

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY- 31 DECEMBER 2018 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR’S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR’S REPORT

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

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (the “Company”), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

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

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matter
<p>Valuation of investment properties</p> <p>The Company's investment properties amounted to TRY 816,185,179, which has significant share of the total assets of the Company, and which consist of projects under construction, land, offices and trade units as at 31 December 2018.</p> <p>The accounting policy adopted by the Company management for the purpose of accounting for such investment properties is explained in detail in Notes 2 and 10. All of the Company's investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers authorized by the Capital Markets Board, and these values are evaluated by the Company's management and accounted for in the financial statements of the Company. The fair values of investment properties are related to the valuation methods adopted and the inputs and assumptions in the valuation model. For the valuation result, valuer's studies are carried out considering the detailed characteristics of the properties according to comparable market information based on the existing market data and transactions.</p> <p>Reasons for concentrating on this topic:</p> <ul style="list-style-type: none"> The significance of the balance in relation to the financial statements as a whole, Significant assumptions associated with determining the fair value of investment properties. 	<ul style="list-style-type: none"> We tested the design and implementation of the control of the Company's management in determining the fair value of investment properties. The following procedures were carried out as required by independent auditing standards for the management's expert engaged in the valuation work. <ul style="list-style-type: none"> The valuer's accreditation and license recognized by the Capital Markets Board have been checked. The valuer's competence, capability and objectivity have been assessed. The valuation reports prepared for each investment property were read and agreed upon in valuation studies. The title deed registration and ownership rates of each investment property have been tested. We checked and compared significant inputs into the valuation, such as sales m2 and the sales value per m2, for consistency with other audit evidence and observable market data, in order to assess whether the inputs in the valuation are within an acceptable range. We considered the Company's investment property valuation policies and their application as described in the notes to the financial statements for compliance with TFRS, in addition to the adequacy of disclosures in notes related to the fair value of the investment property <p>The procedures we performed resulted in no significant findings.</p>



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

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

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

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

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

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

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

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

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



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.'s bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 25 February 2019.

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

Salim Ayanak, SMMM
Partner

Istanbul, 25 February 2019

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018
AND 2017 (BALANCE SHEET)**

