Bilyoner İnteraktif Hizmetler A.Ş. and its Subsidiary

Consolidated financial statements for the year ending December 31, 2017 together with the independent auditor’s report

Bilyoner İnteraktif Hizmetler A.Ş. and its Subsidiary

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Bilyoner Interaktif Hizmetler Anonim Şirketi

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bilyoner Interaktif Hizmetler Anonim Şirketi ("Bilyoner") and its subsidiary ("together the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

The financial statements as of December 31, 2017 on which we had previously issued our auditor's report dated February 7, 2018 are restated due to the changes which are disclosed in detail in Note 2.4.

Responsibilities of management for the consolidated financial statements

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

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

Management is responsible for overseeing the Group's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Cem Uçarlar, SMMM
Partner

September 11, 2018
Istanbul, Turkey

Bilyoner İnteraktif Hizmetler A.Ş. and its Subsidiary

Consolidated statement of financial position
as of December 31, 2017
(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

	Note	(Audited) Current period December 31, 2017	(Audited) Prior period December 31, 2016
Assets			
Current assets		**108,329,174**	62,550,550
Cash and cash equivalents	3	**85,438,436**	43,922,650
Trade and other receivables	4	**360,717**	529,424
Prepayments	5	**4,874,835**	5,218,415
Inventories	6	**352,500**	367,506
Income tax receivable	18	**16,815,067**	11,447,595
Other current assets	7	**487,619**	1,064,960
Non-current assets		**6,801,482**	5,531,701
Financial assets	8	**-**	500,000
Trade and other receivables	4	**83,706**	148,015
Prepayments	5	**73,776**	228,338
Property, plant and equipment	9	**2,837,974**	1,892,610
Intangible assets	10	**3,772,196**	2,725,351
Deferred tax asset	18	**33,830**	37,387
Total assets		**115,130,656**	68,082,251
Liabilities			
Current liabilities		**50,510,767**	22,669,273
Current financial liabilities	11	**517,548**	60,541
Trade and other payables	12	**45,788,920**	18,757,822
Deferred revenue	13	**-**	6,193
Income tax payable		**56,126**	-
Provisions	14	**2,928,965**	2,784,916
Other current liabilities	15	**1,219,208**	1,059,801
Non-current liabilities		**490,638**	388,142
Provision for employment termination benefit	16	**384,388**	388,142
Non-current financial liabilities	11	**106,250**	-
Equity attributable to equity holders of the parent		**64,129,251**	45,024,836
Share capital	19	**3,300,000**	3,300,000
Adjustment to share capital	19	**346,311**	346,311
Legal reserves	20	**5,506,122**	5,025,535
Retained earnings		**54,976,818**	36,352,990
Non-controlling interests		**-**	-
Total equity		**64,129,251**	45,024,836
Total liabilities and equity		**115,130,656**	68,082,251

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

Bilyoner İnteraktif Hizmetler A.Ş. and its Subsidiary

Consolidated statement of comprehensive income
for the year ended December 31, 2017
(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

	Note	**(Audited) Current period January 1 – December 31, 2017**	(Audited) Prior period January 1 – December 31, 2016
Revenue	21	**197,260,380**	130,208,215
Cost of sales (-)	22	**(16,158,905)**	(12,832,055)
Gross profit		**181,101,475**	117,376,160
Research and development expenses (-)	23	**-**	(100,168)
Marketing and selling expenses (-)	24	**(112,151,467)**	(70,687,993)
General and administrative expenses (-)	25	**(5,665,225)**	(5,607,185)
Other operating income		**219**	67,449
Other operating expenses (-)	28	**(603,783)**	(578,555)
Operating profit		**62,681,219**	40,469,708
Financial income	29	**5,479,864**	3,743,461
Financial expenses (-)	30	**(417,398)**	(187,645)
Profit before income tax		**67,743,685**	44,025,524
Income tax expense (-)	18	**(13,772,130)**	(8,819,187)
Profit for the year		**53,971,555**	35,206,337
Attributable to:			
- Equity holders of the parent		**53,971,555**	35,206,337
- Non-controlling interests		**-**	-
Other comprehensive income / (expense) not to be reclassified to profit or loss		**2,961**	(187,592)
- *Actuarial gain / (loss) on defined benefit plans*		**3,702**	(234,490)
- *Tax effect*	18	**(741)**	46,898
Total comprehensive income for the year		**53,974,516**	35,018,745
Attributable to:			
- Equity holders of the parent		**53,974,516**	35,018,745
- Non-controlling interests			-

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

Consolidated statement of changes in equity
for the year ended December 31, 2017
(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

	Share capital	**Adjustment to share capital**	**Legal reserves**	**Retained earnings**	**Equity attributable to parent**	**Non controlling interests**	**Total equity**
January 1, 2016	3,300,000	346,311	4,509,522	32,395,072	40,550,905	-	40,550,905
Transfers	-	-	516,013	(516,013)	-	-	-
Dividend payment	-	-	-	(30,544,814)	(30,544,814)	-	(30,544,814)
Profit for the year	-	-	-	35,206,337	35,206,337	-	35,206,337
Other comprehensive income for the year	-	-	-	(187,592)	(187,592)	-	(187,592)
Total comprehensive income for the year	-	-	-	35,018,745	35,018,745	-	35,018,745
December 31, 2016	3,300,000	346,311	5,025,535	36,352,990	45,024,836	-	45,024,836
Transfers	**-**	**-**	**480,587**	**(480,587)**	**-**	**-**	**-**
Dividend payment	**-**	**-**	**-**	**(34,870,101)**	**(34,870,101)**	**-**	**(34,870,101)**
Profit for the year	**-**	**-**	**-**	**53,971,555**	**53,971,555**	**-**	**53,971,555**
Other comprehensive income for the year	**-**	**-**	**-**	**2,961**	**2,961**	**-**	**2,961**
Total comprehensive income for the year	**-**	**-**	**-**	**53,974,516**	**53,974,516**	**-**	**53,974,516**
December 31, 2017	**3,300,000**	**346,311**	**5,506,122**	**54,976,818**	**64,129,251**	**-**	**64,129,251**

Bilyoner İnteraktif Hizmetler A.Ş. and its Subsidiary

Consolidated statement of cash flows
for the year ended December 31, 2017
(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

