.3 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and provision for impairment, if any. Any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.3 Property and Equipment (Continued)

The expected useful lives are stated below:

Property and Equipment	Expected useful life (year)
Furniture and fixture	4-10
Motor vehicles	5
Leasehold improvements	2-5

Subsequent costs incurred for tangible assets are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they were incurred.

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 statement of income.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales and are included in the related income and expense accounts, as appropriate.

2.4.4 Intangible assets

Intangible assets are consisting of licenses, access service and computer software. They are recorded at acquisition cost. And from the date of acquisition over the estimated useful lives of 5 years are amortized using the straight-line method (Note 13).

Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

2.4.5 Impairment of assets

Non-financial assets

At each reporting date, the company assesses whether there is any indication of an impairment on the book value of the non-financial assets. If there is such an indication, the recoverable amount of that asset is estimated in order to determine the impairment amount. In cases when the asset's recoverable amount cannot be calculated separately, the recoverable amount of the cash generating unit to which that asset is affiliated is calculated.

The recoverable amount is the higher of the values in use or the fair value after deducting sales costs. In measuring value in use, the discount rate used should be the pre-tax rate that reflects prospective estimated cash flows, the time value of money, and the risks specific to the asset.

If the recoverable amount of the asset (or cash generating unit) is less than the book value, the book value of the asset (or cash generating unit) is discounted to the recoverable amount. The impairment losses are recognised as loss or profit.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.6 Financial instruments

Classification and measurement

The Company recognizes its financial assets in three classes as financial assets that are accounted for at amortized cost, the fair value difference of which is reflected in the other comprehensive income statement and the fair value difference is reflected in profit or loss. Classification is based on the business model used by the entity for the management of financial assets and the contractual cash flows of the financial asset. The Company classifies its financial assets on the date of purchase.

"Financial assets measured at amortized cost" are non-derivative financial assets that are held within the scope of a business model aiming to collect cash flows that are contractual and that include cash flows that only include interest payments arising from principal and principal balance at certain dates in contract terms. The Company's financial assets, which are accounted for their amortized cost, include "cash and cash equivalents" and "trade receivables". Related assets, with their fair values in their first recording in the financial statements; In the subsequent recognition, it is measured at the discounted prices using the effective interest rate method. Gains and losses resulting from valuation of non-derivative financial assets measured at amortized cost are accounted in the income statement.

"Financial assets whose fair value difference is reflected in other comprehensive income" are non-derivative instruments held under a business model aimed at collecting contractual cash flows and selling financial assets, and containing cash flows that only include interest payments arising from principal and principal balance at specified dates. are financial assets. Except for gains or losses from related financial assets, impairment gains or losses and foreign exchange income or expenses are reflected to other comprehensive income. In the event that such assets are sold, valuation differences classified into other comprehensive income are classified in previous years' profits.

For investments made in equity-based financial assets, the Company may irrevocably prefer the method of reflecting subsequent changes in its fair value to other comprehensive income for the first time during financial statements. In the event that such preference is made, dividends obtained from related investments are accounted in the income statement.

"Financial assets at fair value through profit or loss" consist of financial assets other than financial assets whose fair value difference is reflected in other comprehensive income. Gains and losses resulting from the valuation of such assets are accounted for in the income statement.

Impairment

The "expected credit losses model" was defined in TFRS 9 "Financial Instruments" standard instead of the "realized credit losses model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was in effect before 1 January 2018. Expected credit losses are an estimate weighted for the probability of credit losses over the expected life of a financial instrument. In the calculation of expected credit losses, the Company's future projections are considered along with past credit loss experiences.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.6 Financial instruments (Continued)

Trade receivables

The Company has chosen to apply the "simplified approach" defined in TFRS 9 within the scope of impairment calculations of trade receivables that are recognized at amortized cost in its financial statements and do not contain a significant financing component (with a maturity of less than 1 year). With the said approach, in cases where the trade receivables are not impaired for certain reasons (except for the impairment losses incurred), the Company measures the allowance for trade receivables at an amount equal to "lifelong expected credit losses".

Cash and cash equivalents

Cash and cash equivalents include cash and banks, and other short-term investments with a high liquidity of three months or less, which can be converted into cash immediately, and do not carry the risk of significant changes in value. The book value of these assets is close to its fair value. In cases where the cash and cash equivalents are not impaired for certain reasons, the Company calculates impairment using the expected credit loss model. In the expected credit loss calculation, the future estimates of the Company are considered along with past credit loss experiences.

Loans and borrowings

Loans and borrowings are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

2.4.7 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.4.8 Foreign Currency Transactions

Transactions in foreign currencies are translated into TRY at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TRY at the exchange rate at that date. Gains or losses on translation of foreign currency denominated transactions to TRY are recognised in profit of loss.

2.4.9 Share premium

Share premium represents the difference as a result of its sale of the stocks of the investments which are evaluated through equity method with a higher price than their nominal prices or the stocks of its subsidiaries; or the difference between the nominal and net realizable values of the stocks of its acquired companies.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.10 Paid-in capital

Ordinary shares are classified as equity. Proceeds from issuing new equity instruments are recorded net of transaction costs.

2.4.11 Dividends

Dividend income is recognized by the Company at the date the right to collect the dividend is realized. Dividend payables are recognized as a result of profit distribution in the period they are declared.

2.4.12 Earning 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 or other reserves. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares, issued without receiving cash or another consideration from shareholders.

2.4.13 Subsequent events

Subsequent events represent the events that occur against or on behalf of the Company between the reporting date and the date when reporting was authorised for the issue. There are two types of subsequent events:

- those that provide evidence of conditions that existed as of reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

2.4.14 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the notes.

If the inflow of economic benefits is probable, contingent assets are disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur, such asset and income statement effect are recognised in the financial statements at the relevant period that income change effect occurs.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as the lessee

Operating leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Company assess whether:

a) the contract involved the use of an identified asset - this may be specified explicitly or implicitly.
b) the asset should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
c) the Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) the Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:

    i. The Company has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
    ii. The Company designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

As a result of the assessments TFRS 16 does not have a significant impact on the financial statements of the Company. The Company recognises its current lease liabilities in the income statement as lease expense for the relevant period.

2.4.16 Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements ("reporting entity").

a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,

    (i) has control or joint control over the reporting entity,
    (ii) has significant influence over the reporting entity,
    (iii) is a key management personnel of the reporting entity or a parent company of the reporting entity.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.16 Related parties (Continued)

b) An entity is considered related party of the reporting entity when the following criteria are met:

(i) if the entity and the reporting entity is within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others).
(ii) if the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
(iii) if both of the entities are a joint venture of a third party.
(iv) if one of the entities are a joint venture of a third party while the other entity is a subsidiary of this third party.
(v) if entity has plans of post-employment benefits for employees of reporting entity or a related party of a reporting entity.
(vi) if the reporting entity has its own plans, sponsor employers are also considered as related parties.
(vii) if the entity is controlled or jointly controlled by an individual defined in the article (a).
(viii) if an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is a key management personnel of this certain entity (or a parent company of the entity).

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration.

2.4.17 Taxation

Corporate Tax

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5520, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

Since the Company is exempt from Corporate Income Tax in Turkey in accordance with Article 5 of the Corporate Tax Law, deferred tax is not recognized.

2.4.18 Provision for employee termination benefits

Provision for the employee termination benefits shows the present value of total liabilities resulting from retirement of personnel in the future for the company in accordance with Turkish Labour Law. Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.18 Provision for employee termination benefits (Continued)

Provision is related to fair value of defined benefit plan calculated with the method of estimated liability. All actuarial profit and losses are accounted under comprehensive income statement. TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. The liability for this unfunded plan recognized in the balance sheet is the full present value of the defined benefit obligation at the end of the reporting period, calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows from the retirement of its employees.

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. The maximum amount of 6,730 full TRY which is effective from 1 January 2019 has been taken into consideration when calculating the liability (1 January 2019: 6,018 TRY) as of 31 December 2019.

2.4.19 Inventories

Inventories are valued at the lower of cost or net realizable value. Inventories comprise of construction costs of housing units (completed and in-progress) and the cost of land used for to these housing projects. Land held for future development of housing projects are also classified as inventory. Cost elements included in inventory are purchase costs, conversion costs and other costs necessary to prepare the asset for its intended use. Unit costs of the inventories are valued at the lower of cost or net realizable value. Housing units which are completed and ready for delivery to customers together with work-in progress costs for housing units which will be completed within a year, are classified as short term inventories in the financial statements. Inventories are classified under the non-current asset in the financial statements as of balance sheet which are not estimated to sell within a year.

2.4.20 Business combinations and goodwilll

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in accordance with TFRS 3. The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of business combination depending on events after acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognized in the related period. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquire. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Goodwill arising from a business combination, when the project is completed, it will be added to the costs of the delivered houses and offices. When all houses and offices of the project are sold and delivered, there will be no goodwill in the financial statements (note 14).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.21 Segment reporting

The Company does not disclose segment information because it intensifies its activities in a single geographical segment which is Turkey, and concentrates all of its activities in real estate investment area.

2.5 Critical accounting estimates, assumptions and judgments

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 financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Company management; the actual results might differ from them.

The fair value measurement of investment properties

As of December 31, 2019, the Company has made valuation for the investment properties. Important evaluation estimates and assumptions used in determining the fair value of immovable properties classified as investment property in the financial statements are explained below:

Name of investment property	Valuation method	31 December 2019 (m2) value TRY	31 December 2018 (m2) value TRY
İIFC Land and Project (*)	Cost approach	43,625	31,253
İstanbul/Levent Business Center	Sale comparison	17,277	18,912
İstanbul/Fatih Business Center	Sale comparison	14,732	14,501
Ankara/Kavaklıdere Store	Sale comparison	13,000	14,00
Transform Fikirtepe Project	Sale comparison	10,118	10,118
Bizimtepe Aydos Commercial Units	Sale comparison	8,003	-
İzmir/Konak Land 8604 Plot-2 Parcel	Sale comparison	7,750	6,900
İzmir/Konak Land 8601 Plot-1 Parcel	Sale comparison	7,500	9,800
İzmir/Konak Land 8603 Plot-1 Parcel	Sale comparison	7,500	6,800
İzmir/Konak Land 8604 Plot-4 Parcel	Sale comparison	7,600	7,000
İzmir/Aliağa Business Center	Sale comparison	5,782	5,483
Sancaktepe/Samandıra Land	Sale comparison	4,000	4,000
Kütahya/Merkez Business Center	Sale comparison	3,621	3,367

(*) As of 31 December 2019, since the construction has started in the İIFC Land and Project, the land has been subject to valuation based on the cost method based on the completion rate of the construction and value of the land.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Critical accounting estimates, assumptions and judgments (Continued)

Long term VAT receivables

The Company classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note-9). The Company's total VAT receivable as of 31 December 2019 is amounting to TRY65,006,001 (31 December 2018: TRY79,273,103) and this amount has been reclassed to amounting to TRY384,917 (31 December 2018: TRY92,368) as short-term and amounting to TRY64,621,084 (31 December 2018:79,108,735) as long-term based on timing of forecast income and expense subjected to VAT.

