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

CONVENIENCE TRANSLATION OF
THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITOR’S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the acgrouping consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards “TFRS”.

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition Emlak Konut GYO actualizes sales mostly in the form of turnkey and Land Subject to Revenue Sharing Agreements ("LSRSA") projects. In turnkey projects, it is the Group's responsibility to maintain and complete the project and the Group recognizes revenue when performance obligation is fulfilled (independent units are transferred to the customer). In LSRSA projects, the contractor completes the construction. Regarding the project, the Group receives advance payments from the buyer and makes payments to the contractor. Revenue is recognized when performance obligation is fulfilled (admission forms are signed by the Group or independents units delivered to the buyer). As of the balance sheet date, there are cases where the construction has been completed, but the delivery has not been realized for turnkey projects. In LSRSA projects, there are cases where the construction has been completed as of the balance sheet date, but the delivery has not been realized and the admission form has not been signed. Therefore, revenue recognition for those projects in the correct accounting period is a key matter for our audit. Explanations regarding the Group's revenue accounting policies and amounts are given in Note 2.4 and Note 19.	We performed the following procedures in relation to the revenue recognition in turnkey and LSRSA projects: The design and implementation of the controls on the revenue process have been evaluated. The sales and delivery procedures have been analyzed. Terms of delivery and the timing of revenue recognition with respect to contracts made with customers in turnkey projects have been examined. Special emphasis is given to the recording of the receivables and advances received from the buyers and the accounting of the cases where the delivery has not occurred as of balance sheet date by substantive procedures. Terms of trade and delivery with the contractors and buyers and the timing of revenue recognition with respect to LSRSA projects have been examined. Special emphasis is given to the recording of the receivables and advances received from the buyers and the accounting of the cases where the delivery has not occurred and the admission form has not been signed as of balance sheet date by substantive procedures. In addition, we have assessed the adequacy of the revenue and cost of sales disclosures in Note 19 in accordance with TFRS.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 (“TCC”), the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 11 March 2019.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group’s set of accounts and consolidated financial statements prepared for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Group’s articles of association in relation to financial reporting.

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

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

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

Okan Oz, SMMM
Partner

İstanbul, 11 March 2019

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 AND 2017

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

	Notes	*Audited* **31 December 2018**	*Audited* **31 December 2017**
ASSETS			
Current assets		**20,695,419**	**18,796,338**
Cash and cash equivalents	5	674,871	897,501
Financial investments	6	54,442	186,274
Trade receivables	8	1,622,995	1,752,257
Trade receivables due from related parties	*27*	*12,621*	*8,239*
Trade receivables due from third parties		*1,610,374*	*1,744,018*
Other receivables	9	1,163,367	1,180,466
Other receivables due from related parties	*27*	*5,754*	-
Other receivables due from third parties		*1,157,613*	*1,180,466*
Inventories	10	15,407,484	13,646,631
Prepaid expenses	17	1,467,489	986,501
Other current assets	16	301,719	146,708
Current tax assets	25	3,052	-
Non-current assets		**2,623,851**	**1,827,322**
Trade receivables	8	1,895,829	1,686,645
Trade receivables due from third parties		*1,895,829*	*1,686,645*
Other receivables	9	28,829	988
Other receivables due from third parties		*9,027*	*988*
Other receivables due from related parties	*27*	*19,802*	-
Financial Investments	6	836	-
Investments Accounted for Using Equity Method	4	7,866	-
Investment property	11	390,340	57,283
Property, plant and equipment	12	66,342	66,858
Intangible assets	13	1,984	2,911
Other non-current assets	16	231,437	12,637
Deferred tax assets	25	388	-
Total assets		**23,319,270**	**20,623,660**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 2017

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

	Notes	*Audited* 31 December 2018	*Audited* 31 December 2017
LIABILITIES AND EQUITY			
Current liabilities		**8,329,651**	**6,083,525**
Short term borrowings	7	698,663	-
Current portion of non-current borrowings	7	976,999	482,364
Trade payables	8	978,347	1,266,648
Trade payables due to related parties	*27*	*69,985*	*744,713*
Trade payables due to third parties		*908,362*	*521,935*
Other payables	9	633,686	554,767
Other payables to related parties		*398*	-
Other payables to third parties		*633,288*	*554,767*
Deferred income	17	4,904,297	3,728,717
Deferred income from related parties	*27*	*64,732*	*64,732*
Deferred income from third parties		*4,839,565*	*3,663,985*
Current provisions		137,659	51,029
Current provisions for employee benefits	*15*	*6,125*	*4,113*
Other current provisions	*14*	*131,534*	*46,916*
Non-current liabilities		**1,906,101**	**2,074,616**
Long term borrowings	7	1,685,943	1,932,308
Trade payables		77,349	95,666
Other payables		68,792	37,306
Deferred income		3,175	3,174
Long term provisions		8,685	6,162
Long term provisions for employee benefits	*15*	*8,685*	*6,162*
Deferred tax liability	25	62,157	-
Shareholders' equity		**13,083,518**	**12,465,477**
Total equity attributable to equity holders of the Company		**13,084,984**	**12,465,519**
Paid-in capital	18	3,800,000	3,800,000
Treasury shares (-)		(284,480)	(284,480)
Share premium		2,366,895	2,378,513
Other comprehensive income / expense not to be reclassified to profit or loss		(42)	(42)
- Gain/(loss) on remeasurement of employee benefits		*(42)*	*(42)*
Restricted reserves		662,853	511,347
Retained earnings		5,271,709	4,304,087
Net profit for the year		1,268,049	1,756,094
Non-controlling interests		**(1,466)**	-
Total liabilities and equity		**23,319,270**	**20,623,660**

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

	Notes	*Audited* **1 January- 31 December 2018**	*Audited* **1 January- 31 December 2017**
Revenue	19	3,927,643	3,900,566
Cost of sales (-)	19	(2,259,405)	(1,788,045)
Gross profit		**1,668,238**	**2,112,521**
General administrative expenses (-)	20	(227,160)	(194,131)
Marketing expenses (-)	20	(71,537)	(65,677)
Other income from operating activities	22	512,529	434,241
Other expenses from operating activities (-)	22	(268,202)	(79,141)
Operating profit		**1,613,868**	**2,207,813**
Income from investing activities	23	208	2,547
Operating profit before financial income / (expense)		**1,614,076**	**2,210,360**
Financial income	24	204,449	80,680
Financial expenses (-)	24	(550,476)	(534,946)
Profit for the income		**1,268,049**	**1,756,094**
Statement of other comprehensive income			
Items that will be reclassified to profit or loss		**-**	**855**
Actuarial losses related to employee benefit liabilities		-	*855*
Total comprehensive income for the period		**1,268,049**	**1,756,949**
Earnings per share (in full TL)	26	**0.0035**	**0.0048**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

					Other Comprehensive Income and Expense not to be Reclassified to Profit or Loss	Retained Earnings				
	Share capital	Treasury shares (-)	Share premium	Restricted reserves	Gain/Loss on remeasurement of employee benefits	Retained earnings	Net income for the period	Total	Non-controlling interests	Total equity
1 January 2017	**3,800,000**	**(262,857)**	**2,378,513**	**423,295**	**(897)**	**2,630,863**	**1,761,276**	**10,730,193**	**-**	**10,730,193**
Transfers	-	-	-	88,052	-	1,673,224	(1,761,276)	-	-	-
Increases / (decreases) related to the acquisition of treasury shares	-	(21,623)	-	-	-	-	-	(21,623)	-	(21,623)
Total comprehensive income	-	-	-	-	855	-	1,756,094	1,756,949	-	1,756,949
31 December 2017	**3,800,000**	**(284,480)**	**2,378,513**	**511,347**	**(42)**	**4,304,087**	**1,756,094**	**12,465,519**	**-**	**12,465,519**
1 January 2018 (Previously Reported)	**3,800,000**	**(284,480)**	**2,378,513**	**511,347**	**(42)**	**4,304,087**	**1,756,094**	**12,465,519**	**-**	**12,465,519**
Accounting policy change effect (Note 2)	-	-	-	-	-	(4,142)	-	(4,142)	-	(4,142)
1 January 2018 (Restated)	**3,800,000**	**(284,480)**	**2,378,513**	**511,347**	**(42)**	**4,299,945**	**1,756,094**	**12,461,377**	**-**	**12,461,377**
Transfers	-	-	(11,618)	151,506	-	1,616,206	(1,756,094)	-	-	-
Increase/decrease due to non-interest rate change of subsidiary purchase control power (Note:3)	-	-	-	-	-	-	-	-	139,654	139,654
Transactions with shareholders of non-controlling interests (Note 3)	-	-	-	-	-	-	-	-	(141,120)	(141,120)
Dividend payment (Note: 16) (*)	-	-	-	-	-	(644,442)	-	(644,442)	-	(644,442)
Total comprehensive income	-	-	-	-	-	-	1,268,049	1,268,049	-	1,268,049
31 December 2018	**3,800,000**	**(284,480)**	**2,366,895**	**662,853**	**(42)**	**5,271,709**	**1,268,049**	**13,084,984**	**(1,466)**	**13,083,518**

(*) At the Ordinary General Assembly Meeting held on 28 March 2018, the decision on distributing cash dividend of 666.976 TL is approved. As of 30 March 2018, the Group has own 3,38% shares with a nominal value of 1 TL, is shown by netting off dividend to be distributed. Dividend payment was made on 30 May 2018.

CONSOLIDATED STATEMENTS OF CASH FLOWS AT 31 DECEMBER 2018 AND 2017

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

	Notes	1 January- 31 December 2018	1 January- 31 December 2017
Cash flows from operating activities			
Profit for the year		1,268,049	1,756,094
Adjustments to reconcile net profit			
Depreciation and amortization expenses	21	7,405	8,136
Adjustments for impairments		160,525	3,021
Adjustments for ımpairment loss (reversal of ımpairment loss) of inventories	*10*	*160,525*	*3,021*
Changes in provisions		86,626	(17,096)
Adjustments for (reversal of) provisions related with employee benefits	*15*	*4,375*	*(558)*
Adjustments for (reversal of) lawsuit and/or penalty provisions	*14*	*84,587*	*(16,538)*
Adjustments for (reversal of) possible risks of cash and cash equivalents	*23*	*(2,336)*	-
Adjustments for interest (income) expenses		(87,509)	165,126
Adjustments for interest income	*22.24*	*(637,724)*	*(369,380)*
Adjustments for interest expense	*24*	*550,215*	*534,506*
Changes in net working capital		**1,435,096**	**1,915,281**
Adjustments for decrease (increase) in trade accounts receivable		(1,070,314)	(1,218,612)
Decrease (increase) in trade accounts receivables from related parties	*27*	*17,330*	*12,848*
Decrease (Increase) in trade accounts receivables from third parties		*(1,087,644)*	*(1,231,460)*
Adjustments for decrease (increase) in inventories		(478,796)	(800,951)
Adjustments for increase (decrease) in trade accounts payable		(618,692)	(3,181,336)
Increase (decrease) in trade payables to related parties		*(650,750)*	*(3,169,206)*
Increase (decrease) in trade payables to third parties		*32,058*	*(12,130)*
Adjustments for (decrease) in other operating receivables		(47,480)	(600,557)
Adjustments for increase (decrease) in other operating payables		329,767	728,708
Other adjustments for other increase (decrease) in working capital		322,765	932,030
Net cash flow from operating activities			
Interest received		131,033	67,018
Payments related with provisions for employee benefits	15	(848)	(10)
Income taxes paid		(199,466)	(202,803)
Cash flows from operating activities		**(196,935)**	**(2,361,232)**
Cash flows used in obtaining control of subsidiaries or other businesses	3	121,924	-
Purchases of investment properties, tangible and intangible assets	12	(1,998)	(23,595)
Interest received	23	208	2,547
Purchases of financial assets		(7,000)	(40,419)
Returns of financial assets		15,466	160,681
Other inflows (outflows) of cash		123,391	(84,539)
Cash flow from investing activities		**251,991**	**14,675**
Payments to acquire entity's shares or other equtiy instruments		-	(21,623)
Proceeds from borrowings		1,623,193	2,425,000
Proceeds from loans	*7*	*788,034*	*2,425,000*
Proceeds From Issue of Debt Instruments	*7*	*835,159*	-
Repayments of borrowings, classified as financing activities		(720,163)	(261,692)
Loan repayments	*7*	*(450,163)*	*(261,692)*
Payments of Issued Debt Instruments	*7*	*(270,000)*	-
Interest paid	7	(317,241)	(464,130)
Dividends Paid	18	(644,442)	-
Interest received	24	112,945	69,202
Other inflows (outflows) of cash		(203)	(434)
Cash flow from financing activities		**54,089**	**1,746,323**
Net Increase (decrease) in cash and cash equivalents		**109,145**	**(600,234)**
Cash and cash equivalents at the beginning of the year	5	385,081	985,315
Cash and cash equivalents at the end of the year	**5**	**494,226**	**385,081**