	Note	Current period (Audited) January 1, 2017 - December 31, 2017	Prior period (Audited) January 1, 2016 - December 31, 2016
Cash flows from operating activities			
Profit before tax		**67,743,685**	44,025,524
Adjustment to reconcile net profit for the year		**233,077**	1,258,781
Adjustment related to depreciation and amortization expense	9, 10	**2,028,870**	1,345,030
Adjustment related to bonus accrual	14	**2,612,000**	2,500,000
Adjustment related to unused vacation liability	14	**94,047**	122,703
Adjustment related to retirement pay provision	16	**113,479**	93,633
Gain on sale of financial securities, net	29	**(3,169)**	(6,629)
Impairment on intangible assets	28	**-**	463,385
Loss on sales on financial assets	8	**440,607**	-
Loss on sales on tangible assets, net	28	**17,118**	101,467
Adjustment related to interest income	29	**(5,069,875)**	(3,360,808)
Change in working capital		**27,673,055**	4,126,336
Change in blocked bank balances	3	**(1,028,956)**	(317,373)
Change in cash in transit	3	**(428,358)**	550,037
Change in receivables		**233,017**	1,094,741
Change in inventories		**15,006**	32,335
Change in prepayments		**498,142**	(1,825,554)
Change in other assets		**580,510**	(714,776)
Change in payables		**27,031,099**	5,283,063
Change in other liabilities		**716.469**	23,863
Change in income tax payable		**56,126**	-
Cash flows generated by operating activities		**95,649,817**	49,410,641
Interest received		**4,799,770**	3,552,178
Taxes paid	18	**(19,136,786)**	(12,303,642)
Bonuses paid	14	**(2,500,000)**	(3,220,000)
Retirement pay provision paid	16	**(113,531)**	(284,999)
Unused vacation liability paid	14	**(61,998)**	(267,869)
A, Cash flows from operating activities		**78,637,272**	36,886,309
Cash flows used in investing activities			
Purchases of property, plant and equipment and intangible assets	9, 10	**(4,042,666)**	(2,479,896)
Proceeds from sales of property, plant and equipment		**4,469**	7,254
Write-off of investments		**59,393**	-
B, Cash flows used in investing activities		**(3,978,804)**	(2,472,642)
Cash flows used for financing activities			
Proceeds from borrowings		**1,726,315**	5,357,128
Repayment of borrowings		**(1,726,315)**	(5,357,128)
Dividend paid	20	**(34,870,101)**	(30,544,814)
C, Cash flows used for financing activities		**(34,870,101)**	(30,544,814)
Increase in cash and cash equivalents (A + B + C)		**39,788,367**	3,868,853
Cash and cash equivalents at the beginning of the period	3	**42,156,769**	38,287,916
Cash and cash equivalents at the end of the period	3	**81,945,136**	42,156,769

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

1. Organization and nature of activities

Bilyoner İnteraktif Hizmetler A.Ş (''Bilyoner'' as the ''Company''), formerly known as Libero Interaktif Hizmetler A.Ş, was incorporated in 2003. Bilyoner acts as an agent and a dealer through its website for Spor Toto Teşkilat Başkanlığı (''Spor Toto'') and Milli Piyango İdaresi Genel Müdürlüğü (''Milli Piyango''), respectively, providing online betting services and taking bets on wide range of sports events as well as online sales of lottery tickets. Spor Toto is the only entity authorised in Turkey by Gençlik ve Spor Genel Müdürlüğü (''GSGM'') for setting up and operating betting system.

The Company is a joint-stock company and its' shares are held by 50% each by Intralot S.A. Integrated Lottery Systems and Services (''Intralot'') (incorporated in Greece) and Tek Elektronik Yatırım Sanayi ve Ticaret A.Ş. (''Tek Elektronik'') (incorporated in Turkey) and domiciled in Turkey.

The address of its registered office is Hitay Plaza Eski Büyükdere Caddesi, Özcan Sokak No: 2, Kat: 2, 4.Levent, Istanbul / Turkey.

The Company's subsidiary, Argemaks İş Geliştirme ve Yatırım Sanayi A.Ş (''Argemaks''), incorporated in Turkey, formerly known as Bombastik Bilişim Hizmetleri A.Ş., is engaged in information technology consultancy business.

Hereinafter the Company and its subsidiary together will be referred to as "Group".

The average number of personnel of the Group is 81 for the year ended December 31, 2017 (December 31, 2016 - 86).

2. Basis of preparation of the consolidated financial statements

2.1 Basis of presentation

The Group maintains its books of accounts and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the regulations on accounting and reporting framework and Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly consist of deferred tax, corporate tax, reversal of inventories, vacation pay, severance pay, and depreciation of tangible assets and amortization of intangible assets based on their useful lives on pro-rata basis.

The consolidated financial statements have been prepared under the historical cost convention.

Functional and presentation currency

The functional and presentation currencies of the Company are Turkish Lira (TL).

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

2. Basis of preparation of the consolidated financial statements (continued)

Basis of consolidation

Subsidiaries are companies in which the Company has direct or indirect control over transactions.

In determining control power, existing and convertible voting rights are considered. The financial statements of the subsidiaries are presented in the consolidated financial statements as of the date on which the control commences.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2017 and December 31, 2016 are as follows:

	Ownership	
Company name	**December 31, 2017**	December 31, 2016
Argemaks İş Geliştirme ve Yatırım San. A.Ş.	**100%**	100%

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

	Estimated useful lives
Machinery and equipment	4- 10 years
Furniture and fixtures	5 - 15 years
Leasehold improvements	Shorter of leave term or 5 years

Gains or losses on disposals of property, plant and equipment are included in income/expense from other operating income/ expense account.

2. Basis of preparation of the consolidated financial statements (continued)

Intangible *assets*

a) Acquired computer software licenses

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 life of 5 years.

b) Development costs

Development costs that are directly attributable to the design and testing of unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- the Group Management intends to complete the software product and use or sell it;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as a research and development expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Development costs recognized as assets are amortized over their estimated useful lives of 3 - 5 years. Amortization starts when the asset is ready for use.

Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories consist of the lottery tickets purchased for the subsequent lottery draws. Cost is determined using the weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Cost incurred in bringing each product to its present location and conditions (excluding the borrowing costs) are included in the cost of inventory (Note 6).

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. Basis of preparation of the consolidated financial statements (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and cash equivalents. Cash equivalents are high liquidity investments with short term maturities that are readily convertible to cash and are subject to an insignificant risk of changes in value (Note 3). Deposits in TL are presented with their cost amounts and the deposits in foreign currencies are valued using the buying rates of the Central Bank of Turkey as of the balance sheet date. Cash and cash equivalents are presented at acquisition cost including accrued interest.

Impairment of non-financial assets

At each balance sheet date, the Company assesses whether there is any indication that book value of tangible and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication of impairment exists, the Company estimates the recoverable amount of such assets. When individual recoverable value of assets cannot be measured, recoverable value of cash generating unit of that asset is measured. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Recoverable amount is the higher of value in use or fair value less costs to sell.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit by using discount rates before taxes that reflects risks related with that asset.
An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in previous years.

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is:

- cash,
- a contractual right to receive cash or another financial asset from another enterprise,
- a contractual right to exchange financial instruments from another enterprise under conditions that are potentially favorable, or,
- An equity instrument of another enterprise.

A financial liability that is a contractual obligation:

- to deliver cash or another financial asset to another enterprise or,
- to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

A financial asset or financial liability is recognized initially at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in case of a liability) for it.

2. Basis of preparation of the consolidated financial statements (continued)

Trade payables

Trade payables are carried at amortized cost which represents their fair value. Finance income included in the liabilities is calculated by taking into consideration the interest rate for the government debt securities in the fair value of the related debt and the other interest rates in the organized other markets and the amounts found in the consolidated financial statements are shown in the income statement from the main operations.

Other payables

The Company records the advances received from online betting customers under other payables. These advances are traced individually and deductions are being made in line with the total amounts of the betting activities and Milli Piyango lottery tickets purchased.

Additionally, amounts due to Spor Toto are also recorded under other payables. The liability amount due to Spor Toto is calculated after deducting the returns, the commission revenue obtained from the Group and the net prizes won by the online betting customers from the gross sales revenue as a result of betting activities.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost at the consolidated statement of financial position.

