EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF
THE STANDALONE 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 Standalone Financial Statements

1) Opinion

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

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as at 31 December 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 Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the standalone financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
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 Company's responsibility to maintain and complete the project and the Company recognizes revenue when performance obligation is fulfilled (independent units are transferred to the customer). In LSRSA projects, the contractor completes the construction. Regarding the project, the Company 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 Company 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 Company's revenue accounting policies and amounts are given in Note 2.4 and Note 17.	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 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 the 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 17 in accordance with TFRS.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 (“TCC”), the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 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 Company’s set of accounts and standalone financial statements prepared for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

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

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

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STANDALONE 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		**19,810,629**	**18,796,338**
Cash and cash equivalents	3	552,539	897,501
Financial investments	4	54,442	186,274
Trade receivables	6	1,573,649	1,752,257
Trade receivables due from related parties	*25*	*10,711*	*8,239*
Trade receivables due from third parties		*1,562,938*	*1,744,018*
Other receivables	7	1,157,651	1,180,466
Other receivables due from third parties		*1,157,651*	*1,180,466*
Inventories	8	14,749,905	13,646,631
Prepaid expenses	15	1,430,563	986,501
Other current assets	14	291,880	146,708
Non-current assets		**2,848,765**	**1,827,322**
Trade receivables	6	1,895,829	1,686,645
Trade receivables due from third parties		*1,895,829*	*1,686,645*
Other receivables	7	1,014	988
Financial investments		288,000	
Investments in subsidiaries, joint operations and associates	*4*	*288,000*	-
Investment property	9	367,382	57,283
Property, plant and equipment	10	63,494	66,858
Intangible assets	11	1,824	2,911
Other non-current assets	14	231,222	12,637
Total assets		**22,659,394**	**20,623,660**

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

STANDALONE 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		**7,737,738**	**6,083,525**
Short term borrowings	5	800,504	-
Current portion of non-current borrowings	5	976,999	482,364
Trade payables	6	965,530	1,266,648
Trade payables due to related parties	*25*	*69,985*	*744,713*
Trade payables due to third parties		*895,545*	*521,935*
Other payables	7	631,778	554,767
Deferred income	15	4,225,299	3,728,717
Deferred income from related parties	*25*	*64,732*	*64,732*
Deferred income from third parties		*4,160,567*	*3,663,985*
Current provisions		137,628	51,029
Current provisions for employee benefits	*13*	*6,125*	*4,113*
Other current provisions	*12*	*131,503*	*46,916*
Non-current liabilities		**1,834,914**	**2,074,616**
Long term borrowings	5	1,685,943	1,932,308
Trade payables		69,327	95,666
Other payables		68,792	37,306
Deferred income		3,175	3,174
Long term provisions		7,677	6,162
Long term provisions for employee benefits	*13*	*7,677*	*6,162*
Shareholders' equity		**13,086,742**	**12,465,519**
Paid-in capital	16	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 period		1,269,807	1,756,094
Total liabilities and equity		**22,659,394**	**20,623,660**

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

STANDALONE 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**
Profit or loss			
Revenue	17	3,917,974	3,900,566
Cost of sales (-)	17	(2,248,040)	(1,788,045)
Gross profit		**1,669,934**	**2,112,521**
General administrative expenses (-)	18	(227,104)	(194,131)
Marketing expenses (-)	18	(71,537)	(65,677)
Other income from operating activities	20	512,835	434,241
Other expenses from operating activities (-)	20	(268,539)	(79,141)
Operating profit		**1,615,589**	**2,207,813**
Income from investing activities	21	208	2,547
Operating profit before financial income / (expense)		**1,615,797**	**2,210,360**
Financial income	22	204,449	80,680
Financial expenses (-)	22	(550,439)	(534,946)
Profit for the income		**1,269,807**	**1,756,094**
Other comprehensive income			
Items that will be reclassified to profit or loss			
Actuarial losses related to employee benefit liabilities		-	*855*
Total comprehensive income for the period		**1,269,807**	**1,756,949**
Earnings per share (in full TL)	24	**0.0035**	**0.0048**

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

STANDALONE 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.)