2.6 Control of compliance with the portfolio limitations

Presented information as of 31 December 2019, control of compliance with the portfolio limitations are the condensed information which comprised of Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated 23 January 2014 numbered 28891 Capital Markets Board's Communiqué Serial: III, No: 48.1 a "Amendment on Real Estate Investment Company" published in the Official Gazette dated 28 May 2013 numbered 28660.

3. RELATED PARTY DISCLOSURES

Due to /from related parties

	31 December 2019	31 December 2018
Banks and other liquid assets		
Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank")	652,618	143,095,968
Total	**652,618**	**143,095,968**
Prepaid expenses		
Güneş Sigorta A.Ş. ("Güneş Sigorta")	325,567	208,436
Vakıf Emeklilik A.Ş.	5,397	-
Total	**330,964**	**208,436**
Short and Long term borrowings from related parties		
Vakıfbank	196,389,369	187,450,529
Total	**196,389,369**	**187,450,529**

3. RELATED PARTY DISCLOSURES (Continued)

	31 December 2019	31 December 2018
Trade payables to related parties		
Vakıf Pazarlama San. Tic. A.Ş.	14,517	3,062
PYS Güvenlik A.Ş.	6,511	-
Vakıf Yatırım Menkul Değerler A.Ş	-	7,965
Total	**21,028**	**11,027**
Deferred revenue from related parties		
Vakıfbank (Note 17)	299,990,000	299,990,000
Total	**299,990,000**	**299,990,000**

Income and expense from related parties

Income	1 January-31 December 2019	1 January-31 December 2018
Rent income from related parties		
Vakıfbank	2,536,121	2,122,177
Vakıf Yatırım Menkul Değerler A.Ş.	1,080,000	1,005,090
Total	**3,616,121**	**3,127,267**

	1 January-31 December 2019	1 January-31 December 2018
Interest income from related parties		
Vakıfbank deposit interest income	6,804,169	10,378,225
Vakıfbank bond interest income	-	83,684
Total	**6,804,169**	**10,461,909**

The Company generated 16% of its revenue from related companies for the year ended at 31 December 2019 (1 January - 31 December 2018: 2%).

Expenses	1 January-31 December 2019	1 January-31 December 2018
Insurance expense paid from related parties		
Güneş Sigorta	478,648	297,883
Vakıf Emeklilik A.Ş.	7,180	79,856
Total	**485,828**	**377,739**
Interest charges from related parties		
Vakıfbank	55,190,628	10,745,308
Total	**55,190,628**	**10,745,308**

3. RELATED PARTY DISCLOSURES (Continued)

Operating expenses and commission expenses to related parties

	1 January- 31 December 2019	1 January- 31 December 2018
Vakıfbank	272,896	266,718
Vakıf Pazarlama	141,962	10,110
Vakıf Yatırım Menkul Değerler A.Ş.	81,600	236,925
Total	**469,458**	**513,753**

Employee benefits to key management

Remuneration and fees paid to members of the board of directors	799,457	732,593
Remuneration and fees paid to other key management	1,009,367	863,432
Total	**1,808,824**	**1,596,025**

4. CASH AND CASH EQUIVALENTS

As of 31 December 2019 and 31 December 2018, cash and cash equivalents are as follows:

	31 December 2019	31 December 2018
Cash	2,872	2,048
Banks-Time deposits	483,691	142,818,982
Banks-Demand deposits	297,547	276,986
Other liquid assets	-	11,132
Cash and cash equivalents in the financial position	**784,110**	**143,109,148**
Interest income accruals on cash and cash equivalents	(450)	(1,752,601)
Cash and cash equivalents in the statement of cash flows	**783,660**	**141,356,547**

As of 31 December 2019 and 31 December 2018, there is no blockage on cash and cash equivalents.

Demand deposits

As of 31 December 2019 and 31 December 2018, the details of demand deposits at bank are as follows:

	31 December 2019	31 December 2018
TRY	297,547	276,986
Total	**297,547**	**276,986**

4. CASH AND CASH EQUIVALENTS (Continued)

Time deposits

As of 31 December 2019 and 31 December 2018, the details of time deposits at banks are as follows:

31 December 2019	Amount (TRY)	Nominal interest rate (%)	Maturity
TRY	230,063	10.00	2 January 2020
TRY	135,615	10.00	2 January 2020
TRY	118,013	10.00	10 January 2020
Total	**483,691**		

31 December 2018	Amount (TRY)	Nominal interest rate (%)	Maturity
TRY	28,392,384	23.25	1 February 2019
TRY	20,277,260	23.00	11 January 2019
TRY	20,277,260	23.00	18 January 2019
TRY	20,279,068	23.15	25 January 2019
TRY	20,283,288	23.50	8 February 2019
TRY	11,328,482	23.00	15 February 2019
TRY	10,129,589	21.50	4 January 2019
TRY	5,060,274	20.00	15 February 2019
TRY	2,004,384	20.00	4 January 2019
EUR	1,863,804	2.20	5 April 2019
EUR	1,134,934	3.75	5 April 2019
TRY	991,669	20.00	4 January 2019
TRY	295,771	20.00	2 January 2019
EUR	390,261	3.50	8 March 2019
TRY	90,049	20.00	2 January 2019
TRY	20,505	21.00	2 January 2019
Total	**142,818,982**		

The foreign currency distribution of cash and cash equivalents in TRY is as follows:

	31 December 2019		31 December 2018	
	Original Amount	TRY Amount	Original Amount	TRY Amount
Euro	-	-	562,788	3,388,999
Total	**-**	**-**	**562,788**	**3,388,999**

5. FINANCIAL LIABILITIES

	31 December 2019	31 December 2018
Short term debts		
Short term borrowings from related parties	70,411,095	27,396,686
Short term borrowings from third parties	28,899,781	10,157,281
Issued bonds	-	93,783,631
Short-term financial borrowings	**99,310,876**	**131,337,598**
Short-term portion of long-term bank loans		
Short-term portions of long-term borrowings from related parties	58,983,479	55,764,408
Short-term portions of long-term borrowings from third parties	26,192,172	18,170,731
Short-term portion of long-term financial borrowings	**85,175,651**	**73,935,139**
Long term bank loans		
Long-term borrowings from related parties	66,994,795	104,289,435
Long-term borrowing from third parties	84,012,022	66,402,658
Long term financial liabilities	**151,006,817**	**170,692,093**
Total financial liabilities	**335,493,344**	**375,964,830**

As of December 31, 2019, the currency of all financial liabilities is TRY. As of 31,2019 interest rates are between 12% - 20% (31 December 2018: 17.00% - 32.18%) and the effective interest rate is 16% (31 December 2018: 24%).

The details of bank loans as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Up to 1 year	184,486,527	111,489,106
1 - 2 years	107,989,016	64,827,439
After 2 years	43,017,801	105,864,654
	335,493,344	**282,181,199**

6. TRADE RECEIVABLES AND PAYABLES

Trade receivables

Short term trade receivables

As of 31 December 2019 and 31 December 2018, short term trade receivables of the Company are as follows:

	31 December 2019	31 December 2018
Trade receivables (*)	32,612,672	12,216,768
Note receivables (**)	2,731,774	3,929,705
Total	**35,344,446**	**16,146,473**

(*) As of 31 December 2019, TRY32,612,672 consists of short-term investments that has been made for Iconova project which is developed by Şireci-Acarsan İnş. San. Ve Tic. A.Ş. in Gaziantep, without the purpose of acquiring property pursuant to Article 22 of the Communiqué on Real Estate Investment Trust. The company will collect its receivables in the short term.

(**) As of 31 December 2019, the receivables amounting to TRY2,731,774 consists of receivables which are related to the sales promise agreements made by Halk GYO-Vakıf GYO within the scope of Bizimtepe Aydos project. The maturity of short-term receivables is December 2020 (31 December 2018: TRY 3.929.705).

Long term trade receivables

As of 31 December 2019 and 31 December 2018, long term trade receivables of the Company are as follows:

	31 December 2019	31 December 2018
Trade receivables (***)	109,341,908	104,109,000
Note receivables (****)	3,082,027	3,501,319
Total	**112,423,935**	**107,610,319**

(***) As of 31 December 2019, TRY109,341,908 consists of short-term investments that has been made for Iconova project which is developed by Şireci-Acarsan Company in Şehitkamil District of Gaziantep Province in accordance with the Article 22 of the Real Estate Investment Trust Communiqué. Within the scope of the contract, a total of TRY220,00,000 mortgage has been established on 40 commercial units (appraisal value TRY188,188,600+VAT (31 December 2018 :TRY120,930,700 + VAT)) in order to constitute the collateral of the investment support provided by Vakıf GYO. The guarantor signatures of Şireci-Acarsan and its partners are included in the contract.

(****) As of 31 December 2019, the receivables amounting to TRY3,082,027 consists of receivables which are related to the sales promise agreements made by Halk GYO-Vakıf GYO within the scope of Bizimtepe Aydos project (31 December 2018: TRY3,501,319).

6. TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables

Short term trade payable

As of 31 December 2019 and 31 December 2018, short term trade payables of the Company are as follows:

	31 December 2019	Restated (Note 29) 31 December 2018
Trade payables	58,479,812	29,705,070
Trade payables to related parties (Note 3) (*)	21,028	11,027
Total	**58,500,840**	**29,716,097**

(*) As of 31 December 2019, average maturity of trade payables is 15 days (31 December 2018: 15 days).

