

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

**HALK GAYRİMENKUL YATIRIM  
ORTAKLIĞI A.Ş.**

FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
31 MARCH 2019  
AND INDEPENDENT  
AUDITOR'S REVIEW REPORT

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

**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF  
INTERIM FINANCIAL INFORMATION**

**To the General Assembly of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.**

*Introduction*

We have reviewed the accompanying statement of financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company") as of 31 March 2019 and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Company management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Turkish Accounting Standards (TAS). Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information, in all material respects, is not prepared in compliance with the Turkish Accounting Standards (TAS).

*Other Matters*

As detailed in Note 27, one of the former directors of the Company's main shareholder, Türkiye Halk Bankası A.Ş. (main shareholder Bank) has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") as of 16 May 2018. Main shareholder Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the main shareholder Bank. Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the main shareholder Bank affecting its financial position, if any and their effects on the Company. The main shareholder Bank's management indicated that there are no enforcement or other actions against the Bank at this stage. Our opinion is not modified in respect of this matter.

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

Hasan Kılıç, CPA  
Partner

İstanbul, 10 May 2019

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**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****REVIEWED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

		<b>Reviewed</b>	<b>As</b>
		<b>31 March</b>	<b>Restated</b>
		<b>2019</b>	<b>Audited</b>
	<b>Notes</b>	<b>31 December</b>	<b>2018</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>212,065,454</b>	<b>213,069,936</b>
Cash and Cash Equivalents	26	25,081,608	28,825,032
Trade Receivables	5	14,098,527	9,757,225
<i>Trade Receivables From Related Parties</i>	4	2,190	627
<i>Trade Receivables From Third Parties</i>		14,096,337	9,756,598
Inventory	6	102,074,631	105,126,511
Prepaid Expenses	7	747,500	647,577
<i>Prepaid Expenses To Related Parties</i>		648,569	298,429
<i>Other prepaid expenses</i>		98,931	349,148
Current Tax Assets		1,201,342	1,021,383
Other Current Assets	13	68,861,846	67,692,208
<i>Other Current Assets</i>		68,861,846	67,692,208
<b>Non-Current Assets</b>		<b>2,438,904,098</b>	<b>2,415,914,637</b>
Trade Receivables	5	6,081,700	6,216,382
<i>Trade Receivables From Third Parties</i>		6,081,700	6,216,382
Investment Property	8	2,311,248,277	2,288,772,410
Property, Plant and Equipment	9	4,332,758	800,320
Intangible Assets	10	339,216	346,313
<i>Other Intangible Assets</i>		339,216	346,313
Prepaid Expenses	7	115,613,520	118,829,008
<i>Other Prepaid Expenses</i>		115,613,520	118,829,008
Other Non-Current Assets	13	1,288,627	950,204
<i>Other Non-Current Assets From Related Parties</i>		1,288,627	950,204
<b>TOTAL ASSETS</b>		<b>2,650,969,552</b>	<b>2,628,984,573</b>

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

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

REVIEWED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

		As
		Restated
		Audited
LIABILITIES	Notes	31 December
		2018
<b>Current Liabilities</b>		<b>353,422,202</b>
Financial Borrowings	22	314,387,715
Current Portion of Long Term Borrowings	22	3,396,284
<i>Short Term Financial Borrowings From Related Parties</i>		3,396,284
Trade Payables	5	15,020,620
<i>Trade Payables To Related Parties</i>	4	286,897
<i>Trade Payables To Third Parties</i>		14,733,723
Deferred Income	7	11,318,471
<i>Deferred Income From Third Parties</i>		11,318,471
Provisions		1,706,714
<i>Short Term Portion of Provisions</i>		
<i>Relating to Employee Benefits</i>	12	1,497,231
<i>Other Current Provisions</i>	11	209,483
Other Current Liabilities	13	7,592,398
<i>Other Current Liabilities</i>		7,592,398
<b>Non-Current Liabilities</b>		<b>15,139,593</b>
Financial Borrowings	22	14,557,044
<i>Long Term Financial Borrowings From Related Parties</i>		14,557,044
Long Term Provisions	12	582,549
<i>Long Term Portion of Provisions</i>		
<i>Relating to Employee Benefits</i>		582,549
<b>EQUITY</b>		<b>2,282,407,757</b>
Share Capital	14	858,000,000
Treasury Shares	14	(24,188,879)
Share premium		49,945,096
Other comprehensive income that will not be reclassified to profit or loss		(81,503)
- <i>Gains on Remeasurement of Defined Benefit Plans</i>		(81,503)
Restricted Reserves	14	42,011,650
Retained Earnings		1,344,571,974
Net Profit For The Period		12,149,419
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,650,969,552</b>
		<b>2,628,984,573</b>

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

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****REVIEWED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

		<b>Reviewed</b>	<b>Reviewed</b>
		<b>1 January- 31 March 2019</b>	<b>1 January- 31 March 2018</b>
	<b>Notes</b>		
Revenue	15	21,267,301	18,280,039
Cost of Sales	15	(2,818,169)	(1,035,256)
<b>GROSS PROFIT</b>		<b>18,449,132</b>	<b>17,244,783</b>
General administrative expenses (-)	17	(3,370,046)	(3,554,081)
Marketing and selling expenses (-)	17	(1,512,308)	(399,309)
Other operating income from main activities	18	1,245,443	1,101,360
Other operating loss from main activities (-)	18	(99,359)	(104,687)
<b>OPERATING PROFIT</b>		<b>14,712,862</b>	<b>14,288,066</b>
Investment Property Revaluation Gains		-	-
<b>PROFIT BEFORE FINANCE COSTS</b>		<b>14,712,862</b>	<b>14,288,066</b>
Finance costs (-)	19	(2,563,443)	(4,540,587)
<b>PROFIT BEFORE TAX</b>		<b>12,149,419</b>	<b>9,747,479</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>12,149,419</b>	<b>9,747,479</b>
Earnings per share		0.0142	0.0119
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other comprehensive income that will not be reclassified to profit or loss</b>		-	-
Gains/(Losses) on Remeasurement of Defined Benefit Plans		-	-
<b>OTHER COMPREHNSIVE INCOME/(LOSS)</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>12,149,419</b>	<b>9,747,479</b>

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

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**REVIEWED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD 1 JANUARY – 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

	Notes	Share Capital	Treasury Shares	Share Premium	Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	Accumulated Profits			Equity
					Accumulated Gains/(Losses) on Remeasurement of Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net Profit For The Period	
<b>Balance at 1 January 2018</b>		<b>820,000,000</b>	<b>(23,117,578)</b>	<b>49,945,096</b>	<b>13,198</b>	<b>39,266,359</b>	<b>741,185,806</b>	<b>252,108,771</b>	<b>1,879,401,652</b>
Effect of policy changes		-	-	-	-	-	(683,632)	-	(683,632)
<b>Restated balance at 1 January 2018</b>		<b>820,000,000</b>	<b>(23,117,578)</b>	<b>49,945,096</b>	<b>13,198</b>	<b>39,266,359</b>	<b>740,502,174</b>	<b>252,108,771</b>	<b>1,878,718,020</b>
Transfers		-	-	-	-	-	252,108,771	(252,108,771)	-
Total Comprehensive Income		-	-	-	-	-	-	9,747,479	9,747,479
<b>Balance at 31 March 2018</b>		<b>820,000,000</b>	<b>(23,117,578)</b>	<b>49,945,096</b>	<b>13,198</b>	<b>39,266,359</b>	<b>992,610,945</b>	<b>9,747,479</b>	<b>1,888,465,499</b>
<b>Balance at 1 January 2019</b>		<b>858,000,000</b>	<b>(24,188,879)</b>	<b>49,945,096</b>	<b>(81,503)</b>	<b>42,011,650</b>	<b>954,587,570</b>	<b>389,984,404</b>	<b>2,270,258,338</b>
Transfers		-	-	-	-	-	389,984,404	(389,984,404)	-
Total Comprehensive Income		-	-	-	-	-	-	12,149,419	12,149,419
<b>Balance at 31 March 2019</b>		<b>858,000,000</b>	<b>(24,188,879)</b>	<b>49,945,096</b>	<b>(81,503)</b>	<b>42,011,650</b>	<b>1,344,571,974</b>	<b>12,149,419</b>	<b>2,282,407,757</b>

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



**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**REVIEWED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

	<b>Notes</b>	<b>Reviewed 1 January- 31 March 2019</b>	<b>Reviewed 1 January- 31 March 2018</b>
<b>A. Cash flows from operating activities</b>			
<b>Profit/loss for the year</b>		<b>12,149,419</b>	<b>9,747,479</b>
<b>Adjustments to reconcile profit/loss for the year</b>			
- Adjustments related to depreciation and amortization expenses	9-10	224,083	31,871
- Adjustments related to provisions	11-12	291,493	13,696
- Adjustments related to interest income and expenses	15-19	1,652,212	1,840,234
<b>Changes in working capital</b>			
- Adjustments related to increase/decrease in inventories	6	2,267,103	(24,182,135)
- Adjustments related to increase/decrease in trade receivables		(4,206,620)	10,652,425
- Adjustments related to increase/decrease in prepaid expenses		3,115,565	(28,269,794)
- Adjustments related to increase/decrease in other assets		(1,688,020)	(7,476,918)
- Adjustments related to increase/decrease in trade payables		(607,597)	3,016,472
- Adjustments related to increase/decrease in deferred revenue		1,202,094	4,207,785
- Adjustments related to increase/decrease in other liabilities		(8,767,271)	1,523,963
<b>Cash generated from operations</b>		<b>5,632,461</b>	<b>(28,894,922)</b>
Interest received		592,014	2,602,927
Other		(171,790)	35,483
		<b>6,052,685</b>	<b>(26,256,512)</b>
<b>B. Cash flows from investing activities</b>			
Cash outflows for purchase of property, plant and equipment and intangible assets	9-10	(2,964,647)	(36,818)
Cash outflows for investment properties	8	(7,630,360)	(68,502,835)
		<b>(10,595,007)</b>	<b>(68,539,653)</b>
<b>C. Cash flows from financing activities</b>			
Proceeds from borrowings	22	171,500,098	30,031,302
Cash used for repayment of borrowings	22	(153,783,257)	(219,959)
Interest paid		(17,089,733)	(4,443,161)
		<b>627,108</b>	<b>25,368,182</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>(3,915,214)</b>	<b>(69,427,983)</b>
<b>D. Cash and cash equivalents at the beginning of the period</b>		<b>28,601,528</b>	<b>122,879,368</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D)</b>	26	<b>24,686,314</b>	<b>53,451,385</b>

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

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

### **1. ORGANIZATION AND OPERATIONS OF THE COMPANY**

The main activity of Halk Gayrimenkul Yatırım Ortaklığı AŞ (the “Company”) is to invest in properties, property projects, rights on properties, property related capital market instruments and portfolio including other rights and assets as deem appropriate by the Capital Markets Board of Turkey (“CMB”). The Company and its joint operations will be referred as (“Company”) in this report (additionally please see Note 2.1 and Note 3). In accordance with the relevant articles of the CMB’s Communiqué on the Principles of Real Estate Investment Trusts, the main objective of the Company is to invest in properties, property projects, property rights and capital market instruments.

The operations of the Company, its portfolio management policies and limitations are consistent with the regulatory requirements of the CMB. Investment property portfolio of the Company consists of lands and rental properties which are used as bank branches and bank headquarter. The Company obtained its license to operate by the CMB’s approval dated 24 September 2010 and numbered 9546, and registered in the CMB. The registered capital ceiling of the Company is TL 1,500,000,000. The paid in capital of the Company is TL 858,000,000 of which TL 196,217,979 was paid in cash whereas TL 513,282,021 was paid in kind, TL 110,500,000 was from reserves internally appropriated and TL 38,000,000 was incorporated from retained earnings.

The headquarter of the Company is registered in Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi Sok. No:1 34774 Yukarı Dudullu Ümraniye/İstanbul.

As at 31 March 2019, the number of personnel employed in the Company is 40 (31 December 2018: 38).

The Company is a subsidiary of Türkiye Halk Bankası AŞ (“Halkbank”) and was registered on 18 October 2010. With the amendment dated 31 December 2009 made by the CMB the Communiqué on the Principles of Real Estate Investment Trusts, it is obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares to be registered.

The Company has applied to the CMB on 29 August 2012 to increase the issued capital from TL 477,000,000 to TL 662,500,000 within TL 1,500,000,000 registered capital ceiling, by initial public offering of the increase of TL 185,500,000 B group bearer shares. The application was approved in accordance with the CMB’s decision numbered 4/97 on 8 February 2013. During 13-15 February 2013, TL 185,500,000 B group shares offered to public by restricting the preemptive rights of the existing shareholders. After the collection of the investors demand, the Company’s shares started to be traded on İstanbul Stock Exchange with HLGYO title as of 22 February 2013.

As at 4 September 2014, the Company has signed a Joint Operation Agreement with Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. for developing a real estate project.

As at 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 from retained earnings to the share capital.

As at 14 April 2016, the Company has signed Joint Operation Agreement with Er Konut İnş. Taah. İnş. Malz. Nak. ve Mad. Tic. ve San. A.Ş. for developing a real estate project.