					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 equity
1 January 2017	**3,800,000**	**(262,857)**	**2,378,513**	**423,295**	**(897)**	**2,630,863**	**1,761,276**	**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)
Total comprehensive income	-	-	-	-	855	-	1,756,094	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**
1 January 2018 (Previously Reported)	**3,800,000**	**(284,480)**	**2,378,513**	**511,347**	**(42)**	**4,304,087**	**1,756,094**	**12,465,519**
Accounting policy change effect (Note 2)	-	-	-	-	-	(4,142)	-	(4,142)
1 January 2018 (Restated)	**3,800,000**	**(284,480)**	**2,378,513**	**511,347**	**(42)**	**4,299,945**	**1,756,094**	**12,461,377**
Transfers	-	-	(11,618)	151,506	-	1,616,206	(1,756,094)	-
Dividend payment (Note: 16) (*)	-	-	-	-	-	(644,442)	-	(644,442)
Total comprehensive income	-	-	-	-	-	-	1,269,807	1,269,807
31 December 2018	**3,800,000**	**(284,480)**	**2,366,895**	**662,853**	**(42)**	**5,271,709**	**1,269,807**	**13,086,742**

(*) 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 Company has own 3,38% shares with a nominal value of 1 TL, is shown by netting off dividend to be distributed. Dividend payment was made on 30 May 2018.

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

EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STANDALONE 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		1,269,807	1,756,094
Adjustments to reconcile net profit			
Depreciation and amortization expenses	19	7,329	8,136
Adjustments for impairments		160,525	3,021
Adjustments for ımpairment loss (reversal of ımpairment loss) of inventories	*8*	*160,525*	*3,021*
Changes in provisions		86,626	(17,096)
Adjustments for (reversal of) provisions related with employee benefits	*13*	*4,375*	*(558)*
Adjustments for (reversal of) lawsuit and/or penalty provisions	*12*	*84,587*	*(16,538)*
Adjustments for (reversal of) possible risks of cash and cash equivalents	*21*	*(2,336)*	-
Adjustments for interest (income) expenses		(87,506)	165,126
Adjustments for interest income	*20,22*	*(637,721)*	*(369,380)*
Adjustments for interest expense	*22*	*550,215*	*534,506*
Changes in net working capital		**1,436,781**	**1,915,281**
Adjustments for decrease (increase) in trade accounts receivable		(247,462)	(1,218,612)
Decrease (increase) in trade accounts receivables from related parties	*25*	*(2,472)*	*12,848*
Decrease (Increase) in trade accounts receivables from third parties		*(244,990)*	*(1,231,460)*
Adjustments for decrease (increase) in inventories		(485,938)	(800,951)
Adjustments for increase (decrease) in trade accounts payable		(625,529)	(3,181,336)
Increase (decrease) in trade payables to related parties		*(650,750)*	*(3,169,206)*
Increase (decrease) in trade payables to third parties		*25,221*	*(12,130)*
Adjustments for (decrease) in other operating receivables		(871,275)	(600,557)
Adjustments for increase (decrease) in other operating payables		339,591	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	13	(848)	(10)
Income taxes paid		(199,466)	(202,803)
Cash flows from operating activities		**(200,348)**	**(2,361,232)**
Cash flows used in obtaining control of subsidiaries or other businesses	4	(99,403)	-
Purchases of investment properties, tangible and intangible assets	10	(1,403)	(23,595)
Interest received	21	208	2,547
Purchases of financial assets		(7,000)	(40,419)
Returns of financial assets		15,466	160,681
Other inflows (outflows) of cash		123,363	(84,539)
Cash flow from investing activities		**31,231**	**14,675**
Payments to acquire entity's shares or other equtiy instruments		-	(21,623)
Proceeds from borrowings		1,725,034	2,425,000
Proceeds from loans	*5*	*788,034*	*2,425,000*
Proceeds From Issue of Debt Instruments	*5*	*937,000*	-
Repayments of borrowings, classified as financing activities		(720,163)	(261,692)
Loan repayments	*5*	*(450,163)*	*(261,692)*
Payments of Issued Debt Instruments	*5*	*(270,000)*	-
Interest paid	5	(317,241)	(464,130)
Dividends Paid	16	(644,442)	-
Interest received	22	112,945	69,202
Other inflows (outflows) of cash		(203)	(434)
Cash flow from financing activities		**155,930**	**1,746,323**
Net Increase (decrease) in cash and cash equivalents		**(13,187)**	**(600,234)**
Cash and cash equivalents at the beginning of the year	3	385,081	985,315
Cash and cash equivalents at the end of the year	**3**	**371,894**	**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 4.