The details of the non-cash transactions for obtaining the control of the subsidiaries and the purchase of non-controlling interests are explained in Note 3.

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE GROUP

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

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

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

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

The registered address of the Group is as follows:

Barbaros Mah. Mor Sümbül Sok. No: 7/2 B (Batı Ataşehir) Ataşehir – İstanbul.

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

The consolidated financial statements at 31 December 2018 have been approved by the Board of Directors on 11 March 2019. The General Assembly of the Group has the power to amend these consolidated financial statements.

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

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

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

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

Subsidiaries

Emlak Konut GYO subsidiaries has been operating in Turkey and the core business lines are listed below:

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

	31 December 2018		31 December 2017	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
EPP (*)	100	100	-	-
EPP-EMAY	60	60	-	-

(*)In parallel with the Company's growing strategy, Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş. All of the Company's shares were purchased from third party contractors and TOKI with the decision of the Board of Directors dated 9 November 2018 and numbered 62/163.

Investments valued by equity method (Affiliates)

Emlak Konut GYO affiliates has been operating in Turkey and the core business lines are listed below:

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

	31 December 2018		31 December 2017	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
Bio	20	20	-	-
EPP-Cathay	7	7	-	-

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

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

Joint Operations

Emlak Konut GYO joint operation has been operating in Turkey and the core business lines is listed below:

Joint operations	Nature of business
Dap Yapı İnşaat Sanayi ve Ticaret A.Ş. ve Eltes İnşaat Tesisat Sanayi ve Ticaret A.Ş.Ortak Girişimi – Emlak Konut GYO A.Ş. (" İstmarina AVM Adi Ortaklığı")	Shopping mall and office management

	31 December 2018		31 December 2017	
	Direct and indirect ownership rate (%)	Effective ownership rate (%)	Direct and indirect ownership rate (%)	Effective ownership rate (%)
İstmarina AVM Adi Ortaklığı (*)	40	40	-	-

(*)An "Ordinary Partnership" is formed between Dap Yapı İnşaat San. and Tic. Inc. 59,7% - Eltes İnşaat Tes. San. Tic. A.Ş. 0,3% and "the Company" which has 40% shares. Within the scope of "Istanbul Kartal LSRSA Project" structure has been established for the sale of a shopping center with an area of 51.000 m2 in the Istmarina project which is completed and ready to be sold after renting and to manage the financial transactions of the shopping center. The related ordinary partnership is not included in the financial statements as of the reporting period, by reason of the financial statements are not affected significantly.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of Preparation

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

The consolidated financial statements of the Group is prepared as per the CMB announcement of 7 June 2013 relating to consolidated financial statements presentations.

The Group maintains its books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. These consolidated financial statements have been prepared under historical cost conventions. The consolidated financial statements have been prepared on the historical cost basis except for certain properties and consolidated financial instruments that are measured at revalued amounts or fair values. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TFRS.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities *(including structured entities)* controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

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

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted

and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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

Basis of consolidation (Cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

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

Interests in joint operations

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

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

Accounting for the effects of hyperinflation

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, the Group did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

Functional and presentation currency

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

Offsetting

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

Going concern

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

2.2 Changes in accounting policies, accounting estimates and errors

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

2.3 Conformity with the Portfolio Limitations

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

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

2.4 Summary of significant accounting policies

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial. For Land Subject to Revenue Sharing Agreements ("LSRSA") projects, advances received from customers by construction entities, are deposited in bank accounts which are under the name of the Group. Since such cash balances are restricted, they are not treated as cash or cash equivalents in the cash flow statement (Note 5).

Related party transactions

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

Foreign currency transactions

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

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

2.4 Summary of significant accounting policies (Continued)

Financial assets

Classification

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

Recognition and measurement

"Financial assets that are measured at amortized costs"are non-derivative financial assets held as part of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms. Financial assets that are accounted for at amortized cost include "cash and cash equivalents ", "trade receivables" and "other receivables ". The related assets, with their fair values in the initial recognition of financial statements; in subsequent accounting, it is measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

Financial assets, where the fair value measurement difference is reflected in the other comprehensive income, is carried over a business model that aims to collect contractual cash flows and the sale of the financial asset.Gains or losses arising from the related financial assets are recognized in other comprehensive income, except for impairment losses or gains and losses. In case of sale of such assets, the valuation differences classified in other comprehensive income are classified as prior years' profits. For investments in equity-based financial assets, the Company may irrevocably choose the method of reflecting subsequent changes in the fair value of other comprehensive income to the financial statements for the first time. In the event that such preference is made, dividends received from related investments are recognized in the income statement. Ire Financial assets at fair value through profit or loss fark are financial assets other than financial assets measured at amortized cost and reflected at fair value through profit and loss. Gains and losses arising from the valuation of such assets are recognized in the income statement.

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

2.4 Summary of significant accounting policies (Continued)

Financial assets (cont'd)

Derecognition of financial assets

The Company discontinues its rights to cash flows in accordance with the contract for financial assets or a right to exercise the relevant rights, all the risks and rewards of such financial asset it transfers the financial asset from its records when transferred. Any rights created or retained to the financial assets transferred by the Company are recognized as a separate asset or liability.

Impairment of financial assets

Impairment on financial assets and contractual assets is calculated using the "Expected Credit Loss Financial Model"(ECL). Impairment model is applied to amortized cost financial assets and contractual assets. Loss provisions were measured on the following basis;

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

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

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

Trade receivables and payables

Trade receivables are measured at amortized cost using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. A basic simplified approach (is applied for the impairment of trade receivables, which are recognized at amortized cost in the financial statements and do not include a significant financing component (less than one year). In cases where the trade receivables are not impaired due to reasons pointed out in this paragraph (except for the realized impairment losses), the provisions for trade receivable losses are measured by an amount equal to "life expectancy loan losses".

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

2.4 Summary of significant accounting policies (Continued)

Trade receivables and payables (cont'd)

Trade payables are the debts arising from the purchase of products and services directly from the suppliers. Trade payables and other liabilities are carried at amortized cost. Trade payables and other liabilities after unaccrued financial expenses are calculated by discounting the amounts payable from the original invoice value in the following periods by using the effective interest method. Short-term payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. Borrowings are classified as short-term because they are debts to be paid to the right holders and they are shown at their book value.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value. Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied.When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements.

Employment termination benefits

Under Turkish labor law, the Group is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of 5,434.42 full TL as of 31 December 2018 (31 December 2017: 4,732.48 full TL). Fair value of employment benefits are calculated based on the assumptions. Actuarial gains/losses will be accounted in the statements of comprehensive income.

The provision for the present value of the defined benefit obligation is calculated by using the projected liability method. All actuarial profits and losses are recognized in the statement of comprehensive income. TFRS requires actuarial valuation estimates to be developed to estimate the obligation under defined benefit plans. In the individual financial statements, the Company calculates a liability on the basis of its experience in the previous years, based on its experience in the past, and on the beneficiaries of the severance payment as of the date of termination. This provision is calculated by estimating the present value of the future probable obligation of the employees.

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

2.4 Summary of significant accounting policies (Continued)

Employment termination benefits (cont'd)

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of 6,017.60 full TL which is effective from 1 January 2019 has been taken into consideration when calculating the liability (1 January 2018: 5,001.76 full TL) (Note 15).

Provisions, contingent assets and liabilities

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

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

Land and Residential Unit Inventory

The group has four types of inventories in its consolidated financial statements (Note 10). These are;

1. *Vacant land and plots;*

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

2. *Turnkey Projects*

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

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

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

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

2.4 Summary of significant accounting policies (Continued)

Land and Residential Unit Inventory (cont'd)

4. Completed Residential and Commercial Unit Inventories

Completed turnkey and commercial units comprise units build in Turnkey projects and units acquired in return for land in some LSRSA projects. Completed residential and commercial units are received from LSRSA projects in cases where the Group's share have not reached the projected minimum revenue as defined in the agreements, thus unsold units are then transferred at fair value by contractors to the Group.

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

The Group takes into consideration independent expert valuation reports for inventory (land, finished and semi-finished residential and commercial units) separately at least once a year to determine the fair value of such projects as required by the CMB regulations for REICs, and uses these reports to assess impairment if any. Impairment charges are recorded in other operating expenses account balance in the comprehensive income statement in the period during which they are incurred. When the related inventory is subsequently sold the reversal of such impairment charges are recorded in other operating income.

Property, plant 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).

The expected useful lives are stated below:

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

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

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

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment (cont'd)

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

Intangible assets and related amortization

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

Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognized as an expense.

Investment properties

Investment properties are defined as land and buildings held to earn rental income or capital appreciation or both, rather than for use in the production of goods or services or for administrative purposes; or sale in the ordinary course of business. The Group uses cost model for all investment properties. Investment properties are presented in the consolidated financial statements at cost less accumulated depreciation and less impairment, if any (Note 11).

Impairment of assets

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

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

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

2.4 Summary of significant accounting policies (Continued)

Taxation

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

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss *[consolidated statement of profit or loss and other comprehensive income]* because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Company is exempt from corporate income tax in accordance with paragraph 4-d of Article 8 of the Corporate Income Tax Law after the Real Estate Investment Company ("REIC") conversion on 22 June 2002 and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the REICs are subject to withholding taxes. According to the Council of Ministers Decision, No: 93/5148, the withholding tax rate is determined as "0".

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

2.4 Summary of significant accounting policies (Continued)

Segment reporting

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

Chief operating decision maker of the Group is its Board of Directors ("BOD"), and the BOD of the Group uses quarterly consolidated financial statements of the Group prepared in accordance with the TAS.