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

	Notes	Audited 31 December 2018	Audited 31 December 2017
ASSETS			
CURRENT ASSETS		225,350,475	245,401,602
Cash and cash equivalents	4	143,109,148	29,498,804
Trade receivables			
- <i>Trade receivables from third parties</i>	6	16,146,473	31,182,536
Other receivables			
- <i>Other receivables from related parties</i>	3,7	-	2,174
- <i>Other receivables from third parties</i>	7	1,682,790	2,493,627
Inventories	11	63,089,375	176,859,944
Prepaid expenses	8	351,264	1,909,950
Current income tax assets	9	879,057	1,611,429
Other current assets	9	92,368	1,843,138
NON-CURRENT ASSETS		1,470,419,108	906,781,528
Trade receivables			
- <i>Trade receivables from third parties</i>	6	107,610,319	-
Other receivables			
- <i>Other receivables from third parties</i>	7	39,762	42,241
Inventories	11	182,243,502	43,796,893
Tangible assets	12	904,951	876,049
Intangible assets			
- <i>Goodwill</i>		14,631,400	-
- <i>Other intangible assets</i>	13	76,600	22,794
Investment properties	10	816,185,179	748,473,027
Prepaid expenses	8	269,546,660	63,504,986
Other non-current assets	9	79,180,735	50,065,538
TOTAL ASSETS		1,695,769,583	1,152,183,130
LIABILITIES			
CURRENT LIABILITIES		226,579,853	209,818,689
Short term borrowings			
- <i>Short term borrowings from related parties</i>	5	27,396,686	-
- <i>Short term borrowings from third parties</i>	5	103,940,912	-
Short-term portion of long-term borrowings			
- <i>Short-term portion of long-term borrowings from related parties</i>	5	55,764,408	-
- <i>Short-term portion of long-term borrowings from third parties</i>	5	18,170,731	-
Trade payables			
- <i>Trade payables to related parties</i>	3,6	11,027	-
- <i>Trade payables to third parties</i>	6	10,716,412	26,629,682
Payables for employee benefits		99,442	6,871
Other payables			
- <i>Other payables to third parties</i>	7	2,282,516	532,885
Deferred revenue	17	5,651,940	181,370,958
Short term provisions			
- <i>Short-term provisions for employee benefits</i>	16	141,874	222,302
Other short term liabilities	17	2,403,905	1,055,991
NON-CURRENT LIABILITIES		488,159,442	2,043,733
Long term borrowings			
- <i>Long term borrowings from related parties</i>	5	104,289,435	-
- <i>Long term borrowings from third parties</i>	5	66,402,658	-
Other payables			
- <i>Other payables to third parties</i>	7	8,051,240	1,933,938
Long term provisions			
- <i>Long-term provisions for employee benefits</i>	16	171,109	109,795
Deferred revenue			
- <i>Deferred revenue from related parties</i>	17	299,990,000	-
- <i>Deferred revenue from third parties</i>	17	9,255,000	-
EQUITY		981,030,288	940,320,708
Paid in capital	18	225,000,000	217,500,000
Adjustment to share capital	18	21,599,008	21,599,008
Share premiums	18	246,731,349	246,731,349
Other comprehensive income to not be reclassified to profit or loss			
- <i>Revaluation and remeasurement</i>			
- <i>Remeasurement of employee benefits</i>	18	(44,839)	1,143
Restricted reserves	18	7,973,782	7,543,019
Retained earnings		439,015,426	371,589,564
Net profit for the year		40,755,562	75,356,625
TOTAL LIABILITIES		1,695,769,583	1,152,183,130

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD BETWEEN 1 JANUARY- 31 DECEMBER 2018 AND 2017**

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

	Note	Audited 31 December 2018	Audited 31 December 2017
Profit/loss			
Revenue	19	190,902,077	3,223,770
Cost of sales (-)	19	(150,738,515)	(1,003,539)
Gross Profit		40,163,562	2,220,231
General administrative expenses (-)	20	(8,970,674)	(6,367,159)
Marketing expenses (-)	20	(1,359,240)	(2,886,921)
Other operating income	21	6,851,752	70,089,940
Operating Income		36,685,400	63,056,091
Operating Profit Before Financial Expenses		36,685,400	63,056,091
Financial income	23	9,657,077	12,670,812
Financial expenses (-)	23	(5,586,915)	(370,278)
Profit Before Tax		40,755,562	75,356,625
Net Profit For the Period		40,755,562	75,356,625
OTHER COMPREHENSIVE INCOME		(45,982)	(18,729)
Other comprehensive income to not be reclassified to profit or loss			
- Remeasurement of employee benefits		(45,982)	(18,729)
TOTAL COMPREHENSIVE INCOME		40,709,580	75,337,896
Earnings per share	25	0.1811	0.3465

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD BETWEEN 1 JANUARY- 31 DECEMBER 2018 AND 2017

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

	Paid-in capital	Adjustment to share capital	Share premium	Remeasurement of employee benefits	Restricted reserves	Retained Earnings		Total equity
						Retained earnings	Net profit for the year	
Balance as of 1 January 2017	213,000,000	21,599,008	246,731,349	19,872	6,389,742	334,818,016	42,424,825	864,982,812
Capital increase	4,500,000	-	-	-	-	(4,500,000)	-	-
Transfers	-	-	-	-	1,153,277	41,271,548	(42,424,825)	-
Total comprehensive income	-	-	-	(18,729)	-	-	75,356,625	75,337,896
Balance as of 31 December 2017	217,500,000	21,599,008	246,731,349	1,143	7,543,019	371,589,564	75,356,625	940,320,708
Balance as of 1 January 2018	217,500,000	21,599,008	246,731,349	1,143	7,543,019	371,589,564	75,356,625	940,320,708
Transfers	-	-	-	-	430,763	74,925,862	(75,356,625)	-
Capital increase	7,500,000	-	-	-	-	(7,500,000)	-	-
Total comprehensive income-	-	-	-	(45,982)	-	-	40,755,562	40,709,580
Balance as of 31 December 2018	225,000,000	21,599,008	246,731,349	(44,839)	7,973,782	439,015,426	40,755,562	981,030,288