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

NOTE 1 – ORGANIZATION AND OPERATION OF THE COMPANY

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

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

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

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

The registered address of the Company is as follows:

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

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

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

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

An "Ordinary Partnership" is formed within the scope of "Istmarina AVM Joint Venture" structure has been established for the sale of a shopping center in the Istmarina project which is completed and ready to be sold to the rent and to manage the standalone financial transactions of the shopping center.

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.

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE FINANCIAL STATEMENTS

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

2.1 Basis of Preparation

The standalone financial statements of the Company have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") 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 standalone financial statements of the Company is prepared as per the CMB announcement of 7 June 2013 relating to standalone financial statements presentations.

The Company 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 standalone financial statements have been prepared under historical cost conventions. The standalone financial statements have been prepared on the historical cost basis except for certain properties and standalone financial instruments that are measured at revalued amounts or fair values. The standalone 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.

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

Offsetting

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

Going concern

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

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

2.2 Changes in accounting policies, accounting estimates and errors

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

2.3 Conformity with the Portfolio Limitations

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

2.4 Summary of significant accounting policies

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial. 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 Company. Since such cash balances are restricted, they are not treated as cash or cash equivalents in the cash flow statement (Note 3).

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 standalone financial statements. In accordance with TAS 24 – Related party standards, the description of related parties has been restricted. The Company has also transactions with State owned banks and the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the "Treasury") however quantitative information regarding Turkish State Banks and Treasury is not disclosed in accordance with this exemption. The ultimate parent and ultimate controlling party of the Company is 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 Company and TOKİ and its affiliates are presented in Note 25.

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 STANDALONE 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 STANDALONE 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. Simplified approach is applied for the impairment of trade receivables, which are accounted for at amortized cost and which do not include a significant financing component (less than one year). In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses are measured by an amount equal to the life expectancy expected loan losses.

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

2.4 Summary of significant accounting policies (Continued)

Trade receivables and payables (cont'd)

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is reversed through other operating income.Trade payables consist of payables to suppliers for purchases of goods and services. Trade payables and other liabilities are carried at amortized cost using the effective interest rate method. Trade payables, are measured at amortized cost, using the effective interest rate method. Short term trade payables and other liabilities with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. HAS payables are payables on demand therefore they are measured at their demand values and classified as short-term.

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 Company continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements.

Separate financial statements

Entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for at cost according to TAS 27.

Employment termination benefits

Under Turkish labor law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of 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 STANDALONE 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 13).

Provisions, contingent assets and liabilities

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

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

Land and Residential Unit Inventory

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

1. *Vacant land and plots;*

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

2. *Turnkey Projects*

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE 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 Company'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 Company.

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

The Company takes into consideration independent expert valuation reports for inventory (land, finished and semi-finished residential and commercial units) separately at least once a year 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 10).

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 Company 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 STANDALONE 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 11).

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 Company uses cost model for all investment properties. Investment properties are presented in the standalone financial statements at cost less accumulated depreciation and less impairment, if any (Note 9).

Impairment of assets

The Company reviews all assets subject to amortization at each balance sheet date in order to see if there is a sign of impairment on the stated asset. If there is such a sign, carrying amount of the stated asset is 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 Company takes the valuation reports for each property separately into consideration over investment property at least once a year to compare carrying value of assets with its net recoverable value and calculate the impairment if any.

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

2.4 Summary of significant accounting policies (Continued)

Segment reporting

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

Chief operating decision maker of the Company is its Board of Directors ("BOD"), and the BOD of the Company uses quarterly standalone financial statements of the Company 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 Company 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 company, 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 Company follows-up its revenue share in the deferred revenue (Note 15) and the share of the construction entity as a liability to contractors under LSRSA (Note 6). The Company's share in the Total Sales Revenue ("TSR") is recorded as revenue from sale of land and the related cost of land is recognised as cost of land sold in the comprehensive income statement (Note 17).

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

2.4 Summary of significant accounting policies (Continued)

Interest income and expense

Interest income and expense are recognised on an accrual basis 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 20-22).

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

Earnings per share

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

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

Payments for Housing Acquisition Support ("HAS")

HAS was a compulsory of saving fund, established by the state to be used by fund participants in the future for acquisition of affordable housing. 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 STANDALONE 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 Company, to the HAS beneficiaries. Accordingly, the shares of HAS beneficiaries were removed from the Company's equity capital and comprehensive income for the current period based on the ratios specified in the law and recognized as debts to HAS beneficiaries under other payables. The amount payable was determined as the share in the net asset value of the Company at 28 February 2008. The payable amount does not bear any interest or does not change with subsequent changes in the net asset value in subsequent periods and is payable on demand any date after 28 February 2008. The Company has borrowed funds from the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the "Treasury") to make such payments.