7. OTHER RECEIVABLES AND PAYABLES

Other receivables

Other current receivables

As of 31 December 2019 and 31 December 2018, other current receivables of the Company are as follows:

	31 December 2019	31 December 2018
Other receivables from third parties	1,676,741	1,682,790
Total	**1,676,741**	**1,682,790**

Other non-current receivables

As of 31 December 2019 and 31 December 2018, other non-current receivables of the Company are as follow:

	31 December 2019	31 December 2018
Other non-current receivables from third parties	39,929	39,762
Total	**39,929**	**39,762**

7. OTHER RECEIVABLES AND PAYABLES (Continued)

Other payables

Other current payables

As of 31 December 2019 and 31 December 2018, other current payables of the Company are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees received	421,663	2,281,283
Other payables	237	1,233
Total	**421,900**	**2,282,516**

Other non-current payables

As of 31 December 2019 and 31 December 2018, other long-term payables of the Company are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees received (*)	10,147,222	8,051,240
Total	**10,147,222**	**8,051,240**

(*) As of 31 December 2019, TRY10,147,222 (31 December 2018: TRY8,051,240) of the deposits and guarantees received, are related with the cash collatarels received from the contractors within the scope of Financial Center project.

8. PREPAID EXPENSES

As of 31 December 2019 and 31 December 2018, short term prepaid expenses of the Company are as the follows:

	31 December 2019	31 December 2018
Prepaid expense	558,046	351,264
Other	1,101	-
Total	**559,147**	**351,264**

8. PREPAID EXPENSES (Continued)

As of 31 December 2019 and 31 December 2018, long term prepaid expenses of the Company are as the follows:

	31 December 2019	31 December 2018
Advances given (*)	269,552,670	269,546,660
Total	**269,552,670**	**269,546,660**

(*) As of 31 December 2019, TRY 228.221.452 are related to payment for purchase of real estate in Nida Park Küçükyalı project 102 independent units (31 December 2018: 223,798,264).TRY41,331,214 are related to REC Uluslararası İnşaat Yatırım San.Tic.A.Ş. which was given as a deposit advance within the scope of İstanbul International Finance Center construction contracts (31 December 2018: TRY45,748,369.

9. CURRENT INCOME TAX ASSETS, OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

As of 31 December 2019 and 31 December 2018, current income tax assets of the Company are as follows:

	31 December 2019	31 December 2018
Prepaid taxes and funds (*)	1,345,715	879,057
Total	**1,345,715**	**879,057**

(*) As of 31 December 2019, all prepaid taxes and fund consist of withholding tax from time deposits income (31 December 2018: TRY879,057).

As of 31 December 2019 and 31 December 2018, current assets of the Company are as follows:

	31 December 2019	31 December 2018
VAT receivable	384,917	92,368
Total	**384,917**	**92,368**

As of 31 December 2019 and 31 December 2018, non-current assets of the Company are as follows:

	31 December 2019	31 December 2018
VAT receivable	64,621,084	79,180,735
Total	**64,621,084**	**79,180,735**

10. INVESTMENT PROPERTIES

As of 31 December 2019 and 31 December 2018, details of investment properties are as follows:

	31 December 2019	31 December 2018
Investment properties under development	951,005,294	760,301,079
Operating investment properties	67,629,500	55,884,100
Total	**1,018,634,794**	**816,185,179**

As of 31 December 2019 and 31 December 2018, details of operating investment properties and investment properties under development are as follows:

	31 December 2019	31 December 2018
Investment properties under development		
Land/ Project	951,005,294	760,301,079
Operating investment properties		
Buildings	67,629,500	55,884,100
Total	**1,018,634,794**	**816,185,179**

Investment properties under development

Land / Projects

As of December 31, 2019, the company has made valuation for Izmir Konak Land 8601 Island Parcel no 1. Izmir Province, Konak District, Mersinli Mahallesi 8601/1 island / plot located on the 8669/2 island / plot, TEİAŞ Land and the changes arising from the Unification and Free Public Abandonment Transaction, and then Izmir Province, Konak District, Mersinli Mahallesi, 8601/2 The structures on the land located on the island / parcel were demolished within the scope of "Risky Structure". Following the related procedures, the change in the title deed document has occurred. For these reasons, a valuation report has been made on 11 June 2019. The Company obtained valuation report for the year ended at 31 December 2019 as well. The current appraisal report date is December 27, 2019 and its fair value is TRY137,204,000 (31 December 2018: TRY123.715.000).

10. INVESTMENT PROPERTIES (Continued)

As of 31 December 2019, the fair value of the investment properties under development in the financial statements are as follows:

Description	Valuation method	Valuation report date	Fair Value
İIFC Land and Project	"Cost approach"	27 December 2019	580,456,294
İzmir/Konak Land 8601 Plot-1 Parcel	"Sale comparison"	27 December 2019	137,204,000
Samandıra/ Sancaktepe Land	"Sale comparison"	27 December 2019	70,073,000
İzmir/Konak Land 8604 Plot-1 Parcel	"Sale comparison"	27 December 2019	49,504,000
İzmir/Konak Land 8604 Plot-4 Parcel	"Sale comparison"	27 December 2019	47,282,000
İzmir/Konak Land 8603 Plot-1 Parcel	"Sale comparison"	27 December 2019	38,876,000
Transform Fikirtepe Project	"Sale comparison"	27 December 2019	27,610,000
Total			**951,005,294**

As of 31 December 2018, the fair value of the investment properties under development in the financial statements are as follows:

Description	Valuation method	Valuation report date	Fair Value
İIFC Land and Project	"Cost approach"	13 November 2018	415,844,079
İzmir/Konak Land 8601 Plot-1 Parcel	"Sale comparison"	28 December 2018	123,715,000
Samandıra/ Sancaktepe Land	"Sale comparison"	27 December 2018	70,073,000
İzmir/Konak Land 8604 Plot-1 Parcel	"Sale comparison"	28 December 2018	44,884,000
İzmir/Konak Land 8604 Plot-4 Parcel	"Sale comparison"	28 December 2018	42,927,000
İzmir/Konak Land 8603 Plot-1 Parcel	"Sale comparison"	28 December 2018	35,248,000
Transform Fikirtepe Project	"Sale comparison"	27 December 2018	27,610,000
Total			**760,301,079**

10. INVESTMENT PROPERTIES (Continued)

As of 31 December 2019 and 31 December 2018, the movement of investment properties under development are as follows:

	31 December 2019	31 December 2018
Beginning of the period - 1 January	**760,301,079**	**702,970,887**
Additions (*)	118,601,760	147,106,781
Change in fair value gain/(loss)	91,343,228	(5,569,340)
Transfers (**)	(19,240,773)	(84,207,249)
End of the period- 31 December	**951,005,294**	**760,301,079**

(*) TRY95,776,883 of total amount (31 December 2018; TRY110,105,918) is comprised of the payments made to the IUFM main contractor and TRY22,824,877 are related with the capitalised financing expenses (31 December 2018: TRY12,953,418).

(**) As of 23 November 2018, the Company has signed an agreement with "Türkiye Vakıflar Bankası" for selling 22,900 m2 part of IUFM Project out of 135,988 m2. Since the Company has started to develop these assets with the purpose of selling, these have been transferred to the inventories.

İstanbul International Finance Center

As per the decision made at the Company's Board of Directors' meeting on 12 May 2011, an engagement letter was signed with the Bank on 12 May 2011 for moving Vakıfbank to Istanbul, constructing the required Head Office service building and leasing that building to Vakıfbank for a long term.

For the aforementioned building which the company will construct in Istanbul, with the Company's Board of Directors' decision No. 24 dated 25 May 2011, parcels 4 and 5, in block 3323 of the Ümraniye district in İstanbul province, which are owned by TOKİ (Housing development administration of Turkey) and whose development plan was prepared by TOKİ in the region which was allocated for the Istanbul International Finance Centre within the borders of the Ataşehir Collective Housing Area Trade Zone Revision Development Plan, were incorporated into one parcel, no. 6 covering a 32,004.94 m² piece of land. This parcel was purchased for TRY 120,020,438 and the purchase and sale costs were borne by the parties. Ataşehir Vakıfbank's head office building's land is made up of two parcels: one is 7,226 m² (with a total of around 16,000 m² of land) registered as "land" in parcel 12, and the other is 8.774 m² registered as "land" on parcel 5, block 3328 in section F22D23D4D of the Küçükbakkalköy Mahallesi in the Ümraniye district of İstanbul province.

In order to carry out the T. Vakıflar Bankası T.A.O. Head Office Service Building and Facilities Project on said land, the concept project works were completed and the concerning prepared project was confirmed with the decision of Ministry of Environment and Urbanisation Aesthetics Board on 22 May 2014. Following the confirmation, license projects were completed and prepared, and as a result of the municipality meetings construction/building licenses for both parcels were obtained from Ümraniye Municipality on 22 June 2015. After the building licenses were received, the Main Contractor Tender preparation started.

As a result of the construction of the subway construction to the Istanbul Finance Center, 3 additional basements must be added to the project parcels, excavation and excavation works have started for the relevant parcels and it is envisaged that the related works completed in 2017.

10. INVESTMENT PROPERTIES (Continued)

The prime contractor tender process of the T. Vakıflar Bankası T.A.O General Directorate Service Building and Facilities Project, which the company will carry out in Istanbul International Finance Center, has been completed. For the business in relevant, 711,000,000TRY + VAT fee is charged to REC International İnşaat Yatırım San. Tic A.Ş and the contract has been signed.

Under the current prime contractor, the ongoing construction project planned to be complete in 2021.

According to the report dated 27 December 2019 of Yetkin Real Estate Appraisal Company, which is authorized by CMB to provide valuation services, the fair value of Istanbul Financial Center according to market comparison method is TRY697,991,000 (31 December 2018: TRY500,051,328) excluding VAT and the investment amounting to TRY19,240,773 (31 December 2018: TRY84,207,249) has been transferred to the inventories. As of 31 December 2019, additional costs are transferred to the inventories by using the ratio of sales promise agreements dated 31 December 2018.

In December 2019, Company has signed an additional protocol with the contractor company to ensure compliance with the revision made in Istanbul International Finance Center.

Sancaktepe/Samandıra Land

On December 9th, 2016, the Company purchased a 17,518.17 m2 land which is located in Istanbul Province, Sancaktepe district, Samandıra district, 243EE4D section, 6770 plot, 2 parcel from Ak İnşaat Mermercilik ve Gayrimenkul Yatırım Ticaret A.Ş for TRY63,750,000 +VAT.