As at 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from retained earnings to the share capital.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY (cont’d)

As at 15 August 2017, the Company increased its share capital to TL 820,000,000 by transferring TL 30,000,000 from retained earnings to the share capital.

As of 8 June 2018, the Company increased its share capital to TL 858,000,000 by transferring TL 38,000,000 from retained earnings to share capital.

As at 24 August 2017, the Company has signed a Joint Operation Agreement with Teknik Yapı Teknik Yapılar San.ve Tic.A.Ş. for developing a real estate project.

As at 19 December 2018, the Company issued lease certificates with nominal value of TL 170,000,000 with a maturity date of 16 April 2019 and an interest rate of 23.60% with a cash inflow at the amount of TL 170,000,000, from this issue.

As at 22 January 2019, the Company issued lease certificates with nominal value of TL 80,000,000 with a maturity date of 21 May 2019 and an interest rate of 22.50% with a cash inflow at the amount of TL 80,000,000, from this issue.

As at 12 October 2018, the Company issued lease certificates with nominal value of TL 75,00,000 with a maturity date of 22 January 2019 and an interest rate of 27.50% with a cash inflow at the amount of TL 75,000,000, from this issue. As at 22 January 2019, the Company has realized the repayment of this transaction at the amount of TL 80,763,698.

The details of the Company’s joint operations are below:

<u>Joint operations</u>	<u>Type of Activity</u>	<u>Main Activity Fields</u>
Halk GYO-Vakıf GYO Adi Ortaklığı	Construction	Real Estate Construction
Halk GYO-Erkonut Adi Ortaklığı	Construction	Real Estate Construction
Halk GYO-Teknik Yapı Adi Ortaklığı	Construction	Real Estate Construction

#### Approval of financial statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 10 May 2019. General Assembly has the authority to modify the financial statements.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

### **2.1 Basis of Presentation**

#### Statement of Compliance in TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards (“TAS”) and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of financial statements and application guidance”.

The financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### Currency Used

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

#### Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 “Financial reporting in Hyperinflationary Economies” (“TAS 29”) was not applied.

#### Comparative Information and Reclassification of Prior Period Financial Statements

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

### 2.1 Basis of Presentation (cont’d)

#### Interests in joint operations:

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

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the TAS applicable to the particular assets, liabilities, revenues and expenses.

### 2.2 Changes in Accounting Policies

This note explains the impact of the adoption of TFRS 16 Leases on the Company’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

In accordance with the adoption of TFRS 16, some changes have occurred in the accounting policies as of 1 January 2019 and adjustments have been made to the financial statements. In accordance with the transitional provisions of TFRS 16, prior year financial statements have not been restated.

On adoption of TFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

The right of use assets are related to the following assets:

	31 March 2019	31 December 2018
Real Estates	1,318,679	1,318,679
Vehicles	343,834	343,834
<b>Total right of use assets</b>	<b>1,662,512</b>	<b>1,662,512</b>

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

#### 2.2 Changes in Accounting Policies (cont’d)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by 1,662,512 TL
- Lease liabilities –increase by 1,662,512 TL

There was no impact on retained earnings on 1 January 2019.

#### 2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Company.

#### 2.4 New and Revised Turkish Accounting Standards

##### New and amended TFRS Standards that are effective for the current year

IFRS 16 Amendments to TAS 28	Leases <i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23 Amendments to <i>TAS 19 Employee Benefits</i>	<i>Uncertainty over Income Tax Treatments Plan Amendment, Curtailment or Settlement</i>
Annual Improvements to IFRS Standards 2015–2017 Cycle	<i>Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, TAS 12 Income Taxes and TAS 23 Borrowing Costs</i>

##### **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 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements..

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

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

### **2.4 New and Revised Turkish Accounting Standards (cont’d)**

#### **New and amended TFRS Standards that are effective for the current year (cont’d)**

##### Impact of the new definition of a lease

The Company made use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and TFRIC 4 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. TFRS 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.

The Company applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

##### Impact on Lessee Accounting

###### *Operating leases*

TFRS 16 changes how the Company accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Company has:

- a) Recognised 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) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separated 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.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

### **2.4 New and Revised Turkish Accounting Standards (cont’d)**

#### **New and amended TFRS Standards that are effective for the current year (cont’d)**

##### Impact of the new definition of a lease (cont’d)

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under TFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company opted to recognise a lease expense on a straight-line basis as permitted by TFRS 16.

As at 1 January 2019, the impact of TFRS 16 on the financial statements of the Company is disclosed in “the effects of accounting policy amendments” note.

##### ***Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures***

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

##### ***TFRS Interpretation 23 Uncertainty over Income Tax Treatments***

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

##### ***Amendments to TAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement***

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

##### ***Annual Improvements to TFRS Standards 2015–2017 Cycle***

*Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.*

Other than TFRS 16, these standards, amendments and improvements have no impact on the financial position and performance of the Company.



## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

#### **2.5 Summary of Significant Accounting Policies**

##### **Related Parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

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

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

##### **Revenue**

Revenue is recognized when it is probable that an economic gain will be realized to the Company as a result of its operations and it is probable that the income will be measured reliably. Net sales is reduced for estimated and realized customer returns, rebates, commissions and taxes related with sales. Revenue is recognized when all the following conditions are satisfied:

##### *Sale of Real Estate*

Revenue is recognized when the the performance obligation is fulfilled as the contractually pledged real estate is transferred to the customer. When the customer acquires the control of the real estate the real estate is considered to be transferred.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Revenue (cont’d)**

##### *Rental income from real estate leases:*

Rental income from real estates is recognized on an accrual and a straight line basis through the related lease contract. If there are other benefits to the tenants of the Company, they are recorded so as to reduce rental income during the lease term.

##### *Dividend and interest income:*

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### *Sale of lands*

Revenue is recognised when all significant risks and rewards regarding the lands are transferred to the buyer and the amount of revenue can be measured reliably.

##### *Sales of land by way of “Land Sale of Revenue Sharing Agreement” (“LSRSA”)*

The Company recognizes revenue from the sale of land by “Land Sale of Revenue Sharing Agreement” (LSRSA) when transfer of legal ownership of land is transferred to the buyer. When the legal ownership is not transferred, the Company books its share of revenue as deferred income. The Company’s share in Total Sales Revenue (“TSR”) is recorded as revenue from sale of land and related cost is recognised as cost of land sold in the statement of profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Property, Plant and Equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

##### **Leases**

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

##### Leases - the Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (“TL”))

### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Leases (cont’d)**

###### Leases - the Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

##### **Intangible Assets**

###### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

###### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-10 years). Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

###### Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

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### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Impairment of Tangible and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Company borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

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### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Borrowing Costs (cont’d)**

General borrowings of the Company are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

##### **Financial Instruments**

###### Financial assets

At initial recognition, the Company measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A regular way purchase or sale of financial assets shall be recognized using trade date accounting or settlement date accounting.

The Company shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: (a) the Company’s business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset. When, and only when, an Company changes its business model for managing financial assets it shall reclassify all affected financial assets. If an entity reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
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**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

**2.5 Summary of Significant Accounting Policies (cont’d)**

**Financial Instruments (cont’d)**

Financial assets (cont’d)

*Financial assets at amortized cost*

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and,
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue regarding the financial assets at amortised cost, shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

The Company shall directly reduce the gross carrying amount of a financial asset and derecognizes the financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets at FVTOCI

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and,
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (“TL”))

**2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

**2.5 Summary of Significant Accounting Policies (cont’d)**

**Financial Instruments (cont’d)**

Financial assets (cont’d)

Financial assets at FVTOCI (cont’d)

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the entity shall account for the cumulative gain or loss that was previously recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, an entity can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Derivatives are also categorized as FVTPL unless they are designated as hedges. These financial assets are stated at fair value and any gain or losses are recognised in profit or loss.

Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Company applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.



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### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Financial Instruments (cont’d)**

###### Financial assets (cont’d)

###### Impairment (cont’d)

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

###### Financial liabilities

When a financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies: When the Company continues to recognise an asset to the extent of its continuing involvement, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset.

(c) contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

The Company does not reclassify any financial liability.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

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### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Financial Instruments (cont’d)**

###### *Recognition and derecognition of financial assets and liabilities*

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

###### *Derivative financial instruments and financial risk hedge accounting*

The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives are included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for financial risk hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Effect of Exchange Differences**

##### Foreign Currency Balances and Transactions

The individual financial statements of each Company entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

#### **Earnings Per Share**

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

#### **Events After the Reporting Period**

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information. The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

### **2.5 Summary of Significant Accounting Policies (cont’d)**

#### **Provisions, Contingent Assets and Liabilities**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)

#### 2.5 Summary of Significant Accounting Policies (cont’d)

##### Income Taxes

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts (“REIT”) is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to the Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/(4). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

According to the temporary Article (1) of the Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers related to the withholding tax rates which were determined as 15% according to the Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the Corporate Tax Law, real estate investment trusts earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

##### Deferred tax

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

##### Employee Benefits

###### *Termination and retirement benefits:*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) *Employee Benefits* (“TAS 19”).

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont’d)**

#### **2.5 Summary of Significant Accounting Policies (cont’d)**

##### **Employee Benefits (cont’d)**

###### *Profit-sharing and bonus plans*

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### **Statement of Cash Flows**

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities.

##### **Share Capital and Dividends**

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

#### **2.6 Segment Reporting**

As the Company only operates in Turkey and in the field of real estate investment, there are no business segments apart from those disclosed in the notes regarding the revenue and the cost of sales and reporting details in accordance with geographic segments to be reported.

#### **2.7 Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

##### Critical judgments in applying the entity’s accounting policies

In the process of applying the entity’s accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below):

###### *Useful lives of property, plant and equipment*

The Company reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. The Company takes into consideration the intended use of the property, plant and equipment, the advancement in technology related to the particular type of property, plant and equipment as well as other factors that may require management to extend or shorten the useful lives and the assets’ related depreciation.

###### *Determination of fair values of investment properties and investment properties under development*

The fair values of investment properties are based on valuations, performed by independent valuers using certain estimates and assumptions, who hold recognized and relevant professional qualifications licensed by the CMB and who have recent experience in the location and category of the investment properties being valued. Any future changes in these estimates and assumptions may cause significant impact on the Company’s financial statements.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 3. INTERESTS IN OTHER ENTITIES

##### Joint Operations

Shareholding of the Company in the joint operation is as follows:

	31 March 2019	31 December 2018
Halk GYO-Vakıf GYO Joint Operation	50%	50%
Halk GYO-Erkonut Joint Operation	50%	50%
Halk GYO-Teknik Yapı Joint Operation	50%	50%

##### Halk GYO-Vakıf GYO Joint Operation

Halk GYO-Vakıf GYO Joint Operation has been founded in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the Bizimtepe Aydos Project in İstanbul. The residences in the project will be offered for sale. The financial information of Halk GYO-Vakıf GYO is summarized in the following tables. The financial information of Halk GYO-Vakıf GYO as per the shareholding and voting rights is as follows:

	31 March 2019	31 December 2018
Halk GYO-Vakıf GYO Joint Operation		
Current assets	104,218,396	93,267,604
Non-current assets	3,575,276	3,501,319
Current liabilities	(5,767,575)	(8,844,324)
	1 January- 31 March 2019	1 January- 31 December 2018
Income	70,705	27,710,214

##### Halk GYO-Erkonut Joint Operation

Halk GYO-Erkonut Joint Operation has been founded in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the Şehristan Project in Erzurum. The residences in the project will be offered for sale. The financial information of Halk GYO-Erkonut is summarized in the following tables. The financial information of Halk GYO-Erkonut as per the shareholding and voting rights is as follows:

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

**3. INTERESTS IN OTHER ENTITIES (cont’d)****Joint Operations (cont’d)****Halk GYO-Erkonut Adi Ortaklığı (cont’d)**

	31 March 2019	31 December 2018
Halk GYO-Erkonut Joint Operation	<u>40,080,218</u>	<u>40,093,573</u>
Current assets	40,080,218	40,093,573
Non-current assets	-	15,095
Current liabilities	(1,269,282)	(5,721,325)
	1 January- 31 March 2019	1 January- 31 December 2018
Income/(Expenses)	<u>(90,335)</u>	<u>15,495,419</u>

**Halk GYO-Teknik Yapı Joint Operation**

Halk GYO-Teknik Yapı Joint Operation has been founded on 24 August 2017 in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the İzmir Project in İzmir. The residences in the project will be offered for sale. The financial information of Halk GYO-Teknik Yapı is summarized in the following tables. The financial information of Halk GYO-Teknik Yapı as per the shareholding and voting rights is as follows:

	31 March 2019	31 December 2018
Halk GYO-Teknik Yapı Joint Operation	<u>7,636,049</u>	<u>8,151,289</u>
Current assets	7,636,049	8,151,289
Non-current assets	16,838,421	15,973,326
Current liabilities	(37,692,441)	(31,392,312)
Non-current liabilities	(38,168)	(2,987,240)
	1 January- 31 March 2019	1 January- 31 December 2018
Expenses	<u>(2,992,474)</u>	<u>(9,053,144)</u>



## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 4. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Company and other related parties are disclosed below:

	31 March 2019	31 December 2018
<u>Deposits at Halk Bank</u>		
Demand deposits	688,830	629,156
Time deposits	24,351,161	28,121,306
Pos balance	2,000	11,132
	<u>25,041,991</u>	<u>28,761,594</u>
Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 22)	264,565,041	250,839,562
Short-term loans received from Halk Bank (Note 22)	28,901,981	25,955,799
Long-term loans received from Halk Bank (Note 22)	3,314,009	4,030,427
Halk Leasing Financial Lease Agreement (Note 22)	<u>22,389,623</u>	<u>23,999,353</u>

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 4. RELATED PARTY DISCLOSURES (cont’d)

	31 March 2019								
	Receivables		Payables		Long Term	Prepaid Expenses		Investment Properties	
	Short Term		Short Term			Short Term		Short Term	
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
<u>Shareholders</u>									
Halkbank A.Ş.	2,190	-	5,946	-	-	-	-	-	-
<u>Related parties controlled by main shareholder</u>									
Halk Yatırım Menkul Değ.A.Ş.	-	-	-	-	-	-	-	-	-
Halk Hayat ve Emeklilik A.Ş.	-	-	1,247	-	-	273	-	-	-
Halk Leasing Finansal Kiralama A.Ş.(*)	-	-	-	11,953,862	10,435,760	33,711	-	1,306,751	-
Halk Varlık Kiralama A.Ş.	-	-	-	264,565,041	-	-	-	14,801,961	-
Halk Sigorta A.Ş.	-	-	279,704	-	-	614,584	-	-	-
	<u>2,190</u>	<u>-</u>	<u>286,897</u>	<u>276,518,903</u>	<u>10,435,760</u>	<u>648,569</u>	<u>-</u>	<u>16,108,712</u>	<u>-</u>
31 December 2018									
	Receivables		Payables		Short Term	Prepaid Expenses		Investment Properties	
	Short Term		Short Term			Short Term		Short Term	
	Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade	Trade	Non-Trade	Trade
<u>Shareholders</u>									
Halkbank A.Ş.	627	-	4,541	-	-	-	-	4,885,000	-
<u>Related parties controlled by main shareholder</u>									
Halk Yatırım Menkul Değ.A.Ş.	-	-	-	-	-	-	-	365,000	-
Halk Hayat ve Emeklilik A.Ş.	-	-	-	-	-	4,111	-	-	-
Halk Leasing Finansal Kiralama A.Ş.(*)	-	-	-	11,405,834	12,593,519	-	-	33,456,558	-
Halk Varlık Kiralama A.Ş.	-	-	-	250,839,562	-	-	-	23,757,071	-
Halk Sigorta A.Ş.	-	-	74,537	-	-	294,318	-	-	-
	<u>627</u>	<u>-</u>	<u>79,078</u>	<u>262,245,396</u>	<u>12,593,519</u>	<u>298,429</u>	<u>-</u>	<u>62,463,629</u>	<u>-</u>

(\* ) The Company signed an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. within the scope of service procurement for vertical transports (elevator and escalator) in Halk Office Towers to be built related to the project of Istanbul International Finance Center and signed financial lease agreement with Halk Finansal Kiralama A.Ş. for relevant service procurement. Assets acquired under financial leasing are recognized in investment properties with capitalized borrowing cost amounting to TL 8,728,425.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

**4. RELATED PARTY DISCLOSURES (cont’d)**

Transactions with related parties	1 January - 31 March 2019			
	Interest income	Interest expenses	Rent income	Other expenses
<u>Shareholders</u>				
Halkbank A.Ş.	1,366,839	1,568,152	10,517,588	200,972
<u>Related parties controlled by main shareholder</u>				
Halk Varlık Kiralama A.Ş.	-	-	-	-
Halk Hayat ve Emeklilik A.Ş.	-	-	19,053	4,537
Halk Sigorta A.Ş.(*)	-	-	-	309,180
	<u>1,366,839</u>	<u>1,568,152</u>	<u>10,536,641</u>	<u>514,689</u>

(\*) The amount consists of building and health insurance services from Halk Sigorta A.Ş

Transactions with related parties	1 January - 31 March 2018			
	Interest income	Interest expense	Rent income	Other expense
<u>Shareholders</u>				
Halkbank A.Ş.	825,638	951,489	9,478,633	64,804
<u>Related parties controlled by main shareholder</u>				
Halk Hayat ve Emeklilik A.Ş.	-	-	14,100	2,533
Halk Sigorta A.Ş.	-	-	-	269,099
Halk Portföy Yönetimi A.Ş.	-	2,543,323	-	-
Halk Yatırım Menkul Değerler A.Ş.	-	-	-	70,000
	<u>825,638</u>	<u>3,494,812</u>	<u>9,492,733</u>	<u>406,436</u>

**Compensation of key management personnel:**

Key management personnel comprises, members of board of directors and members of execution committee, general manager and deputy general manager. Compensation of key management personnel comprises professional fees and other benefits such as; salaries, premium, healthcare insurance and transportation. The remuneration of directors and other members of key management during the period is as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Salaries and other short term benefits	<u>486,332</u>	<u>253,537</u>
	<u>486,332</u>	<u>253,537</u>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

**5. TRADE RECEIVABLES AND PAYABLES****a) Trade Receivables:**

The details of the Company’s trade receivables as of balance sheet date are as follows:

	31 March 2019	31 December 2018
<b>Current trade receivables</b>		
Trade receivables	14,238,746	9,855,156
Receivables from related parties (Note 4)	2,190	627
Allowance for doubtful receivables (-) (*)	(142,409)	(98,558)
	<u>14,098,527</u>	<u>9,757,225</u>

(\*) The balance consists of expected credit loss for trade receivables calculated in accordance with TFRS 9.

	31 March 2019	31 December 2018
<b>Movement of Allowance for Doubtful Receivables</b>		
Balance at beginning of the year	(98,558)	(425,027)
Amounts reversed during the period	-	326,469
Charge for the period	(43,851)	-
Closing balance	<u>(142,409)</u>	<u>(98,558)</u>

The Company’s short term trade receivables comprise sale of residences and rental income from Referans Bakırköy Project, Bizimtepe Aydos Project, Eskişehir Panorama Plus Project and Erzurum Şehristan Project respectively amounting to TL 889,287 (31 December 2018: TL 831,222), TL 3,424,643 (31 December 2018: TL 3,929,705), TL 1.388.928 (31 December 2018: TL 1,389,173), TL 953,511 (31 December 2018: TL 1,029,262), and rental receivables TL 7,584,567 (31 December 2018: TL 2,676,421). Rental receivables of the Company are guaranteed with guarantee letters.

As at 31 March 2019, the Company does not have trade receivables past due (31 December 2018: the Company does not have trade receivables past due).

	31 March 2019	31 December 2018
<b>Non-current trade receivables</b>		
Trade receivables	6,143,131	6,279,174
Allowance for doubtful receivables (-)	(61,431)	(62,792)
	<u>6,081,700</u>	<u>6,216,382</u>

The Company’s long-term trade receivables comprise sale of residences at Eskişehir Panorama Plus Project and Bizimtepe Aydos Project amounting to TL 2,567,855 (31 December 2018: TL 2,777,855) and TL 3,575,276, respectively (31 December 2018: TL 3,501,319).

Explanations about the nature and level of risks related to trade receivables are provided in Note 23.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 5. TRADE RECEIVABLES AND PAYABLES (cont’d)

##### b) Trade Payables:

The details of the Company’s trade payables as of balance sheet date are as follows:

	31 March 2019	31 December 2018
Short term trade payables		
Trade payables	14,733,723	15,549,139
Trade payables to related parties (Note 4)	286,897	79,078
	<u>15,020,620</u>	<u>15,628,217</u>

Explanations about the nature and level of risks related to trade payables are provided in Note 23.

#### 6. INVENTORIES

	31 December 2018			31 March 2019
Land stocks	Cost Value	Addition	Disposal	Cost Value
Referans Bakırköy Residence Project <sup>(1)</sup>	473,957	-	-	473,957
Panaroma Plus Residence Project <sup>(2)</sup>	4,633,813	-	(244,295)	4,389,518
Sancaktepe - Residence Project <sup>(3)</sup>	65,702,903	-	(1,485,222)	64,217,681
Erzurum - Şehristan Residence Project <sup>(4)</sup>	27,714,455	-	(852,330)	26,862,125
İzmir Residence Project <sup>(5)</sup>	6,601,383	314,744	(784,777)	6,131,350
Total	<u>105,126,511</u>	<u>314,744</u>	<u>(3,366,624)</u>	<u>102,074,631</u>

	31 December 2017			31 March 2018
Land stocks	Cost Value	Addition	Disposal	Cost Value
Referans Bakırköy Residence Projesi <sup>(1)</sup>	2,739,448	-	(267,194)	2,472,254
Panaroma Plus Residence Projesi <sup>(2)</sup>	7,199,079	-	(379,762)	6,819,317
Sancaktepe - Residence Projesi <sup>(3)</sup>	177,343,489	21,380,063	-	198,723,552
Erzurum - Şehristan Residence Project <sup>(4)</sup>	61,669,985	2,977,088	-	64,647,073
İzmir Residence Project <sup>(5)</sup>	3,052,403	471,940	-	3,524,343
Total	<u>252,004,404</u>	<u>24,829,091</u>	<u>(646,956)</u>	<u>276,186,539</u>

<sup>(1)</sup> The Company has arranged a bid to develop a project on Bakırköy Land as Land Sale of Revenue Sharing Agreement (LSRSA) and as a consequence signed a contract with a firm on 17 February 2012. The Company registered for each plot that the project takes place for construction servitude on 24 February 2014.

The Company has received an advance payment from subcontractor as per an agreement for an ongoing project related with LSRSA amounting to TL 18,100,000 and TL 100,000 respectively on 17 February 2012 and 1 March 2013. The Company’s projected land cost is TL 31,765,625.

The plans of Referans Bakırköy Project, for which first construction permission was obtained as at 31 May 2012 and which is currently under construction, have been modified to provide 254 residential and 73 commercial units, as opposed to prior 256 residential and 70 commercial units and the modification permission of the revised project was approved by relevant authorities as at 19 September 2013.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 6. INVENTORIES (cont’d)

(1) (cont’d) In 2017, in-kind sharing was realized with the contractor, leaving 27 independent units to the contractor and retaining 9 for the Company.

In 2019, there were not any transferred units (31 December 2018: transfer of 5 independent units, revenue in the amount of TL 1,949,715 and cost of sales relating to these sales amounting to TL 1,060,088. Cost of sales includes taxes, duties and charges).

(2) Eskişehir Odunpazarı Land which was registered with Odunpazarı/Eskişehir registry with 1452 block 89 plot and 90 plot is currently registered to 110 plot, with change at the partition plan at 22 March 2013. The Company has acquired the plot belonging to Eskişehir Municipality within new 110 plot with a cost value of TL 668,000 at 22 March 2013 and registered previously named 89 plot and 90 plot covering an area of 13,570 m2 as 110 plot. Due to new partition plan investment property is entrusted from 13,073 m2 registered as 9,811 m2. After entrusting, description of the plot has changed to land from factory building. The deeds of floor easement of 97 residential and 5 commercial units were taken as of 30 December 2014. During 2019, 1 independent unit was sold amounting to TL 360,000 and cost of sales relating to this sale is amounting to TL 250,015 (As at 31 December 2018, 4 independent units were sold amounting to TL 1,635,000 and cost of sales relating to these sales amounting to TL 1,305,063). Cost of sales includes taxes, duties and charges.

(3) As at 16 October 2014, a land in Sancaktepe/Istanbul was purchased for TL 110,000,000 by Halk GYO-Vakıf GYO Adi Ortaklığı for real estate development project. The main contractor services agreement was signed at 22 October 2015 and the construction permit was granted on 6 November 2015. There is no restriction on the land.

As of 31 March 2019, the delivery of independent units were continuing and 9 independent units have been delivered so far. Total sale of TL 1,782,396 was recognized and TL 1,412,053 was accounted for in cost of sales. (2018: For 753 independent units a total sales of TL 187,395,433 was recognized and TL 148,395,114 was accounted for in cost of sales).

(4) As at 1 April 2016, a land in Yakutiye /Erzurum was purchased for TL 17,500,000 by Halk GYO-Erkonut Adi Ortaklığı for real estate development project. The main contractor services agreement was signed at 31 May 2016 and the construction permit was granted on 10 May 2016. There is no restriction on the land.

As of 31 March 2019, the delivery of independent units were in continue and 8 independent units have been delivered so far after the relevant transactions were completed. Total sale of TL 1,298,680 was recognized and TL 871,810 was accounted for in cost of sales (2018: For 404 independent units a total sales of TL 61,944,577 was recognized and TL 46,136,315 was accounted for in cost of sales).