Dividend

Dividends 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 Company generated from its main activities.

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

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

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

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

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

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

2.5 Critical accounting estimates, assumptions and judgments

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

Net realizable value of lands and 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 Company'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 282,031 lawsuits have been filed against the Company. For those cases in which there is a high probability of potential outflow of potential resources from these cases, a provision amounting to TL 131,503 has been provided by taking the opinion of the lawyers (Note:12). According to the legal judgment of the lawyers, there is no risk of any outflow of resources from the company.

2.6 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 Company 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 Company is recognised in retained earnings as of 1 January 2018 and the comparatives haven't been restated accordingly. The total impact on the Company'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)
Retain earnings - 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 STANDALONE 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 Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company 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 Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company 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 Company 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 STANDALONE 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 regarding the classification of financial assets in terms of TFRS 9 are summarised below:

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 Company reviewed and assessed the Company'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 Company's financial assets as regards their classification and measurement:

- *the* Company*'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* Company*'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 Company 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 Company 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 STANDALONE 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 Company 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 Company 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 Company 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 Company'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 Company for the current and/or prior years.

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE 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 otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF STANDALONE 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 Company 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 Company 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 Company 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 STANDALONE 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 Company 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 Company 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 Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Company 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 Company classified CPI income accrual amount under the other current assets in previous periods. The company 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 otherwise stated.)

NOTE 3 – CASH AND CASH EQUIVALENTS

	31 December 2018	**31 December 2017**
Cash on hand	8	-
Banks	552,531	897,501
- Demand deposit	*131,740*	*191,479*
- Time deposits up to 3 months maturity	*420,791*	*706,022*
	552,539	**897,501**

Maturities of cash and cash equivalents are as follows:

	31 December 2018	**31 December 2017**
Demand	131,740	191,479
Up to 3 month	420,791	706,022
Less: Blocked deposits with maturities less than 3 months	(29,990)	(30,977)
	522,541	**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 Company for the use in statements of cash flows is as follows:

	31 December 2018	**31 December 2017**
Cash and cash equivalents	552,539	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	-
	371,894	**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 Company 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 4 - 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 Company 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 Company. The Bonds are redeemed partially and early readapted and the amount is transferred to the Company's accounts when the HAS lists are specified (Note 8). 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 company, 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 company 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 company portion of the blocked shares is TL 24,784 (31 December 2017: TL 84,993).

Subsidary

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.

As of 31 December 2018 and 2017, the carrying values of the subsidiaries of the Company on the balance sheet are as follows:

	31 December 2018		31 December 2017	
	Share (%)	TL	Share (%)	TL
Emlak Planlama İnşaat Proje Yönetimi ve Ticaret A.Ş.	100	288,000	-	-
Total	**100**	**288,000**	**-**	**-**

Interests in joint operations

As of 31 December 2018 and 2017, the carrying value of the Company's interest in joint operations in the balance sheet is as follows:

	31 December 2018		31 December 2017	
	Share (%)	TL	Share (%)	TL
İstmarina AVM Adi Ortaklığı	40	-	-	-
Total	**100**	**-**	**-**	**-**

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

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
Short-term financial liabilities		
Short-term commercial bill (*)	689,367	-
Short-term bank borrowings	111,137	-
Short-term portion of long-term borrowings	976,999	482,364
	1,777,503	**482,364**

(*)The Company 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.100.000 TL part of these lease certificates are purchased by the Company's subsdiary, Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş. (Note 25).

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**

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**

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

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	937,000	-
Cash outflow from loan repayments	(450,163)	(261,692)	(270,000)	-
Closing balance	**2,774,079**	**2,414,672**	**689,367**	-

NOTE 6 - 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	649,874	792,099
Assigned receivables from sale of residential and commercial units (*)	44,958	-
Receivables from land sales	24,754	11,289
Receivables from related parties (Note 20)	10,711	8,239
Rent receivables	6,734	1,572
Other	2,369	2,429
Unearned finance income	(17,571)	(15,252)
	1,573,649	**1,752,257**
Doubtful receivables	1,837	1,837
Less: Provision for doubtful receivables	(1,837)	(1,837)
	1,573,649	**1,752,257**

(*)The Company 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 company.