Recognition and de-recognition of financial instruments

The Group recognizes a financial asset or financial liability in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

All of the normal financial asset purchases and sales are recorded at the transaction date, which is the date the Group makes a commitment to buy or sell the asset. The aforementioned purchases or sales are generally the purchases or sales that require the delivery of the financial assets during the time period determined by the market regulations.

Impairment on financial assets

Except for the financial assets whose fair value differences are accounted under profit and loss statement, financial assets or financial asset groups are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.
A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For loans and receivables, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows calculated using effective interest rate. The Group follows its receivables separately. The Group also includes a financial asset to the financial assets with the same risk properties and assesses for impairment as a whole in case there is not a specific and separate event determined that causes impairment. Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account.

2. Basis of preparation of the consolidated financial statements (continued)

In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the consolidated statement of profit or loss. The allowance for doubtful receivables is established through a provision charged to expenses. Provision is provided when there is objective evidence that the Group will not be able to collect the debts. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debts are written off when identified.

When the fair value of an available-for-sale financial asset that carried at its fair value is below its cost value of the financial asset due to the fluctuations in the market, the Group assesses the impairment by considering if the fair value decline is material, permanent and not recoverable in the long-term. In accordance with the Group's accounting estimations and policies, in order to assess the fair value decline in the available-for-sale financial asset to be permanent and not recoverable in the long-term, at least one year should pass from the date that the fair value is below its cost of the financial asset. In case there is any impairment, such impairment is transferred from equity to the consolidated statement of profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Related Parties

(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,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) 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).

- (i) Entity and Company are members of the same Group,
- (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.

2. Basis of preparation of the consolidated financial statements (continued)

Taxation

Tax deduction or income is the sum of the statutory and deferred taxes calculated in relation to the gains or losses arising in the period. The tax is included in the profit or loss statement if it is not related to a transaction that is accounted for directly under equity. Otherwise, the tax is accounted under equity as well as the related transaction.

Deferred tax is calculated according to the balance sheet liability method. Deferred tax is the tax effect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the statutory tax bases, which are reflected for the purpose of financial reporting.

The main temporary differences arise from the difference between the tax base and the carrying value of property, plant and equipment and intangible assets due to various expense accruals and reversal of inventories.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are calculated to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. The deferred tax asset is reviewed at each balance sheet date and the carrying amount of the deferred tax asset is reduced when it is not possible to generate sufficient taxable profit for future use.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset will be realized or the liability will be settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is directly attributable to the equity account group if it relates to transactions that are directly attributable to equity at the same or different period.

Provisions, contingent liabilities, contingent assets

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Employment benefits

Defined benefit plan

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Provision is made for the present value of the defined benefit obligation calculated using the Projected Unit Credit Method. All actuarial gains and losses are recognized in the comprehensive income statement. Such defined benefit plan is unfunded.

2, Basis of preparation of the consolidated financial statements (continued)

Defined contribution plan

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Vacation pay liability provision

Since the Group's expectation is the realisation of the vacation pay liability, within a period less than the twelve months following the annual reporting period, the related vacation pay liability provision amount is recognised under short-term provisions for employee benefits.

Revenue recognition

Bilyoner acts as an online sales agent of Spor Toto. The Group recognizes commission calculated as a percentage of the game of chance placed on its website as revenue. The Group also sells Milli Piyango lottery tickets. Revenue for these lottery tickets are recognized on a gross basis when the member assumes ownership through the online transaction.

Interest income

Interest income is recognized using the effective interest method as per the accrual basis.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

Foreign currency transactions and balances

Transactions in foreign currencies during the year are translated into functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from the year-end exchange rate translation of monetary assets and liabilities denominated in foreign currencies are accounted for in the income statement.

Cash flow

In the consolidated statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group’s operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (plant and equipment, intangible assets and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

2. Basis of preparation of the consolidated financial statements (continued)

Subsequent events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote.

Going Concern

The financial statements of the Group are prepared on the basis of a going concern assumption.

2.2 Significant Accounting Evaluation, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Significant estimates accounting evaluation, estimates and assumptions are addressed below:

a) Provision for retirement pay is determined by using actuarial assumptions such as discount rates, future salary increase and employees' turnover rates. The estimations include significant uncertainties due to their long term nature. Details regarding provisions for benefits provided to employees are included in Note 16.

b) The Group management reviews possible results and financial impacts of continuing litigations for and against the Group at the end of each period and makes required provisions for the possible liabilities occurring as a result of evaluations.

c) The Group estimates the economic useful lives of tangible and intangible assets. Economic useful lives are regularly reviewed by the Group Management.

d) Deferred tax asset is recognized to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognized for all temporary differences. Since the assumptions about the future taxable profit of the Group are evaluated as sufficient, deferred tax assets were recognized for the year ended December 31, 2017 (Note 18).

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

2. Basis of preparation of the consolidated financial statements (continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2017 are as follows:

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group disclosed additional information in its annual consolidated financial statements for the year ended 31 December 2017.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The amendments did not have an impact on the financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

The amendments did not have an impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

2. Basis of preparation of the consolidated financial statements (continued)

Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

2. Basis of preparation of the consolidated financial statements (continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2. Basis of preparation of the consolidated financial statements (continued)

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “IAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2. Basis of preparation of the consolidated financial statements (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)

In October 2017, the IASB issued amendments to *IAS 28* Investments in *Associates and Joint Ventures*. The amendments clarify that a company applies IFRS 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.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015–2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. Basis of preparation of the consolidated financial statements (continued)

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2.4 Comparative information and restatement of prior period financial statements

The financial statements as of December 31, 2017 on which we had previously issued our auditor's report dated February 7, 2018 are restated due to the changes in "Organization and nature of activities" section. The aforementioned change in "Organization and nature of activities" is as follows:

Previously Reported wording in "Organization and nature of activities" section:
The Company is a joint-stock company and is jointly controlled by Intralot S.A. Integrated Lottery Systems and Services (''Intralot'') (incorporated in Greece) and Tek Elektronik Yatırım Sanayi ve Ticaret A.Ş. (''Tek Elektronik'') (incorporated in Turkey) and domiciled in Turkey.

Restated wording in "Organization and nature of activities" section:
The Company is a joint-stock company and its' shares are held by 50% each by Intralot S.A. Integrated Lottery Systems and Services (''Intralot'') (incorporated in Greece) and Tek Elektronik Yatırım Sanayi ve Ticaret A.Ş. (''Tek Elektronik'') (incorporated in Turkey) and domiciled in Turkey.

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

3. Cash and cash equivalents

The details of cash and cash equivalents as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Cash on hand	**5,504**	4,352
Banks	**82,490,738**	42,433,415
- *Demand deposits in local currency*	***10,333,422***	*6,239,510*
- *Demand deposits in foreign currency*	***836,958***	*681,510*
- *Time deposits in local currency*	***65,844,229***	*33,396,738*
- *Time deposits in foreign currency*	***5,476,129***	*2,115,657*
Other cash and cash equivalents (*)	**2,942,194**	1,484,883
	85,438,436	43,922,650

The interest rates of TL denominated time deposits of TL 65,844,229 (December 31, 2016: TL 33,396,738) range between 14.30% and 15.85% per annum at December 31, 2017 (December 31, 2016: 10.10% - 11.75%).