İzmir Lands

İzmir / Konak Plots İzmir Konak Complex Project Land Sale plot and 8604 island 4 plot are registered with the decision of the board of directors, which was taken on January 5, 2018, in Izmir Province, Konak District, Mersinli Mahallesi, 8601 island 1 parcel, 8603 island 1 parcel, 8604 island 1, 5 January 2018. Total land area is 35,678.93 m2. These lands were added to the portfolio on 19 August 2015 at a cost of TRY114,750,467. Izmir / Konak Lands Izmir Province, Konak District, Mersinli District, 8669 block parcel 2 has been added to the portfolio on 13 March 2019 with a cost of TRY215,000. The total area of the plot is 100 m2. İzmir Konak Land has been valued for 8601 Island Parcel No. 1. The land located on 8601/1 island / parcel, 8669/2 island / parcel, TEIAS Land, and the Amendment and Free Public Abandonment. 8601/2 is registered as title / plot. On April 4, 2019, the deed transactions of the real estate numbered 8669 Island 2 parcel have been completed and registered on behalf of the Company. 30 m² of 100 m² of 8669 parcels of 2 m² has been included in the "İzmir Konak Mixed Project" as CBD area, and 70 m² of the building has been left on the road and 8601 island of 1 parcel and 8601 of island 2 of parcel as a result of the dissolution of 8669 island of 2 parcels. numbered immovable was formed and the company was registered on 11 April 2019. For the İKSA Project and Preliminary Approval Projects, Konak Municipality has been applied through the real estate numbered 8601 and parcel no.2 and the Building License process has started. The buildings on the plot located on 8601/2 island / parcel in Konak District of Mersin Province, İzmir Province were demolished within the scope of "Risky Structure". Following the related procedures, the change in the title deed document took place. Building License Process While progress was made in the relevant institutions, the demolition of "Agricultural Equipment Buildings and Warehouses and Nurseries" idle buildings that are not in use on 8601 island 1 (new 2 parcel) was demolished through the risky building announcement of "Law No. 6306 on Disaster Risk Areas". On the 8th of May 2019, after the demolition, the Change of Type Transaction was made on the title deed of the immovable property and the Land Registry qualification became the Land. On the other hand, the Mass Approval Project, submitted to Konak Municipality regarding the real estate numbered 8601 island 1 parcel (new 2 parcel), was approved by the Directorate of Zoning and Urbanization.

10. INVESTMENT PROPERTIES (Continued)

Transform Fikirtepe Project

The Company signed a real estate sales commitment contract amounting to TRY24,000,000+VAT for 30 independent sections in C block located in the "Transform Fikirtepe" project. Construction is carried out by the Obaköy-Haldız partnership. Company transferred these independent sections to investment properties after receiving the deed on 3 August 2018. According to the report dated 25 December 2019 of Yetkin Real Estate Appraisal Company, which is authorized by CMB to provide valuation services, the fair value of Transform Fikirtepe according to market comparison method is TRY 27,610,000 (31 December 2018: TRY27,610,000) excluding VAT.

Operating investment property:

As of 31 December 2019, the fair values of investment properties are as follows:

Description	Valuation method	Valuation report date	Fair value
İstanbul/Levent Business Center	"Sale comparison"	25 December 2019	25,516,000
Ankara/Kavaklıdere Shop	"Sale comparison"	25 December 2019	13,806,000
İstanbul/Fatih Business Center	"Sale comparison"	25 December 2019	7,495,000
Kütahya/Merkez Business Center	"Sale comparison"	25 December 2019	7,459,000
Bizimtepe Aydos Commercial Units (20 independent section)	"Sale comparison"	27 December 2019	6,808,500
İzmir/Aliağa Business Center	"Sale comparison"	25 December 2019	6,545,000
Total			**67,629,500**

As of 31 December 2018, the fair values of investment properties are as follows:

Description	Valuation method	Valuation report date	Fair value
İstanbul/Levent Business Center	"Sale comparison"	27 December 2018	22,596,000
Ankara/Kavaklıdere Shop	"Sale comparison"	28 December 2018	12,768,000
Kütahya/Merkez Business Center	"Sale comparison"	27 December 2018	6,936,100
İstanbul/Fatih Business Center	"Sale comparison"	27 December 2018	7,377,000
İzmir/Aliağa Business Center	"Sale comparison"	27 December 2018	6,207,000
Total			**55,884,100**

10. INVESTMENT PROPERTIES (Continued)

As of 31 December 2019 and 2018, the fair value movement of operating investment properties are as follows:

	31 December 2019	31 December 2018
Opening period- 1 January	**55,884,100**	**45,502,140**
Transfers (*)	3,408,175	-
Change in fair value	8,019,694	10,381,960
Additions	317,531	-
Period end 31 December	**67,629,500**	**55,884,100**

(*) Transfers to the investment properties from inventories refer to the commercial units leased in the Bizimtepe Aydos project.

İstanbul / Levent Business Center

İstanbul / Levent Business Center is registered to Beşiktaş/İstanbul Rumelihisar Mahallesi 1472 plot 1st parcel. Total gross surface is 1,477 m^2.

Based on Yetkin Gayrimenkul Değerleme A.Ş's valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 25 December 2019 İstanbul/Levent Business Center's VAT excluded fair value is TRY25,516,000 (31 December 2018: TRY22,596,000) according to sales comparison method. There is no restriction on investment properties. The Company leased this property to Vakıf Yatırım Menkul Değerler A.Ş.. The Company generated TRY1,080,000 of rental income for the period started 1 January 2019 and ended 31 December 2019 (1 January - 31 December 2018: TRY1,005,090).

Kütahya / Merkez Business Center

Kütahya/ Merkez Business Center is registered to Merkez/Kütahya Ali Paşa Mahallesi 63 plot 224th parcel. Total gross surface is 2,060 m^2. Based on Yetkin Gayrimenkul Değerleme A.Ş's valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 25 December 2019 Kütahya/Merkez Business Center's VAT excluded fair value is TRY7,459,000 (31 December 2018: TRY6,936,100) according to sales comparison method. There is no restriction on investment properties. The Company rented this property branch office of Vakıfbank. The Company generated TRY638,367 of rental income for the period started 1 January 2019 and ended 31 December 2019 (1 January - 31 December 2018: TRY508,752).

Ankara / Kavaklıdere Shop

Ankara/ Kavaklıdere shop is registered to Çankaya/Ankara Küçükesat Mahallesi 2537 plot 6th parcel. Total gross surface is 1,062 m^2. Based on Yetkin Gayrimenkul Değerleme A.Ş's valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 25 December 2019 Ankara/Kavaklıdere shop's VAT excluded fair value is TRY13,806,000 (31 December 2018: TRY12,768,000) according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Kavaklıdere. The Company generated TRY1,020,000 of rental income for the period started 1 January 2019 and ended 31 December 2019 (1 January -31 December 2018: TRY913,891).

10. INVESTMENT PROPERTIES (Continued)

İzmir / Aliağa Business Center

İzmir/ Aliağa business center is registered to Aliağa/İzmir Aliağa Mahallesi 50 plot 5637th parcel. Total gross surface is 1,132 m^2.

Based on Yetkin Gayrimenkul Değerleme A.Ş's valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 25 December 2019 İzmir/Aliağa business center's VAT excluded fair value is TRY 6,545,000 (31 December 2018: TRY6,207,000) according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Aliağa. The Company generated TRY465,476 of rental income for the period started 1 January 2019 and ended 31 December 2019 (1 January - 31 December 2018: TRY370,965).

İstanbul / Fatih Business Center

İstanbul / Fatih Business Center is registered to Fatih/İstanbul Mahallesi 2123 plot 9th parcel. Total gross surface is 509 m^2.

Based on Yetkin Gayrimenkul Değerleme A.Ş's valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 25 December 2019 İstanbul/Fatih Business Center's VAT exclude fair value is TRY7,495,000 (31 December 2018: TRY7,377,000) according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Fatih. The Company generated TRY412,279 of rental income for the period started 1 January 2019 and ended 31 December 2019 (1 January-31 December 2018: TRY328,569).

Bizimtepe Aydos Commercial Units

İstanbul / Bizimtepe Aydos project is located on 80 parcels, 36 plots in Istanbul Province, Sancaktepe District, Samandıra Mahallesi. There are 47 independent commercial sections in the project. Yetkin Gayrimenkul Değerleme A.Ş. is authorized by the CMB to provide valuation services. According to the report dated 27 December 2019, the fair value of Bizimtepe Aydos 362 independents area determined by the market approach Company share's is TRY97,421,000 excluding VAT. (31 December 2018: 529 independent area marketing approach is TRY142,578,500). The Company recognised the fair values as per the sqm of the leased area. As of 31 December 2019, the fair value of the leased area and Company's portion is TRY6,808,000. There are no restrictions on investment property. The Company commenced to sign lease agreements in relaion to these commercial units by 30 June 2019. The Company generated TRY155,942 of rental income for the period started 1 January 2019 and ended 31 December 2019.

As of 31 December 2019 and 31 December 2018, insurance amount of investment properties are as follows:

	2019		2018	
	Insurance date	**Insurance value**	**Insurance date**	**Insurance value**
Bizimtepe Aydos Commercial Areas	2 August 2019	7,375,950	-	-
Kütahya/Merkez Business Center	3 February 2019	1,989,960	3 February 2018	2,103,260
İzmir/Aliağa Business Center	3 February 2019	1,278,018	3 February 2018	951,130
İstanbul/Levent Business Center	3 February 2019	1,154,177	3 February 2018	896,660
Ankara/Kavaklıdere Shop	3 February 2019	880,992	3 February 2018	764,256
İstanbul/Fatih Business Center	8 February 2019	491,443	8 February 2018	426,324
Total		**13,170,540**		**5,141,630**

11. INVENTORIES

Short Term Inventories

	31 December 2019	Restated (Note 29) 31 December 2018
Bizimtepe Aydos Project (*)	52,506,619	68,500,588

Long Term Inventories

	31 December 2019	31 December 2018
Lands	104,946,540	98,036,253
İstanbul International Finance Center (**)	103,448,022	84,207,249
Short Term and Long Term Total	**260,901,181**	**250,744,090**

(*) As of 31 December 2019, commercial units whose total cost is amounting to TRY3,408,175 in the Bizimtepe Aydos Project commenced to be leased and transferred to the operating investment properties.