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

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**6. INVENTORIES (cont’d)**

- (5) As at 24 August 2017, Halk GYO and Teknik Yapı Adi Ortaklığı signed a LSRSA contract for a mixed project on the parcels located in İzmir, Konak Province, Umurbey and Kuruçay districts and this amount comprise of the official expenses made for the project. There is no restriction on the land. First stage within the scope of Land Sale of Revenue Sharing Agreement (Evora İzmir), construction permits belong to 451 residences stated in 7700 land 1 parcel purchased on 27 September 2018. As of 31 March 2019 sales commitment agreements were signed for 49 independent units.

**7. PREPAID EXPENSES AND DEFERRED INCOME**

	31 March 2019	31 December 2018
<b>Short Term Prepaid Expenses</b>		
Prepaid insurance expenses (Note 4)	648,569	298,429
Other	98,931	349,148
	<u>747,500</u>	<u>647,577</u>
	31 March 2019	31 December 2018
<b>Long term prepaid expenses</b>		
Investment advances (*)	115,569,495	118,780,712
Other	44,025	48,296
	<u>115,613,520</u>	<u>118,829,008</u>

(\*) As at 31 March 2019, the advances given comprise those given to the main contractor and the project management contractors of the IFC Project amounting to TL 100,971,935 (31 December 2018: TL 102,981,318), İzmir Project amounting to TL 14,577,884 (31 December 2018 TL 15,776,089), Erzurum Şehristan Project amounting to TL 0 (31 December 2018: TL 15,095), Caddebostan Project amounting to TL 19,676 (31 December 2018: TL 8,210).

	31 March 2019	31 December 2018
<b>Short Term Deferred Income</b>		
Deferred residential sale income <sup>(1)</sup>	10,045,093	10,102,627
Other	1,273,378	13,750
	<u>11,318,471</u>	<u>10,116,377</u>

(1) Deferred residential sale income consist of TL 710,592 (31 December 2018: TL 710,592) generated from the sales of residences from LSRSA project realized on the estate located in Bakırköy. As per the Company’s LSRSA agreement, 50.5% share of the revenue from sales is collected by the Company. As of 31 March 2019, of the total 327 units of the project which consists of 254 residential and 73 commercial units 325 units have been sold for TL 215,3 Million (excluding advances from contractor) and transfer of title deeds has been completed for 318 residential units with the sales value of TL 210,3 Million. (31 December 2018: 327 units have been sold for TL 215,3 Million, excluding advances from contractor, and transfer of title deeds has been completed for 315 residential units with the sales value of TL 195,5 Million). Additionally the balance includes advances received for sales of residence project on Eskişehir-Odunpazarı land amounting to TL 23,945 (31 December 2018: TL 21,945).

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 7. PREPAID EXPENSES AND DEFERRED INCOME (cont’d)

(1) (cont’d) Additionally deferred income also includes TL 3,325,844, TL 898,629 and TL 5,086,083 (31 December 2018: TL TL 5,444,637, TL 1,017,775 and TL 2.907.678) generated from the sales of residences from Bizimtepe Aydos Project, Erzurum Şehristan Project and Izmir Evora Project respectively. The Company has signed preliminary sales contracts for 772 residential units from total units of 1,037 residential and 48 commercial units for Bizimtepe Aydos Project and sales 411 residential and 6 commercial units from total units of 632 residential and 13 commercial units for Erzurum Şehristan Project.

#### 8. INVESTMENT PROPERTIES

##### Fair value measurement of the Company’s investment properties

The fair value of the Company’s investment properties as at 31 December 2018 have been arrived at on the basis of a valuation carried out on the respective dates by A Artıbir Gayrimenkul Değerleme A.Ş., independent valuers not related to the Company. A Artıbir Gayrimenkul Değerleme A.Ş., which is authorized by the CMB with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the lands were determined based on the market comparable approach and cost value.

In estimating the fair value of the properties, the highest and best value in use of the properties is considered.

Details of the Company’s investment properties and information about the fair value hierarchy as at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	Fair value as at 31 March 2019		
		Level 1	Level 2	Level 3
		TL	TL	TL
Land	7,286,000	-	7,286,000	-
Buildings	1,098,187,635	-	1,098,187,635	-
Investment properties under development	1,205,774,642	-	1,205,774,642	-
	<u>2,311,248,277</u>	<u>-</u>	<u>2,311,248,277</u>	<u>-</u>

  

	31 December 2018	Fair value as at 31 December 2018		
		Level 1	Level 2	Level 3
		TL	TL	TL
Land	7,286,000	-	7,286,000	-
Buildings	1,098,187,635	-	1,098,187,635	-
Investment properties under development	1,183,298,775	-	1,183,298,775	-
	<u>2,288,772,410</u>	<u>-</u>	<u>2,288,772,410</u>	<u>-</u>

There were no transfers between Level 1 and Level 2 during the period.

As of 31 March 2019, the total amount of insurance on investment properties is TL 1,839,591,501 (31 December 2018: TL 1,791,914,981). As of 31 December 2018, the total amount of capitalized interest expenses on investment properties is TL 48,734,516 (31 December 2018: TL 33,889,009).



**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (“TL”))

**8. INVESTMENT PROPERTIES (cont’d)**

	31 December 2018			Fair value	31 March 2019
<b>Investment properties</b>	Fair value	Addition	Disposal	difference	Fair value
İstanbul Salıpazarı Arsası	7,286,000	-	-	-	7,286,000
<b>Total land</b>	<b>7,286,000</b>	-	-	-	<b>7,286,000</b>
İstanbul Karaköy Building	37,825,000	-	-	-	37,825,000
İstanbul Salıpazarı Building	81,056,000	-	-	-	81,056,000
İzmir Konak Building-1	28,794,550	-	-	-	28,794,550
Ankara Kızılay Building	18,714,823	-	-	-	18,714,823
İstanbul Beyoğlu Building	28,741,669	-	-	-	28,741,669
İstanbul Beşiktaş Building	21,346,000	-	-	-	21,346,000
İstanbul Etiler Building	20,526,000	-	-	-	20,526,000
İstanbul Şişli Bulding	18,844,404	-	-	-	18,844,404
İzmir Konak Building-2	16,186,796	-	-	-	16,186,796
Ankara Başkent Building	12,642,550	-	-	-	12,642,550
İstanbul Bakırköy Building	25,154,333	-	-	-	25,154,333
Bursa Building	16,110,000	-	-	-	16,110,000
Ankara Bahçelievler Building 1	10,770,670	-	-	-	10,770,670
Kocaeli Building	13,100,920	-	-	-	13,100,920
İstanbul Fatih Building	13,475,250	-	-	-	13,475,250
Sakarya Adapazarı Building	10,979,699	-	-	-	10,979,699
Ankara Bahçelievler Building 2	9,000,000	-	-	-	9,000,000
İstanbul Ataköy Building	12,954,666	-	-	-	12,954,666
İstanbul Nişantaşı Building	10,288,500	-	-	-	10,288,500
Halkbank Finance Tower	228,385,286	-	-	-	228,385,286
Park Dedeman Levent Hotel	246,138,000	-	-	-	246,138,000
Kocaeli Şekerpinar Block A	137,773,786	-	-	-	137,773,786
Eskişehir Panaroma Plus Project - Block D	-	-	-	-	-
Eskişehir Panaroma Plus Project - Block B17	-	-	-	-	-
Kocaeli Şekerpinar Office Project	77,995,312	-	-	-	77,995,312
Eskişehir B12 apartment	680,248	-	-	-	680,248
Eskişehir B13 apartment	703,173	-	-	-	703,173
<b>Total Buildings</b>	<b>1,098,187,635</b>	-	-	-	<b>1,098,187,635</b>
İstanbul Finance Center Project	1,158,995,000	22,475,867	-	-	1,181,470,867
İstanbul Caddebostan Building Project	24,303,775	-	-	-	24,303,775
<b>Total investment properties under development</b>	<b>1,183,298,775</b>	<b>22,475,867</b>	-	-	<b>1,205,774,642</b>
<b>Total</b>	<b>2,288,772,410</b>	<b>22,475,867</b>	-	-	<b>2,311,248,277</b>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

**8. INVESTMENT PROPERTIES (cont’d)**

	31 December 2017			Fair value	31 March 2018
<b>Investment properties</b>	Fair value	Addition	Disposal	difference	Fair value
İstanbul Salıpazarı Land	-	5,178,343	-	-	5,178,343
İstanbul Karaköy Building	36,000,000	-	-	-	36,000,000
İstanbul Salıpazarı Building	59,728,296	4,552,701	-	-	64,280,997
İzmir Konak Building-1	27,156,000	-	-	-	27,156,000
Ankara Kızılay Building	17,013,475	-	-	-	17,013,475
İstanbul Beyoğlu Building	26,473,003	-	-	-	26,473,003
İstanbul Beşiktaş Building	19,465,000	-	-	-	19,465,000
İstanbul Etiler Building	18,440,000	-	-	-	18,440,000
İstanbul Şişli Bulding	16,262,529	-	-	-	16,262,529
İzmir Konak Building-2	16,090,500	-	-	-	16,090,500
Ankara Başkent Building	11,854,750	-	-	-	11,854,750
İstanbul Bakırköy Building	23,548,000	-	-	-	23,548,000
Bursa Building	14,400,400	-	-	-	14,400,400
Ankara Bahçelievler Building 1	9,863,250	-	-	-	9,863,250
Kocaeli Building	12,521,000	-	-	-	12,521,000
İstanbul Fatih Building	12,477,083	-	-	-	12,477,083
Sakarya Adapazarı Building	12,525,000	-	-	-	12,525,000
Ankara Bahçelievler Building 2	8,100,000	-	-	-	8,100,000
İstanbul Ataköy Building	12,463,200	-	-	-	12,463,200
İstanbul Nişantaşı Building	9,514,000	-	-	-	9,514,000
Halkbank Finance Tower	209,450,640	-	-	-	209,450,640
Park Dedeman Levent Hotel	176,319,803	-	-	-	176,319,803
Kocaeli Şekerpinar Block A	98,016,800	-	-	-	98,016,800
Eskişehir Panorama Plus Project - Block D	4,236,600	-	-	-	4,236,600
Kocaeli Şekerpinar Office Project	75,832,883	155,696	-	-	75,988,579
<b>Total Buildings</b>	<b>927,752,212</b>	<b>9,886,740</b>	-	-	<b>937,638,952</b>
İstanbul Finance Center Project	888,120,000	58,223,009	-	-	946,343,009
İstanbul Caddebostan Building Project	12,512,591	393,086	-	-	12,905,677
<b>Total investment properties under development</b>	<b>900,632,591</b>	<b>58,616,095</b>	-	-	<b>959,248,686</b>
<b>Total</b>	<b>1,828,384,803</b>	<b>68,502,835</b>	-	-	<b>1,896,887,638</b>

# HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

### 8. INVESTMENT PROPERTIES (cont'd)

Investment Properties	Acquisition Date	Acquisition Amount	Appraisal Method	Appraisal Date	Appraisal Value	Lessees	Rent Income (2019 1st Quarter)	Operating Expenses (2019) (TL)	Rent Income (2018 1st Quarter)	Operating Expenses (2019) (TL)
Istanbul Salpazarı Land	26 January 2018	5,178,343	Market Comparable Approach	10 December 2018	7,286,000		-	-	-	-
<b>Total Lands</b>		<b>5,178,343</b>			<b>7,286,000</b>		-	-	-	-
Ankara Bahçelievler Building 1 <sup>1</sup>	28 October 2010	6,681,356	Market Comparable Approach	20 December 2018	10,770,670	Halk Bankası A.Ş.	231,212	408	201,054	362
Ankara Bahçelievler Building 2	28 October 2010	5,684,746	Market Comparable Approach	10 December 2018	9,000,000	-	-	253	-	225
Ankara Başkent Building	28 October 2010	9,541,729	Market Comparable Approach	21 December 2018	12,642,550	Halk Bankası A.Ş. - Ceda Akaryakıt İnşaat Emlak Turizm Ltd	345,871	1,240	301,876	1,102
Ankara Kızılay Building	28 October 2010	12,475,237	Market Comparable Approach	28 December 2018	18,714,823	Halk Bankası A.Ş.	440,008	1,658	382,616	1,473
Ataşçir Finans Plaza	12 January 2012	126,548,795	Market Comparable Approach	27 December 2018	228,385,286	Halk Bankası A.Ş.	4,050,000	46,959	3,600,000	1,094
Bursa Building	28 October 2010	8,500,000	Market Comparable Approach	27 December 2018	16,110,000	Halk Bankası A.Ş.	306,345	1,232	266,387	-
Eskişehir B12 Flat	24 January 2012	680,634	Market Comparable Approach	28 December 2018	680,248	Ramazan Şahin	8,250	-	-	-
Eskişehir B13 Flat	24 January 2012	607,604	Market Comparable Approach	28 December 2018	703,173	Gökhan Yıldırım	8,265	-	-	836
Istanbul Ataköy Building	28 October 2010	5,061,500	Market Comparable Approach	27 December 2018	12,954,666	Halk Bankası A.Ş.	256,326	941	222,892	27,360
Istanbul Bakırköy Building	28 October 2010	9,023,500	Market Comparable Approach	27 December 2018	25,154,333	Halk Bankası A.Ş.	456,613	1,101	397,054	978
Istanbul Beşiktaş Building	27 October 2010	11,893,840	Market Comparable Approach	21 December 2018	21,346,000	Halk Bankası A.Ş.	415,102	644	360,959	572
Istanbul Beyoğlu Building	28 October 2010	12,000,000	Market Comparable Approach	28 December 2018	28,741,669	Halk Bankası A.Ş. - T.C. Undersecretariat of Treasury	356,158	1,267	414,183	1,900
Istanbul Etiler Building	27 October 2010	11,000,000	Market Comparable Approach	21 December 2018	20,526,000	Halk Bankası A.Ş.	323,780	559	281,548	248
Istanbul Fatih Building	28 October 2010	6,380,000	Market Comparable Approach	27 December 2018	13,475,250	Halk Bankası A.Ş.	207,551	1,856	180,479	1,649
Istanbul Karaköy Building <sup>2</sup>	2 November 2010	23,500,000	Market Comparable Approach	10 December 2018	37,825,000	Halk Bankası A.Ş.	-	3,040	-	2,701
Istanbul Nişantaşı Building	2 November 2010	5,000,000	Market Comparable Approach	21 December 2018	10,288,500	Halk Bankası A.Ş.	174,343	269	151,603	71,553
Istanbul Salpazarı Building	28 October 2010	38,050,960	Cost Method Approach	27 December 2018	81,056,000	Sapaz Oteliçlik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	1,441,577	14,056	1,128,875	239
Istanbul Şişli Building	2 November 2010	11,000,000	Market Comparable Approach	28 December 2018	18,844,404	Halk Bankası A.Ş.	319,629	1,195	277,938	48,358
İzmir Konak Building-1	2 November 2010	13,400,000	Market Comparable Approach	28 December 2018	28,794,550	Halk Bankası A.Ş.	435,857	1,469	379,006	1,061
İzmir Konak Building-2	2 November 2010	10,290,000	Market Comparable Approach	28 December 2018	16,186,796	Halk Bankası A.Ş. - Halk Hayat ve Emeklilik A.Ş.	295,336	9,997	254,346	1,305
Kocaeli Building	28 October 2010	6,519,193	Market Comparable Approach	27 December 2018	13,100,920	Halk Bankası A.Ş.	290,572	904	252,671	14,441
Kocaeli Şekerpinar A Block Data Center	11 September 2012	67,860,443	Cost Method Approach	27 December 2018	137,773,786	Halk Bankası A.Ş.	1,737,050	66,249	1,534,361	803
Kocaeli Şekerpinar B Block <sup>3</sup>	11 September 2012	39,830,221	Construction Level Method	27 December 2018	77,995,312	-	-	94,264	-	74,206
Levent Otel Proje (b)	3 November 2010	91,186,481	Cost Method Approach	13 December 2018	246,138,000	Dedeman Turizm Yönetimi A.Ş.	5,134,366	33,481	3,458,050	115,770
Sakarya Adapazarı Building <sup>4</sup>	28 October 2010	5,960,000	Market Comparable Approach	28 December 2018	10,979,699	-	-	1,249	230,761	700
<b>Total Buildings</b>		<b>538,676,239</b>			<b>1,098,187,635</b>		<b>17,234,211</b>	<b>284,291</b>	<b>14,276,659</b>	<b>368,935</b>
Istanbul Finance Center Project	28 October 2010	521,930,884	Cost Method Approach	27 December 2018	1,181,470,867	-	-	-	-	-
Istanbul Cadebostan Building Project	3 November 2010	7,845,679	Market Comparable Approach	26 December 2018	24,303,775	-	-	-	-	-
<b>Total investment properties under development</b>		<b>529,776,563</b>			<b>1,205,774,642</b>		-	-	-	-
<b>Total</b>		<b>1,073,631,145</b>			<b>2,311,248,277</b>		<b>17,234,211</b>	<b>284,291</b>	<b>14,276,659</b>	<b>368,935</b>

1- Lease contract for Ankara Bahçelievler Building 2 ended as of 24 May 2017; and the building was rented to İpekyol Giyim San. Paz. ve Tic. A.Ş. on 1 April 2019.

2- Lease contract for İstanbul Karaköy Building ended as of 23 October 2017.

3- Marketing activities for Kocaeli Şekerpinar B Block Building are in progress.

4- Lease contract for Sakarya Adapazarı Building ended as of 31 October 2018.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

**8. INVESTMENT PROPERTIES (cont’d)****Operating leases**The Company as lessor

The Company has signed operating lease agreements with Halkbank, Koton, Halk Hayat ve Emeklilik, Turkish Treasury, Migros, Ceda Akaryakıt Turizm and Sapaz Otelcilik Turizm as lessor. The future minimum lease payments as at 31 March 2019 and 31 December 2018 under non-cancellable leases are as follows:

Operational lease	31 March 2019	31 December 2018
Less than one year	70,328,962	59,141,590
Between one and five years	168,911,893	182,540,699
More than five years	184,057,813	215,038,955
	423,298,668	456,721,244

**9. PROPERTY, PLANT AND EQUIPMENT****Cost Value**

	Furniture and fixture	Leashold improvements	Right of Use Assets	Total
Opening balance as at 1 January 2019	1,855,540	670,527	-	2,526,067
Additions	-	1,302,134	1,662,513	2,964,647
Transfers	-	784,777	-	784,777
Disposals	(1,398)	-	-	(1,398)
Closing balance as at 31 March 2019	1,854,142	2,757,438	1,662,513	6,274,093

**Accumulated Depreciation**

Opening balance as at 1 January 2019	(1,062,661)	(663,086)	-	(1,725,747)
Period charge	(61,817)	(460)	(154,709)	(216,986)
Disposals	1,398	-	-	1,398
Closing balance as at 31 March 2019	(1,123,080)	(663,546)	(154,709)	(1,941,335)
Carrying value as at 31 March 2019	731,062	2,093,892	1,507,804	4,332,758

**Cost Value**

	Furniture and fixture	Leashold improvements	Right of Use Assets	Total
Opening balance as at 1 January 2018	1,215,693	663,427	-	1,879,120
Additions	4,270	7,099	-	11,369
Closing balance as at 31 March 2018	1,219,963	670,526	-	1,890,489

**Accumulated Depreciation**

Opening balance as at 1 January 2018	(947,052)	(661,416)	-	(1,608,468)
Period charge	(28,500)	(290)	-	(28,790)
Closing balance as at 31 March 2018	(975,552)	(661,706)	-	(1,637,258)
Carrying value as at 31 March 2018	244,411	8,820	-	253,231

The following useful lives are used in the calculation of depreciation:

	Useful life
Furniture and fixture	5 years
Leashold improvements	5 years

Depreciation expenses of TL 216,986 (31 March 2018: TL 28,790) have been charged in ‘general administrative expenses’.

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****NOTES TO THE REVIEWED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

(Amounts expressed in Turkish Lira (“TL”))

**10. INTANGIBLE ASSETS**

<b>Cost Value</b>	<b>Other intangible assets</b>	<b>Total</b>
Opening balance as at 1 January 2019	1,019,841	1,019,841
Additions	-	-
Closing balance as at 31 March 2019	1,019,841	1,019,841
<b>Accumulated Amortization</b>		
Opening balance as at 1 January 2019	(673,528)	(673,528)
Period charge	(7,097)	(7,097)
Closing balance as at 31 March 2019	(680,625)	(680,625)
Carrying value as at 31 March 2019	339,216	339,216
<b>Cost Value</b>		
Opening balance as at 1 January 2018	756,707	756,707
Additions	25,449	25,449
Closing balance as at 31 March 2018	782,156	782,156
<b>Accumulated Amortization</b>		
Opening balance as at 1 January 2018	(650,989)	(650,989)
Period charge	(3,081)	(3,081)
Closing balance as at 31 March 2018	(654,070)	(654,070)
Carrying value as at 31 March 2018	128,086	128,086

Amortization expenses of TL 7,097 (31 March 2018: TL 3,081) have been charged in ‘general administrative expenses’. The following useful lives are used in the calculation of amortization:

	<b>Useful life</b>
Other intangible assets	3 years

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

(Amounts expressed in Turkish Lira (“TL”))

#### 11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### a) Provisions

As at 31 March 2019 and 31 December 2018 lawsuit details is as follows:

	31 March 2018	31 December 2018
Other short term provisions		
Lawsuit provision	209.483	205.335
Other provisions	-	81.912
	<u>209.483</u>	<u>287.247</u>

  

	Legal claims	Total
Balance at 1 January 2019	205,335	205,335
Additional provisions recognized	4,148	4,148
Balance at 31 March 2019	<u>209,483</u>	<u>209,483</u>

  

	Legal claims	Total
Balance at 1 January 2018	108,968	108,968
Additional provisions recognized	96,367	96,367
Balance at 31 December 2018	<u>205,335</u>	<u>205,335</u>

##### b) Collateral-Pledge-Mortgage (“CPM”)

As per the decision of the CBM, made in the meeting no. 28/780, dated 9 September 2009, in which the collateral-pledge-mortgages (CPMs) given by publicly owned companies to the guarantee a third party’s debts;

For companies other than publicly owned investment trusts and financial institutions, no limitation is imposed;

- i) For their own corporate identities
- ii) In favour of fully consolidated subsidiaries
- iii) In favour of 3rd parties in the normal course of their operations.

After the decision is published at the Public Disclosure Platform, publicly owned companies would not give commitments, except for those given under normal course of their operations, to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitment has already been given it would be reduced to nil until 31 December 2014.

The Company has filed 11 lawsuits comprised of 5 tax cases, 1 business case, 1 declaratory action, 1 cancellation of administrative jurisdiction, 1 executive proceeding and accordingly, 1 action for annulment of objection and 1 action for evacuation.

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**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont’d)****b) Collateral-Pledge-Mortgage (“CPM ) (cont’d)**

31 March 2019		TL equivalent
A. CPMs given for Company’s own legal personality(*)		245,314,519
	-Collateral	95,314,519
	-Pledge	-
	-Mortgage	150,000,000
B. CPMs given on behalf of fully consolidated companies		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
C. CPMs given in the normal course of business activities on behalf of third parties(**)		115,756,349
	-Collateral	115,756,349
	-Pledge	-
	-Mortgage	-
D. Total amount of other CPMs		-
i. Total amount of CPMs given on behalf of the parent		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
<b>Total</b>		<b>361,070,868</b>

(\*) The item consists of mortgage given to HalkBank Finance Tower amounting to TL 150,000,000 (31 December 2018: TL 150,000,000) (although loan agreement has been closed, mortgage has not been cancelled under general loan agreement between Halkbank and the Company). A guarantee letter given for common infrastructure commitment of Halkbank Finance Tower amounting to TL 92,161,474 (31 December 2018: TL 92,161,474). Guarantee related to the loans used by the customers in the scope of Referans Bakırköy project amounting to TL 2,325,000 (31 December 2018: TL 2,991,000), guarantees given for law suits initiated for Eskişehir project amounting to TL 224,624 (31 December 2018: 224,624). Guarantee letter given for Dedeman Hotel Project road construction participation amounting to TL 589,981 (31 December 2018: 551,455 TL). Guarantee letter given for Kocaeli project amounting to TL 13,440 (31 December 2018: 13,440 TL).

(\*\*) The balance consist of Company being a guarantor for the customers of the Company’s joint operation Halk GYO&Vakıf GYO Joint Venture’s pre-sales of residences at Bizimtepe Aydos Project. If customers use loans from banks that the Company agreed, Company will be a guarantor for the customers. Halk GYO&Vakıf GYO Joint Venture signed a general guarantee agreement with the agreed banks amounting to TL 722,830,850. The Company’s responsibility in this guarantee is TL 398,717,500. As of 31 March 2019, pre-sales of Halk GYO&Vakıf GYO Joint Venture performed through this guarantee agreement amounted to TL 31,760,225. As of 31 March 2019, the risk at 50% of the Company is TL 15,880,113 from the pre-sales through this guarantee agreement. As of August 2018 the Company has started the transfer of title deeds and as of 31 March 2019, the proportion of other relevant CPM to the Company’s equity is 0,7%.

The balance consist of Company being a guarantor for the customers of the Company’s joint operation Halk GYO&Erkonut Joint Venture’s pre-sales of residences at Erzurum Şehristan Project. If customers use loans from banks that the Company agreed, Company will be a guarantor for the customers. Halk GYO&Erkonut Joint Venture signed a general guarantee agreement with the agreed banks amounting to TL 255,000,000. The Company’s responsibility in this gurantee is TL 127,500,000. As of 31 March 2019, pre-sales of Halk GYO&Erkonut Joint Venture performed through this guarantee agreement amounted to TL 7,372,472. The risk at 50% of the Company is TL 3,686,236 from the pre-sales through this guarantee agreement as of 31 March 2019. As at September 2018 the Company has started the transfer of title deeds and as of 31 March 2019, the proportion of other relevant CPM to the Company’s equity is 0,16 %.