The maturities of time deposits are less than three months as of December 31, 2017 and 2016.

(*) Other cash and cash equivalents consist of blocked bank balances arising mainly from payments received from online betting customers and cash in transit balances. The maturities of other cash and cash equivalents are less than 30 days.

As of December 31, 2017 and 2016, the maturities of the Group’s timed deposits are less than three months.

Cash and cash equivalents as December 31, 2017 and 2016, as seen in the consolidated cash flow statements, are as follows:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	**85,438,436**	43,922,650
Interest accrual (-)	**(551,103)**	(280,998)
Blocked bank balances (-)	**(2,231,671)**	(1,202,715)
Cash in transit (-)	**(710,526)**	(282,168)
	81,945,136	42,156,769

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

4. Trade and other receivables

The details of trade and other receivables as of December 31, 2017 and 2016 are as follows:

- **Current trade and other receivables:**

	December 31, 2017	December 31, 2016
Trade receivables	**286,797**	460,102
Trade receivables due from related parties (Note 31)	**-**	957
Other receivables	**73,920**	68,365
- *Receivables from GSGM (*)*	***64,307***	*58,463*
- *Other*	***9,613***	*9,902*
	360,717	529,424

- **Non-current trade and other receivables:**

	December 31, 2017	December 31, 2016
Other receivables	**83,706**	148,015
- *Receivables from GSGM (*)*	***83,706***	*148,015*
	83,706	148,015

(*) Based on the agreement between the Group and GSGM dated July 20, 2009; the Group supported the construction of GSGM's office building in exchange for advertising space in various advertising mediums to be received in 10 years.

No allowance for doubtful receivables exists as of December 31, 2017 and 2016.

5. Prepayments

- **Short-term prepayments:**

	December 31, 2017	December 31, 2016
Prepaid expenses (*)	**4,874,835**	5,218,415
	4,874,835	5,218,415

- **Long-term prepayments:**

	December 31, 2017	December 31, 2016
Prepaid expenses (*)	**73,776**	228,338
	73,776	228,338

(*) Prepaid expenses mainly consist of prepayments for advertising, promotion services and technical support for acquired software.

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

6. Inventories

	December 31, 2017	December 31, 2016
Milli Piyango lottery tickets (*)	**352,500**	367,506
	352,500	367,506

(*) Milli Piyango lottery tickets consist of only the lottery ticket purchases made for the lottery draws that will take place in the subsequent month after the balance sheet date.

7. Other current assets

The details of other current assets as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Value Added Tax (''VAT'') receivable	**284,681**	237,630
Advances given to personnel	**153,236**	85,035
Advances given to suppliers	**49,702**	742,295
	487,619	1,064,960

8. Financial assets

Financial assets include the following:

	December 31, 2017	December 31, 2016
Sentio Teknoloji ve Yazılım Hizmetleri A,Ş, (''Sentio'')	-	500,000

Sentio is incorporated in Turkey and engaged in data analytics business. In June 2013, Argemaks acquired 10% of the share capital of Sentio for a consideration amounting to TL 500,000. The Company has sold its' shares in Sentio with an amount of TL 59.393 in accordance with the decision of the Board of Directors dated February 28, 2017 and numbered 2017/02. The Company has accounted loss on share sell amounting to TL 440.607 in current year local P&L.

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

9. Property plant and equipment

The movements in property plant and equipment and related accumulated depreciation during the years ended December 31, 2017 and 2016 are as follows:

	Machinery and equipment	**Furniture and fixtures**	**Leasehold improvements**	**Total**
Cost				
January 1, 2017	**4,601,037**	**243,703**	**465,391**	**5,310,131**
Additions	**1,725,684**	**1,800**	**-**	**1,727,484**
Disposals	**(72,496)**	**-**	**-**	**(72,496)**
December 31, 2017	**6,254,225**	**245,503**	**465,391**	**6,965,119**
Accumulated depreciation				
January 1, 2017	**(3,186,051)**	**(136,298)**	**(95,172)**	**(3,417,521)**
Additions	**(623,705)**	**(43,910)**	**(92,918)**	**(760,533)**
Disposals	**50,909**	**-**	**-**	**50,909**
December 31, 2017	**(3,758,847)**	**(180,208)**	**(188,090)**	**(4,127,145)**
NBV at January 1, 2017	**1,414,986**	**107,405**	**370,219**	**1,892,610**
NBV at December 31, 2017	**2,495,378**	**65,295**	**277,301**	**2,837,974**

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
January 1, 2016	3,605,747	237,210	448,324	4,291,281
Additions	1,040,339	39,313	129,837	1,209,489
Disposals	(45,049)	(32,820)	(112,770)	(190,639)
December 31, 2016	4,601,037	243,703	465,391	5,310,131
Accumulated depreciation				
January 1, 2016	(2,757,968)	(107,872)	(50,773)	(2,916,613)
Additions	(445,698)	(43,840)	(93,288)	(582,826)
Disposals	17,615	15,414	48,889	81,918
December 31, 2016	(3,186,051)	(136,298)	(95,172)	(3,417,521)
NBV at January 1, 2016	847,779	129,338	397,551	1,374,668
NBV at December 31, 2016	1,414,986	107,405	370,219	1,892,610

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

10. Intangible assets

The movements in intangible assets and related accumulated amortization during the years ended December 31, 2017 and 2016 are as follows:

	Development costs	**Rights**	**Acquired software**	**Construction in progress**	**Total**
Cost					
January 1, 2017	**2,434,204**	**72,113**	**4,385,320**	**337,925**	**7,229,562**
Additions	**1,414,167**	**2,404**	**418,978**	**479,633**	**2,315,182**
Transfer	**479,633**	**-**	**-**	**(479,633)**	**-**
December 31, 2017	**4,328,004**	**74,517**	**4,804,298**	**337,925**	**9,544,744**
Accumulated amortization					
January 1, 2017	**(500,780)**	**(61,740)**	**(3,941,691)**	**-**	**(4,504,211)**
Additions	**(967,600)**	**(487)**	**(300,250)**	**-**	**(1,268,337)**
December 31, 2017	**(1,468,380)**	**(62,227)**	**(4,241,941)**	**-**	**(5,772,548)**
NBV at January 1, 2017	**1,933,424**	**10,373**	**443,629**	**337,925**	**2,725,351**
NBV at December 31, 2017	**2,859,624**	**12,290**	**562,357**	**337,925**	**3,772,196**

	Development costs	Rights	Acquired software	Construction in progress	Total
Cost					
January 1, 2016	852,902	68,243	4,529,748	971,647	6,422,540
Additions	-	3,870	155,572	1,110,965	1,270,407
Impairment on intangible assets(*)	-	-	(300,000)	(163,385)	(463,385)
Transfer	1,581,302	-	-	(1,581,302)	-
December 31, 2016	2,434,204	72,113	4,385,320	337,925	7,229,562
Accumulated amortization					
January 1, 2016	(39,927)	(55,068)	(3,647,012)	-	(3,742,007)
Additions	(460,853)	(6,672)	(294,679)	-	(762,204)
December 31, 2016	(500,780)	(61,740)	(3,941,691)	-	(4,504,211)
NBV at January 1, 2016	812,975	13,175	882,736	971,647	2,680,533
NBV at December 31, 2016	1,933,424	10,373	443,629	337,925	2,725,351

(*) The Group Management has recorded an allowance for the impairment on intangible assets due to the fact that the expected user target level has not been reached and its revenues have been incapable to meet the monthly fixed expenses for the mobile application having the net book value of TL 300,000. Besides, the development project amounting to TL 163,385 has been totally expensed since the infrastructure system of Azerbaijan betting platform has been totally changed during the project development (Note 28).