Revenue recognition

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

1. Sale of vacant land and plots

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

2. Sale of residential units produced by Turnkey projects

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

3. Sale of land and plots by way of LSRSA

The Group recognizes the revenue for the sale of land by way of LSRSA when the transfer of title deed, which means the legal ownership of land, is transferred to the buyer, the construction group, which in return passes the ownership of such land to the buyers of the residential and commercial units sold and performance obligations are fulfilled.When the title deed is not transferred, the Group follows-up its revenue share in the deferred revenue (Note 17) and the share of the construction entity as a liability to contractors under LSRSA (Note 8). The Group's share in the Total Sales Revenue ("TSR") is recorded as revenue from sale of land and the related cost of land is recognised as cost of land sold in the comprehensive income statement (Note 19).

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

2.4 Summary of significant accounting policies (Continued)

Interest income and expense

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

Paid-in capital

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

Share premium

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

Earnings per share

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

In Turkey, companies can increase their share capital by making a pro rata distribution of their shares ("Bonus Shares") to existing shareholders funded from retained earnings 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 consolidated financial statement is prepared due to the bonus share distribution, earning per share calculation is performed taking account of total new share amount.

Payments for Housing Acquisition Support ("HAS")

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

HAS was a compulsory of saving fund, established by the state to be used by fund participants in the future for acquisition of affordable housing. All employees have paid compulsory contributions to this fund by way of deductions from their salaries between the years 1987 and 1995.

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

2.4 Summary of significant accounting policies (Continued)

Payments for Housing Acquisition Support ("HAS") (cont'd)

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

Within the scope of Law No. 5664, dated 30 May 2007, and the regulation issued on 14 August 2007, the decision was taken to pay back these savings, which were still held as capital in kind in the accounts of the Group, to the HAS beneficiaries.The amount payable was determined as the share in the net asset value of the Group at 28 February 2008. The payable amount does not bear any interest or does not change with subsequent changes in the net asset value in subsequent periods and is payable on demand any date after 28 February 2008. The Group has borrowed funds from the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the "Treasury") to make such payments.

Dividend

Dividend payable are recognized as an appropriation of the profit in the period in which they are declared.

Statement of cash flows

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

Cash flows from operating activities represent the cash flows of the Group generated from its main activities.

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

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

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

Subsequent events

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

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

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

2.5 Critical accounting estimates, assumptions and judgments

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

Net realizable value of lands and home inventories

The estimated net realizable value of land and commercial units is less than the cost value, the allowance is recognized to reduce the value of inventories to their estimated net realizable value. To determine the estimated net realizable value, the fair value of the Group's land and commercial units as at 31 December 2018 has been arrived at on the basis of a valuation carried out on by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Yetgin Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Legal Provision

As of 31 December 2018, a total of TL 292,631 lawsuits have been filed against the Group. For those cases in which there is a high probability of potential outflow of potential resources from these cases, a provision amounting to TL 131,534 has been provided by taking the opinion of the lawyers (Note:14). According to the legal judgment of the lawyers, there is no risk of any outflow of resources from the group.

2.6 Adoption of New and Revised Financial Reporting Standards

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

(a) Classification and measurement of financial assets

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. As a result of the first-time adoption of IFRS 9, the cumulative effect due to the first time adoption of IFRS 9 by the Group is recognised in retained earnings as of 1 January 2018 and the comparatives haven't been restated accordingly. The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

Retained Earnings – 31 December 2017	**4,304,087**
Impact on the retain earnings according to TFRS 9	(4,142)
Retainearnings - 1 January 2018	**4,299,945**

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Impact of initial application of IFRS 9 Financial Instruments (cont'd)

(a) Classification and measurement of financial assets (cont'd)

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Impact of initial application of IFRS 9 Financial Instruments (cont'd)

(a) Classification and measurement of financial assets (cont'd)

Changes in the classification of financial assets and liabilities under TFRS 9 are summarized below. These differences do not have an impact on the measurement of financial assets other than the financial investments account group:

Financial assets	Original classification under TMS 39	New classification under TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Bonds	Available for sale financial assets	Fair value through other income statement
Blocked deposits more than 3 months maturity	Held to maturity	Amortized cost

Financial liabilities	Original classification under TMS 39	New classification under TFRS 9
Borrowings	Amortized cost	Amortized cost
Factoring liabilities	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

The directors of the Group reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- *the* Group*'s investment in corporate bonds that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTOCI because they are held within a business model whose objective is both to collect contractual cash flows and to sell the bonds, and they have contractual cash flows that are solely payments of principal and interest on principal outstanding. The change in the fair value on these redeemable notes continues to accumulate in the investment revaluation reserve until they are derecognised or reclassified;*
- *the* Group*'s investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve*

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) Receivables from related parties and contract assets;
(2) Lease receivables.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Impact of initial application of IFRS 9 Financial Instruments (cont'd)

(b) Impairment of financial assets (cont'd)

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Impairment

The Group applies the simplified approach to recognize lifetime expected credit losses for its trade receivables, receivables from related parties, finance lease receivables and contract assets as required or permitted by IFRS 9.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years.

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Impact of initial application of IFRS 9 Financial Instruments (cont'd)

Impact of application of IFRS 15 Revenue from Contracts with Customers

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

The Company evaluates the goods or services that it has committed in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract that the performance of the performance obligation will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements.

The Company, as it fulfills or fulfills its performance obligation by transferring a committed product or service to its customer, records the transaction price corresponding to this performance obligation as revenue in its financial statements. The goods or services are transferred when the goods or services are checked (or passed) by the customers.

The Company evaluates the transfer of control of the goods or services sold to the customer,

- ownership of the right to collect goods or services
- the customer's legal right to goods or services
- the transfer of the physical possession of the goods
- Ownership of significant risks and benefits of property ownership
- take into account the conditions for the customer to accept goods or services.

At the beginning of the contract, the Company does not correct the effect of an important financing component at the commitment price if the customer foresees that the period between the date of transfer of the goods or services to which the customer commits is one year or less. On the other hand, in the event that there is an important financing element within the proceeds, the revenue value is determined by discounting the future collections with the interest rate within the financing element. The difference is recognized as other income from operating activities on an accrual basis.

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

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Impact of initial application of IFRS 9 Financial Instruments (cont'd)

Amendments to IAS 40 *Transfers of Investment Property*

The amendments to IAS 40:	Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	*Leases*[1]

[1] Effective from periods on or after 1 January 2019.

IFRS 16 *Leases*

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

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

Impact of the new definition of a lease

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

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

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

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

2.6 Adoption of New and Revised Financial Reporting Standards (cont'd)

Impact of initial application of IFRS 9 Financial Instruments (cont'd)

IFRS 16 *Leases* (cont'd)

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019

Impact on Lessee Accounting

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

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Impact on Lessor Accounting

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

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

2.7 Comparative information and revision of prior period financial statements

The Group classified CPI income accrual amount under the other current assets in previous periods. The group reassessed and decide to present CPI accruals under the trade receivables. As of 31 December 2017, TL 70,568 CPI accruals which are classified in other current assets, are reclassified as trade receivables.

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

NOTE 3 – BUSINESS COMBINATION

Subsidiaries acquired

In parallel with the Group's growth strategy, as of 9 November 2018, Emlak Planning Construction Project Management and Trade Inc.'s(EPP) %51 of shares has been bought in order to operate in the areas of project management, real estate marketing and leasing, consultancy services, development of projects based on revenue sharing model on lands and parcels. As of December 24, 2018, the remaining 49% of the shares of the was purchased from TOKI which is the main stakeholder of Emlak Konut.

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
			(%)	
EPP	Real Estate Investments	9 November 2018	100	288,000
				288,000

Assets acquired and liabilities recognized at the date of acquisition

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

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

NOTE 3 – BUSINESS COMBINATION (Continued)

No goodwill arised as a result the purchase of 51% of the shares of EPP by the Group. The reconciliation of the relevant acquisiont is listed in below:

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

Changes in the Group's share of EPP that do not result in loss of control is accounted for in equity. The Group's share and the carrying amounts of the non-controlling interests are changes in order to reflect changes in partnership shares. Non-controlling interests the difference between the revised amount and the fair value of the consideration received or paid, directly is accounted for as share of the Group in equity. The Group's 49% share of EPP shares the fair value of the consideration transferred and the non-controlling interests. The difference between non-controlling interests and zero due to the related transaction is recognized under equity amount is not paid. The reconciliation of the relevant 49% share purchase is as follows:

Consideration transferred	141,120
Plus: change in non-controlling interests	141,120
Accounted for under equity	**-**

Net cash outflow on acquisition of subsidiaries

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

The company bought the %51 share of EPP by using 99.403 TL in cash and giving a cheque to EPP amounting 47.477 TL ,maturity date of 20 February 2019, total amounting to 146.880 TL. Rest of the %49 share of EPP was bought by receiving 141.120 TL from return of the Antalya Muratpaşa Land that paid by TOKI which is the main stakeholder of Emlak Konut. Therefore, transactions other than cash payments amounting to 99.403 TL had no effect on the individual cash flow statement of the Group for the period between 1 January 2018 - 31 December 2018 in accordance with TAS 7 standard.

NOTE 4 – SHARE IN OTHER AFFILIATES

As of 31 December 2018, the details of the Group's key subsidiaries are as follows:

The Company's subsidiaries Bio and EPP-Cathay, which are valued by the Company's equity method at 31 December 2018, are registered as TRY 7.866 (31 December 2017: None).

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

NOTE 5 – CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	26	-
Banks	674,845	897,501
- *Demand deposit*	132,738	191,479
- *Time deposits up to 3 months maturity*	542,107	706,022
Other cash and cas equivalents	-	-
	674,871	**897,501**

Maturities of cash and cash equivalents are as follows:

	31 December 2018	31 December 2017
Demand	132,738	191,479
Up to 3 month	542,107	706,022
Less: Blocked deposits with maturities less than	-	-
3 months	(29,990)	(30,977)
	644,855	**866,524**

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

	31 December 2018	31 December 2017
	(%)	**(%)**
	18.47%	10.41%

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

	31 December 2018	31 December 2017
Cash and cash equivalents	674,871	897,501
Less: Interest accruals	(1,132)	(2,707)
Less: LSRSA project deposits (*)	(169,609)	(237,198)
Less: TOKİ deposits (**)	-	(255,176)
Less: Blocked deposits	(11,710)	(17,339)
Add: TFRS 9 impact	1,806	-
	494,226	**385,081**

(*) The contractors' portion of the residential unit sales in accordance with the related agreements, realized from the ongoing LSRSA projects is deposited in time deposit bank accounts that are opened for the related LSRSA projects. The Group has the authority to control these accounts TL 169,609 (31 December 2017: TL 237,198) part of the total project amount deposits TL 18,280 (31 December 2017: TL 13,638) comprises of blocked deposits.

(**) According to the protocols signed with TOKİ regarding to land purchases, the cost of lands purchased from TOKİ is kept in time deposit accounts of Emlak Konut in the name of TOKİ, until the payment date determined by TOKİ. All of this accumulated interest income on time deposits will be paid to TOKİ.