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**STATEMENT OF CASH FLOWS FOR THE PERIOD BETWEEN 1 JANUARY -
31 DECEMBER 2018 AND 2017**

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

	Notes	Audited 2018	Audited 2017
A. Cash flows from operating activities:		(79,564,940)	(101,134,739)
Net profit for the year		40,755,562	75,356,625
Adjustments to reconcile profit to cash provided by operating activities:			
Depreciation and amortisation	12, 13	288,475	217,609
Adjustments related to provisions		67,405	43,532
Adjustments related to interest income and expenses		(4,295,616)	(12,590,275)
<i>Adjustment related to the fair value gain/ (loss)</i>			
Fair value gain/loss on investment properties		(4,812,620)	(69,843,819)
Adjustments related to profit or loss on sales of tangible assets		(2,634)	81,031
Net working capital changes in		(111,513,439)	(94,258,418)
Adjustments related to increase in other receivables		817,076	8,605,368
Increase in prepaid expenses		(201,432,512)	(55,806,771)
Increase in inventories		68,589,311	(84,463,341)
Adjustments related to increase in other working capital		109,503,450	3,019,698
Increase in trade payable		(17,113,395)	25,525,415
Increase in trade receivable		(79,442,837)	8,781,816
Increase in other payables from operating activities		7,565,468	79,397
Cash (used in)/provided from operations		(79,512,867)	(100,993,715)
Employment termination benefits paid		(52,073)	(141,024)
B. Cash Flows from Investing Activities		(149,202,312)	19,623,225
Cash outflow from acquisition of tangible and intangible assets			
<i>Cash outflow from acquisition of tangible assets</i>	12	(291,354)	(715,423)
<i>Cash outflow from acquisition of intangible assets</i>	13	(80,695)	(8,377)
Cash-inflow from purchase of tangible and intangible assets		3,500	204,475
Cash inflow from sale of financial investments		-	89,800,000
Cash outflow from acquisition of investments properties		(134,153,363)	(69,657,450)
Cash outflow arising from purchase of shares or capital increase of subsidiaries and/or shareholders	14	(14,680,400)	-
C. Cash flows from financing activities		340,986,285	10,726,318
Repayment of financial liabilities		87,210,000	-
Cash outflow from borrowings		(8,850,000)	-
Interest received		8,265,766	10,738,909
Cash inflow from borrowings		273,850,000	-
Interest paid		(19,489,481)	(12,591)
Change in cash and cash equivalents		112,219,033	(70,785,196)
Cash and cash equivalents at the beginning of the period	4	29,137,514	99,922,710
Cash and cash equivalents at the end of the period	4	141,356,547	29,137,514

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

1. COMPANY’S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

The address of the Company is as follows:

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

According to Central Securities Depository of Turkey, the shareholders structure of the Company is as follows as of 31 December 2018 and 31 December 2017:

	31 December 2018		31 December 2017	
	Share rate (%)	Share amount	Share rate (%)	Share amount
T.Vakıflar Bankası Türk Anonim Ortaklığı (“Vakıfbank”)	38.70	87,080,680	38.70	84,177,980
T.C Başbakanlık Toplu Konut İdaresi Bşk, (“TOKİ”)	14.63	32,906,790	14.63	31,809,895
Vakıfbank Personeli Özel Sosyal. Güv. Hiz.Vakfı (“Vakıf”)	9.60	21,601,384	9.60	20,881,335
Vakıfbank Memur ve Hizmetleri Emekli Sandığı	8.88	19,976,131	8.88	19,310,260
Other	28.19	63,435,015	28.19	61,320,530
Total	100	225,000,000	100	217,500,000

In the Ordinary General Assembly held on 14 May 2018, the Capital Market Board was consulted regarding the capital increase to be made in the form of free shares in the form of bonus shares. After the approval of the Board, shares with a nominal value of TRY 7,500,000 were reflected in the related capital accounts.