Long-term trade receivables	**31 December 2018**	**31 December 2017**
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**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

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**
Short-term trade payables		
Payables to related parties (Note 25)	69,985	744,713
Payables to LSRSA contractors invoiced	361,559	314,001
Trade payables	514,244	195,211
Time deposit interest accruals from LSRSA contractors invoiced (*)	19,742	12,723
	965,530	**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 Company within the related LSRSA projects. The Company tracks the contractor's share of the interest earned from the advances accumulated in these short term debts accounts.

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

	31 December 2018	**31 December 2017**
Short-term other receivables		
Receivables from contractors	759,276	783,205
Housing Acquisition Support ("HAS") related receivables from Turkish Treasury	390,768	390,771
Receivables from the authorities	6,909	6,360
Other	698	130
	1,157,651	**1,180,466**

	31 December 2018	**31 December 2017**
Long-term other receivables		
Deposits and guarantees given	1,014	988
	1,014	**988**

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

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)

	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
Notes payable	47,477	-
Taxes and funds payable	22,801	10,187
Other	69,938	52,815
	631,778	**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.

The movements of the payments either from Company'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 8 -INVENTORIES

	31 December 2018	31 December 2017
Lands	3,278,940	4,022,623
Cost	*3,427,421*	*4,033,188*
Impairment	*(148,481)*	*(10,565)*
Planned land by LSRSA	7,100,097	6,362,982
Planned land by turnkey project	3,118,629	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)*
	14,749,905	**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 8 - INVENTORIES (Continued)

The details of land and residential stocks of the company 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	40,132	40,136
İstanbul Esenyurt Lands	39,178	49,588
Ankara Çankaya Lands	17,695	46,042
İzmir Konak Umurbey Lands	12,258	-
İstanbul İstinye Lands	7,734	7,734
Tekirdağ Çorlu Lands	6,153	6,153
Maltepe Küçükyalı Lands	3,010	3,010
Tekirdağ Kapaklı Lands	1,862	6,210
İstanbul Umraniye Lands	1,844	1,844
Kocaeli Gebze Lands	729	7,839
İstanbul Zekeriyaköy Lands	677	677
Kocaeli Tütünçiftliği Lands	618	1,528
İstanbul Çekmeköy Lands	-	247,830
İstanbul Şişli Lands	-	455,122
İstanbul Şile Lands	-	2,441
Other	974	61
	3,278,940	**4,022,623**

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

NOTE 8 - 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
Tual Bahçekent Project	118,929	105,104
Avangart İstanbul Project	120,077	120,077
Koordinat Çayyolu Project	97,164	97,138
Tual Adalar Project	90,842	91,079
Temaşehir Konya Project	96,074	86,704
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
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
	7,100,097	**6,362,982**

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

NOTE 8 - 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
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
	3,118,629	**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
Kocaeli Körfezkent Emlak Konutları	19,330	24,866
Batışehir Project	11,730	41,631
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 9 –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:

Cost Value	**Lands and completed units**	**Atasehir General Management Office A Block**	**Total**
Opening balance as of 1 January 2018	17,608	40,922	58,530
Purchases (*)	272,179	-	272,179
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	329,182	40,922	370,104
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	329,182	38,200	367,382

Cost Value	**Lands and completed units**	**Atasehir General Management Office A Block**	**Total**
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 Company 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 Company 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 9 - 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. As of 31 December 2018 (31 December 2017: Atak Gayrimenkul Değerleme A.Ş.).The fair values of the investment property determined by independent valuation experts are as follows:

	31 December 2018	**31 December 2017**
Lands	69,800	23,744
Atasehir General Management Office A Block	83,524	83,524
Independent commercial units of Istmarina AVM	272,179	-
	425,503	**107,268**

Details of the Company'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	69,800	-	-	69,800
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 10 - 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
Additions	-	-	1,400	3	1,403
Depreciation expense(-)	(1,620)	(283)	(2,864)	-	(4,767)
Net book value 31 December 2018	**56,884**	**550**	**5,963**	**97**	**63,494**
Cost	61,751	2,160	19,261	97	83,269
Accumulated depreciation (-)	(4,867)	(1,610)	(13,298)	-	(19,775)
Net book value 31 December 2018	**56,884**	**550**	**5,963**	**97**	**63,494**

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 11 – INTANGIBLE ASSETS

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

31 December 2017	Licenses	Computer software	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 12 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Provisions		
Provision for lawsuits	131,503	46,916
	131,503	**46,916**

As of 31 December 2018, a total of TL 282,031 lawsuits have been filed against the Company. For those cases in which there is a high probability of potential outflow of potential resources from these cases, a provision amounting to TL 131,503 has been provided by taking the opinion of the lawyers (Note:12). According to the legal judgment of the lawyers, there is no risk of any outflow of resources from the company.