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

11. Financial liabilities

	December 31, 2017	December 31, 2016
Short term financial leases	**425,000**	-
Credit card payables	**92,548**	60,541
	517,548	60,541
Long term financial leases	**106,250**	-
Total financial liabilities	**623,798**	60,541

12. Trade and other payables

The details of trade and other payables as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Trade payables	**4,874,025**	2,170,487
Trade payables due to related parties (Note 31)	**1,413,904**	616,898
Other payables	**39,500,991**	15,970,437
- *Advances received from online betting customers*	***19,153,550***	*8,883,717*
- *Amounts due to Spor Toto (*)*	***20,344,387***	*7,082,872*
- *Other Payables*	***3,054***	*3,848*
	45,788,920	18,757,822

(*) Due to Spor Toto consist of amounts to be transferred to Spor Toto from total turnover generated from online betting activities after deducting prize payments to customers and Bilyoner's commission.

13. Deferred revenue

- **Short-term deferred revenue**

	December 31, 2017	December 31, 2016
Deferred revenue	**-**	6,193
	-	6,193

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

14. Provisions

	December 31, 2017	December 31, 2016
Bonus accrual	**2,612,000**	2,500,000
Provision for unused vacation liability	**316,965**	284,916
	2,928,965	2,784,916

The movement of "bonus accrual" for the years ended December 31, 2017 and December 31, 2016 is as follows:

	December 31, 2017	December 31, 2016
Opening balance	**2,500,000**	3,220,000
Additional provision	**2,612,000**	2,500,000
Paid during the year	**(2,500,000)**	(3,220,000)
Closing balance	**2,612,000**	2,500,000

The movement of "provision for unused vacation liability" for the years ended December 31, 2017 and December 31, 2016 is as follows:

	December 31, 2017	December 31, 2016
Opening balance	**284,916**	430,082
Additional provision	**94,047**	122,703
Paid during the year	**(61,998)**	(267,869)
Closing balance	**316,965**	284,916

15. Other current liabilities

The details of other current liabilities as of December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Social security payables	**469,044**	374,742
Taxes and funds payable	**413,834**	346,310
Accrued expenses	**192,229**	136,724
Bank commission accruals	**135,795**	198,346
Other	**8,306**	3,679
	1,219,208	1,059,801

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

16. Employee defined benefit liabilities

	December 31, 2017	December 31, 2016
Retirement pay provision	**384,388**	388,142
	384,388	388,142

The movement of "retirement pay provision" for the years ended December 31, 2017 and December 31, 2016 is as follows:

	December 31, 2017	December 31, 2016
Opening balance	**388,142**	345,018
Service cost	**71,201**	44,066
Interest cost	**42,278**	49,567
Actuarial (gain) / loss	**(3,702)**	234,490
Provision paid during the year	**(113,531)**	(284,999)
	384,388	388,142

The principal actuarial assumptions used to calculate the liability at the balance sheet dates are as follows:

	December 31, 2017	December 31, 2016
Discount rate (%)	**3,26%**	3,20%
Probability of retirement (%)	**86,87%**	87,29%

17. Commitments and contingencies

a) Legal claims

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

b) Guarantees given

The guarantee letters and notes given are as follows:

		December 31, 2017		December 31, 2016	
	Currency	**Original amount**	**TL amount**	Original amount	TL amount
Guarantee letters and notes given (*)	**USD**	**19,000,000**	**71,666,100**	14,000,000	49,268,800
	TL	**13,786,348**	**13,786,348**	12,179,746	12,179,746
	EUR	**-**	**-**	25,000	92,748
			85,452,448		61,541,294

(*) The guarantee letters given by the Group consist of the guarantee letters given to Tax Office, Spor Toto and Milli Piyango. These guarantee letters have been given to Tax Office, Spor Toto and Milli Piyango in order to obtain tax returns, to obtain increase in limits of license and revenues and for Milli Piyango activities, respectively.

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

18. Taxation on income

The details of current and deferred income taxes per the statement of income for the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Current year tax expense	**(13,769,314)**	(8,832,727)
Deferred tax income / (expense)	**(2,816)**	13,540
	(13,772,130)	(8,819,187)

Current income taxes

Turkish law legislation does not permit a parent company to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. Turkish Corporate Tax Law has been amended by Law No, 5520 dated 13 June 2006. Most of the articles of this new Law No, 5520 have come into force effective from January 1 2006. The corporation tax rate is 20% (December 31, 2016: 20%).

The corporation tax rate is 20% in Turkey and it is increased to 22% for 3 years period starting from January 1, 2018. Corporate tax returns are required to be filed until the twenty-fifth of the fourth month following the balance sheet date and paid in one instalment until the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts calculated and paid are offset against the final corporate tax liability for the year.

Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment incentive exemption, etc.) and income tax deductions (for example research and development expenses deduction.) No further tax is payable unless the profit is distributed.

Except for the dividends paid to non-resistent corporations which have a representable office in Turkey or resident corporations, dividends are subject to withholding tax at the rate of 10%. An increase via capital issuing bonus shares is not considered as a profit distribution and thus does not occur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability, if despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

18. Taxation on income (continued)

Movements in total income tax receivable during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
January 1	**11,447,595**	7,976,680
Current year corporate tax expense	**(13,769,314)**	(8,832,727)
Paid during the year, net of refunds	**19,136,786**	12,303,642
December 31	**16,815,067**	11,447,595

The Group is required to pay withholding tax at the rate of 15% of on its commission revenue.

The reconciliation of the current year tax expense is as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Profit before income tax	**67,743,685**	44,025,524
Tax calculated at enacted tax rate (20%)	**(13,548,737)**	(8,805,105)
Expenses not deductible for tax purposes	**(167,100)**	(37,255)
Effect of exemption	**-**	39,282
Other	**(56,293)**	(16,109)
Income tax expense	**(13,772,130)**	(8,819,187)

The Group recognizes deferred income tax assets and liabilities based on temporary differences arising between its financial statements prepared in accordance with IFRS and its statutory tax financial statements. Deferred income tax assets and liabilities as of December 31, 2017 and 2016 are as follows:

	Deferred income tax assets / (liabilities)	
	December 31, 2017	December 31, 2016
Property, plant and equipment and intangible assets	**(392,339)**	(246,003)
Inventories and promotions	**249,066**	39,024
Provision for employment termination benefits	**76,878**	77,628
Unused vacation liability	**63,393**	56,983
Prepaid expenses	**36,812**	24,847
Tax losses carried forward	**-**	75,573
Other	**20**	9,335
Deferred income tax assets / (liabilities), net	**33,830**	37,387

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

18. Taxation on income (continued)

The expiration dates of recognized tax losses carried forward upon which deferred tax asset was calculated are as follows:

	December 31, 2017	December 31, 2016
2021	**-**	377.864
	-	377.864

The movement of deferred tax asset / (liability) during the year is as follows:

	2017	2016
Opening balance at January 1	**37,387**	(23,051)
Deferred income tax recognized in statement of profit or loss	**(2,816)**	13,540
Deferred income tax recognized in statement of other comprehensive income	**(741)**	46,898
Closing balance at December 31	**33,830**	37,387

19. Share capital

The Company's authorized share capital consists of 3,300,000 (December 31, 2016: 3,300,000) shares of TL 1 value. As of December 31, 2017 and 2016, the Company's share capital and shareholding structure are as follows:

	December 31, 2017	**Share (%)**	December 31, 2016	Share (%)
Intralot	**1,650,001**	**50**	1,650,001	50
Tek Elektronik	**1,649,999**	**50**	1,649,999	50
	3,300,000	**100**	3,300,000	100
Inflation adjustment to share capital (*)	**346,311**		346,311	
Total paid-in capital	**3,646,311**		3,646,311	

(*) Inflation adjustment to share capital represents the restatement effect of cash contributions to share capital based on the provisions of IAS 29, ''Financial Reporting in Hyper-inflationary Economies''.

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

20. Statutory legal and other reserves

The equity reserves in the balance sheet include certain adjustments that have been made to comply with IFRS. Under the Turkish Tax Law and Turkish Commercial Code ("TCC"), consolidated reporting for tax and statutory purposes is not required. Each company within a group is treated as an individual tax paying and statutory entity. The ability of an individual company to distribute dividends to its direct shareholders is dependent on its statutory profits. Retained earnings according to the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred below.

The legal reserves consist of first and second reserves, appropriated in accordance with the TCC. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of a company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distribution in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. As of December 31, 2017, the legal reserve amounts to TL 5,506,122 (December 31, 2016: TL 5,025,535).

Dividend amounting to TL 34,870,101 in respect of the year ended December 31, 2016 was proposed at the ordinary general assembly held on February 13, 2017 and approved by shareholders. Dividend was paid on March 1, 2017.

21. Revenue

The details of revenue during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Commission revenue	**196,098,630**	129,281,761
Revenue from software related services	**1,158,537**	755,669
Other revenue	**3,213**	170,785
	197,260,380	130,208,215

22. Cost of sales

The details of cost of sales during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Employee benefit expense	**(5,809,388)**	(5,614,918)
Technical support for acquired software	**(3,980,679)**	(2,905,851)
VAT charge (*)	**(1,472,700)**	(1,241,522)
Depreciation and amortization	**(1,815,751)**	(1,160,543)
Mobile Application Costs	**(916,709)**	-
Information technology expense	**(687,255)**	(697,456)
Consultancy and legal expense	**(441,606)**	(611,569)
CRM Project Expenses	**(353,455)**	-
Rent expense	**(200,449)**	(196,120)
Other	**(480,913)**	(404,076)
	(16,158,905)	(12,832,055)

(*) Pursuant to tax legislation, the operational activities maintained by the Group are exempted from VAT. Therefore, input VAT in relation to sport betting operations is directly charged to statement of profit or loss.

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

23. Research and development expenses

	January 1 – December 31, 2017	January 1 – December 31, 2016
Technical support for acquired software	**-**	(84,079)
Employee benefit expense	**-**	(16,089)
	-	(100,168)

24. Marketing and selling expenses

The details of marketing and selling expenses during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Promotion expense	**(72,652,691)**	(33,564,087)
Advertising expense	**(18,061,053)**	(15,873,661)
VAT charge (*)	**(5,504,231)**	(5,372,433)
Employee benefit expense	**(5,484,704)**	(4,756,284)
Sponsorship expenses	**(4,733,230)**	(3,450,442)
Channel expenses	**(1,925,901)**	(3,447,905)
Call center expense	**(1,037,631)**	(1,054,646)
Content expense	**(940,486)**	(1,203,273)
Market research expense	**(233,069)**	(385,481)
Rent expense	**(246,496)**	(220,531)
User experience expenses	**(220,000)**	-
Depreciation and amortization	**(135,276)**	(120,014)
Other	**(976,699)**	(1,239,236)
	(112,151,467)	(70,687,993)

(*) Pursuant to tax legislation, the operational activities maintained by the Group are exempted from VAT. Therefore, input VAT in relation to sport betting operations is directly charged to statement of profit or loss.

25. General and administrative expenses

The details of general and administrative expenses during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Employee benefit expense	**(4,335,432)**	(4,069,392)
Consultancy and legal expenses	**(476,149)**	(643,217)
VAT charge (*)	**(219,271)**	(225,069)
Rent expense	**(195,266)**	(188,572)
Outsourcing expense	**(40,664)**	(80,960)
Depreciation and amortization	**(77,843)**	(64,473)
Other	**(320,600)**	(335,502)
	(5,665,225)	(5,607,185)

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

26. Expenses by nature

The analysis of cost of sales, marketing and selling expenses and general and administrative expenses during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Promotion expense	**(72,652,691)**	(33,564,087)
Advertising expense	**(18,061,053)**	(15,873,661)
Employee benefit expense	**(15,629,524)**	(14,456,683)
VAT charge	**(7,196,202)**	(6,839,024)
Sponsorship expenses	**(4,733,230)**	(3,450,442)
Technical support for acquired software	**(3,980,679)**	(2,989,930)
Depreciation and amortization	**(2,028,870)**	(1,345,030)
Channel expenses	**(1,925,901)**	(3,447,905)
Call center expense	**(1,037,631)**	(1,054,646)
Content expense	**(940,486)**	(1,203,273)
Consultancy and legal expense	**(917,755)**	(1,254,786)
Mobile Application Costs	**(916,709)**	-
Information technology expense	**(687,255)**	(697,456)
Rent expense	**(642,211)**	(605,223)
CRM project expenses	**(353,455)**	-
Market research expense	**(233,069)**	(385,481)
User experience expenses	**(220,000)**	-
Outsourcing expense	**(40,664)**	(80,960)
Other	**(1,778,212)**	(1,978,814)
	(133,975,597)	(89,227,401)

(*) Pursuant to tax legislation, the operational activities maintained by the Group are exempted from VAT. Therefore, input VAT in relation to sport betting operations is directly charged to statement of profit or loss.