(**) As of 23 November 2018, the Company has signed an agreement with "Türkiye Vakıflar Bankası" for selling 22,900 m2 part of IIFC Project out of 135,988 m2. Since the Company has started to develop these assets with the purpose of selling, these have been transferred to the inventories. For the year ended 31 December 2019, TRY19,240,773 has been transferred to inventories (1 January-31 December 2018: TRY84,207,249).

İstanbul/Sancaktepe (Bizimtepe Aydos Project)

The company purchased a 95,221.84 m^2 piece of land in Istanbul's Sancaktepe district for TRY110,000,000 + VAT, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Halk GYO. The relevant project consists of 1,085 single units, of which are 1,037 houses, 44 trade units, 3 kindergarten, 1 sports complex. A construction license was obtained on 4 November 2015 with the development of the renovation permits received in December 2016, the total construction area on the land has been increased to 228,773 m2. The deliveries of the project have started on 30 May 2018 and the deliveries are still in progress. For the period started 1 January 2019 and ended 31 December 2019 Company delivered 59 units which are houses (1 January-31 December 2018 : 751 units).

İstanbul/Maltepe

The company purchased a 15,264 m2 piece of land in Istanbul's Maltepe district for TRY66,971,250, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Obaköy. According to the decision made by the Board of Directors signed on 31 January 2018, the Company has been decided to increase its shares from 50% to 99%.

Vakıf GYO paid TRY56,831,614 for the transfer of Obaköy shares 49%, which is equal to TRY42,151,214 for the investment of Obaköy and TRY14,680,400 for the transfers of share .

For the year ended at 31 December 2019, TRY6,395,861 of financing expenses have been capitalized on inventories (1 January - 31 December 2018: TRY8,747,537).

12. PROPERTY, PLANT END EQUIPMENT

The movement schedule of property, plant and equipment as of 31 December 2019 and 31 December 2018 is as follows:

	1 January 2019	Addition	Disposal	31 December 2019
Cost				
Land	205,926	-	-	205,926
Machinery and equipment	577,425	1,365	-	578,790
Vehicles	101,998	2,334	-	104,332
Special costs	705,364	4,816	-	710,180
Total	**1,590,713**	**8,515**	**-**	**1,599,228**
Accumulated depreciation				
Machinery and equipment	(393,695)	(77,792)	-	(471,489)
Vehicles	(101,873)	(1,384)	-	(103,257)
Special costs	(190,194)	(334,068)	-	(524,262)
Total	**(685,762)**	**(413,246)**	**-**	**(1,099,008)**
Net book value	**904,951**			**500,220**

Based on Yetkin Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 25 December 2019 land has been accounted under the tangible asset's VAT excluded fair value is TRY2,012,000 according to sales comparison method The gross carrying value of the land on which there is an energy transmission line amounting to TRY205,926, there is no other restriction on the land.

As of 31 December 2019, TRY291,586 of the total depreciation expenses has been accounted under general administrative expenses (31 December 2018: TRY261,586).

The movement schedule of property, plant and equipment as of 31 December 2018 is as follows:

	1 January 2018	Addition	Disposal	31 December 2018
Cost				
Land	205,926	-	-	205,926
Machinery and equipment	514,450	64,380	(1,405)	577,425
Vehicles	101,998	-	-	101,998
Special costs	478,390	226,974	-	705,364
Total	**1,300,764**	**291,354**	**(1,405)**	**1,590,713**
Accumulated depreciation				
Machinery and equipment	(320,899)	(73,335)	539	(393,695)
Vehicles	(83,196)	(18,677)	-	(101,873)
Special costs	(20,620)	(169,574)	-	(190,194)
Total	**(424,715)**	**(261,586)**	**539**	**(685,762)**
Net book value	**876,049**			**904,951**

13. INTANGIBLE ASSETS

The movement schedule of intangible assets which consist of software and rights as of 31 December 2019 and 31 December 2018 are as follows:

	1 January 2019	Addition	Disposal	31 December 2019
Cost	159,245	14,951	(10,554)	163,642
Accumulated amortisation	(82,645)	(24,549)	10,612	(96,582)
Net book value	**76,600**			**67,060**

	1 January 2018	Addition	Disposal	31 December 2018
Cost	78,550	80,695	-	159,245
Accumulated amortisation	(55,756)	(26,889)	-	(82,645)
Net book value	**22,794**			**76,600**

There is no lien and no pledge on intangible assets as of 31 December 2019 and 31 December 2018.

As of 31 December 2019, TRY24,549 of the total amortisation expenses has been accounted under general administrative expenses (31 December 2018: TRY26,889).

14. GOODWILL

According to the decision of the Board of Directors dated 31 January 2018, numbered 2018/3, the project will be developed on a 15,264 m2 residential land located in Maltepe district of Istanbul. The share of the Company in the Ordinary Partnership, which has a 50% share, has been signed and increased to 99%. Obaköy's share of 49% was taken as TRY 14,680,400.

The value of net assets in the financial statements prepared as of the date of acquisition of Vakıf GYO-Obaköy Ordinary Partnership are as follows:

Cash and cash equivalents	834
Other receivables	1,586
Inventories	42,151,214
Other current assets	1,275,960
Trade payables	1,211,152
Other payables	266,979
Other short-term liabilities	27,333
Other long-term payables	34,480
Long term trade payables	41,840,650
Total net assets	**49,000**
Cash paid (-)	14,680,400
Goodwill arising from the acquisition accounting (*)	**14,631,400**

(*) Goodwill arising from a business combination, when the project is completed, it will be added to the costs of the delivered houses and offices. When all houses and offices of the project are sold and delivered, there will be no goodwill in the financial statements.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2019 and 31 December 2018 commitments given are as follows:

The CPMs given by the Company	**31 December 2019**	**31 December 2018**
A. CPM's given in the name of its own legal personality	77,272,826	59,295,441
B. CPM's given on behalf of the fully Consolidated companies	-	-
C. CPM's given on behalf of third parties for ordinary course of business (*)		
D. Total amount of other CPM's given	76,767,460	69,833,625
i. Total amount of CPM's given on behalf		
ii. Total amount of CPM's given on behalf of other group companies which are not	-	-
in scope of B and C	-	4,310,477
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	**154,040,286**	**133,439,543**

(*) In the event that the buyers who have made a sales commitment contract for the Bizimtepe Aydos project realized by Vakıf GYO-Halk GYO Ordinary Partnership, where the Company is subject to joint management, purchase housing loans from the banks with which the Company has contracts; It refers to the guarantees given to the banks in exchange for the loan amount. As of 31 December 2019, Vakıf GYO-Halk GYO Ordinary Partnership has signed a general guarantor agreement with the banks with which it has contracted, amounting to TRY800,000,000 (31 December 2018: TRY850.565.000), and the amount of the guarantor contract that the Company is responsible for is 400,000,000 TRY. (31 December 2018: 425.282.500 TRY). As of 31 December 2019, the amount of pre-sales amounting to TRY153,534,921 (31 December 2018: TRY139,667,250) was made within the scope of Vakıf GYO-Halk REIT Ordinary Partnership. As of 31 December 2019, the amount of risk that falls on the Company's share from the transactions realized under the Guarantee Agreement is TRY76,767,460 (31 December 2018: TRY69,833,625). As of 31 December 2019, the ratio of other CPM's given by the Company to the Company's equity is 12.32% (31 December 2018: 7.12%).

As of December 31, 2019, there are no other CPMs given by the Company (31 December 2018: None).

As of 31 December 2019 and 31 December 2018, the details of deposits and guarantees received are showed below:

	31 December 2019		**31 December 2018**	
	Original amount	**TRY Equivalent**	**Original amount**	**TRY Equivalent**
TRY	122,748,167	122,748,167	139,088,242	139,088,242
Total	**122,748,167**	**122,748,167**	**139,088,242**	**139,088,242**

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The case where the company is a party

As of December 31, 2019, there are 32 cases that the Company is a party to, and the subject of 27 cases is related to the tax lawsuit, 3 cases is execution for debt 1 case is the reemployment lawsuit and the remaining case is related to the capital increase. The explanations about the cases that are important by the company are explained in detail below.

With its Board of Directors' decision dated 13 March 2014, the Company decided to increase its issued capital from TRY106,200,000 to TRY212,400,000. Marmara Metal Mamülleri A.Ş., one of the Company's shareholders, opened a lawsuit on 11 April 2014 to request, as per Article 18/6 of *Capital Markets Law No. 6362* and Article 445 (and subsequent articles) of *Turkish Commercial Code No. 6102*, that the Company's Board of Directors' decision to increase the capital be cancelled and adjourned. With the interim decision dated 12 May 2014, the court decided to reject the request for the adjourning execution of the Board of Directors' decision. On 3 September 2014 the plaintiff objected to the resolution to reject the decision, dated 12 May 2014. With its decision dated 26 December 2014, the court decided that "The matter of investigating the plaintiff's book records should be resolved at the hearing, the interim decision should be communicated in order for the expert committee to present the file and the report within one month following communication of the interim decision, and the hearing should be held on 25 March 2015". At the hearing held on 25 March 2015, since the report was at the expert committee, it was decided that the requests that communication be sent to the expert committee for return of the file to the court with and without a report, an investigation should be done on the plaintiff attorneys' books and a construction engineer should be added to the expert committee will be evaluated upon receipt of the file and the hearing was adjourned to 17 September 2015. The hearing dated 17 September 2015 was adjourned to 10 February 2016 as the written responses were not added to the file in line with the previous decision made at the hearing dated 4 November 2015. The hearing dated 10 February 2016, since the expert committee report is not enough for the decision, new investigation by expert committee is requested. The investigation will be performed on 11 March 2016.In addition, since the shares of the defendant is decreased below 5%, the court is delayed on 8 September 2015 in order to control the right ownership of defendant. The lawsuit file was handed over to the experts at the court registry on 11 March 2016 and they reviewed the books and records on 7 April 2016 The experts provided their report on the lawsuit case on 25 May 2016. On the hearing of the case on 8 September 2016, it was decided that the parties could file an appeal against the expert report on 23 November 2016. The company made an appeal to the expert report on 13 September 2016. In the hearing of the case dated 23 November 2016, it was decided that the reports on confiscation should be re-reported as there are contradictory findings in the expert's files, the examination of the related reports should be held in the court hearing room on 16 December 2016 and the hearing was decided as 15 March 2017. The file has been delivered to expert and the report is expected. On trial dated 15 March 2017, it was decided that the expert report should be waited and set 5 July 2017 as a new trial date. At the trial of the case dated July 15, 2017, it was observed that the experts were not presenting their reports and the trial was postponed to 14 December 2017. At the hearing of the case on February 14, 2018; The expert report, which was submitted to the case file, was given time to make a declaration and for this reason the hearing was postponed to 12 April 2018. At the hearing held on 12 April 2018, the court decided to proceed to verbal proceedings since the investigation phase was completed and the hearing was postponed to 20 September 2018. At the hearing dated 20 September 2018 of the lawsuit filed with the file numbered 2014/677 Fundamental of the Istanbul 7th Commercial Court of First Instance; The court's decision was dismissed and the court reported that the appeal court was open within two weeks of legal notice from the date of notification. On 20 December 2018 the plaintiff resorted to an appeal. The appeal review of the case file is carried out in the Istanbul District Court of Justice 12th file numbered 2019/78 E of the Civil Chamber. The appeal is still pending and the case has not been concluded yet.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The case where the company is a party (Continued)