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 20)	-	(53,033)
Provision charged for the period (Note 20)	84,587	36,495
Provision used in the period	-	(41)
Provision paid in the period	-	(9,743)
Balance at 31 December	**131,503**	**46,916**

12.1 Continuing Cases and Provisions

12.1.1 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 Company and the remaining part of the project has been completed by another construction company which was assigned in accordance with public tender law. The related units have been completed and are sold by the Company as in Turnkey projects.

The prior contractor filed a lawsuit against the Company claiming that the completion percentage of the project was significantly high and that the agreement between the parties was based on construction right in return for flat. The Company and the contractor filed counter lawsuits in the following period and an additional report was decided to be issued. The additional report is about the final receivables and payables of the parties considering all the claims. 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 Company 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 Company made provision amounting to TL 75,840 from the related case.

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

12.1 Continuing Cases and Provisions (Continued)

12.1.2 Contractor firm filed a lawsuit against the Company claiming compensation because of damage caused by our company 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 Company by the local court and the judgment of the Court of Cassation is dismissed in favor of the Company and the decision of the local court is expected. The Company made provision amounting to TL 20,521 from the related case.

12.1.3 Plaintiff contractor firm filed a lawsuit against the Company 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 company, amounting to TL 6.681, have been partially accepted and the trial has been appealed The Company made provision amounting to TL 6,860 from the related case.

12.2 Contingent Liabilities of Emlak Konut GYO

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 Company 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 Company in order to fulfill its obligation.

12.2.1 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 Company 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 Company's revenue portion is TL 67,515 plus VAT calculated as TL 175,000 plus VAT total project revenue times 38.58% Company's revenue portion.The Contractor wants all the properties and related land portion to be valued by an independent valuation company as of the date of the lawsuit and that 38.58% of the total value to be appropriated to the Company 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 12 –PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

12.2 Contingent Liabilities of Emlak Konut GYO (Continued)

12.2.2 Contractor firm filed a lawsuit against the Company 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 Company's lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

12.2.3 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 Company's lawyer, it is not expected to arise any liability that put the Company under obligation as a result of related case.

12.2.4 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.

12.3 Contingent Assets of Emlak Konut GYO

12.3.1 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	649,874	1,078,613	1,728,487
2 year	397,839	873,235	1,271,074
3 year	354,604	494,918	849,522
4 year	318,761	381,373	700,134
5 year and above	1,107,296	1,576,903	2,684,199
	2,828,374	**4,405,042**	**7,233,416**

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 13 - 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	7,677	6,162
	7,677	**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 Company. 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
Interest cost	877	678
Payment within the period	(848)	(10)
Actuarial loss	-	(855)
Balance at 31 December	**7,677**	**6,162**

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

NOTE 14 - 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	-	2,512
	291,880	**146,708**

Other non-current assets	31 December 2018	31 December 2017
Deferred VAT	231,222	12,637
	231,222	**12,637**

NOTE 15 - DEFERRED INCOME AND PREPAID EXPENSES

Short-term deferred income	31 December 2018	31 December 2017
Deferred income from LSRSA projects (*)	2,134,978	2,069,084
Advances taken from LSRSA contractors (**)	688,925	850,342
Advances taken from turnkey project sales	403,299	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
	4,225,299	**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 Company collects a certain portion of the total Company revenue from the project before signing the agreement with the contractor

(***)The Company 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 (*)	1,430,510	986,501
Prepaid expenses	53	-
	1,430,563	**986,501**

(*) A protocol has been signed between the Company 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 Company has provided an advance of stock amounting to TL 438,143. The Company 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 16 - SHAREHOLDERS' EQUITY

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

In accordance with the Communiqué Serial: II, No: 14,1 which became effective as of 13 June 2013 and according to the CMB's announcements clarifying the said Communiqué, "Share Capital", "Restricted Reserves 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 Company 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 17 - REVENUE AND COST OF SALES

	1 January- 31 December 2018	1 January- 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	6,693	3,066
	3,918,552	**3,988,588**
Sales returns	(222)	(87,919)
Sales discounts	(356)	(103)
Net sales income	**3,917,974**	**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	(1,319,387)	(582,745)
	(2,248,040)	**(1,788,045)**
Gross profit	**1,669,934**	**2,112,521**