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**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont’d)****b) Collateral-Pledge-Mortgage (“CPM ) (cont’d)**

In accordance to Teknik Yapı-Halk GYO Joint Venture İzmir Project, the joint venture has given guarantee letters for İzmir Konak Stage 1 Land Sale of Revenue Sharing amounting to TL 66,880,000 and the assignment letter of receivables to T.Halk Bankası A.Ş amounting to TL 125,500,000 as at 31 March 2019. Total risk for the transactions has been classified at 50% of the capital of the Company and amounted to TL 96,190,000. As of 31 March 2019, the proportion of other relevant CPM to the Company’s equity is 4,21%.

As of 31 March 2019, the proportion of relevant CPMs given to the Company’s equity is 0 % (31 December 2018: 0 %).

31 December 2018		TL equivalent
A. CPMs given for Company’s own legal personality(*)		246,161,558
	-Collateral	96,161,558
	-Pledge	-
	-Mortgage	150,000,000
B. CPMs given on behalf of fully consolidated companies		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
C. CPMs given in the normal course of business activities on behalf of third parties(**)		122,908,086
	-Collateral	122,908,086
	-Pledge	-
	-Mortgage	-
D. Total amount of other CPMs		-
i. Total amount of CPMs given on behalf of the parent		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
<b>Total</b>		<b>369,069,644</b>



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**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont’d)****b) Collateral-Pledge-Mortgage (“CPM”) (cont’d)**

As of 31 March 2019 and 31 December 2018, the letters of guarantee received by the Company are as follows:

	31 March 2019	31 December 2018
YDA İnşaat San. Ve Tic. A.Ş. (8)	147,150,537	152,709,440
Buga Otis Asansör San.ve Tic.A.Ş. (11)	44,357,976	42,316,560
Dedeman Turizm Yönetimi A.Ş. (2)	21,906,630	24,112,000
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti. (1)	14,400,000	19,925,000
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş. (5)	9,477,466	9,042,000
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Mad. Tic. A.Ş. (6)	3,165,095	3,165,095
UCD Yapı A.Ş. (12)	1,830,490	-
Teknik Yapı Proje A.Ş. (12)	720,000	720,000
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş. (4)	702,750	702,750
Abad Gayrimenkul A.Ş. (12)	701,500	701,500
CNV Yapı Mimarlık San. Tic. Ltd. Şti. (7)	629,775	629,775
İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	304,440	-
Biskon Yapı A.Ş. (3)	300,000	300,000
YPU Yapı Proje Uygulama Ltd. Şti. (7)	240,300	240,300
Direk Reklam İnş. San. Tic. A.Ş. (9)	-	235,410
Ceda Akaryakıt İnşaat Emlak Tur. Tic. Ltd. Şti. (10)	200,000	200,000
Other	269,294	304,480
	<u>246,356,253</u>	<u>255,304,310</u>

(1) The Company has received letter of guarantee from the prime constructor Haldız İnşaat Otomotiv ve Tic. A.Ş. within the scope of Bizimtepe Aydos Project.

(2) The Company has received letter of guarantee from the lessee companies for Dedeman Otel Project.

(3) The Company has received letter of guarantee from the contractor Biskon Yapı AŞ for the “Land Sale of Revenue Sharing” project.

(4) The Company has received letter of guarantee from the suppliers for architectural and construction activities for İstanbul Financial Center (IFC) Project.

(5) Sapaz Otelcilik Turizm İnşaat Sanayi ve Ticaret AŞ is a lessee of the Company.

(6) The Company has received a letter of guarantee for the Erzurum Şehristan Project.

(7) This letter of guarantee has been received for urban transformation process of Caddebostan Building.

(8) The Company has received a letter of guarantee from the primary contractor for architectural and construction activities for İstanbul Financial Center (IFC) Project.

(9) This letter of guarantee has been received from Direk Reklam İnş.San.Tic.A.Ş. for advertising contract of Sancaktepe Project.

(10) Ceda Akaryakıt İnşaat Emlak Tur.Tic.Ltd.Şti. is a lessee of the Company.

(11) This letter of guarantee has been received from the supplier, Buga Otis Asansör San. Ve Tic. A.Ş. under the elevator and escalator project for Istanbul Finance Center (IFC).

(12) The Company has received guarantee notes for the İzmir Evora Project.

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**12. EMPLOYEE BENEFITS****Short-term provisions for employee benefits**

	31 March 2019	31 December 2018
Employee bonus accruals	949,539	773,398
Unused vacation accruals	547,692	489,102
	<u>1,497,231</u>	<u>1,262,500</u>

**Long-term provisions for employee benefits**

	31 March 2019	31 December 2018
Retirement pay provision	582,549	529,935
	<u>582,549</u>	<u>529,935</u>

**Provision for retirement pay liability:**

The movements of provision for retirement pay liability in the accounting periods for the periods ended 31 March 2019 and 31 December 2018, are as follows:

	1 January- 31 March 2019	1 January- 31 December 2018
Provision at 1 January	529,935	318,371
Service cost	47,597	156,218
Interest cost	5,017	14,877
Retirement pay paid	-	(41,034)
Actuarial (gain) / loss	-	81,503
Provision at 31 December	<u>582,549</u>	<u>529,935</u>

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month’s salary limited to a maximum of TL 6,017.60 for each period of service at 31 March 2019 (31 December 2018: TL 6,017.60).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company’s liabilities by using actuarial valuation methods under defined benefit plans. Accordingly, actuarial assumptions used in calculation of total liabilities are described as follows:

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### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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#### 12. EMPLOYEE BENEFITS (cont’d)

##### Provision for retirement pay liability (cont’d):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 March 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3,84 % real discount rate (31 December 2018: 3,84%) calculated by using 12% annual inflation rate and 16,30 % interest rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 4,45% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 6,017.60 which is in effect since 1 January 2019 is used in the calculation of Company’s provision for retirement pay liability (1 January 2018: TL 5,001.76).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. If the discount rate would have been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TL 67,784 / TL (82,560). If the anticipated turnover rate would have been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TL 5,305 / TL (5,525).

#### 13. OTHER ASSETS AND LIABILITIES

	31 March 2019	31 December 2018
<u>Other current assets</u>		
Deferred value added tax (“VAT”) (*)	67,533,034	66,985,147
Deposits and guarantees given	219,827	216,207
Business advances given	26,313	16,558
Other	1,082,672	474,296
	<u>68,861,846</u>	<u>67,692,208</u>
	31 March 2019	31 December 2018
<u>Other non-current assets</u>		
Deferred value added tax (“VAT”) (**)	1,288,627	950,204
	<u>1,288,627</u>	<u>950,204</u>

(\*) As of 31 March 2019, VAT receivable amounting to TL 36,186,542 (31 December 2018: TL 34,899,955), from Sancaktepe project of Halk GYO-Vakıf GYO Joint Venture, TL 12,078,756 (31 December 2018: TL 11,755,517) from Erzurum project of Halk GYO-Erkonut Joint Venture and TL 19,267,736 (31 December 2018: TL 20,329,675) for Halk Gayrimenkul Yatırım Ortaklığı A.Ş., are classified under “other current assets” since the projects to be constructed on the land are short term projects.

(\*\*) As of 31 March 2019, VAT receivable amounting to TL 1,288,627 (31 December 2017: TL 950,204), from Izmir Project of Teknik Yapı-Halk GYO Joint Venture, are classified under “other non-current assets” since the project to be constructed on the land is a long term project.

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**13. OTHER ASSETS AND LIABILITIES (cont’d)**

	31 March 2019	31 December 2018
<u>Other Current Liabilities</u>		
Deposits and guarantees received(*)	6,389,748	8,435,393
Progress costs for finished works	-	6,921,766
Taxes and funds payable	957,844	655,861
Other current liabilities	244,806	264,737
	<u>7,592,398</u>	<u>16,277,757</u>

(\*) Deposits and guarantees received consist of cash guarantees received from contractors for projects under construction.

**14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS****a) Share Capital**

As of 31 March 2019 and 31 December 2018 the share capital held is as follows:

Shareholders	Group	%	31 March 2019		31 December 2018	
				%		%
Halkbank	A	1.58	13,557,019	1.58	13,557,019	
Halkbank(*)	B	70.4	603,879,347	70.38	603,879,347	
Halk Yatırım Menkul Değerler A.Ş.	A	0.04	323,773	0.04	323,773	
Halk Finansal Kiralama AŞ	A	<0,01	1	<0,01	1	
Publicly traded	B	28.00	240,239,859	28.00	240,239,859	
Nominal capital		100	858,000,000	100	858,000,000	
Total capital			<u>858,000,000</u>		<u>858,000,000</u>	

(\*) Halkbank also has 63,186,302 B group shares with 7,36% in the publicly traded held group (31 December 2018: 63,186,302 shares).

The Company shares are issued to the names into two groups; Group A and Group B. The Group A shares have the right to nominate the members of the Board of Directors (“BOD”). More than half of the BOD members are elected from the nominees of A Group shares and remaining members are elected from mutual nominees of A Group and B Group shares by the General Assembly. In capital increases new Group A shares are issued for Group A shares and new Group B shares are issued for Group B shares.

However, if the BOD restricts preemptive rights of shareholders, new shares are issued as Group B shares.

The Company has been established with registered capital ceiling of TL 1,500,000,000 each with par value of TL 1. The Company’s issued capital is 858,000,000 shares amounting to TL 858,000,000. All capital has been committed by the founders; TL 196,217,979 paid in cash, TL 195,500,000 incorporated into capital from reserves and TL 466,282,021 paid in kind (real estates) by main shareholder Halkbank.

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**14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont’d)****a) Share Capital (cont’d)**

As per the Board of Directors decision numbered 49/110 on 15 August 2012, the Company’s capital was increased to TL 662,500,000. The increase of TL 185,500,000 corresponding to 185,500,000 shares were publicly offered during 13-15 February 2013. As at 20 June 2013, the Company increased its share capital by TL 11,138,704 from retained earnings.

As at 5 June 2014, the Company increased its share capital by TL 24,261,296 from retained earnings.

As at 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 from retained earnings to share capital.

As at 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from retained earnings to share capital.

As at 15 August 2017, the Company increased its share capital to TL 820,000,000 by transferring TL 30,000,000 from retained earnings to share capital.

As at 8 June 2018, the Company increased its share capital to TL 858,000,000 by transferring TL 38,000,000 from retained earnings to share capital.

**b) Treasury shares acquired**

The Company’s treasury shares acquired are accounted for at cost. The Company holds 24,188,879 treasury shares as of 31 March 2019 (31 December 2018: 24,188,879 shares). The details of the treasury shares acquired for the period ended 31 March 2019 are as follows:

Transaction	Transaction date	Nominal value	Weighted average share price	Transaction amount
Repurchased shares	26 February 2013	933,649	1.34	1,251,090
Repurchased shares	27 February 2013	736,571	1.34	987,004
Repurchased shares	28 February 2013	1,000,000	1.34	1,340,000
Repurchased shares	1 March 2013	2,297,269	1.32	3,021,922
Repurchased shares	5 March 2013	3,455,130	1.33	4,608,678
Repurchased shares	11 March 2013	457,867	1.32	604,384
Repurchased shares	12 March 2013	586,245	1.32	773,843
Repurchased shares	15 March 2013	2,000,000	1.32	2,640,000
Repurchased shares	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares from incorporating reserve	20 June 2013	314,024	-	-
Bonus shares from incorporating reserve	5 June 2014	683,977	-	-
Bonus shares from incorporating reserve	11 June 2015	1,271,466	-	-
Bonus shares from incorporating reserve	25 May 2016	1,325,030	-	-
Bonus shares from incorporating reserve	17 August 2017	845,764	-	-
Bonus shares from incorporating reserve	8 June 2018	1,071,301	-	-
Total repurchased shares		<u>24,188,879</u>	<u>1.03</u>	<u>24,809,533</u>

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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#### 14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont’d)

##### c) Share premiums/discounts

The surplus of sales price over nominal value of shares amounted to TL 64,925,000 during the initial public offering on 13-15 February 2013 were accounted for as share premium. Commission expenses and legal expenses which are related with the initial public offering amounting to TL 8,847,688 are netted off with share premium. Additionally, the differences of sales price over nominal value of treasury shares acquired amounted to TL 6,132,216 are netted off with share premium.

##### d) Restricted reserves appropriated from profit

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company’s paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company’s paid-in capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted. In accordance with the Turkish Commercial Code, the Company has to appropriate restricted reserve equivalent to the Company's treasury shares acquired. Such reserve can only be released in the amount of any sold or destroyed shares valued at acquisition cost. As at 31 March 2019, the Company’s restricted reserves are legal reserves amounting to TL 42,011,650 (31 December 2018: TL 42,011,650).