At the hearing of 20 September 2018; the court decided to reject the case and the court stated that the appeal was open within two weeks' legal period from the date of notification. In accordance with the opinion of the lawyer, the case is the case of the cancellation of the decision of the Board of Directors of a Joint Stock Company.

In accordance with lawyer's opinion, the case is Cancellation of Join-Stock Company's board decision and If the case is accepted, it has been informed that no compensation will be awarded against the company.

Operating lease arrangements

Company as a lessor

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 February 2011 for the lease full building which consist of basement, ground and five flats located in İzmir Aliağa. The amount of monthly rent is TRY39,482 + VAT as of 31 December 2019. The annual rent increases, at the end of every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.AO on 1 February 2011 for the lease full building which consist of basement, ground and two flats located in İstanbul Fatih. The amount of monthly rent is TRY34,970+VAT as of 31 December 2019. The annual rent increases, at the end of every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 January 2005 for the lease business center located in Ankara Çankaya. The amount of monthly rent is TRY85,000+ VAT as of 31 December 2019. The annual rent increases, at the end of every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 February 2011 for the lease full building which consist of basement, ground and seven flats located in Kütahya. The amount of monthly rent is TRY 54,146+ VAT as of 31 December 2019.The annual rent increases, at the end of every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Vakıf Yatırım Menkul Değerler A.Ş. on 1 January 2017 for the lease business center located in İstanbul Beşiktaş. The amount of monthly rent is TRY90,000+ VAT as of 31 December 2019.The annual rent increases, at the end of every year, is as the average of annual PPI and CPI which are announced by Turkish Statistical Institute.

The Company signed rent agreements for the Bizimtepe Aydos Project Trade Units at the date of June 2019.For the period start 1 January 2019 and ended 31 December 2019 twenty rent agreements have been signed. Company earned TRY155,942+VAT as of rental income for the period started 1 January 2019 and ended 31 December 2019. The annual rent increases, at the end of every year, is as the average of annual PPI and CPI which are announced by Turkish Statistical Institute.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The Company as lessee

The Company signed a rent agreement with Nuri Baylar-Manolya Baylar for the workplace located in Ümraniye/İstanbul to start on 1 December 2017.The amount of monthly rent is TRY35.000 + stoppage as of 31 December 2019.The annual rent increase is the arithmetic average rate of the increase in the PPI and CPI ,determined by Turkish Statistical Institute, in the same period of the previous year. TFRS 16 does not have significant impact on the Company's financial statements.

16. PROVISIONS FOR EMPLOYEE BENEFITS

Short term provisions for employee benefits

As of 31 December 2019 and 31 December 2018, provisions for employee benefits are as follows:

	31 December 2019	31 December 2018
Provision for bonus	292,804	-
Provision for unused vacation	217,340	141,874
Total	**510,144**	**141,874**

The movement schedule of the unused vacation as of 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
Balance at the beginning of the period - 1 January	**141,874**	61,553
Changes during the period	75,466	80,321
At the end of the period - 31 December	**217,340**	**141,874**

Long term provisions for employee benefits

Under the Turkish Labour Law, the Company is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transitional provisions related with retirement prerequisites have been removed due to the amendments in the relevant law on May 23, 2002.

The amount payable consists of one month's salary limited to a maximum of TRY6,379 for each period of service as of 31 December 2019 (31 December 2018: TRY5,434). The retirement pay provision ceiling is revised semi-annually, and TRY6,730 which is effective from 1 July 2020, is taken into consideration in the calculation of provision for employment termination benefits. Liability of employment termination benefits is not subject to any funding as there isn't an obligation. Provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Company's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) is accounted in "Remeasurement of the employment termination benefits" in comprehensive income statement.

16. PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

As of 31 December 2019 and 31 December 2018, movement of provision for employee termination benefits is as follows:

	2019	2018
Opening balance	**171,109**	**109,795**
Interest cost	100,256	27,360
Service cost	172,758	40,045
Actuarial (gain)/loss	(55,504)	45,982
Employment termination benefits paid	(2,431)	(52,073)
Closing balance	**386,188**	**171,109**

17. OTHER CURRENT LIABILITIES AND DEFERRED INCOME (OTHER THAN CONTRACT LIABILITIES)

Other current liabilities

As of 31 December 2019 and 2018, other current liabilities of the Company are as follows:

	31 December 2019	31 December 2018
Taxes payable and other duties	492,804	559,704
Accrued expenses	331,650	1,844,201
Total	**824,454**	**2,403,905**

Deferred income

As of 31 December 2019 and 31 December 2018, current deferred revenue of the Company is as follows:

	31 December 2019	31 December 2018
Deferred income	2,140,027	5,651,940
Total	**2,140,027**	**5,651,940**

As of 31 December 2019 and 31 December 2018, non-current deferred revenue of the Company is as follows:

	31 December 2019	31 December 2018
Deferred revenue		
- Deferred revenue from related parties (*)	299,990,000	299,990,000
- Deferred revenue from third parties (**)	9,255,000	9,255,000
Total	**309,245,000**	**309,245,000**

(*) TRY299.990.000 of long-term deferred income is the advance consideration received for the sale of IIFC project covered 22,900 m2 of space to Türkiye Vakıflar Bank. as of 31 December 2019.

(**) As of 31 December 2019, TRY9,255,000 consists of the advances received from the constructor company of İzmir Konak Mixed Use Project.

18. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in capital

As of 31 December 2019, and 31 December 2018, the Company's paid-in capital is as follows:

		2019		2018	
	Class	**Capital rate (%)**	**Capital amount**	**Capital rate (%)**	**Capital amount**
Vakıfbank	A	15,32	35,239,855	15,32	34,473,771
	B	23,38	53,775,972	23,38	52,606,904
T.C.Çevre ve Şehircilik Bakanlığı Toplu Konut İdaresi Başkanlığı (''TOKİ'')	A	9,05	20,823,550	9,05	20,370,864
	B	5,58	12,814,505	5,58	12,535,923
Vakıfbank Personeli Özel Sosyal Güv. Hiz. Vakfı	A	5,57	12,814,493	5,57	12,535,917
	B	3,21	7,377,940	4,03	9,065,465
Vakıfbank Memur ve Hizmet Em. San. Vakfı	A	2,79	6,407,246	2,79	6,267,958
	B	4,45	10,254,739	6,09	13,708,173
Other	A	2,79	6,407,247	2,79	6,267,959
	B	27,86	64,084,453	25,40	57,167,066
Total		**100**	**230,000,000**	**100**	**225,000,000**
Effects of inflation adjustments			21,599,008		21,599,008
Total			**251,599,008**		**246,599,008**

The Company shares are issued into two type of Groups; Group A and Group B. The Group A shares have 15 right to vote, Group B shares have 1 right to vote for election of Board of Directors.

Share premium

	2019	**2018**
Share premium	237,393,491	237,393,491
Share premium Inflation adjustments	9,337,858	9,337,858
Total	**246,731,349**	**246,731,349**

At the Ordinary General Assembly meeting of 2018, the Company decided to distribute TRY5,000,000 of the net profit, which corresponds to %10 of the net distributable period profit, as bonus shares.

Application is made to the Capital Markets Board and got approval. The capital increased from TRY225,000,000 to TRY230,000,000 on 28 June 2019.

18. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Restricted reserves

As of 31 December 2019 and 31 December 2018, restricted reserves are consist of legal reserves.

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

Other Comprehensive Income Not To Be Reclassified To Profit Or Loss

The Amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain/loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income as of 1 January 2013.The gains and losses arising from the changes in the actuarial assumption amounting to TRY10,655 (31 December 2018: TRY(44,839) Actuarial Loss) have been accounted for by "Revaluation Funds" under the equity as of 31 December 2019.

Dividend distribution

As per the Capital Market Board's decision no. 2/51, dated 27 January 2010, there is no obligation for the publicly held joint stock companies to distribute the minimum profit which was derived from their operations. Accordingly, the joint stock corporations that will distribute profit may perform this distribution in cash, by distributing the shares to be issued free of charge by adding dividend to the share capital, or by distributing a certain amount of cash and a certain amount of free of charge shares depending on the decision made at the Company's general assembly. If the first dividend amount is less than 5% of the current issued/paid-in capital, the said amount may remain at the corporation. However, the joint stock corporations that increased capital without distributing dividends for the previous period, and which therefore categorize their shares as "former" and "current", should distribute dividend from the period profit obtained as a result of their operations and should distribute the first dividend in cash.

In this context; according to the decision of CMB, the net distributable profit that is calculated per CMB's minimum profit distribution requirements will be wholly distributed if it is met by the net distributable profit of statutory records, if the amount per CMB is not met by statutory records, the amount to be distributed will be limited to the amount at the statutory records. If losses are incurred in either of CMB or statutory financial statements, no profit will be distributed.