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2018	1 January- 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 (Note: 9,10,11)	(7,329)	(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	(22,770)	(15,354)
	(227,104)	**(194,131)**

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

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (Continued)

	1 January-31 December 2018	1 January-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 19 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Cost of land sales	1,319,387	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)	7,329	8,136
Membership fees	4,138	5,018
Legal and notary	3,791	2,048
Insurance	895	1,922
Communication	622	566
Other	38,680	23,935
	2,546,681	**2,047,853**

NOTE 20- 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 8)	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 12)	-	53,033
Other	33,495	41,891
	512,835	**434,241**

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

NOTE 20- 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 8)	(171,606)	(36,967)
Reversal of due date differences	-	(63)
Other	(12,346)	(5,616)
	(268,539)	**(79,141)**

NOTE 21 - 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 22 - 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 2017
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	(224)	(440)
Interest expense on Turkish Treasury borrowings	-	(10,830)
	(550,439)	**(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 23 - TAX ASSETS AND LIABILITIES

"Corporate Tax Law" No. 5520 was taken into effect after being published in the Official Gazette No. 26205, dated 21 June 2006. Many clauses of the "New Tax Law" are effective from 1 January 2006. According to Tax Law, No. 5520, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006. The corporate tax rate is calculated on the total income of the Company after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

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

The Company is exempt from corporate 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".

NOTE 24 – EARNINGS PER SHARE

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings 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 Company's shares for the period.

The Company 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	1,269,807	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**

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

NOTE 25 - RELATED PARTY DISCLOSURES

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

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

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

- Balances and transactions with respect to Turkish Treasury are detailed in Note 4, 5 and 8.
- The Company mostly deposits its cash in State Banks in compliance with its related statute. The bank balances with state banks amounted to TL 219,689 as of 31 December 2018 (31 December 2017: TL 508,974) Average effective interest rates of time deposits of the Company as of 31 December 2018 are explained in Note 3.

The transactions made between the Company and TOKİ and its affiliates and other related parties are presented below:

	31 December 2018	31 December 2017
Trade receivables from related parties		
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 O.G.	5,577	5,576
Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. – Cathay Ortak Girişimi	1,337	1,310
	10,711	**8,239**

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 Company has purchased various lands from its ultimate parent company (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).

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

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 Company collects a predetermined portion of the total sales amount in line with the agreements.

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.

Purchases from related parties	1 January- 31 December 2018	1 January- 31 December 2017
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	407,032	1,274,500
Emlak Planlama İnş. Prj. Yön. A.Ş. - Ege Yapı Ltd Şti.	-	2,497
Emlak Planlama İnş. Prj. Yön. A.Ş. - Emlak Basın Yayın A.Ş. O.G.	887	985
Emlak Konut Spor Kulübü Derneği - Sponsorluk Bedeli	-	600
	407,919	**1,278,582**

100.000 TL part of lease certificates are purchased by the Company's subsdiary, Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş.

Finance expense from related parties	1 January- 31 December 2018	1 January- 31 December 2017
T.C. Toplu Konut İdaresi Başkanlığı ("TOKİ")	67,514	225,689
Emlak Planlama, İnşaat, Proje Yönetimi ve Ticaret A.Ş.	1,841	-
	69,355	**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")	7,929	27,309
Ege Yapı – Emlak Planlama, İnşaat, Proje Yönetimi ve Tic. A.Ş. O.G.	-	88
	7,929	**27,397**

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

NOTE 25 - RELATED PARTY DISCLOSURES (Continued)

In the Company, 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**

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

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

Liquidity Risk

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

The Company manages its liquidity risk by using special analyses regarding its ability to meet the Company'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 Company 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 Company mainly uses its cash balances and proceeds from sales and advances received.

The Company aims to maintain flexibility in funding by maintaining the availability of committed credit lines. The Company 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 Company can be required to pay. The table includes both interest and principal cash flows.