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

NOTE 6 - FINANCIAL INVESTMENTS

Financial investments	**31 December 2018**	**31 December 2017**
Blocked deposits more than 3 months maturity (**)	42,375	165,741
Special issue government bonds (*)	12,067	12,267
Bond	-	8,266
	54,442	**186,274**

(*) The Republic of Turkey, Undersecretaries of Treasury ("Turkish Treasury") issues special Domestic Government Debt securities in the name of the Group to make the HAS payments on behalf of Turkish Treasury. In 2010, special Domestic Government Debt securities amounted to TL 429,617 has been issued to the Group. The Bonds are redeemed partially and early readapted and the amount is transferred to the Group's accounts when the HAS lists are specified (Note 10). These government bonds are non-interest bearing and are not subject to sale on secondary market therefore the fair values are also their nominal values.

(**) In order to provide low interest rate financing to customers who want to buy home from the projects developed by the group, the aim is to keep the loan amounts used by the customers as blocked deposits in the bank. The relevant amounts are ready for the use of the group in the specified period. The contractor portion of blocked deposits in the bank accounts which opened in the name of the related project and more than 3 months maturity, is TL 17,591 (31 December 2017: TL 80,748) while the group portion of the blocked shares is TL 24,784 (31 December 2017: TL 84,993).

As of 31 December 2018, the long-term investments of the Group are as follows: Kazakhstan Ziraat International Bank and Tobaş Toplu Konut Büyükşehir Belediyesi İnşaat Emlak Mümarlık ve Proje A.Ş.The company's investments consist of less than 1% of the capital of the companies.

NOTE 7 - FINANCIAL LIABILITIES

	31 December 2018	**31 December 2017**
Short-term financial liabilities		
Short-term commercial bill (*)	587,526	-
Short-term bank borrowings	111,137	-
Short-term portion of long-term borrowings	976,999	482,364
	1,675,662	**482,364**

(*)The Group issued four rent certificate issuances as of 28 Sepetmeber 2018,31 October 2018,4 December 2018 and 11 December 2018 with nominal values of TL 115,000, TL 180.000, TL 200,000 and TL 172,000 with an interest rates of 27.12%, 27% , %24 and 23.90% with maturities date of 8 January 2019, 26 January 2019, 19 March 2018 and 9 April 2019 respectively.

Long-term financial liabilities	**31 December 2018**	**31 December 2017**
Long-term borrowings	1,685,943	1,932,308
	1,685,943	**1,932,308**

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

The all borrowings are received as TL currency and the interest rate of the borrowing as at 31 December 2018 is 17.62% (31 December 2017: 14.75 %).

The redemption schedules of the borrowings at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
2019	-	746,154
2020	999,507	746,154
2021	638,745	440,000
2022	47,691	-
	1,685,943	**1,932,308**

The allocation of interest rate sensitivity of financial liabilities according to their repricing dates is as follows:

	31 December 2018	31 December 2017
Less than 3 months	202,373	47,692
Between 3 - 12 months	885,763	434,672
Between 1 - 5 years	1,685,943	1,932,308
	2,774,079	**2,414,672**

Reconciliation of net financial borrowings as of 31 December 2018 and 31 December 2017 is as follows:

	Loans		Commercial bill	
	1 January- 31 December 2018	1 January- 31 December 2017	1 January- 31 December 2018	1 January- 31 December 2017
Openning balance	2,414,672	219,490	-	-
Interest expenses	331,076	181,082	30,068	-
Interest paid	(309,540)	(149,208)	(7,701)	-
Cash inflow from loans	788,034	2,425,000	835,159	-
Cash outflow from loan repayments	(450,163)	(261,692)	(270,000)	-
Closing balance	**2,774,079**	**2,414,672**	**587,526**	-

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**31 December 2018**	**31 December 2017**
Receivables from LSRSA contractors invoiced	851,820	951,881
Receivables from sale of residential and commercial units	651,294	792,099
Assigned receivables from sale of residential and commercial units (*)	44,958	-
Notes of receivables	43,668	-
Receivables from land sales	24,754	11,289
Receivables from related parties (Note 27)	12,621	8,239
Rent receivables	9,082	1,572
Other	2,369	2,429
Unearned finance income	(17,571)	(15,252)
	1,622,995	**1,752,257**
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	1,622,995	**1,752,257**

(*)The Group has assigned a certain portion of its receivables arising from installement sales that it has realized as "irrevocable". This amount comprises of the receivables from the receivables financing group.

	31 December 2018	**31 December 2017**
Long-term trade receivables		
Receivables from sale of residential and commercial units	2,178,500	1,944,998
Unearned finance income	(282,671)	(258,353)
	1,895,829	**1,686,645**

Movements of provision for doubtful receivables at 31 December 2018 and 2017 are as follows:

	2018	**2017**
Balance at 1 January	**1,837**	**1,866**
Provision released within current period	-	(29)
Balance at 31 December	**1,837**	**1,837**

	31 December 2018	**31 December 2017**
Payables to related parties (Note 27)	69,985	744,713
Payables to LSRSA contractors invoiced	361,559	314,001
Trade payables	527,061	195,211
Time deposit interest accruals from LSRSA contractors invoiced (*)	19,742	12,723
	978,347	**1,266,648**

(*) The contractors' portion of the residential unit sales as defined in the agreement which gained from ongoing LSRSA projects is deposited in the time deposit bank accounts under control of the Group within the related LSRSA projects. The Group tracks the contractor's share of the interest earned from the advances accumulated in these short term debts accounts.

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
Short-term other receivables		
Receivables from contractors	758,851	783,205
HAS related receivables from Turkish Treasury	390,768	390,771
Other receivables from related parties (Note 27)	5,754	-
Receivables from the authorities	6,909	6,360
Other	1,085	130
	1,163,367	**1,180,466**

	31 December 2018	31 December 2017
Long-term other receivables		
Other receivables from related parties (Note 27)	19,802	-
Other receivables	8,012	-
Deposits and guarantees given	1,015	988
	28,829	**988**

	31 December 2018	31 December 2017
Short term other payables		
Payable to HAS beneficiaries	402,810	403,013
Payable to contractors (*)	88,752	88,752
Note payable	47,477	-
Taxes and funds payable	23,908	10,187
Other	70,739	52,815
	633,686	**554,767**

(*) The amount includes the unissued invoice by the contractor amount of TL 88,752 regarding to the units received as a result of revenue allocation at İzmir Mavisehir Phase 3 project, where the contractor filed a lawsuit regarding the revenue sharing percentages (31 December 2017: TL 88,752).

As of 31 December 2018, other long-term payables comprises of deposits and guarantees received.

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

NOTE 9 - OTHER RECEIVABLES AND PAYABLES (Continued)

The movements of the payments either from Group's shareholder's equity to HAS beneficiaries and the detail of HAS payments and HAS receivables and payables related to Treasury Support as of for 31 December 2018 and 2017 are shown below:

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

	1 January 2017	Additions within the period	Disposals	31 December 2017
Treasury support share				
Receivable from Treasury	390,780	10	(19)	390,771
Special purpose government bond	12,517	-	(250)	12,267
Cash generated from government bond redemption	150	264	(439)	(25)
Total consideration received or receivable from Treasury	**403,447**			**403,013**
Payable to HAS beneficiaries	**(403,447)**			**(403,013)**

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

NOTE 10 -INVENTORIES

	31 December 2018	31 December 2017
Lands	3,307,234	4,022,623
Cost	*3,455,715*	*4,033,188*
Impairment	*(148,481)*	*(10,565)*
Planned land by LSRSA	7,158,373	6,362,982
Planned land by turnkey project	3,689,638	2,433,661
Residential and commercial units ready for sale	1,252,239	827,365
Cost	*1,286,112*	*838,629*
Impairment	*(33,873)*	*(11,264)*
	15,407,484	**13,646,631**

As of 31 December 2018, independent valuation reports prepared by Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. ve Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. are taken into consideration in order to calculate the fair value and impairment loss, if any, on land units and commercial units ready for sale.

The movement of the impairment on land and residential unit inventories is as follows:

	2018	2017
Balance at 1 January	**21,829**	**18,808**
Impairment charge for the period	171,606	36,967
Reversal of impairment	(11,081)	(33,946)
Balance at 31 December	**182,354**	**21,829**

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

NOTE 10 - INVENTORIES (Continued)

The details of land and residential stocks of the group are shown below as of 31 December 2018 and 31 December 2017:

Lands	**31 December 2018**	**31 December 2017**
İstanbul Küçükçekmece Lands	1,420,469	1,341,390
İstanbul Başakşehir Lands	438,912	352,243
İstanbul Beşiktaş Lands	360,002	-
İstanbul Bakırköy Lands	350,673	685,406
İstanbul Tuzla Lands	205,917	205,917
İstanbul Arnavutköy Lands	166,655	333,309
İstanbul Kartal Lands	109,183	133,878
Samsun Canik Lands	94,265	94,265
İstanbul Ataşehir Lands	40,536	40,136
İstanbul Esenyurt Lands	39,178	49,588
İstanbul Resneli Lands	20,333	-
Ankara Çankaya Lands	17,695	46,042
İzmir Konak Umurbey Lands	12,258	-
İstanbul İstinye Lands	7,734	7,734
Sakarya-Sapanca Lands	6,302	-
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	3,010
Tekirdağ Kapaklı Lands	1,862	6,210
İstanbul Umraniye Lands	1,844	1,844
Kocaeli Gebze Lands	729	7,839
İstanbul Kagıthane Lands	703	-
İstanbul Zekeriyaköy Lands	677	677
Kocaeli Tütünçiftliği Lands	618	1,528
Tuzla Orhanlı Project	540	-
İstanbul Çekmeköy Lands	-	247,830
İstanbul Şişli Lands	-	455,122
İstanbul Şile Lands	-	2,441
Other	986	61
	3,307,234	**4,022,623**

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

NOTE 10 - INVENTORIES (Continued)

Planned lands by LSRSA	**31 December 2018**	**31 December 2017**
Nidapark Istinye Project	993,433	994,512
Nidapark Kucukyalı Project	677,715	678,835
Büyükyalı Project	656,805	656,805
Merkez Ankara Project	630,115	639,672
Nişantaşı Project	498,095	-
Bizim 2.Mahalle Project	476,638	486,288
Zeytinburnu Beştelsiz Project	408,029	407,730
Florya Şenlik Mahallesi Project	370,512	-
Beykoz Riva Project	366,646	-
İstanbul Çekmeköy Taşdelen Project	271,109	-
Nidapark Kayasehir Project	199,373	179,903
Validebağ Konakları Project	153,764	153,775
Köy Project	153,352	225,564
Avangart İstanbul Project	120,077	120,077
Tual Bahçekent Project	118,929	105,104
Koordinat Çayyolu Project	97,164	97,138
Temaşehir Konya Project	96,074	86,704
Tual Adalar Project	90,842	91,079
Evora Denizli Project	76,256	77,197
Kocaeli Derince Project	70,360	70,360
Cer İstanbul Project	67,520	67,520
Karat 34 Project	67,480	67,438
Ebruli Ispartakule Project	58,105	57,817
Ofis Karat Bakırköy Project	30,605	30,919
Avrupark Hayat Project	54,289	48,665
Semt Bahçekent Project	50,154	45,413
Ispartakule 6. Etap Project	48,682	47,979
Yeniköy Konakları İstanbul Project	45,368	45,475
Yalova Armutlu Project	58,276	-
Maslak 1453 Project	35,422	35,469
Çankaya Oran Project	33,079	-
İstanbul Finans Merkezi Project	22,444	-
İstmarina Project	29,170	194,406
Tuzla İçmeler Project	20,016	20,016
Şile Çavuş Project	9,813	9,813
Ankara Saraçoğlu Project	2,442	-
Evvel İstanbul Project	128	72,590
Avrupa Konutları Başakşehir Project	-	126,977
Göl Panorama Project	-	13,720
Antalya Muratpaşa Project	-	194,435
Avrupark Project	-	71,818
Other	92	141,769
	7,158,373	**6,362,982**