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

As of 31 December 2018, The Company’s paid in capital is TRY1,000,000,000. (31 December 2018: TRY500,000,000). As of 31 December 2018, the number of employees of Company is 29. (31 December 2017: 21).

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

The financial statement of the Company is approved on 25 February 2019 by Board of Directors as of 31 December 2018. The General Assembly has the power to amend the financial statements after issue.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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

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

Joint Venture

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

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

Halk - Vakıf

Halk-Vakıf has been incorporated as an ordinary partnership with a joint venture agreement on 29 August 2014 and started to operate on 16 October 2014 with 50% shares and 50% voting right, with a total capital of TRY100,000. The subject of the joint venture is to conduct construction and sales of the housing development project in Sancaktepe in İstanbul. The Company purchased a 95,221.84 m² piece of land in İstanbul's Sancaktepe district for TRY110,000,000 + VAT, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Halk GYO.

Vakıf - Obaköy

On April 29, 2016, Vakıf-Obaköy was established as a joint venture with the project partnership agreement signed on 29 April 2016. Vakıf-Obaköy was established with a capital of TRY100,000 and a share of 50% and 50% and the purpose of the established partnership is to develop a housing project in Maltepe, İstanbul. The Company purchased a land of 15,264 m² in Maltepe, İstanbul, for a total of TRY66,971,250, 50% for Vakıf GYO and 50% for Obaköy. According to the decision of 2018/3 made by the Board of Directors signed on January 31, 2018, The Company has been signed and decided to increase Obaköy Gayrimenkul Geliştirme İnşaat Yatırım Taahhüt Sanayi ve Ticaret A.Ş. (Obaköy) shares from 50% to 99%. Vakıf GYO paid 49% (which is equal to 42.151.214 TL) of the total amount of the investment share which was shared jointly by Obaköy by two partners up to TRY14.680.400 as a share transfer fee, and total amounting TRY56,831,614. In the financial statements prepared as of the date of the change of Vakıf GYO's share ratio and the fair value of the partnership, the net asset value is classified as goodwill in the financial statements. As of 31 December 2018, goodwill amount is TRY14,631,400. The goodwill arising as a result of the business combination will be depreciated over the sales rate of the project together with the delivery of the project and the goodwill will not be recognized in the financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

2.1. Basis of preparation

a Financial statements of preparation

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

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

The TAS Taxonomy of 2016 developed on the basis of Article 9 (b) of Decree Law No. 660 was approved by the Board decision dated 2 June 2016 and numbered 30 in order to ensure that the financial statements conforming to TAS are shared with users in the format of "Extensible Enterprise Reporting Language". This TAS taxonomy has been taken into account in the attached financial statements.

b Declaration of conformity to TAS

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

c Adjustment of financial statements in periods of high inflation

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

d Functional and presentation currency

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1. Basis of preparation (Continued)

e Joint Ventures

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

The details of the joint ventures of the Company are explained in Note 1 as of 31 December 2018. The Company consolidated its joint venture by using proportional consolidation method.

f Going concern

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

The Company's financial statements are prepared under the going concern assumption. As of 31 December 2018, current assets of the Company are TRY 225,350,475 and short term liabilities amount to TRY 226,579,853. The Company does not foresee any shortcomings regarding the fulfillment of these short term liabilities.

As of 31 December 2018, the Company's inventory and investment properties are approximately TRY1,061,518,056. Also, marketing and sales activities are in progress for the sale of inventories.

In this context, the Company's existing resources for liquidity are sufficient and it does not require additional resources for the projected cash flows.