27. Employee benefit expenses

The details of employee benefit expense during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Salaries and bonuses	**(13,074,867)**	(11,809,091)
Other employee benefits	**(2,416,387)**	(2,553,959)
Termination benefits	**(138,270)**	(93,633)
	(15,629,524)	(14,456,683)

28. Other operating expenses

	January 1 – December 31, 2017	January 1 – December 31, 2016
Loss on disposal of subsidiary	**(440,607)**	-
Impairment of receivables from e-topaz project	**(143,542)**	-
Loss on sales of tangible assets	**(17,118)**	(101,467)
Impairment on intangible assets	**-**	(463,385)
Other	**(2,516)**	(13,703)
	(603,783)	(578,555)

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

29. Financial income

The details of financial income during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Interest income	**5,069,875**	3,360,808
Foreign exchange gains, net	**391,371**	366,387
Gain on sale of financial securities, net	**3,169**	6,629
Other	**15,449**	9,637
	5,479,864	3,743,461

30. Financial expenses

The details of financial income during the years ended December 31, 2017 and 2016 are as follows:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Letter of guarantee commission expenses	**(414,503)**	(183,448)
Other	**(2,895)**	(4,197)
	(417,398)	(187,645)

31. Related parties

The following transactions are carried out with related parties during the years ended December 31, 2017 and 2016:

a) Related party balances

(i) Trade receivables from related parties:

Due from related parties	**December 31, 2017**	December 31, 2016
Sentio Teknoloji ve Yazılım Hizmetleri A,Ş, (1)	**-**	957
	-	957

(1) Subsidiary of the Company
(2) Related party of the shareholder of the Company
(3) Shareholder of the Company

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

31. Related parties (continued)

(ii) Trade payables to related parties:

Due to related parties	December 31, 2017	December 31, 2016
Teknoser Bilgisayar Teknik Hizmetler Sanayi ve Dış Tic. A.Ş. (2)	**889,558**	388,896
İki Nokta Bilgi Teknolojileri Ticaret A.Ş. (2)	**510,584**	146,270
Hitay Yatırım Holding A.Ş. (3)	**13,762**	6,212
Dorinsight Araştırma ve Danışmanlık Hizmet Ticaret A.Ş. (2)	**-**	70,800
İnteltek Internet Teknoloji Yatırım ve Danışmanlık Ticaret A.Ş. (2)	**-**	4,720
	1,413,904	616,898

b) Related party transactions

(i) Sales to related parties

	January 1 – December 31, 2017	January 1 – December 31, 2016
Sentio Teknoloji ve Yazılım Hizmetleri A.Ş. (1)	**1,500**	9,000

(ii) Purchases from related parties

	January 1 – December 31, 2017	January 1 – December 31, 2016
Teknoser Bilgisayar Teknik Hizmetler Sanayi ve Dış Tic. A.Ş. (2)	**4,437,251**	2,321,023
İki Nokta Bilgi Teknolojileri Ticaret A.Ş. (2)	**1,546,772**	173,711
Hitay Yatırım Holding A.Ş. (3)	**1,016,552**	552,724
Dorinsight Araştırma ve Danışmanlık Hizmet Ticaret A.Ş. (2)	**218,650**	317,500
Napolyon Reklam ve Danışmanlık Hizmetleri Ticaret A.Ş. (2)	**9,699**	-
İnteltek Internet Teknoloji Yatırım ve Danışmanlık Ticaret A.Ş. (2)	**-**	57,894
	7,228,924	3,422,852

c) Key management compensation

Key management includes directors and members of the executive committee. The compensation paid or payable to key management for employee services is shown below:

	January 1 – December 31, 2017	January 1 – December 31, 2016
Salaries and other short-term employee benefits	**3,185,555**	3,456,833

(1) Subsidiary of the Company
(2) Related party of the shareholder of the Company
(3) Shareholder of the Company

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

32. Financial instruments and financial risk management

The Group is exposed to various financial risks due to its activities. These risks include market risk (currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses to minimize the unpredictability of financial markets and the possible negative effects of the financial performance of Group.

Risk management is performed under policies approved by the Company's Board of Directors.

a) Market risk

Foreign exchange risk

The Group is exposed to foreign currency risk because of foreign currency transactions. Foreign currency risk arises from commercial operations that will occur in the future and from recorded assets and liabilities in foreign currencies. Management follows and analyzes the Group's foreign exchange position and, if necessary, manages the foreign exchange risk through currency forward contracts.

As of December 31, 2017 and 2016, amounts of foreign currency denominated assets and liabilities and equivalent of TL amount of the Group are as follows:

December 31, 2017		**TL Equivalent**	**US Dollar**	**EUR**	**Other**
1,	Trade receivables and receivables from financial activities	**128.091**	**33.959**	**-**	**-**
2,a	Monetary financial assets (including cash and banks)	**6.309.730**	**1.667.450**	**4.376**	**102**
2,b	Non-monetary financial assets	**-**	**-**	**-**	**-**
3,	Other	**-**	**-**	**-**	**-**
4,	**Current assets**	**6.437.821**	**1.701.409**	**4.376**	**102**
5,	Trade receivables and receivables from financial activities	**-**	**-**	**-**	**-**
6,a	Monetary financial assets	**-**	**-**	**-**	**-**
6,b	Non-monetary financial assets	**-**	**-**	**-**	**-**
7,	Other	**-**	**-**	**-**	**-**
8,	**Fixed assets**	**-**	**-**	**-**	**-**
9,	**Total assets**	**6.437.821**	**1.701.409**	**4.376**	**102**
10,	Trade payables	**1.561.934**	**251.196**	**136.075**	**-**
11,	Financial liabilities	**-**	**-**	**-**	**-**
12,a	Other monetary liabilities	**23.264**	**5.965**	**169**	**-**
12,b	Other non-monetary liabilities	**-**	**-**	**-**	**-**
13,	**Short-term liabilities**	**1.585.198**	**257.161**	**136.244**	**-**
14,	Trade payables	**-**	**-**	**-**	**-**
15,	Financial liabilities	**-**	**-**	**-**	**-**
16,a	Other monetary liabilities	**-**	**-**	**-**	**-**
16,b	Other non-monetary liabilities	**-**	**-**	**-**	**-**
17,	**Long-term liabilities**	**-**	**-**	**-**	**-**
18,	**Total liabilities**	**1.585.198**	**257.161**	**136.244**	**-**
19,	Net asset / (liability) position of off-balance sheet derivative instruments	**-**	**-**	**-**	**-**
19,a	Hedged total assets	**-**	**-**	**-**	**-**
19,b	Hedged total liabilities	**-**	**-**	**-**	**-**
20,	**Net asset / (liability) position of foreign currency**	**4.852.623**	**1.444.248**	**(131.868)**	**102**
21,	**Monetary items net foreign currency asset / (liability) (1+2a+5+6a+10+11+12a+14+15+16a)**	**4.852.623**	**1.444.248**	**(131.868)**	**102**
22,	Fair value of total financial instrument used for foreign currency hedge	**-**	**-**	**-**	**-**
23,	Hedged amount for current assets	**-**	**-**	**-**	**-**
24,	Hedged amount for current liabilities	**-**	**-**	**-**	**-**
25,	Export	**-**	**-**	**-**	**-**
26,	Import	**-**	**-**	**-**	**-**