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

NOTE 10 - INVENTORIES (Continued)

Planned lands by turnkey project	**31 December 2018**	**31 December 2017**
Gebze Emlak Konutları	618,036	211,815
Başkent Emlak Konutları Project	557,844	470,380
IGTOD Rami Gıda Toptancıları Project	571,009	-
Ispartakule 1. Etap 1. Kısım Project	458,732	265,455
Ispartakule 1. Etap 2. Kısım Project	408,117	223,584
Kuzey Yakası Project	349,753	227,941
Nevşehir Emlak Konutları Project	225,771	163,996
Ankara Başkent Project	255,532	-
Niğde Emlak Konutları	162,387	64,486
Kocaeli Körfezkent Commercial Units	40,918	11,262
Başakşehir Ayazma 2. Etap Project	39,623	108,261
Ayazma Emlak Konutları Project	1,916	431,551
Körfezkent 4. Etap Project	-	126,008
Emlak Konut Başakşehir Evleri 2. Etap Project	-	128,922
	3,689,638	**2,433,661**

Completed units	**31 December 2018**	**31 December 2017**
Maslak 1453 Project	654,276	168,335
Sarphan Finanspark Project	225,534	231,042
Başakşehir Ayazma Emlak Konutları	115,630	-
Batışehir Project	57,058	1,089
İstmarina Project	51,728	-
Başakşehir Emlak Konutları	29,228	-
Nidakule Ataşehir Project	24,052	30,862
Batışehir Project	11,730	41,631
Kocaeli Körfezkent Emlak Konutları	19,330	24,866
Unikonut Project	9,411	23,435
Avrupa Konutları Başakşehir Project	8,553	-
Bahçekent Emlak Konutları	8,445	11,616
Metropol İstanbul Project	7,889	141,096
Esenler Emlak Konutları	6,895	138,828
Park Mavera Project	5,140	-
Sofaloca Project	3,116	-
Bulvar İstanbul Project	3,208	3,917
Park Yaşam Mavişehir Evleri	1,739	1,739
Başakşehir Emlak Konutları 1. Etap 2.Kısım	2,981	4,345
Spradon Vadi Evleri	2,219	599
Bahçekent Flora Evleri	1,082	-
Başakşehir Emlak Konutları	534	2,418
Emlak Konut Mavişehir Evleri	408	-
Other	2,053	1,547
	1,252,239	**827,365**

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

NOTE 11 –INVESTMENT PROPERTIES

Investment properties are for rent and sales comparison approach and income methods by discounted cash flows are used as fair value in these valuations and impairment calculations.

The movement of investment property at 31 December 2018 and 2017 are as follows:

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

	Lands and completed units	Atasehir General Management Office A Block	Total
Cost Value			
Opening balance as of 1 January 2017	16,000	22,652	38,652
Purchases	-	18,270	18,270
Transfers from unprojectized lands	17,608	-	17,608
Transfers to unprojectized lands	(16,000)	-	(16,000)
Ending balance as of 31 December 2017	17,608	40,922	58,530
Accumulated Depreciation			
Opening balance as of 1 January 2017	-	453	453
Charge for the year	-	794	794
Ending balance as of 31 December 2017	-	1,247	1,247
Carrying value as of 31 December 2017	17,608	39,675	57,283

(*)The Group is made up of independent commercial units purchased in 2018 to earn rental income from the Istmarina shopping center, which was completed within the scope of ın "Istanbul Kartal Revenue Sharing Business for Land Sale". The related transaction is revenue sharing from the related project and did not have an impact on the individual cash flow statement of the Group for the period between 1 January 2018 and 31 December 2018 in accordance with the TAS 7 standard.

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

NOTE 11 - INVESTMENT PROPERTIES (Continued)

Investment properties are for rent and sales comparison approach and income methods by discounted cash flows are used as fair value in these valuations and impairment calculations.

Regarding the measurement of fair values of investment properties at 31 December 2018, the valuation reports are taken from independent valuation CMB authorised firms Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Yetkin Gayrimenkul Değerleme ve Danışmanlık A.Ş. As of 31 December 2018.The fair values of the investment property determined by independent valuation experts are as follows:

	31 December 2018	**31 December 2017**
Lands	132,223	23,744
Atasehir General Management Office A Block	83,524	83,524
Independent commercial units of Istmarina AVM	272,179	-
	487,926	**107,268**

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

		Fair value as at 31 December 2018		
		Level 1	Level 2	Level 3
	31 December 2018	TL	TL	TL
Lands	132,223	-	-	132,223
Atasehir General Management Office A Block	83,524	-	-	83,524
İstmarina AVM independent completed units	272,179	-	-	272,179

		Fair value as at 31 December 2017		
		Level 1	Level 2	Level 3
	31 December 2017	TL	TL	TL
Lands	23,744	-	-	23,744
Atasehir General Management Office A Block	83,524	-	-	83,524

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

31 December 2018	Buildings	Motor vehicles	Furniture, eqipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2018	58,504	833	7,427	94	66,858
Assets acquired through a business combination	1,919	-	449	-	2,368
Additions	-	-	1,995	3	1,998
Depreciation expense(-)	(1,620)	(283)	(2,979)	-	(4,882)
Net book value 31 December 2018	**58,803**	**550**	**6,892**	**97**	**66,342**
Cost	63,670	2,160	20,305	97	86,232
Accumulated depreciation (-)	(4,867)	(1,610)	(13,413)	-	(19,890)
Net book value 31 December 2018	**58,803**	**550**	**6,892**	**97**	**66,342**

-

31 December 2017	Buildings	Motor vehicles	Furniture, eqipment and fix assets	Construction in progress	Total
Net book value as of 1 January 2017	59,327	1,226	8,599	29	69,181
Additions	1,673	-	1,845	65	3,583
Depreciation expense(-)	(2,496)	(393)	(3,017)	-	(5,906)
Net book value 31 December 2017	**58,504**	**833**	**7,427**	**94**	**66,858**
Cost	62,129	2,160	17,861	94	82,244
Accumulated depreciation (-)	(3,625)	(1,327)	(10,434)	-	(15,386)
Net book value 31 December 2017	**58,504**	**833**	**7,427**	**94**	**66,858**

NOTE 13 – INTANGIBLE ASSETS

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

31 December 2017	Licenses	Computer software	Rights	Total
Net book value, 1 January 2017	2,081	524	-	2,605
Additions	1,457	285	-	1,742
Depreciation expense (-)	(1,104)	(332)	-	(1,436)
Net book value 31 December 2017	**2,434**	**477**	**-**	**2,911**
Cost	6,230	2,977	-	9,207
Accumulated Depreciation (-)	(3,796)	(2,500)	-	(6,296)
Net book value 31 December 2017	**2,434**	**477**	**-**	**2,911**

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

NOTE 14 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Provisions		
Provision for lawsuits	131,534	46,916
	131,534	**46,916**

As of 31 December 2018, a total of TL 292,631 lawsuits have been filed against the Group. For those cases in which there is a high probability of potential outflow of potential resources from these cases, a provision amounting to TL 131,534 has been provided by taking the opinion of the lawyers. According to the legal judgment of the lawyers, there is no risk of any outflow of resources from the group.

The movements of provision for lawsuits as of 31 December 2018 and 2017 are as follows:

	2018	2017
Balance at 1 January	**46,916**	**73,238**
Provision released within the current period (Note 22)	-	(53,033)
Provision charged for the period (Note 22)	84,587	36,495
Obligations acquired through business combination	31	-
Provision used in the period	-	(41)
Provision paid in the period	-	(9,743)
Balance at 31 December	**131,534**	**46,916**

14.1 Continuing Cases and Provisions

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

The prior contractor filed a lawsuit against the Group claiming that the completion percentage of the project was significantly high and that the agreement between the parties was based on construction right in return for flat. The Group and the contractor filed counter lawsuits in the following period and an additional report was decided to be issued. The additional report is about the final receivables and payables of the parties considering all the claims. The additional report is completed. The court decided to apply secondary expert report as a result of additional report examination on 11 June 2014. The Group filed a lawsuit as well for collecting amount of TL 34,100 without prejudice to further claims as of 7 July 2011.

According to the plaintiff's assertion, the contract of the related project has been terminated unjustly by the Emlak Konut.The contractor firm is subject to compensation case. The claimant increased the value of the case according to the various expert reports and the related case amount increased to TL 65,597.The Group made provision amounting to TL 75,840 from the related case.

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

14.1 Continuing Cases and Provisions (Continued)

14.1.2 Contractor firm filed a lawsuit against the Group claiming compensation because of damage caused by our group in the agreement of The LSRSA Project regarding İstanbul Bakırköy, 51/4 section 257 zone 33 & 38 parcels. the requested case has been concluding against the Group by the local court and the judgment of the Court of Cassation is dismissed in favor of the Group and the decision of the local court is expected. The Group made provision amounting to TL 20,521 from the related case.

14.1.3 Plaintiff contractor firm filed a lawsuit against the Group claiming compensation because of receivables, cancellation of title deed, registration. The decision of the contractor to unjustly terminate the contract has been finalized. Lawsuits filed by the group, amounting to TL 6.681, have been partially accepted and the trial has been appealed The Group made provision amounting to TL 6,860 from the related case.

14.2 Contingent Liabilities of Group

In the financial statements prepared as of 31 December, 2018, the ongoing litigation liabilities were evaluated in the following matters. According to the opinion of the Group Management and its lawyers, no provision has been made in the financial statements prepared as of 31 December 2018 on the grounds that it is not probable that the outflow of resources with economic benefits will be realized in cases filed against the Group in order to fulfill its obligation.

14.2.1 The LSRSA project agreement regarding İzmir Mavisehir Upper North Area 3. Phase has been signed on 19 December 2005 and following almost all the contractual obligations have been performed by the parties, the Contractor filed a lawsuit against the Group claiming that the agreement conditions should be revised considering the changing conditions. The Contractor wants all the agreement provisions to be cancelled except for the provisions where the Group's revenue portion is TL 67,515 plus VAT calculated as TL 175,000 plus VAT total project revenue times 38.58% Group's revenue portion.The Contractor wants all the properties and related land portion to be valued by an independent valuation group as of the date of the lawsuit and that 38.58% of the total value to be appropriated to the Group and the remaining 61.42% of the total value to be appropriated to the Contractor.

The court rejected the case on 5 March 2015. The claimant has filed an appeal. The result of appeal is being waited. As a result of the appeal the court's verdict was approved from the supreme court.

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

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

14.2 Contingent Liabilities of Emlak Konut GYO (Continued)

14.2.2 Contractor firm filed a lawsuit against the Group claiming compensation amounting to 21.690 TL.The court decided to accept the case. The decision of the local court was corrupted by the Court of Cassation in favor of Emlak Konut GYO. The correctness of the decision is expected. According to comments received from the Group's lawyer, it is not expected to arise any liability that put the Group under obligation as a result of related case.