19. SALES AND COST OF SALES

Sales and cost of sales for the year ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	Restated (Note 29) 1 January - 31 December 2018
Income from operating activities		
Residence sales (*)	18,158,800	187,774,810
Rent income	3,772,064	3,127,267
Total revenue	**21,930,864**	**190,902,077**
Cost of sales	**(14,378,728)**	(164,315,960)
Gross profit	**7,552,136**	**26,586,117**

(*) As of 31 December 2019, residence sales revenue includes the deliveries of the residential units from Bizimtepe Aydos project. Revenue has been recognized at a point of time.

Cost of the sales for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	Restated (Note 29) 1 January - 31 December 2018
Cost of inventory sold	13,535,682	160,651,289
Land Registry fees	695,404	2,876,133
Real estate tax	105,109	764,843
Insurance	13,618	16,753
Other	28,915	6,942
Total	**14,378,728**	**164,315,960**

20. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Marketing expenses for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Advertisement expenses	1,951,209	1,359,240
Total	**1,951,209**	**1,359,240**

20. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

General administrative expenses for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	8,371,273	5,710,538
Outsourced service expenses	938,631	1,142,682
Depreciation and amortization	437,795	288,475
Tax expenses	51,670	251,345
Other expenses (*)	1,211,941	1,577,634
Total	**11,011,310**	**8,970,674**

(*) Other expenses consist of office overheads.

21. OTHER OPERATING INCOME

Other Operating Income

Other operating income for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Fair value gain on investment properties (Note 10)	99,362,922	4,812,620
Reimbursement income	1,746,110	-
Other	486,950	2,039,132
Total	**101,595,982**	**6,851,752**

22. EXPENSES BY NATURE

Breakdown of depreciation and amortization expense for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
General administrative expense (Note 20)	437,795	288,475
Total	**437,795**	**288,475**

23. FINANCE INCOME/EXPENSE

Finance expense for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Interest expense	6,777,668	5,361,461
Bank charges and commission expenses	347,001	225,454
Total	**7,124,669**	**5,586,915**

23. FINANCE INCOME/EXPENSE (Continued)

Finance income for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Interest income from bank	7,091,338	9,573,393
Interest income from bank bonds	-	83,684
Total	**7,091,338**	**9,657,077**

24. TAX ASSETS AND LIABILITIES

The Company is exempted of corporate income tax pursuant to subparagraph d-4 of article 5 of the Corporate Tax Law. Even if the revenues of real estate investment trusts are subject to withholding tax pursuant to subparagraph 6-a of article 94 of the Income Tax Law, the withholding rate was determined as "0" in the decision of the Council of Ministers numbered 93/5148. Therefore, the Company has no tax liability related to its revenues in the relevant period.

25. 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 or other reserves. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares, issued without receiving cash or another consideration from shareholders. In case of increase in issued stock after balance sheet date but before the date that financial statement is prepared due to the bonus share distribution, earning per share calculation is performed taking account of total new share amount.

	2019	Restated (Note 29) 2018
Profit for the period	96,152,268	27,178,117
Weighted average number of shares	230,000,000	225,000,000
Earnings per share	0,4181	0,1208

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. The Company has exposure to the following risks from its operations:

- Credit risk,
- Liquidity risk,
- Market risk,
- Operational risk.

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

As of 31 December 2019 and 31 December 2018, credit risk exposure of financial assets is as follows:

	Receivables						
	Trade receivables		Other receivables				
31 December 2019	**Related party**	**Other party**	**Related party**	**Other party**	**Deposits on bank**	**Other**	**Total**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**145,541,602**	**-**	**1,716,670**	**781,238**	**-**	**148,039,510**
- Secured portion of the maximum credit risk by guarantees, etc.	-	220,000,000	-	-	-	-	220,000,000
A.) Net book value of financial assets that are either not due or not impaired	-	145,036,607	-	1,716,670	781,238	-	147,534,515
B.) Net book value of the expired but not impaired financial assets	-	-	-	-	-	-	
C.) Net book value of impaired assets	-	-	-	-	-	-	
- Overdue (gross book value)	-	504,995	-	-	-	-	504,995
- Impairment (-)	-	-	-	-	-	-	
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	
- Not overdue (gross book value)	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	
D.) Off balance sheet items with	-	-	-	-	-	-	
credit risks	-	-	-	-	-	-	

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Receivables						
	Trade receivables		Other receivables				
31 December 2018	**Related party**	**Other party**	**Related party**	**Other party**	**Deposits on bank**	**Other**	**Total**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**123,756,792**	**-**	**1,722,552**	**143,095,968**	**11,132**	**268,586,444**
- Secured portion of the maximum credit risk by guarantees, etc.	-	220,000,000	-	-	-	-	220,000,000
B.) Net book value of financial assets that are either not due or not impaired	-	121,515,810		1,722,552	143,095,968	11,132	266,345,462
B.) Net book value of the expired but not impaired financial assets	-	2,240,982	-	-	-	-	2,240,982
C.) Net book value of impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D.) Off balance sheet items with credit risks	-	-	-	-	-	-	-

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Trade receivables past due but not impaired as at 31 December 2019 and 2018 are as follows:

31 December 2019	**Total**
0-3 months overdue	116,290
More than 3 months overdue	388,705
Total	**504,995**

31 December 2018	**Total**
0-3 months overdue	509,064
More than 3 months overdue	1,731,918
Total	**2,240,982**

As of December 31, 2018 and 2018, the Company's movement tables for its loans are as follows:

	2019	**2018**
1 January	**375,964,830**	**-**
Cash inflow from issued debt instruments	-	87,210,000
Cash inflow from borrowings	173,999,985	273,850,000
Payments	(194,046,762)	(8,850,000)
Change in interest accruals	(20,424,709)	23,754,830
31 December	**335,493,344**	**375,964,830**

Liquidity risk

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

The following table presents the Company's financial liabilities including interest payments according to their remaining contractual maturities:

Contract terms

31 December 2019	**Carrying value**	**Total of contractual cash flows**	**Up to 3 months**	**3 months to 1-year**	**1 year to 5 years**	**More than 5 years**
Short term financial liabilities (Non-derivative):						
Financial liabilities	335,493,344	410,554,735	20,119,363	197,466,199	192,969,172	-
Trade payables	58,500,840	58,500,840	58,500,840	-	-	-
Other payables and liabilities	10,569,122	10,569,122	421,900	-	10,147,222	-
Other short-term payables and liabilities	824,454	824,454	824,454	-	-	-
Total	**405,387,760**	**480,449,151**	**79,866,557**	**197,466,199**	**203,116,394**	**-**

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Contract terms

Restated (Note 29) 31 December 2018	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1-year	1 year to 5 years	More than 5 years
Short term financial liabilities (Non-derivative):						
Financial liabilities	375,964,830	525,279,035	-	150,442,530	374,836,505	-
Trade payables	29,716,097	29,716,097	29,716,097	-	-	-
Other payables and liabilities	10,333,756	10,333,756	2,282,516	-	8,051,240	-
Other short-term payables and liabilities	2,403,905	2,403,905	2,403,905	-	-	-
Total	**418,418,588**	**567,732,793**	**34,402,518**	**150,442,530**	**382,887,745**	**-**

As of 31 December 2019 and 31 December 2018, the Company does not have any derivative financial liabilities.

Market Risk

The Company is exposed to various market risks, including the effects of changes in exchange rates, interest rates, equity prices and credit spreads.

The total risk management program of the Company focuses on the unpredictability of the financial markets and aims at reducing the potential negative effects on the Company's financial performance.

Foreign currency risk

Foreign currency transactions result in foreign currency risk. Exchange rate risk is managed through forward foreign exchange purchase / sale contracts based on approved policies.

The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows as of 31 December 2018.As of 31 December 2019,Company does not have foreign currency assets and liabilities.

	31 December 2018		
	TRY equivalent (Functional currency)	**USD**	**Euro**
Monetary Financial Assets	3,388,999	-	562,788
Total Assets	**3,388,999**	**-**	**562,788**
Net foreign currency asset / liability position	**3,388,999**		**562,788**

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following table shows the Company's sensitivity to a 20% increase and decrease in Euro rates. The rate of 20% is the rate used by the senior management in reporting the exchange rate risk within the Company, which represents the possible change in the exchange rates.

	31 December 2018	
	Appreciation of foreign currency	**Depreciation of foreign currency**
In the case of a 20% increase in Euro against TRY		
1- Euro net Asset/Liability	677,800	(677,800)
2- The portion protected from Euro risk (-)	-	-
3- Euro net effect (1+2)	**677,800**	**(677,800)**

Interest rate risk

The Company is exposed to interest rate risk due to interest bearing assets and liabilities.

As of 31 December 2019 and 31 December 2018, the Company does not have a financial instruments sensitive to variable interest rates, financial instruments sensitive to fixed interest rate of the Company is as follows:

Financial instruments with fixed interest rates	**31 December 2019**	**31 December 2018**
Financial assets	483,691	142,818,982
Time deposits	*483,691*	*142,818,982*
Financial liabilities	335,493,344	375,964,830
Bank loans	*335,493,344*	*282,181,199*
Bond issues	-	*93,783,631*

Weighted average interest rates which are applied to financial instruments as of 31 December 2019 and 31 December 2018 are as follows:

		31 December 2019	**31 December 2018**
Financial instruments			
Banks time deposits	TRY	10.00%	19.00%
Banks time deposits	EUR	-	2.20-3.75%
Financial liabilities/ bond	TRY	12.00%-20.00%	17.00%-32.18%

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Capital risk management

The Company manages capital by using effective portfolio management to reduce the risk of investment. The main objectives of the Company are to continue operations with generating revenue, to secure the benefits of the shareholders, cost of capital and to continue the optimum level of net liabilities/equity and to achieve the efficient capital structure continuity. When the company manages the capital, the Company aims to provide returns to shareholders and to reduce cost of capital, to maintain optimal capital structure by protecting Company's operation ability.

	31 December 2019	Restated (Note 29) 31 December 2018
Total liabilities	717,806,734	733,727,953
Cash and cash equivalents (-)	(784,110)	(143,109,148)
Net debt	**717,022,624**	**590,618,805**
Equity	**1,063,660,615**	**967,452,843**

Operational risk

Operational risk is the risk of direct or indirect risk arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and except from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all the Company's operations.

The Company's objective is to manage operational risk to balance the avoidance of financial losses and damage. In this context, the Company has determined internal processes and controls in the following:

- requirements for appropriate segregation of duties, including the independent authorization of transactions,
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets

The Company assumes that the carrying value of cash equivalents are close to their fair value because of their short-term nature and insignificant amount of impairment risk.