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

32. Financial instruments and financial risk management (continued)

December 31, 2016		TL Equivalent	US Dollar	EUR	Other
1,	Trade receivables and receivables from financial activities	265,513	75,447	-	-
2,a	Monetary financial assets (including cash and banks)	2,799,554	689,087	100,587	313
2,b	Non-monetary financial assets	-	-	-	-
3,	Other	-	-	-	-
4,	Current assets	3,065,067	764,534	100,587	313
5,	Trade receivables and receivables from financial activities	-	-	-	-
6,a	Monetary financial assets	-	-	-	-
6,b	Non-monetary financial assets	-	-	-	-
7,	Other	-	-	-	-
8,	Fixed assets	-	-	-	-
9,	Total assets	3,065,067	764,534	100,587	313
10,	Trade payables	375,328	58,125	46,032	-
11,	Financial liabilities	-	-	-	-
12,a	Other monetary liabilities	299	85	-	-
12,b	Other non-monetary liabilities	-	-	-	-
13,	Short-term liabilities	375,627	58,210	46,032	-
14,	Trade payables	-	-	-	-
15,	Financial liabilities	-	-	-	-
16,a	Other monetary liabilities	-	-	-	-
16,b	Other non-monetary liabilities	-	-	-	-
17,	Long-term liabilities	-	-	-	-
18,	Total liabilities	375,627	58,210	46,032	-
19,	Net asset / (liability) position of off-balance sheet derivative instruments	-	-	-	-
19,a	Hedged total assets	-	-	-	-
19,b	Hedged total liabilities	-	-	-	-
20,	Net asset / (liability) position of foreign currency	2,689,440	706,324	54,555	313
21,	Monetary items net foreign currency asset / (liability) (1+2a+5+6a+10+11+12a+14+15+16a)	2,689,440	706,324	54,555	313
22,	Fair value of total financial instrument used for foreign currency hedge	-	-	-	-
23,	Hedged amount for current assets	-	-	-	-
24,	Hedged amount for current liabilities	-	-	-	-
25,	Export	-	-	-	-
26,	Import	-	-	-	-

32. Financial instruments and financial risk management (continued)

As of December 31, 2017 and 2016, the Group has not realized any import and export transactions.

The Group is mainly exposed to foreign currency risk USD, EUR and GBP. As of December 31, 2017 and 2016, foreign exchange position denominated in USD, EUR and GBP, which is owned by the Group. 10% gain and lose value of TL against foreign currencies and below the assumption that all other variables constant, the net profit / loss of the impact on shareholders' equity is as follows:

		December 31, 2017
	Profit / Loss	**Profit / Loss**
	Appreciation of foreign currency	**Depreciation of foreign currency**
USD appreciation / depreciation by 10%		
1- USD net asset / liability	**544,756**	**(544,756)**
2- The part hedged for USD risk (-)	**-**	**-**
3- USD effect - net	**544,756**	**(544,756)**
EUR appreciation / depreciation by 10%		
4- EUR net asset / liability	**(59,545)**	**59,545**
5- The part hedged for EUR risk (-)	**-**	**-**
6- EUR effect - net	**(59,545)**	**59,545**
GBP appreciation / depreciation by 10%		
7- GBP net asset / liability	**52**	**(52)**
8- The part hedged for GBP risk (-)	**-**	**-**
9- GBP effect - net	**52**	**(52)**
Total net effect (3 + 6 + 9)	**485,263**	**(485,263)**

		December 31, 2016
	Profit / Loss	Profit / Loss
	Appreciation of foreign currency	Depreciation of foreign currency
USD appreciation / depreciation by 10%		
1- USD net asset / liability	248,570	(248,570)
2- The part hedged for USD risk (-)	-	-
3- USD effect - net	248,570	(248,570)
EUR appreciation / depreciation by 10%		
4- EUR net asset / liability	20,239	(20,239)
5- The part hedged for EUR risk (-)	-	-
6- EUR effect - net	20,239	(20,239)
GBP appreciation / depreciation by 10%		
7- GBP net asset / liability	135	(135)
8- The part hedged for GBP risk (-)	-	-
9- GBP effect - net	135	(135)
Total net effect (3 + 6 + 9)	268,944	(268,944)

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

32. Financial instruments and financial risk management (continued)

b) Credit risk

Credit risk is a customer or counterparty to a financial instrument from the contract pursuant to fulfill the obligations arising from the risk of financial losses and mainly arise from the Group's receivables from customers.

The Group's exposure to credit risk depends on the different properties of the customers.

The book value of financial assets represents the credit risk exposure at the highest level. The highest level of exposure to credit risk at the reporting date is as follows:

	Trade and other receivables		
December 31, 2017	**Related party**	**Third Party**	**Bank deposits**
Maximum credit exposures as of report date (A+B+C+D+E)	**-**	**360,717**	**82,490,738**
Secured part of maximum credit risk exposure via collateral etc,	**-**	**-**	**-**
A, Net book value for the financial assets that are neither overdue nor impaired	**-**	**360,717**	**82,490,738**
B, Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	**-**	**-**	**-**
C, Net book value of financial assets that are overdue but not impaired	**-**	**-**	**-**
Secured part via collateral etc,	**-**	**-**	**-**
D, Net book value of impaired financial assets	**-**	**-**	**-**
Overdue (gross carrying amount)			
Impairment (-)	**-**	**-**	**-**
E, Off-Balance sheet financial assets exposed to credit risk	**-**	**-**	**-**

	Trade receivables		
December 31, 2016	Related Party	Third party	Bank deposits
Maximum credit exposures as of report date (A+B+C+D+E)	957	528,467	42,433,415
Secured part of maximum credit risk exposure via collateral etc,	-	-	-
A, Net book value for the financial assets that are neither overdue nor impaired	957	528,467	42,433,415
B, Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-
C, Net book value of financial assets that are overdue but not impaired	-	-	-
Secured part via collateral etc,	-	-	-
D, Net book value of impaired financial assets	-	-	-
Overdue (gross carrying amount)			
Impairment (-)	-	-	-
E, Off-Balance sheet financial assets exposed to credit risk	-	-	-

(Amounts expressed in Turkish Lira (''TL'') unless otherwise indicated)

32. Financial instruments and financial risk management (continued)

c) Liquidity risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Failure to meet financial obligations is eliminated by managing risk, balance sheet and cash flow in a harmonized manner. In this context, the Group keeps in line the receivables and payables maturities. Net management capital targets are set for the protection of short-term liquidity and efforts are made to keep balance sheet ratios at certain levels.

The table below provides the analysis of net financial liabilities according to maturities based on future cash outflows as at the balance sheet date. The amounts demonstrated in the table, are undiscounted cash flows based on the agreements.

						December 31, 2017
	Book value	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Contractual total cash outflow**
Trade and other payables	**45,788,920**	**45,788,920**	**-**	**-**	**-**	**45,788,920**
Other financial liabilities	**623,798**	**623,798**	**-**	**-**	**-**	**623,798**
Other liabilities	**1,219,208**	**1,219,208**	**-**	**-**	**-**	**1,219,208**
Total liabilities	**47,631,926**	**47,631,926**	**-**	**-**	**-**	**47,631,926**

						December 31, 2016
	Book value	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Contractual total cash outflow
Trade and other payables	18,757,822	18,757,822	-	-	-	18,757,822
Other financial liabilities	60,541	60,541	-	-	-	60,541
Other liabilities	1,059,801	1,059,801	-	-	-	1,059,801
Total liabilities	19,878,164	19,878,164	-	-	-	19,878,164

33. Provisions, contingent asset and liabilities

In accordance with the amendment made in 2017 in Law numbered 6824, it is decided to make a reduction on Corporate Tax amount with a rate 5% to taxpayers which complies to tax laws. The Company provides the necessary conditions in order to benefit from aforementioned reduction. However, due to the late payment in 2015, caused from bank system, the Company is confronted with pass over the aforementioned reduction. The Company has started to negotiation with Revenue Administration. In case of and adverse decision of Revenue Administration, it is planned to commence a lawsuit against the bank. The Management, expects to collect the amount subject to reduction from bank in case of a lawsuit.

34. Subsequent events

None.