14.2.3 Contractor of İzmir Mavisehir Upper North Area 2. Phase LSRSA Project, the contractor was filed a lawsuit for assignment that the claimant has given. The case is proceeding and According to comments received from the Group's lawyer, it is not expected to arise any liability that put the Group under obligation as a result of related case.

14.2.4 In terms of the assignment given by the Istanbul Ümraniye Phase 1 LSRSA contractor, ordinary partnership received amount of TL 46,000 from Şekerbank T.A.Ş. according to the contract with Emlak Konut GYO. Şekerbank T.A.Ş. claiming that the amount of TL 34,134 has not been paid unjustly to the transferring entity. The plaintiff requested that the mortgage be put on a part of the immovable subject matter in order to constitute the guarantee of taking the case. The trial is ongoing.

14.3 Contingent Assets of Group

14.3.1 As of 31 December 2018 and 31 December 2017, the breakdown of nominal trade receivables resulted from the residential and commercial unit sales and the expected timing of the nominal installments not due or not collected that are not included in the balance sheet as TFRS 15 criteria has not been met since the construction is still ongoing or the construction has been completed but the units have not been delivered in accordance with pre-sales contract:

31 December 2018	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	651,294	1,078,613	1,729,907
2 year	397,839	913,186	1,311,025
3 year	354,604	494,918	849,522
4 year	318,761	381,373	700,134
5 year and above	1,107,296	1,576,903	2,684,199
	2,829,794	**4,444,993**	**7,274,787**

31 December 2017	Trade Receivables	Off-balance sheet deferred revenue	Total
1 year	792,099	755,373	1,547,472
2 year	480,164	564,401	1,044,565
3 year	343,526	488,004	831,530
4 year	217,240	345,673	562,913
5 year and above	904,068	1,622,221	2,526,289
	2,737,097	**3,775,672**	**6,512,769**

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

NOTE 15 - EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
Short-term provisions		
Unused vacation provision	6,125	4,113
	6,125	**4,113**
Long-term provisions		
Provision for employment termination benefit	8,685	6,162
	8,685	**6,162**

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

	31 December 2018	31 December 2017
Discount Rate (%)	4.23	3.74
Turnover rate to estimate probability of retirement(%)	0.65	1.65

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

If the discount rate would have been 1% lower, provision for employee termination benefits would increase by TL 754.

If the anticipated turnover rate would have been 1% higher while all other variables were held constant, provision for employee termination benefits would increase by TL 207.

Movement of the provision for employment termination benefits as of 31 December 2018 and 2017 are as follows:

	2018	2017
Balance at 1 January	**6,162**	**5,508**
Service cost	1,486	841
Obligations acquired through business combination	1,008	-
Interest cost	877	678
Payment within the period	(848)	(10)
Actuarial loss	-	(855)
	8,685	**6,162**

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

NOTE 16 - OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2018**	**31 December 2017**
Progress payments given to contractors	160,128	83,020
Accrued income	114,049	40,989
Receivables from tax office	17,703	20,187
Deferred VAT	9,219	2,512
Deposits and guarantees	130	-
Other	490	-
	301,719	**146,708**

Other non-current assets	**31 December 2018**	**31 December 2017**
Deferred VAT	231,222	12,637
Deposits and guarantees	215	-
	231,437	**12,637**

NOTE 17 - DEFERRED INCOME AND PREPAID EXPENSES

Short-term deferred income	**31 December 2018**	**31 December 2017**
Deferred income from LSRSA projects (*)	2,142,368	2,069,084
Advances taken from LSRSA contractors (**)	688,925	850,342
Advances taken from turnkey project sales	1,074,907	582,153
Alienable deferred incomes (***)	336,000	-
Deferred income from sales of completed units	597,365	162,406
Advances taken from related parties (Note 25)	64,732	64,732
	4,904,297	**3,728,717**

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

(**) In certain LSRSA projects, the Group collects a certain portion of the total Group revenue from the project before signing the agreement with the contractor

(***)The Group is obliged to collect cash by assigning a certain portion of its receivables arising from term sales that it has realized as "irrevocable recourse".

Prepaid expenses	**31 December 2018**	**31 December 2017**
Advances given for inventory (*)	1,466,470	986,501
Prepaid expenses	1,019	-
	1,467,489	**986,501**

(*) A protocol has been signed between the Group and the Tariş Cooperative Associations to develop revenue sharing project on a total of 143,366-m2 land, which is belonging to the Tariş Cooperative Unions, located within the boundaries of Kurukay / Umurbey, Konak district of İzmir. The Group has provided an advance of stock amounting to TL 438,143. The Group has also provided a stock advance of 669,972 TL to the contractors for the houses and commercial units they have received from Ankara Yeninahalle Station and Büyükyalı projects.

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

NOTE 18 - SHAREHOLDERS’ EQUITY

The Group’s authorized capital amount is TL 3,800,000 (31 December 2017: TL 3,800,000) and consists of 380,000,000,000 (31 December 2017: 380,000,000,000) authorized number of shares with a nominal value of TL 0,01 each.

The Group’s shareholders and their shareholding percentages as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018		31 December 2017	
Shareholders	**Share (%)**	**TL**	**Share (%)**	**TL**
Public offering portion	50.66	1,925,111	50.66	1,925,111
T.C. Toplu Konut İdaresi Başkanlığı "TOKİ"	49.34	1,874,831	49.34	1,874,831
HAS beneficiaries	0.00	56	0.00	56
Other	0.00	2	0.00	2
Total paid in capital	**100**	**3,800,000**	**100**	**3,800,000**

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

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

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

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

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

On 28 March 2018, the General Assembly decided to distribute dividends of TRY 666.976. This dividend which amounting to TL 22,534 is related to the recovered shares, are netted under equity.

Between 1 November 2017 and 17 November 2017, The Group has repurchased 8,309,000 numbers of shares with nominal value between full TL 2.55 and full TL 2.70 and total amounting to full TL 21,623,770 full TL). Shares average purchase price is TL 2.60 and as a result of the purchases, the share of the total shares to the total share lot is 3.38%

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

NOTE 19 - REVENUE AND COST OF SALES

	1 January- 31 December 2018	1 July- 31 December 2017
Sales income		
Land sales	2,298,169	3,216,003
Income from sale of land and plots by way of LSRSA	*1,831,981*	*2,520,918*
Land sales income	*466,188*	*695,085*
Residential and commercial units sales	1,613,690	769,519
Other Income	16,656	3,066
	3,928,515	**3,988,588**
Sales returns	(516)	(87,919)
Sales discounts	(356)	(103)
Net satış gelirleri	**3,927,643**	**3,900,566**
Cost of sales		
Cost of land sales	(928,653)	(1,205,300)
Cost of land and plots sold by way of LSRSA	*(733,168)*	*(728,175)*
Cost of land sales	*(195,485)*	*(477,125)*
Cost of residential and commercial units sales	(1,330,752)	(582,745)
	(2,259,405)	**(1,788,045)**
Gross profit	**1,668,238**	**2,112,521**

NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2018	1 July- 31 December 2017
General administrative expenses		
Personnel expenses	(79,134)	(59,096)
Taxes, duties and fees	(38,667)	(50,201)
Donations	(20,000)	(15,000)
Consultancy expenses	(30,626)	(17,866)
Informatiın technology expenses	(8,583)	(12,402)
Depreciation and amortisation	(7,405)	(8,136)
Travel expenses	(6,415)	(4,320)
Due and contribution expenses	(4,138)	(5,018)
Lawsuit and notary expenses	(3,588)	(1,882)
Maintenance	(4,337)	(2,368)
Insurance expenses	(895)	(1,922)
Communication	(622)	(566)
Other	(22,750)	(15,354)
	(227,160)	**(194,131)**

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

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

	1 January- 31 December 2018	1 July- 31 December 2017
Marketing, sales and distribution expenses		
Advertising expenses	(57,728)	(57,940)
Personnel expenses	(8,448)	(5,678)
Office expenses	(284)	(541)
Notary expenses	(203)	(166)
Other	(4,874)	(1,352)
	(71,537)	**(65,677)**

NOTE 21 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Cost of land sales	1,330,752	582,745
Cost of residential and commercial units sales	928,653	1,205,300
Staff costs	87,582	64,774
Advertisement	57,728	57,940
Taxes,duties and fees	38,667	50,201
Consultancy expenses	30,626	17,866
Donations	20,000	15,000
Subcontracting service expenses	8,583	12,402
Depreciation and amortisation (Note: 9,10,11)	7,405	8,136
Membership fees	4,138	5,018
Legal and notary	3,791	2,048
Insurance	895	1,922
Communication	622	566
Other	38,660	23,935
	2,558,102	**2,047,853**

NOTE 22- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 31 December 2018	1 January- 31 December 2017
Other income from operating activities		
Finance income from credit sales	330,357	223,797
Delay penalty interest from project contractors	102,719	62,567
Impairment provision reversals (Note 10)	11,081	33,945
Recirculate commission income	27,107	16,451
Fee returns from land offices	5,589	1,968
Cash and cash equivelents impairment provision reversals	2,336	-
Income from tender contract sales	151	589
Released lawsuit provisions (Note 14)	-	53,033
Other	33,189	41,891
	512,529	**434,241**

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

NOTE 22- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (Continued)

Other expenses from operating activities	1 January- 31 December 2018	1 January- 31 December 2017
Lawsuit provision charge for the period (Note 12)	(84,587)	(36,495)
Home and land inventories impairment provision expenses (Note 9)	(171,606)	(36,967)
Reversal of due date differences	-	(63)
Other	(12,346)	(5,616)
	(268,539)	**(79,141)**

NOTE 23 - INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2018	1 January- 31 December 2017
Interest income from bonds	208	2,547
	208	**2,547**

NOTE 24 - FINANCIAL INCOME / EXPENSES

Financial income	1 January- 31 December 2018	1 January- 31 December 2017
Interest income from time deposits	112,945	69,202
Interest income from TOKI	91,492	11,267
Foreign exchange income	12	122
Other	-	89
	204,449	**80,680**

Financial expenses	1 January- 31 December 2018	1 January- 31 December 2018
Loan interest expense	(361,144)	(170,252)
Interest expense on payable to TOKI (*)	(67,514)	(225,689)
Assigned receivables and commission expense	(56,419)	-
Interest discount on pay off debt	(65,138)	(127,735)
Foreign exchange loss	(261)	(440)
Interest expense on Turkish Treasury borrowings	-	(10,830)
	(550,476)	**(534,946)**

(*) This amount comprises of the interest expense accrued as of 31 December 2018 for the debts arising from payments of land received from the Toplu Konut İdaresi

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

NOTE 25 – TAXATION ON INCOME (DEFERRED TAX AND LIABILITIES INCLUDED)

Current tax assets	31 Aralık 2018	31 Aralık 2017
Prepaid taxes and funds	3,052	-
	3,052	-

Corporate Tax

The Company is exempt from corporate income tax in accordance with paragraph 4-d of Article 8 of the Corporate Income Tax Law after the Real Estate Investment Group ("REIC") conversion on 22 June 2002 and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the REICs are subject to withholding taxes. According to the Council of Ministers Decision, No: 93/5148, the withholding tax rate is determined as "0". The Company's subsidaries, associates and joint operations are is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2018 is 22% (2017: 20%) for the Group.