#### 15. REVENUE AND COST OF SALES

<u>Sales</u>	1 January- 31 March 2019	1 January- 31 March 2018
<b>Income on properties</b>	<b>20,675,287</b>	<b>15,677,112</b>
Income from sale of residence(*)	3,441,076	1,400,453
Rental income	17,234,211	14,276,659
<b>Income on debt instruments</b>	<b>592,014</b>	<b>2,602,927</b>
Interest income on deposits	592,014	2,602,927
	<u>21,267,301</u>	<u>18,280,039</u>

(\*)The Company recognized net sales amounting to TL 3,441,076 related to the performance obligations that may be fulfilled at any given time.

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**15. REVENUE AND COST OF SALES (cont’d)**

<u>Cost of Sales</u>	1 January- 31 March 2019	1 January- 31 March 2018
Cost of residence sales	2,519,443	646,956
Taxes and other levies	-	119,300
Other	298,726	269,000
	<u>2,818,169</u>	<u>1,035,256</u>

**16. EXPENSES BY NATURE**

	1 January- 31 March 2019	1 January- 31 March 2018
Cost of residence sales	2,519,443	646,956
Personnel expenses	2,400,705	1,990,721
Advertisement expenses	426,059	558,618
Outsource servise expenses	198,501	365,909
Commission expenses	57,137	7,425
Travel and car expenses	99,491	342,308
Property tax expenses	-	119,300
Taxes and duties	394,258	179,961
Rent expenses	5,485	141,017
Depreciation and amortization charges	224,083	31,871
Consulting expenses	70,242	114,070
Stationery and IT related expenses	37,473	36,085
Maintanance expenses	81,740	5,076
Common building expenses	587,318	-
Other	598,588	449,329
	<u>7,700,523</u>	<u>4,988,646</u>

**17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES**

	1 January- 31 March 2019	1 January- 31 March 2018
General administrative expenses (-)	3,370,046	3,554,081
Marketing expenses (-)	1,512,308	399,309
	<u>4,882,354</u>	<u>3,953,390</u>

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**17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES  
(cont’d)****a) Details of general administrative expenses**

	1 January- 31 March 2019	1 January- 31 March 2018
Personnel expenses	2,400,705	1,990,721
Advertisement expenses	36,331	335,093
Travel and car expenses	99,491	342,308
Taxes and duties	214,602	176,856
Outsource servise expenses	198,501	365,909
Rent expenses	5,485	141,017
Depreciation and amortization charges	224,083	31,871
Consulting expenses	70,242	114,070
Stationery and IT related expenses	37,473	36,085
Maintenance expenses	81,740	5,076
Other	1,393	15,075
	<u>3,370,046</u>	<u>3,554,081</u>

**Details of personnel expenses**

	1 January- 31 March 2019	1 January- 31 March 2018
Wages and salaries	1,687,296	1,376,763
Social Security Institution employer's shares	245,577	218,800
Board of directors' remunerations	107,138	103,803
Insurance expenses	121,373	84,193
Employee benefits provision	120,131	95,447
Other	119,190	111,715
	<u>2,400,705</u>	<u>1,990,721</u>

**b) Details of marketing expenses**

	1 January- 31 March 2019	1 January- 31 March 2018
Advertisement expenses	389,728	223,525
Commission expenses (*)	57,137	7,425
Common building expenses	587,318	-
Taxes and duties	179,656	3,105
Other	298,469	165,254
	<u>1,512,308</u>	<u>399,309</u>

(\*) Commission expenses comprise of sales commissions related to Bizimtepe Aydos Project.



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**18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

The details of other income from operating activities for the periods ended 31 March 2019 and 31 March 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Foreign exchange gains	737,066	799,177
Reversal of provisions	-	251,999
Incentives and discounts from public institutions	135,666	-
Proceeds from liquidation of guarantee letters	359,987	-
Other income	12,724	50,184
	<u>1,245,443</u>	<u>1,101,360</u>

The details of other expenses from operating activities for the periods ended 31 March 2019 and 31 March 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Foreign exchange losses	(25,580)	(104,687)
Other expenses	(73,779)	-
	<u>(99,359)</u>	<u>(104,687)</u>

**19. FINANCE COSTS**

	1 January- 31 March 2019	1 January- 31 March 2018
Interest expenses on bank loans	2,244,226	1,144,013
Interest expenses on short term bonds	-	755,825
Interest expenses on short term lease certificates	-	2,543,323
Commission expenses	237,824	97,426
Borrowings costs for financial leases	4,170	-
Other expenses	77,223	-
	<u>2,563,443</u>	<u>4,540,587</u>
Capitalized under investment properties	<u>14,845,507</u>	<u>2,204,350</u>
Total finance expense	<u>17,408,950</u>	<u>6,744,937</u>

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#### 20. INCOME TAXES

According to the Article 5/1(d) (4) of the Corporate Tax Law numbered 5520, earnings of real estate investment trusts are exempt from Corporate Income Tax in Turkey.

#### 21. EARNINGS PER SHARE

	1 January- 31 March 2019	1 January- 31 March 2018
<b>Earning per share</b>		
Weighted average number of shares	858,000,000	820,000,000
Net profit for the period	12,149,419	9,747,479
Earnings per share	0.0142	0.0119

#### 22. FINANCIAL INSTRUMENTS

##### Financial Liabilities

	31 March 2019	31 December 2018
<b>Financial liabilities</b>		
a) Borrowing Instruments	264,565,041	250,839,562
b) Bank Loans	43,767,265	39,705,725
c) Finance Lease Payables(*)	22,467,536	24,078,915
d) Operational Lease Payables	1,541,201	-
	<u>332,341,043</u>	<u>314,624,202</u>

(\*) The Company signed an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. within the scope of service procurement for vertical transports (elevator and escalator) in Halk Office Towers to be built related to the project of Istanbul International Finance Center and signed financial lease agreement with Halk Finansal Kiralama A.Ş. for relevant service procurement.

	31 March 2019	31 December 2018
<b>Borrowing instruments</b>		
<i>Short term lease certificates</i>	264,565,041	250,839,562
	<u>264,565,041</u>	<u>250,839,562</u>

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**22. FINANCIAL INSTRUMENTS (cont’d)****Financial Liabilities (cont’d)**

	31 March 2019	31 December 2018
<b>Bank Loans</b>		
<i>Short term bank loans</i>	37,056,972	32,277,472
<i>Short term portion of long term bank loans</i>	3,396,284	3,397,826
<i>Long term bank loans</i>	3,314,009	4,030,427
	<u>43,767,265</u>	<u>39,705,725</u>

Interest rates of financial liabilities are as follows:

Financial Instrument	Currency	Nominal interest rate	31 March 2019	
			Short term	Long term
Lease certificates	TL	23.25%	264,565,041	-
Floating rate loans	TL	21.46%	37,056,972	-
Fixed rate loans	TL	8.00%	3,396,284	3,314,009
			<u>305,018,297</u>	<u>3,314,009</u>

  

Financial Instrument	Currency	Nominal interest rate	31 December 2018	
			Short term	Long term
Lease certificates	TL	24.84%	250,839,562	-
Floating rate loans	TL	26.82%	32,277,472	-
Fixed rate loans	TL	8.00%	3,397,826	4,030,427
			<u>286,514,860</u>	<u>4,030,427</u>

Maturities of bank borrowings are as follows:

	31 March 2019	31 December 2018
Less than 1 year	317,783,999	297,317,863
Between 1-2 years	13,475,459	13,992,333
Between 2-3 years	1,081,585	3,314,006
	<u>332,341,043</u>	<u>314,624,202</u>

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#### 23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### a) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debts, which includes the borrowings disclosed in Note 22, comprising cash and cash equivalents, issued capital, reserves and retained earnings.

The Company’s risk management committee reviews the capital structure of the Company collectively on a quarterly basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Company balances its overall capital structure through the payment of dividends, new share issues and acquiring own shares, as well as the issue of new debt or the redemption of existing debt.

In addition and consistent with other entities in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt.

During 2019, the Company’s strategy has not changed from 2018. As of 31 March 2019 and 31 December 2018, the net debt/capital ratio calculated as net debt divided by total capital (net debt is calculated as total borrowings less cash and cash equivalents and short-term financial investments) is as follows:

	31 March 2019	31 December 2018
Financial liabilities	332,341,043	314,624,202
Less: Cash and cash equivalents	(25,081,608)	(28,825,032)
Net debt	307,259,435	285,799,170
Total shareholders equity	2,282,407,757	2,270,258,338
Total share capital	858,000,000	858,000,000
Gearing ratio	36%	33%

##### b) Financial Risk Factors

The Company’s activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. Company’s risk management programme generally focuses on uncertainty in financial markets and minimizing potential negative effects on Company’s financial performance.

Risk management, is conducted by a treasury department with policies approved by the Board of Directors. Treasury department of the Company defines and evaluates the financial risk, and by working with the operation units by using tools to decrease the risk. Board of Directors maintains generates a written procedure about foreign exchange risk, interest rate risk, credit risk, usage of non-derivative financial instruments, and evaluating excess liquidity or other various risks.

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**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.1) Credit risk management*

## Details of credit risk by class of financial instruments

	Receivables				Deposits at Banks
	Trade Receivables		Other Receivables		
31 March 2019	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	2,190	20,178,037	-	-	25,081,608
- Secured portion of the maximum credit risk by guarantees (**)	-	7,392,920	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	2,190	20,178,037	-	-	25,081,608
B. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(\*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(\*\*) Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

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**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.1) Credit risk management (cont’d)*

## Details of credit risk by class of financial instruments

	Receivables				Deposits at Banks
	Trade Receivables		Other Receivables		
	Related Parties	Other	Related Parties	Other	
<b>31 December 2018</b>					
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	627	15,972,980	-	-	28,825,032
- Secured portion of the maximum credit risk by guarantees (**)	-	2,676,421	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	627	15,972,980	-	-	28,825,032
B. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(\*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(\*\*) Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

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**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.1) Credit risk management (cont’d)*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Company, aiming to decrease credit risk by transacting only with parties who has credit assurance and where possible, obtaining sufficient guarantee. Credit risks which the Company is exposed and credibility of customers are being monitored regularly. Credit risk is being controlled by the risk management committee through limits which are determined and annually controlled by the Board of Directors.

*b.2) Liquidity risk management*

The ultimate responsibility for liquidity risk management belongs to the Board of Directors. The Board of Directors has established a liquidity risk management in order to meet short, mid and long term financing, and liquidity requirements. The Company manages liquidity risk by monitoring expected and actual cash flows closely, and by maintaining sustainability of sufficient borrowing funds through matching maturities of financial assets and liabilities.

The following tables detail the Company’s remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the 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.

**Liquidity risk table:****31 March 2019**

<b><u>Contractual Terms</u></b>	<b><u>Carrying value</u></b>	<b><u>Total Contractual</u></b>	<b><u>Less than 3</u></b>	<b><u>3 to 12 months</u></b>	<b><u>1 to 5 years</u></b>
		<b><u>Cash Outflows</u></b>			
<b>Non-derivative financial liabilities</b>					
Bank loans	43,767,265	44,515,391	37,951,982	2,685,032	3,878,377
Debt securities issued	264,565,041	268,838,630	182,970,150	85,868,480	-
Financial lease liabilities	20,926,335	23,556,114	3,076,105	9,228,315	11,251,694
Operational lease liabilities	1,541,201	1,913,481	200,094	600,258	1,113,129
Trade payables	15,020,620	15,020,620	15,020,620	-	-
Other liabilities	7,592,398	7,592,398	7,592,398	-	-
<b>Total liabilities</b>	<b>353,412,860</b>	<b>361,436,634</b>	<b>246,811,349</b>	<b>98,382,085</b>	<b>16,243,200</b>

**31 December 2018**

<b><u>Contractual Terms</u></b>	<b><u>Carrying value</u></b>	<b><u>Total Contractual</u></b>	<b><u>Less than 3</u></b>	<b><u>3 to 12 months</u></b>	<b><u>1 to 5 years</u></b>
		<b><u>Cash Outflows</u></b>			
<b>Non-derivative financial liabilities</b>					
Bank loans	39,705,725	40,630,402	33,171,983	2,685,031	4,773,388
Debt securities issued	250,839,562	263,733,849	80,763,699	182,970,150	-
Financial lease liabilities	24,078,915	25,295,900	2,918,758	8,756,273	13,620,869
Trade payables	15,628,217	15,628,217	15,628,217	-	-
Other liabilities	16,277,757	16,277,757	16,277,757	-	-
<b>Total liabilities</b>	<b>346,530,176</b>	<b>361,566,125</b>	<b>148,760,414</b>	<b>194,411,454</b>	<b>18,394,257</b>

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**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.3) Market risk management*

During the current period, there has been no change to the Company’s exposure to market risks or the manner in which these risks are managed and measured.