It is assumed that the carrying values of the trade receivables reflect the fair values.

Appraiser report values are used to determine the fair values of the investment properties which are shown in based on the fair values in the balance sheet.

Non-financial assets

Real estate appraisal reports prepared by a real estate appraisal company authorized by the CMB are used to determine the fair value of investment properties measured at fair value on the Company's financial statements.

Investment Properties

Sensitivity analysis of investment property calculated by using fair value comparative method is as follows;

31 December 2019	Imputed rental value/m^2	Sensitivity analysis	Effect of profit on fair value	Effect of loss on fair value
İzmir/Konak Land 8601 Ada 2 Parcel	7,500	10%	13,720,400	(13,720,400)
Sancaktepe/Samandıra Land	4,000	10%	7,007,300	(7,007,300)
İzmir/Konak Land 8604 Ada 1 Parcel	7,750	10%	4,950,400	(4,950,400)
İzmir/Konak Land 8604 Ada 4 Parel	7,600	10%	4,728,200	(4,728,200)
İzmir/Konak Land 8603 Ada 1 Parcel	7,500	10%	3,887,600	(3,887,600)
Transform Fikirtepe Project	10,118	10%	2,761,000	(2,761,000)
İstanbul/Levent Business Center	17,276	10%	2,551,600	(2,551,600)
Ankara/Kavaklıdere Shop	13,000	10%	1,380,600	(1,380,600)
İstanbul/Fatih Business Center	14,725	10%	749,500	(749,500)
Kütahya/Merkez Business Center	2,060	10%	745,900	(745,900)
Bizimtepe Aydos Commercial Units	8,003	10%	680,850	(680,850)
İzmir/Aliağa Business Center	5,782	10%	654,500	(654,500)

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

31 December 2018	Imputed rental value/m^2	Sensitivity analysis	Effect of profit on fair value	Effect of loss on fair value
İzmir/Konak Land 8601 Ada 1 Parcel	7,000	10%	12,371,500	(12,371,500)
Sancaktepe/Samandıra Land	4,000	10%	7,007,300	(7,007,300)
İzmir/Konak Land 8604 Ada 1 Parcel	6,800	10%	4,488,400	(4,488,400)
İzmir/Konak Land 8604 Ada 4 Parcel	6,900	10%	4,292,700	(4,292,700)
İzmir/Konak Land 8603 Ada 1 Parcel	6,800	10%	3,524,800	(3,524,800)
Transform Fikirtepe Project	10,118	10%	2,761,000	(2,761,000)
İstanbul/Levent Business Center	18,912	10%	2,259,600	(2,259,600)
Ankara/Kavaklıdere Shop	14,000	10%	1,276,800	(1,276,800)
İstanbul/Fatih Business Center	14,501	10%	737,700	(737,700)
Kütahya/Merkez Business Center	3,368	10%	693,610	(693,610)
İzmir/Aliağa Business Center	5,483	10%	620,700	(620,700)

Classification of Fair Value Measurement

"TFRS 13 - Financial Instruments requires" the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company.

First level: The fair value of financial assets and financial liabilities are determined with reference to actively trade market price.

Second level: Financial assets and liabilities are valued from the inputs used in finding the price of the relevant asset or liability directly or indirectly in the market other than the stock exchange price specified at the first level.

Third level: The fair value of financial assets and financial liabilities are evaluated with reference to imputes that used to determine fair value but not relying on observable data in the market.

Classification requires using observable market data if possible.

In this context, classification of fair value of financial assets and liabilities measured at fair value are as follows:

31 December 2019	Level 1	Level 2	Level 3	Total
Investment properties:				
Investment properties	-	1,018,634,794	-	1,018,634,794
Total	**-**	**1,018,634,794**	**-**	**1,018,634,794**

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

31 December 2018	Level 1	Level 2	Level 3	Total
Investment properties:				
Investment properties	-	816,185,179	-	816,185,179
Total	**-**	**816,185,179**	**-**	**816,185,179**

28. SUBSEQUENT EVENTS

None.

29. RESTATEMENT OF THE PREVIOUS YEAR'S FINANCIAL STATEMENTS (Continued)

The financial statements of the Company are prepared comparatively with the previous period in order to allow the determination of financial status and performance trends. Comparative information is reclassified, where necessary, in order to comply with the presentation of the current financial statements, and significant differences are disclosed.

Significant amendments:

The Company has restated its previous year's financial statements line items of inventories, third party trade payables and cost of sales by considering the additional costs incurred in 2019, that is after the completion of the construction and commencement of the delivery of the residential units in Bizimtepe Aydos Project. Since the earliest period in which this error occurred is the period between 1 January - 31 December 2018, the Company did not present the financial statements of 31 December 2017 in this report.

Financial Position Statement Effect	Previously Reported 31 December 2018	Adjustments	Restated 31 December 2018
Inventories	63,089,375	5,411,213	68,500,588
Total Restatements of Assets		**5,411,213**	
Trade payables to third parties	10,716,412	18,988,658	29,705,070
Net profit for the year	40,755,562	(13,577,445)	27,178,117
Total Restatements of Liabilities		**5,411,213**	

29. RESTATEMENT OF THE PREVIOUS YEAR'S FINANCIAL STATEMENTS (Continued)

Profit / (Loss) Statement Effect	Previously Reported 1 January - 31 December 2018	Adjustments	Restated 1 January 31 December 2018
Cost of sales	150,738,515	13,577,445	164,315,960
Net profit for the year	40,755,562	(13,577,445)	27,178,117

Cash Flow Statement Effect	Previously Reported 1 January - 31 December 2018	Adjustments	Restated 1 January 31 December 2018
Net profit for the year	40,755,562	(13,577,445)	27,178,117
Net working capital changes in	(111,513,439)	13,577,445	(97,935,994)
Increase in trade payables	(17,113,395)	18,988,658	1,875,263
Adjustments related to increase in inventories	68,589,311	(5,411,213)	63,178,098

Earnings per share	Previously Reported 1 January - 31 December 2018	Adjustments	Restated 1 January 31 December 2018
Net profit for the period	40,755,562	(13,577,445)	27,178,117
Earnings per share	0.1811		0.1208

30. SUPPLEMENTARY INFORMATION: COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS

As of 31 December 2019, presented information in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated 28 May 2013 numbered 28660 Capital Markets Board's Communiqué Serial: III, No: 48.1a"Amendment on Real Estate Investment Company" published in the Official Gazette dated 23 January 2014 numbered 28891.

In this context, information related to total asset, total portfolio and control of compliance with the limitations are as follows as of 31 December 2019 and 31 December 2018:

30. SUPPLEMENTARY INFORMATION: COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS (Continued)

	Financial statements main account items	Related regulations	Current period	Restated Previous period
A	Monetary and capital market instruments	Serial III-48.1, Art.24/(b)	784,110	143,109,148
B	Real estates, projects based on real estates, rights based on real estates	Serial III-48.1, Art.24/(a)	1,279,535,975	1,066,929,269
C	Subsidiaries	Serial III-48.1, Art.24/(b)	-	-
	Due from related parties (non-trade)	Serial III-48.1, Art.23/(f)	-	-
	Other assets		**501,147,264**	**491,142,379**
D	**Total asset**	**Serial III-48.1, Art.31**	**1,781,467,349**	**1,701,180,796**
E	Financial liabilities	Serial III-48.1, Art.3/(k	335,493,344	375,964,830
F	Other financial liabilities	Serial III-48.1, Art.31	-	-
G	Financial leasing obligations	Serial III-48.1, Art.31	-	-
H	Due to related parties (non trade)	Serial III-48.1a, Art.23/(f)	-	-
I	Equity	Serial III-48.1, Art.31	1,063,660,615	967,452,843
	Other liabilities		**382,313,390**	**357,763,123**
D	**Total liabilities**	**Serial III-48.1, Art.3/(k)**	**1,781,467,349**	**1,701,180,796**

	Financial Information	Related regulations	Current period	Previous period
A1	The portion of money and capital market instruments held for payables of properties for the following 3 years	Serial III-48.1, Art.24/(b)	-	-
A2	Time deposit/demand deposit/TRY/Foreign currency	Serial III-48.1, Art.24/(b)	781,238	143,095,968
A3	Foreign capital market instruments	Serial III-48.1, Art.24/(d)	-	-
B1	Foreign properties, projects based on properties and rights based on properties	Serial III-48.1, Art.24/(d)	-	-
B2	Idle lands	Serial III-48.1, Art.24/(c)	205,926	205,926
C1	Foreign Subsidiaries	Serial III-48.1, Art.24/(d)	-	-
C2	Investments in affiliated operating companies	Serial III-48.1, Art.28	-	-
J	Non-cash loans	Serial III-48.1, Art.31	154,040,286	133,439,543
K	Mortgage amounts on lands that project to be developed and the ownership does not belong the partnership	Serial III-48.1, Art.22/(e)		-
L	Total investments of monetary and capital market instruments at one company	Serial III-48.1, Art.22/(1)	652,618	141,256,333

30. SUPPLEMENTARY INFORMATION: COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS (Continued)

	Portfolio Restrictions	Related Regulation	Current period	Previous period	Max/Min Rate
1	Mortgage amounts on lands that project to be developed and the ownership does not belong the partnership	Serial III-48.1a, Art.22/(e)	-	-	Max 10%
2	Real estates, projects based on real estates, rights based on real estates	Serial III-48.1a, Art.24/(a),(b)	71.82%	62.72%	Min 51%
3	Monetary and capital market instruments	Serial III-48.1a, Art.24/(b)	0.04%	8.41%	Max 49%
4	Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments	Serial III-48.1a, Art.24/(d)	-	-	Max 49%
5	Idle lands	Serial III-48.1a , Art.24/(c)	0.01%	0.01%	Max 20%
6	Subsidiaries (operating companies)	Serial III-48.1a , Art.28	-	-	Max 10%
7	Borrowing limit	Serial III-48.1a , Art.31	46.02%	52.65%	Max 500%
8	TRY and foreign currency time and demand deposits	Serial III-48.1a , Art.24/(b)	0.04%	8.41%	Max 10%
9	Total investments of monetary and capital market instruments at one company	Serial III-48.1a Art.22/(1)	0.04%	8.30%	Max 10%

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