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

Deferred Tax

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

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2017: 20%).

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

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

NOTE 25 – TAXATION ON INCOME (DEFERRED TAX AND LIABILITIES INCLUDED) (Continued)

Deferred tax (assets)/liabilities:	31 December 2018	31 December 2017
Fair value adjustment to inventories due to purchase accounting	62,157	-
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(160)	-
Provision for employment termination benefits	(222)	-
Provision for lawsuits	(6)	-
	61,769	-

Movement of deferred tax (assets)/liabilities for years ended 31 December 2018 and 2017 are as follows:

Movement of deferred tax (assets)/liabilities:	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance as of 1 January	-	-
Obligations acquired through a business combination	(61,769)	-
Closing balance at 31 December	(61,769)	-

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

Reconciliation of tax provision	1 January- 31 December 2018	1 January- 31 December 2017
Profit from continuing operations	1,268,049	1,756,949
Profit from operations before tax	1,268,049	1,756,949
Tax at the domestic income tax rate 2018: %22 (2017: %20)	278,971	386,529
Tax effects of:		
- revenue that is exempt from taxation	278,971	386,529
Income tax expense recognised in profit or loss	-	-

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

NOTE 26 – EARNINGS PER SHARE

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

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

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

	2018	**2017**
Net income attributable to equity holders of the parent in full TL	1,265,409	1,756,094
Weighted average number of ordinary shares	3,663,584,506	3,663,584,506
Earnings per share in full TL	**0.0035**	**0.0048**

NOTE 27 - RELATED PARTY DISCLOSURES

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

1. T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")
2. GEDAŞ (Gayrimenkul Değerleme A.Ş.) (an affiliate of TOKİ)
3. TOBAŞ (Toplu Konut - Büyükşehir Bel. İnş. Emlak ve Proje A.Ş.) (an affiliate of TOKİ)
4. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (an affiliate of TOKİ)
5. Vakıf İnşaat Restorasyon ve Ticaret A.Ş. (an affiliate of TOKİ)
6. Emlak-Toplu Konut İdaresi Spor Kulübü
7. Emlak Planlama İnşaat Proje Yönetimi ve Tic. A.Ş. - Emlak Basın Yayın A.Ş. Ortak Girişimi
8. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş Ortak Girişimi
9. Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. Ortak Girişimi
10. Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi
11. Emlak Konut Spor Kulübü Derneği
12. Bio İstanbul Proje Geliştirme ve Yatırım A.Ş.
13. Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı

According to the revised TAS 24 – "Related Parties Transactions Standard", exemptions have been brought to the disclosure requirements of balances. The Group has transactions with state banks (T.C.Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş.) and Turkish Treasury.

- Balances and transactions with respect to Turkish Treasury are detailed in Note 5, 6 and 9.
- The Group mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL 262,597 as of 31 December 2018 (31 December 2017: TL 508,974) Average effective interest rates of time deposits of the Group as of 31 December 2018 are explained in Note 5.

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

The Company has purchased 49% of the shares of EPP for a price of TL 141,120 for the receivable as a result of the Antalya Muratpaşa Land returned to TOKI which is the main shareholder. The transactions made between the Group and TOKİ and its affiliates and other related parties are presented below:

Trade receivables from related parties	31 December 2018	31 December 2017
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	3,797	1,353
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş	5,577	5,576
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	1,337	1,310
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	1,002	-
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	805	-
Gedaş Gayrimenkul Değerleme A.Ş.	103	-
	12,621	**8,239**

Short-term other receivables from related parties	31 December 2018	31 December 2017
Emlak Pazarlama Fideltus Öztaş Adi Ortaklığı	5,161	-
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay O.G.	145	-
Gedaş Gayrimenkul Değerleme A.Ş.	448	-
	5,754	**-**

Long-term other receivables from related parties	31 December 2018	31 December 2017
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	19,802	-
	19,802	**-**

Trade payables to related parties	31 December 2018	31 December 2017
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ") (*)	68,661	743,388
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	1,324	1,325
	69,985	**744,713**

(*) The Group has purchased various lands from its ultimate parent group (TOKİ). The remaining payable from this purchases to TOKİ is amounting to TL 68,661 (31 December 2017: TL 489,380) and accrued interest is TL 0 (31 December 2017: TL 254,008).

Advances received from related parties	31 December 2018	31 December 2017
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Fideltus İnş-Öztaş O.G. (*)	64,732	64,732
	64,732	**64,732**

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

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

Purchases from related parties	**1 January- 31 December 2018**	**1 January- 31 December 2017**
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	408,031	394,974
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	-	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş.	887	310
Emlak Konut Spor Kulübü Derneği - Sponsorluk Bedeli	-	-
Gedaş Gayrimenkul Değerleme A.Ş.	4	-
	408,922	**395,284**

Finance expense from related parties	**1 January- 31 December 2018**	**1 January- 31 December 2018**
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	67,514	225,689
	67,514	**225,689**

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

Sales to related parties	**1 January- 31 December 2018**	**1 January- 31 December 2017**
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	11,621	27,309
Bio İstanbul Prj. Geliştirme ve Yatırım A.Ş.	1,138	-
Gedaş Gayrimenkul Değerleme A.Ş.	81	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - EMAY Adi Ortaklığı	10	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Fideltus Adi Ortaklığı	8	-
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd. Şti.	-	88
	12,858	**27,397**

In the Group, the chair of the Board of Directors, members of Board of Directors, Audit Committee members, General Manager, Assistant General Managers and General Manager consultant and other decision makers who are in charge to manage the operations are assumed as key management. Short-term benefits given to Key management are stated below:

Remuneration of key management	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Salaries and other short-term employee benefits	6,134	5,876
	6,134	**5,876**

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

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

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

Liquidity Risk

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

The Group manages its liquidity risk by using special analyses regarding its ability to meet the Group's financial and trade liabilities using the expected undiscounted cash out-flows.

Regarding the liquidity risk arising from the financial liability for HAS beneficiaries, which is a demand-liability, the Group uses the funds made available by the Treasury to meet the payment obligations for this liability. For other financial liabilities, the majority of which comprise of trade liabilities, the Group mainly uses its cash balances and proceeds from sales and advances received.

The Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines. The Group has no derivative financial instruments. The tables have been prepared based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The maturity distribution of financial liabilities of the Group as of 31 December 2018 and 2017 is as follows:

31 December 2018	**Carrying value**	**Constractual cash flows**	**Up to 3 months**	**3 months to 1 year**	**1 year- to 5 years**
Short-term financial liabilities (Non-Derivative):					
Financial liabilities	1,675,662	2,132,661	1,039,481	1,093,180	-
Trade payables	978,347	978,347	-	978,347	-
Other liabilities	633,686	633,686	94,647	539,039	-
	3,287,695	**3,744,694**	**1,134,128**	**2,610,566**	**-**
Long-term financial liabilities (Non-Derivative):					
Financial liabilities	1,685,943	1,974,332	-	-	1,974,332
Trade payables	77,349	77,349	-	-	77,349
Other liabilities	68,792	68,792	-	-	68,792
	1,832,084	**2,120,473**	**-**	**-**	**2,120,473**

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

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

Liquidity Risk (Continued)

31 December 2017	**Carrying value**	**Constractual cash flows**	**Up to 3 months**	**3 months to 1 year**	**1 year- to 5 years**
Short-term financial liabilities (Non-Derivative):					
Financial liabilities	482,364	793,073	127,909	665,164	-
Trade payables	1,266,648	1,299,282	-	1,299,282	-
Other liabilities	554,767	554,767	63,002	491,765	-
	2,303,779	**2,647,122**	**190,911**	**2,456,211**	**-**
Long-term financial liabilities (Non-Derivative):					
Financial liabilities	1,932,308	2,364,838	-	-	2,364,838
Trade payables	95,666	95,666	-	-	95,666
Other liabilities	37,306	37,306	-	-	37,306
	2,065,280	**2,497,810**	**-**	**-**	**2,497,810**

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities. In this context, matching of not only maturities of receivables and payables but also contractual reprising dates is crucial.

The Group is exposed to interest rate risk as the Group borrow funds from Republic of Turkey Prime Ministry Undersecretariat of Treasury at floating interest rates.

Average effective annual interest rates of balance sheet items as of 31 December 2018 and 2017 are as follows:

	31 December 2018 (%)	**31 December 2017 (%)**
Current assets		
Cash and cash equivalents	18.47%	10.41%
Trade receivables	19.50%	9.75%
Current liabilities		
Financial liabilities	26.00%	14.75%
Non-current liabilities		
Financial liabilities	17.62%	14.75%

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

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

Interest rate risk (Continued)

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

	31 December 2018	31 December 2017
Financial instruments with fixed interest rate		
Time deposits	542,107	706,022
Financial liabilities	2,774,079	2,414,672
Financial instruments wiht floating interest rate		
Financial liabilities	-	-

The profit before tax of the Group will increase / decrease by TL 0 as of 31 December 2018 (31 December 2017: TL 0) and in case of a 1% decrease/increase in TL market interest rates with all other factors remaining constant as of 31 December 2018.

C***redit risk***

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

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

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

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

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

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

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

Credit risk (Continued)

Credit risk of financial instruments as of 31 December 2018 is as follows:

		Trade receivables		Other receivables			
	31 December 2018	**Related party**	**Other party**	**Related party**	**Other party**	**Deposits in Banks**	**Blocked deposits more than 3 months maturity**
	Maximum exposed credit risk as of reporting date	**12,621**	**3,506,203**	**45,358**	**1,166,640**	**674,845**	**42,375**
	Secured portion of the maximum credit risk by guarantees,etc,	12,621	3,457,603	25,556	1,166,640	674,845	42,375
A.	Net book value of financial assets either not due or not impaired	12,621	3,457,603	25,556	1,166,640	674,845	42,375
	Secured portion by guarantees,etc,	12,621	3,457,603	25,556	1,166,640	-	-
B.	Financial assets with renegotiated condition						
	Secured portion by guarantees,etc,	-	-	-	-	-	-
C.	Net book value of the expired but not impaired financial assets	-	48,600	19,802	-	-	-
	Secured portion by guarantees,etc,	-	48,600	19,802	-	-	-
D.	Net book value of the impaired assets	-	-	-	-	-	-
	Overdue(Gross book value)	-	1,837	-	-	-	-
	Impairment(-)	-	(1,837)	-	-	-	-
	Secured portion of the net value by guarantees,etc,	-	-	-	-	-	-

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

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

Credit risk (Continued)

Credit risk of financial instruments as of 31 December 2017 is as follows:

		Trade receivables		Other receivables			
	31 December 2017	**Related party**	**Other party**	**Related party**	**Other party**	**Deposits in Banks**	**Blocked deposits more than 3 months maturity**
	Maximum exposed credit risk as of reporting date	**8,239**	**3,360,095**	**-**	**1,181,454**	**897,501**	**165,741**
	Secured portion of the maximum credit risk by guarantees,etc,	8,239	3,281,425	-	1,181,454	897,501	165,741
A.	Net book value of financial assets either not due or not impaired	8,239	3,281,425	-	1,181,454	897,501	165,741
	Secured portion by guarantees,etc,	8,239	3,281,425	-	1,181,454	-	-
B.	Financial assets with renegotiated condition						
	Secured portion by guarantees,etc,	-	-	-	-	-	-
C.	Net book value of the expired but not impaired financial assets		78,670	-	-	-	-
	Secured portion by guarantees,etc,	-	78,670	-	-	-	-
D.	Net book value of the impaired assets	-	-	-	-	-	-
	Overdue(Gross book value)		1,837				
	Impairment(-)	-	(1,837)	-	-	-	-
	Secured portion of the net value by guarantees,etc,	-	-	-	-	-	-

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

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

C***redit risk (Continued)***

Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality. There is no any impairment on the Group's asset that subject to credit risk of financial activities. In addition, there is no any overdue receivables off-balance sheet item.