The maturity distribution of financial liabilities of the Company 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	1,777,503	2,234,502	1,141,322	1,093,180	-
Trade payables	965,530	965,530	-	965,530	-
Other liabilities	631,778	584,301	92,739	491,562	-
	3,374,811	**3,784,333**	**1,234,061**	**2,550,272**	**-**
Long-term financial liabilities (Non-Derivative):					
Financial liabilities	1,685,943	1,974,332	-	-	1,974,332
Trade payables	69,327	69,327	-	-	69,327
Other liabilities	68,792	68,792	-	-	68,792
	1,824,062	**2,112,451**	**-**	**-**	**2,112,451**

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

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

Liquidity Risk (Continued)

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 Company 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 Company is exposed to interest rate risk as the Company 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 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk (Continued)

The Company'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	420,791	706,022
Financial liabilities	2,774,079	2,414,672
Financial instruments wiht floating interest rate		
Financial liabilities	-	-

The profit before tax of the Company 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 Company is subject to credit risk arising from trade receivables related to credit sales and deposits at banks.

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

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 26 - 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	**10,711**	**3,458,767**	**-**	**1,158,665**	**552,531**	**42,375**
	Secured portion of the maximum credit risk by guarantees,etc,	10,711	3,410,167	-	1,158,665	552,531	42,375
A.	Net book value of financial assets either not due or not impaired	10,711	3,410,167	-	1,158,665	552,531	42,375
	Secured portion by guarantees,etc,	10,711	3,410,167	-	1,158,665	-	-
B.	Financial assets with renegotiated condition						
	Secured portion by guarantees,etc,	-	-	-	-	-	-
C.	Net book value of the expired but not impaired financial assets	-	48,600	-	-	-	-
	Secured portion by guarantees,etc,	-	48,600	-	-	-	-
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 26 - 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 26 - 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 Company'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 Company is subject to the foreign currency risk due to the foreign currency deposits in the bank deposit account. The Company does not use foreign currency in its main operations; the foreign currency risk is only originated from deposits of the Company.

Foreign currency position

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

The Company 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 Company's foreign currency position of the Company 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 26 - 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 Company attempts to manage its capital by minimizing the investment risk with portfolio diversification. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company 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	3,463,446	2,414,672
Less:Cash and cash equivalents	(552,539)	(897,501)
Net Liabilities	2,910,907	1,517,171
Total shareholder's equity	13,086,742	12,465,519
Invested Capital	15,997,649	13,982,690
Net Liabilities (Asset)/ Invested Capital Ratio	**18%**	**11%**

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

NOTE 27 - 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	552,539	-	-	552,539	3
Blocked deposits more than 3 months maturity	42,375	-	-	42,375	4
Short term financial investments	-	12,067	-	12,067	4
Investments in subsidiaries, joint ventures and associates	288,000	-	-	288,000	4
Trade receivables	3,458,767	-	-	3,458,767	6
Due from related parties	10,711	-	-	10,711	25
Other financial assets	1,158,665	-	-	1,158,665	7
Financial liabilities					
Borrowings	-	-	3,463,446	3,463,446	5
Trade payables	-	-	964,872	964,872	6
Due to related parties	-	-	69,985	69,985	25
Other financial liabilities	-	-	700,570	700,570	7

31 December 2017	Loans and receivables(cash and cash equivelents included)	Held to maturity	Available for sale	Financial liabilities at amortized cost	Carrying value	Note
Financial assets						
Cash and cash equivalents	897,501	-	-	-	897,501	3
Blocked deposits more than 3 months maturity	-	165,741	-	-	165,741	4
Short term financial investments	-	-	20,533	-	20,533	4
Trade receivables	3,430,663	-	-	-	3,430,663	6
Due from related parties	8,239	-	-	-	8,239	25
Other financial assets	1,180,466	-	-	-	1,180,466	7
Financial liabilities						
Borrowings	-	-	-	2,414,672	2,414,672	5
Trade payables	-	-	-	617,601	617,601	6
Due to related parties	-	-	-	744,713	744,713	25
Other financial liabilities	-	-	-	592,073	592,073	7

NOTE 27 - 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 Company 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 Company for payment of HAS payables, is non-negotiable on the secondary market and does not bear interest. It is puttable on demand by the Company at par back to the Treasury, and is also accounted at par representing its fair value.

Financial liabilities:

The Company'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 27 - 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**	**2.Level**	**3.Level**
	TL	**TL**	**TL**
Special issue government bonds	**12,067**	**-**	**-**

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

NOTE 28 - COMMITMENTS

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

	31 December 2018	**31 December 2017**
Guarantees received (*)	3,008,731	3,606,210
Mortgages received (**)	78,342	57,685
	3,087,073	**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 28 - COMMITMENTS (Continued)

The collaterals, pledges and mortgages ("CPM") of the Company 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	53,468	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	-	-
	53,468	**56,397**

NOTE 29 - 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 Company" published in official gazette no 28660 on 28 May 2013.

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