2.2. Changes and mistakes in accounting policies and accounting forecasts

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

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

2.3.1 Changes in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2018:

- **TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **TFRS 15, 'Revenue from contracts with customers'**; effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.1 Changes in Turkish Financial Reporting Standards (Continued)

- **Amendment to TFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendments to TFRS 4, 'Insurance contracts'** regarding the implementation of TFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued;
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- **Amendment to TAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Amendments to TFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **Annual improvements 2014-2016**; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
 - TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.1 Changes in Turkish Financial Reporting Standards (Continued)

- **IFRIC 22, ‘Foreign currency transactions and advance consideration’**; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- b. *The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 December 2018, however is not effective yet:*
 - **Amendment to TFRS 9, ‘Financial instruments’**; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
 - **Amendment to TAS 28, ‘Investments in associates and joint venture’**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
 - **TFRS 16, ‘Leases’**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard will not have any material effect on Company’s financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.1 Changes in Turkish Financial Reporting Standards (Continued)

- **IFRIC 23, ‘Uncertainty over income tax treatments’;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **TFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - TFRS 3, ‘Business combinations’, - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11, ‘Joint arrangements’, - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - TAS 12, ‘Income taxes’ - a company accounts for all income tax consequences of dividend payments in the same way.
 - TAS 23, ‘Borrowing costs’ - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to TAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.1 Changes in Turkish Financial Reporting Standards (Continued)

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
 - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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

2.3.2 TFRS 15 “Revenue from customer agreements” standard

Revenue recognition

Company recognises revenue based on the following five principles in accordance with the TFRS 15 - “Revenue from Contracts with Customers Standard” effective from 1 January 2018:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Company evaluates each contracted obligation separately and respective obligations, committed to deliver the goods or perform services, are determined as separate performance obligations.

Company determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Company transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Company recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.2 TFRS 15 “Revenue from customer agreements” standard (Continued)

Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Company’s collection right of the consideration for the goods or services,
- b) customer’s ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer’s ownership of significant risks and rewards related to the goods or services,
- e) customer’s acceptance of goods or services.

If Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

First transition to TFRS 15 “Revenue from customer agreements” standard

The Company has been implementing “TFRS 15 Revenue from Customer Agreements” standard, which replaced the “TAS 18 Revenue” standard, since 01 January 2018. TFRS 15 does not have any effect on financial statements.

2.3.3 TFRS 9 “Financial Instruments” standard

Classification and Measurement

Company classifies its financial assets in three categories of financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The appropriate classification of financial assets is determined at the time of the purchase.

“Financial assets measured at amortised cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Company’s financial assets measured at amortised cost comprise “cash and cash equivalents” and “trade receivables” Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the statement of income.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.3 TFRS 9 "Financial Instruments" standard (Continued)

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under statement of income.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the statement of income.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

Financial assets	Previous classification according to TAS 39	New classification according to TFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost

Financial liabilities	Previous classification according to TAS 39	New classification according to TFRS 9
Trade payables	Amortised cost	Amortised cost
Financial liabilities	Amortised cost	Amortised cost

Impairment

"Expected credit loss model" defined in TFRS 9 "Financial Instruments" superseded the "incurred credit loss model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was effective prior to 1 January 2018. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Company.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.3 TFRS 9 “Financial Instruments” standard (Continued)

Trade Receivables

Company has preferred to apply “simplified approach” defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Company measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

Company uses a provision matrix for the calculation of the expected credit losses on trade receivables. The provision matrix calculates fixed provision rates depending on the number of days that a trade receivable is past due and those provision rates are reviewed and, revised if necessary, in every reporting period. The changes in the expected credit losses on trade receivables are accounted for under “other operating income/expenses” account of the statement of income.

2.4 Summary of critical account estimation

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

2.4.1 Revenue

Revenue is rental income that have generated from investment property and recognized in profit or loss on accrual basis. Income is measured at fair value basis over the reasonable value that is received or can be received.

Revenue is recognized when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company.