*b.3.1) Foreign currency risk management*

The carrying amounts of the Company’s foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities at the reporting period are as follows:

	31 March 2019			
	TL Equivalent	US Dollar	Euro	GBP
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	203	36	-	-
2b. Non-monetary Financial Assets	889,287	158,000	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	889,490	158,036	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	889,490	158,036	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	8,556,660	-	1,354,159	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. CURRENT LIABILITIES	8,556,660	-	1,354,159	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	13,832,965	-	2,189,176	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	13,832,965	-	2,189,176	-
18. TOTAL LIABILITIES	22,389,625	-	3,543,335	-
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-	-
19.a. Assets on foreign currency derivative instruments	-	-	-	-
19.b. Liabilities on foreign currency derivative instruments	-	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	(21,500,135)	158,036	(3,543,335)	-
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(22,389,422)	36	(3,543,335)	-



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**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.3.1) Foreign currency risk management (cont’d)*

	31 December 2018			
	TL Equivalent	US Dollar	Euro	GBP
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	2,169,749	-	359,945	-
2b. Non-monetary Financial Assets	831,222	158,000	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	3,000,971	158,000	359,945	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	3,000,971	158,000	359,945	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	10,803,003	-	1,792,137	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. CURRENT LIABILITIES	10,803,003	-	1,792,137	-
14. Trade Payables	53,264	10,124	-	-
15. Financial Liabilities	13,196,350	-	2,189,176	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	13,249,614	10,124	2,189,176	-
18. TOTAL LIABILITIES	24,052,617	10,124	3,981,313	-
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-	-
19.a. Assets on foreign currency derivative instruments	-	-	-	-
19.b. Liabilities on foreign currency derivative instruments	-	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	(21,051,646)	147,876	(3,621,368)	-
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-16a)	(21,882,868)	(10,124)	(3,621,368)	-

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**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)*****b.3.1) Foreign currency risk management (cont’d)*****Foreign currency sensitivity analysis**

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar, EURO and GBP.

The following table details the Company’s sensitivity to a 10% increase and decrease in foreign currency against TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit/loss or equity.

	<b>31 March 2019</b>			
	Profit / Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar increases in 10% against TL				
1 - US Dolar net asset/liability	20	(20)	20	(20)
2- US Dolar hedges (-)	-	-	-	-
<b>3- Net effect of US Dollar (1 +2)</b>	<b>20</b>	<b>(20)</b>	<b>20</b>	<b>(20)</b>
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(2,238,963)	2,238,963	(2,238,963)	2,238,963
5 - Euro hedges (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>(2,238,963)</b>	<b>2,238,963</b>	<b>(2,238,963)</b>	<b>2,238,963</b>
In case of GBP increases in 10% against TL				
7 - GBP net asset/liability	-	-	-	-
8 - GBO hedges (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>(2,238,943)</b>	<b>2,238,943</b>	<b>(2,238,943)</b>	<b>2,238,943</b>

  

	<b>31 December 2018</b>			
	Profit / Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar increases in 10% against TL				
1 - US Dolar net asset/liability	(5,326)	5,326	(5,326)	5,326
2- US Dolar hedges (-)	-	-	-	-
<b>3- Net effect of US Dollar (1 +2)</b>	<b>(5,326)</b>	<b>5,326</b>	<b>(5,326)</b>	<b>5,326</b>
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(2,182,960)	2,182,960	(2,182,960)	2,182,960
5 - Euro hedges (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>(2,182,960)</b>	<b>2,182,960</b>	<b>(2,182,960)</b>	<b>2,182,960</b>
In case of GBP increases in 10% against TL				
7 - GBP net asset/liability	-	-	-	-
8 - GBO hedges (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>(2,188,286)</b>	<b>2,188,286</b>	<b>(2,188,286)</b>	<b>2,188,286</b>

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**23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)***b.3.2) Interest rate risk management*

The Company borrows funds at fixed interest rate. Risk hedging strategies are evaluated regularly in order to comply with interest rate anticipations and defined risks.

*Interest rate sensitivity analysis*

The details of the interest-bearing financial assets of the Company are as follows:

**Interest Position Table**

	<u>31 March 2019</u>	<u>31 December 2018</u>
<b>Fixed interest rate instruments</b>		
Financial liabilities	271,275,334	258,267,815
<b>Variable interest rate instruments</b>		
Financial liabilities	37,056,972	32,277,472

**24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)**

31 March 2019	<u>Loans and receivables</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Note</u>
<u>Financial assets</u>				
Cash and cash equivalents	25,081,608	-	25,081,608	26
Trade receivables	20,180,227	-	20,180,227	5
<u>Financial liabilities</u>				
Borrowings	-	332,341,043	332,341,043	22
Trade payables	-	14,733,723	14,733,723	5
Due to related parties	-	286,897	286,897	4
Other financial liabilities	-	7,592,398	7,592,398	13
31 December 2018	<u>Loans and receivables</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Note</u>
<u>Financial assets</u>				
Cash and cash equivalents	28,825,032	-	28,825,032	26
Trade receivables	15,973,607	-	15,973,607	5
<u>Financial liabilities</u>				
Borrowings	-	314,624,202	314,624,202	22
Trade payables	-	15,549,139	15,549,139	5
Due to related parties	-	79,078	79,078	4
Other financial liabilities	-	16,277,757	16,277,757	13

(\*) The Company management considers the carrying amounts of financial instruments approximate their fair values.

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#### 24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES) (cont’d)

##### Fair Value of Financial Instruments

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

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

#### 25. EVENTS AFTER THE REPORTING PERIOD

The maturity and reimbursement of the borrowing arising from the lease certificate issued by the Company on 19 December 2018 with a nominal value of TL 170,000,000 bearing the interest rate of 23.6% was realized at the maturity date of 16 April 2019.

As at 16 April 2019, the Company issued lease certificates with nominal value of TL 180,000,000 with a maturity date of 20 August 2019 and an interest rate of 22.75% with a cash inflow at the amount of TL 180,000,000, from this issue.

#### 26. NOTES ON STATEMENT OF CASH FLOWS

	31 March 2019	31 December 2018
Cash at banks	25,079,909	28,814,246
<i>Demand deposits (*)</i>	720,064	691,954
<i>Time deposits</i>	24,359,845	28,122,292
Expected credit loss (-)	(301)	(346)
Other liquid assets (*)	2,000	11,132
<i>Cash and cash equivalents in the statement of financial position</i>	<u>25,081,608</u>	<u>28,825,032</u>
Less: Interest income accruals on cash equivalents	(395,294)	(223,504)
<i>Cash and cash equivalents in the statement of cash flows</i>	<u>24,686,314</u>	<u>28,601,528</u>

(\*) As at 31 March 2019 and 31 December 2018 there is a blocked amount for salary payments to personnel from demand deposits.

(\*\*) As at 31 March 2019 and 31 December 2018, other liquid assets consist of credit card receivables from sales of residential units of Bizimtepe Aydos project.

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**26. NOTES ON STATEMENT OF CASH FLOWS (cont’d)**

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

<b>31 March 2019</b>	<b>Amount</b>	<b>Interest rate</b>	<b>Maturity</b>
<b><u>Time deposits</u></b>			
TL	23,348,781	20.50%	16 April 2019
TL	778,136	20.25%	16 April 2019
TL	42,588	14.25%	01 April 2019
TL	8,691	15.00%	01 April 2019
TL	181,649	%20,00	01 April 2019
	<b>24,359,845</b>		
<b><u>31 December 2018</u></b>			
<b><u>Time deposits</u></b>			
TL	19,444	21.00%	02 January 2019
TL	1,062	2.00%	02 January 2019
TL	21,126	19.50%	02 January 2019
TL	550,000	22.00%	02 January 2019
TL	20,152,876	23.25%	22 January 2019
TL	5,208,111	22.00%	30 January 2019
EUR	2,169,673	3.75%	02 January 2019
	<b>28,122,292</b>		

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 23.

**27. OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS**

One of the former directors of the Company’s main shareholder, Türkiye Halk Bankası A.Ş. (main shareholder Bank) has been convicted and imprisoned for some of the charges by the court in the United States of America (“USA”) of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the main shareholder Bank such as appeal and other legal rights following the trial.

Main shareholder Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the main shareholder Bank. Main shareholder Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the main shareholder Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and Money transfers are open and transparent, and easily be monitored by authorities. The main shareholder Bank will continue to adopt the same policies of transparency and compliance with international regulations.

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### NOTES TO THE REVIEWED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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#### 27. OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS (cont’d)

Main shareholder Bank placed a high importance on this matter and established a separate “Compliance Department”. The Bank is receiving advisory services from an international expert firm in forming effectiveness of this department’s policies and control procedures and processes.

#### 28. ADJUSTMENTS TO THE PRIOR PERIOD FINANCIAL STATEMENTS

In order to allow the determination of the financial position and performance trends, the financial statements of the Company are prepared in comparison with the previous period. In terms of comparative information to conform with the presentation of current year financial statements are restated if necessary and significant changes are explained.

##### *Material Adjustments:*

In the current period, the Company has reevaluated the inventories, other liabilities and cost of sales in the previous period financial statements related to costs incurred subsequently to a completed project.

	Previously Reported 31 December 2018	Adjustments	Restated 31 December 2018
Inventories	103,021,423	2,105,088	105,126,511
<b>Total Adjustments on Assets</b>		<b>2,105,088</b>	
Other short term liabilities	9,355,991	6,921,766	16,277,757
Period Profit	394,801,082	(4,816,678)	389,984,404
<b>Total Adjustments on Liabilities and Equity</b>		<b>2,105,088</b>	

#### APPENDIX 1 CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO

The information contained in the table of control of compliance with restrictions on the investment portfolio is a summarized information derived from the financial statements according to Article 16 of the “Communiqué on Financial Reporting in Capital Markets Serial: II, No: 14.1”. This information has been prepared in accordance with the statements of the CMB’s “Communiqué on Principles Regarding Real Estate Investment Trusts Serial: III, No: 48.1” published in the Official Gazette numbered 28660, regulating the compliance with portfolio limitations.

As at 31 March 2019, the Company complied with the restrictions that stated in the paragraph “a, b, c, ç and d” of 24th, 22nd and 38th articles of the CMB’s communique no III-48.1, “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazete numbered 28660. The ratios related with these restrictions are shown below:

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**APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont'd)**

	<b>Financial statement primary account items</b>	<b>Regulation</b>	<b>31 March 2019 (TL)</b>	<b>31 December 2018 (TL)</b>
<b>A</b>	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	25,081,608	28,825,032
<b>B</b>	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article24/(a)	2,413,322,908	2,393,898,921
<b>C</b>	Subsidiaries	Serial: III-48.1, Article24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
	Other assets		212,565,036	206,260,620
<b>D</b>	<b>Total Assets</b>	Serial: III-48.1, Article3/(k)	<b>2,650,969,552</b>	<b>2,628,984,573</b>
<b>E</b>	Loans and borrowings	Serial: III-48.1, Article31	308,332,306	290,545,287
<b>F</b>	Other financial liabilities	Serial: III-48.1, Article31	--	--
<b>G</b>	Financial leasing obligations	Serial: III-48.1, Article31	24,008,737	24,078,915
<b>H</b>	Due to related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
<b>I</b>	Equity	Serial: III-48.1, Article31	2,282,407,757	2,270,258,338
	Other liabilities		36,220,752	44,102,033
<b>D</b>	<b>Total liabilities and equity</b>	Serial: III-48.1, Article3/(k)	<b>2,650,969,552</b>	<b>2,628,984,573</b>
	<b>Other financial information</b>		<b>31 March 2019 (TL)</b>	<b>31 December 2018 (TL)</b>
<b>A1</b>	Portion of money and capital markets instruments for real estate payments of 3 years	Serial: III-48.1, Article24/(b)	--	--
<b>A2</b>	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article24/(b)	25,079,909	28,814,246
<b>A3</b>	Foreign capital market instruments	Serial: III-48.1, Article24/(d)	--	--
<b>B1</b>	Foreign real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article24/(d)	--	--
<b>B2</b>	Idle land	Serial: III-48.1, Article24/(c)	--	--
<b>C1</b>	Foreign Subsidiaries	Serial: III-48.1, Article24/(d)	--	--
<b>C2</b>	Investment in the operating company	Serial: III-48.1, Article28	--	--
<b>J</b>	Non-cash loans	Serial: III-48.1, Article31	211,070,868	219,069,644
<b>K</b>	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article22/(e)	--	--
<b>L</b>	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	--	--

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**APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont’d)**

	<b>Portfolio Restrictions</b>	<b>Regulations</b>	<b>Calculation</b>	<b>Min/Max Rate</b>	<b>31 March 2019 (TL)</b>	<b>1 December 2018 (TL)</b>
1	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article22/(e)	K/D	Maximum %10	--	--
2	Real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article24/(a),(b)	(B+A1)/D	Minimum %51	91.04%	91.05%
3	Money and capital market instruments and associates	Serial: III-48.1, Article24/(b)	(A+C-A1)/D	Maximum %49	0.95%	1.1%
4	Foreign real estates, based on real estates projects, rights for real estate,associates, capital market instruments	Serial: III-48.1, Article24/(d)	(A3+B1+C1)/D	Maximum %49	--	--
5	Idle Land	Serial: III-48.1, Article24/(c)	B2/D	Maximum %20	--	--
6	Investment in operating company	Serial: III-48.1, Article28	C2/D	Maximum %10	--	--
7	Borrowing Limit	Serial: III-48.1, Article31	(E+F+G+H+J)/İ	Maximum %500	23.81%	23.46%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum %10	0.95%	1.1%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	L/D	Maximum %10	--	--