Foreign exchange risk

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

Foreign currency position

Foreign currency denominated assets, liabilities and off-balance sheet accounts give rise to foreign exchange exposure.

The Group has no any financial instruments for the foreign exchange position of the assets and liabilities as of 31 December 2018.

The table below summarizes the Group's foreign currency position of the Group as of
31 December 2018 and 2017. TL equivalent of foreign exchange denominated financial assets and liabilities as follows;

	31 December 2018	
	TL Amount (Functional Currency)	**US Dollar**
1a. Monetary Finacial Assets	607	115
2.CURRENT ASSETS	-	-
3. TOTAL ASSETS	607	115
4a. Monetary Other Liabilities	4,525	856
5. CURRENT LIABILITIES	4,525	856
6.TOTAL LIABILITIES	4,525	856
7.Net Foreign Currency Assets/Liabilities Position	(3,918)	(741)
8.Monetary Items Net Foreign Currency Assets / Liabilities (1a-4a)	(3,918)	(741)

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

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

Foreign exchange risk (Continued)

	31 December 2017	
	TL Amount (Functional Currency)	US Dollar
1a. Monetary Finacial Assets	92	24
2.CURRENT ASSETS	92	24
3. TOTAL ASSETS	92	24
4a. Monetary Other Liabilities	3,232	857
5. CURRENT LIABILITIES	3,232	857
6.TOTAL LIABILITIES	3,232	857
7.Net Foreign Currency Assets/Liabilities Position	(3,140)	(833)
8.Monetary Items Net Foreign Currency Assets / Liabilities (1a-4a)	(3,140)	(833)

Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Gearing ratios as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Total liabilities	3,361,605	2,414,672
Less:Cash and cash equivalents	(674,871)	(897,501)
Net Liabilities	2,686,734	1,517,171
Total shareholder's equity	13,083,518	12,465,519
Invested Capital	15,770,252	13,982,690
Net Liabilities (Asset)/ Invested Capital Ratio	**17%**	**11%**

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

NOTE 29 - FINANCIAL INSTRUMENTS

31 December 2018	Financial assets at amortized cost	FVTOCI	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	674,871	-	-	674,871	5
Blocked deposits more than 3 months maturity	42,375	-	-	42,375	6
Short term financial investments	-	12,067	-	12,067	6
Long term financial investments	-	836	-	836	6
Trade receivables	3,506,203	-	-	3,506,203	8
Trade receivables due from related parties	12,621	-	-	12,621	27
Other financial assets	1,166,640	-	-	1,166,640	9
Other receivables due from related parties	25,556	-	-	25,556	27
Financial liabilities					
Borrowings	-	-	3,361,605	3,361,605	7
Trade payables	-	-	1,816,724	1,816,724	8
Due to related parties	-	-	69,985	69,985	27
Other financial liabilities	-	-	702,080	702,080	9

31 December 2017	Financial assets at amortized cost	Held to maturity	Available for sale	Financial liabilities at amortized cost	Carrying value	Note
Financial assets						
Cash and cash equivalents	897,501	-	-	-	897,501	5
Blocked deposits more than 3 months maturity	-	165,741	-	-	165,741	6
Short term financial investments	-	-	20,533	-	20,533	6
Trade receivables	3,430,663	-	-	-	3,430,663	8
Due from related parties	8,239	-	-	-	8,239	27
Other financial assets	1,180,466	-	-	-	1,180,466	9
Financial liabilities						
Borrowings	-	-	-	2,414,672	2,414,672	7
Trade payables	-	-	-	617,601	617,601	8
Due to related parties	-	-	-	744,713	744,713	27
Other financial liabilities	-	-	-	592,073	592,073	9

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

Accordingly, the estimates presented herein may differ from the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets:

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

The carrying values of trade receivables, which are measured at amortized cost, along with the related allowances for uncollectability are assumed to approximate their fair values.

The fair values of balances denominated in foreign currencies, which are translated at year-end official exchange rates announced by the Central Bank of Turkey, are considered to approximate their carrying value.

The special issue long term government bond has been issued by the Treasury and given to the Group for payment of HAS payables, is non-negotiable on the secondary market and does not bear interest. It is puttable on demand by the Group at par back to the Treasury, and is also accounted at par representing its fair value.

Financial liabilities:

The Group's borrowing from the Turkish Treasury for financing it's HAS payment liability has a floating interest rate defined as the weighted average of the compound rate of discounted Government bonds issued by Turkish Treasury before each payment period. Therefore it is considered that fair values of the borrowing's fair value are approximate carrying value which is amortized cost.

Short term trade payables and other liabilities with no stated interest rate are measured at original invoice amount and are payables on demand therefore they are measured at their demand values and classified as short-term. They are considered to approximate their respective carrying values due to their short-term nature.

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

Fair Value of Financial Instruments

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

- Level 1: Financial assets and financial liabilities with standard terms and conditions are valued with quoted market prices which are determined on active liquid markets.

- Level 2: Financial assets and financial liabilities are valued by directly or indirectly observable market prices rather than the quoted market prices mentioned in first level of the regarding assets or liabilities.

- Level 3: Financial assets and financial liabilities are valued by the inputs where there is no observable market data of the fair value of the regarding assets and liabilities

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

NOTE 29 - FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (Continued)

Classifications of the assets and liabilities which are measured by fair values are as follows:

	31 December 2018 Fair value levels		
Financial assets	**1. Level TL**	**2.Level TL**	**3.Level TL**
Special issue government bonds	**12,067**	**-**	**-**
Long term financial investments	**-**	**-**	**836**

	31 December 2017 Fair value levels		
Financial assets	**1.Level TL**	**2.Level TL**	**3.Level TL**
Bond	**8,266**	**-**	**-**
Special issue government bonds	**12,267**	**-**	**-**

NOTE 30 - COMMITMENTS

The mortgage and guarantees received of the Group as of 31 December 2018 and 31 December 2017 are explained below;

	31 December 2018	31 December 2017
Guarantees received (*)	3,086,456	3,606,210
Mortgages received (**)	78,342	57,685
	3,164,798	**3,663,895**

(*) Guarantees received consist of accurate and temporary guarantees given by contractors for construction projects during the tendering process.

(**) Mortgages taken consist of mortgaged independent sections and land which sold but not yet collected.

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

NOTE 30 - COMMITMENTS (Continued)

The collaterals, pledges and mortgages ("CPM") of the Group as of 31 December 2018 and 2017 are explained below;

	31 December 2018	**31 December 2017**
A. CPM given on behalf of the Company's legal personality	61,802	56,397
B. CPM given on behalf of fully consolidated subsidiaries	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	
i) Total amount of CPM given on behalf of majority shareholder	-	-
ii) Total amount of CPM given on behalf of other companies which are not in scope of B and C	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	61,802	**56,397**

NOTE 31 - EVENTS AFTER THE REPORTING PERIOD

1- The Company has used revolving loans amounting to TL 320.000 from various banks subsequent to the balance sheet date. The loan terms are as follows; the interest payment will be paid every 3 months and the principal payment will be made at the end of the maturity period.

2- On 8 January 2019, the Company issued 140,000 TL worth of commercial bill maturity dated 7 May, 2019 and issued another commercial bill on February 26 2019 worth of 250,000 TL maturity dated 26 June 2019. In addition, the Company made commercial bill payments on 8 January 2019 and 26 February 2019.

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

ADDITIONAL NOTE - CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS

	Non-Consolidated (Individual) Financial Statements Main Account Items	**Related Regulation**	**Current Period 31 December 2018 (TL)**	**Prior Period 31 December 2017 (TL)**
A	Money and Capital Market Instruments	Series:III-No:48, Art,24/(b)	437,372	591,401
B	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)	15,166,621	13,802,092
C	Affiliates	Series:III-No:48, Art,24/(b)	288,000.00	-
	Due from related parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
	Other Assets		6,767,401	5,835,971
D	**Total Assets**	**Series:III-No:48, Art,3/(k)**	**22,659,394**	**20,229,464**
E	Financial Liabilities	Series:III-No:48, Art,31	3,463,446	2,414,672
F	Other Financial Liabilities	Series:III-No:48, Art,31	-	-
G	Due from Financial Leases	Series:III-No:48, Art,31	-	-
H	Due to Related Parties (Non Commercial)	Series:III-No:48, Art,23/(f)	-	-
I	Shareholders' equity	Series:III-No:48, Art,31	13,086,742	12,465,519
	Other Resources		6,109,206	5,743,469
D	**Total Resources**	**Series:III-No:48, Art,3/(k)**	**22,659,394**	**20,623,660**
	Non-Consolidated (Individual) Financial Statements Other Account Items	**Related Regulation**	**Current Period 31 December 2018 (TL)**	**Prior Period 31 December 2017 (TL)**
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 Years	Series:III-No:48, Art,24/(b)	437,372	0
A2	Term/ Demand/ Currency	Series:III-No:48, Art,24/(b)	371,894	385,081
A3	Foreign Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-
B1	Foreign Properties, Projects based on properties and Rights based on Properties	Series:III-No:48, Art,24/(d)	-	-
B2	Idle Lands	Series:III-No:48, Art,24/(c)	630,651	330,670
C1	Foreign Affiliates	Series:III-No:48, Art,24/(d)	-	
C2	Affiliates for Operating Company	Series:III-No:48, Art,28	288,000	-
J	Non-cash Loans	Series:III-No:48, Art,31	53,661	56,397
K	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-

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

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

	Portfolio restrictions	Related regulation	31 December 2018 (%)	31 December 2017 (%)	Minimum/ Maximum Rate
1	Mortgage amount of Servient Lands Which Will Be Developed And Not Owned	Series:III-No:48, Art,22/(e)	-	-	<10%
2	Properties, Projects based on Properties and Rights based on Properties	Series:III-No:48, Art,24/(a)(b)	69	70	>50%
3	Money and Capital Market Instruments and Affiliates	Series:III-No:48, Art,24/(b)	1.27	8	<50%
4	Foreign Properties, Projects based on Properties, Rights based on Properties, Affiliates, Capital Market Instruments	Series:III-No:48, Art,24/(d)	-	-	<49%
5	Idle Lands	Series:III-No:48, Art,24/(c)	3	2	<20%
6	Affiliates to the Operating Company	Series:III-No:48, Art,28	0.01	-	<10%
7	Borrowing Limit	Series:III-No:48, Art,31	27	3	<500%
8	TL and Foreign Currency Time and Demand Deposits	Series:III-No:48, Art,22/(e)	-	-	<10%

The information in the table of control of compliance with the portfolio limitations', 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 Group" published in official gazette no 28660 on 28 May 2013.

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