2.4.2 Investment Property

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

a) *Operating investment properties*

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.2 Investment Property (Continued)

b) Investment property under development

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

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

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

2.4.3 Property and Equipment

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

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

The expected useful lives are stated below:

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for impairment is charged to statement of income.

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.4 Intangible assets

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

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

2.4.5 Impairment of assets

Financial assets

At each reporting date, the company evaluates whether there are unbiased indicators that a financial asset or a financial asset group is subject to impairment. If such an indicator exists, the company determines the relevant impairment amount.

A financial asset or a financial asset group is impaired and impairment loss arises only when there is an unbiased indicator that one or more events ("loss") occurred after the relevant asset's initial recognition and the relevant financial asset or asset group was impaired due to the impact of the said loss on the future cash flows that can be forecast reliably. Potential losses that may arise from future events are not recognised, regardless of their likelihood.

Non-financial assets

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

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

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

2.4.6 Financial instruments

Classification

The Company has the following financial assets, cash and cash equivalents and financial investment carried at fair value through profit or loss; and has the following financial liabilities; borrowings and trade payable.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank deposits with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

ii) Non-derivative financial liabilities

Loans and borrowings

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

2.4.7 Offsetting

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

2.4.8 Foreign Currency Transactions

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

2.4.9 Share premium

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

2.4.10 Paid-in capital

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

2.4.11 Dividends

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

2.4.12 Earning per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of their shares “bonus shares” to existing shareholders funded from retained earnings or other reserves. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares, issued without receiving cash or another consideration from shareholders.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

2.4.13 Subsequent events

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

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

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

2.4.14 Provisions, contingent liabilities and contingent assets

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

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

2.4.15 Leases

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

The Company as the lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

The company as the lessee

Financial leases

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. The principal amount of rental obligations is accounted for under liabilities and reduced when the payment made. The interest element of the finance cost is charged to the financial statement of comprehensive income over the lease period. Obligations under finance leases are accounted for under the "Financial liabilities" account balance on the balance sheet. Interest rates and exchange difference expenses arising from financial leasing are charged to comprehensive income statement. Tangible assets acquired through financial leasing is amortized over the shortest of its useful life or the lease term.

Payments made under operating leases are charged to the financial statement of comprehensive income on a straight-line basis over the period of the lease term.

2.4.16 Related parties

For the purpose of the financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, associates and joint ventures are considered as related parties in accordance with TAS 24 related party disclosure.

2.4.17 Taxation

Corporate Tax

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

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

2.4.18 Provision for employee termination benefits

Provision for the employee termination benefits shows the present value of total liabilities resulting from retirement of personnel in the future for the company in accordance with Turkish Labour Law. Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.18 Provision for employee termination benefits (Continued)

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

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. The maximum amount of 6,018 full TRY which is effective from 1 January 2019 has been taken into consideration when calculating the liability (1 January 2018: 5,002 full TRY) as of 31 December 2018.

2.4.19 Inventories

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

2.4.20 Goodwill

Exceeds part which is over real value of net definable assets is recorded as a goodwill. When amounts in question is lower than acquired real value of net defined assets, difference is directly recorded to income statement as a negation share. In case of deferred reconciliation of cash payments' any part, amount to be paid in the aftertime, value of modified date degraded to present value. Used discount rate is incremental borrowing rate of asset which is from independence financier, similar debt rate under similar terms and conditions. Conditional price is classified as of equity and financial debt. Amounts which is classified as a financial debt, afterwards, changes in real value is remeasured with real value on the purpose of accounted in gain/loss. Equity share in business which is holded before mergers and acquisitions incrementally is remeasured with real value in mergers date and as a result, if it is gain/loss, it accounted as of gain/loss.

2.4.21 Segment reporting

The company is not disclose reports in accordance with segments because of the company intensifies its activities in a single geographical segment which is Turkey, and concentrates all of its activities in real estate investment area.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Critical accounting estimates, assumptions and judgments

The preparation of financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Company management; the actual results might differ from them.

The fair value measurement of investment properties

As of 31 December 2018 in the financial statements, principal assumptions used in valuation reports during the finding fair values of real estates classified as investment property are explained below:

Name of investment property	Valuation method	Valuation market m ² value in TRY
Ümraniye Land and Project (*)	Cost approach	31,253
İstanbul/Levent Business Center	Sale comparison	18,912
İstanbul/Fatih Business Center	Sale comparison	14,501
Ankara/Kavaklıdere Dükkan	Sale comparison	14,000
Transform Fikirtepe Project	Sale comparison	10,118
İzmir/Konak Land 8604 Plot-4 Parcel	Sale comparison	6,900
İzmir/Konak Land 8604 Plot-1 Parcel	Sale comparison	6,800
İzmir/Konak Land 8601 Plot-1 Parcel	Sale comparison	7,000
İzmir/Aliağa Business Center	Sale comparison	5,483
İzmir/Konak Land 8603 Plot-1 Parcel	Sale comparison	6,800
Sancaktepe/Samandıra Land	Sale comparison	4,000
Kütahya/Merkez Business Center	Sale comparison	3,367

As of 31 December 2017 in the financial statements, principal assumptions used in valuation reports during the finding fair values of real estates classified as investment property are explained below:

Name of investment property	Valuation method	Valuation market m ² value inTRY
Ümraniye Land and Project (*)	Cost approach	30,270
İstanbul/Levent Business Center	Sale comparison	15,106
Ankara/Kavaklıdere Shop	Sale comparison	13,204
İstanbul/Fatih Business Center	Sale comparison	11,000
İzmir/Konak Land 8604 Plot-4 Parcel	Sale comparison	4,250
İzmir/Konak Land 8604 Plot-1 Parcel	Sale comparison	4,250
İzmir/Konak Land 8601 Plot-1 Parcel	Sale comparison	4,150
İzmir/Aliağa Business Center	Sale comparison	4,051
İzmir/Konak Land 8603 Plot-1 Parcel	Sale comparison	4,000
Sancaktepe/Samandıra Land	Sale comparison	4,000
Kütahya/Merkez Business Center	Sale comparison	3,448

(*) Ümraniye Land and Project has been revaluated according to cost approach using the percentage of completion land+construction cost since construction had started as of 31 December 2018 and 2017.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Critical accounting estimates, assumptions and judgments (Continued)

Inventories

The land was purchased for real estate project and it is measured at the lower of cost and net realizable value.

The company has classified the inventories of the land under long term asset that it has acquired with the aim of improving the residential construction project and the inventories which have been constructed for more than 1 year.

Long term VAT receivables

The Company classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 9). The Company’s total VAT receivable as of 31 December 2018 is amounting to TRY79,273,103 (31 December 2017: TRY51,908,676) and this amount has been reclassified to amounting to TRY92,368 as short-term and amounting to TRY79,180,735 as long-term based on timing of forecast income and expense subjected to VAT.

2.6 Control of compliance with the portfolio limitations

Presented information as of 31 December 2018, control of compliance with the portfolio limitations are the condensed information which comprised of Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1 “Real Estate Investment Company” published in the Official Gazette dated 23 January 2014 numbered 28891 Capital Markets Board’s Communiqué Serial: III, No: 48.1 a “Amendment on Real Estate Investment Company” published in the Official Gazette dated 28 May 2013 numbered 28660.

3. RELATED PARTY DISCLOSURES

Due to /from related parties

	2018	2017
Banks and other liquid assets		
Türkiye Vakıflar Bankası T.A.O. (“Vakıfbank”)	143,095,968	28,814,186
Vakıfbank Yatırım Fund	-	670,000
Prepaid expenses		
Güneş Sigorta A.Ş. (“Güneş Sigorta”)	208,436	276,647
Other receivable from related parties		
Vakıf Factoring	-	2,174
Short and Long term borrowings from related parties		
Vakıfbank	187,450,529	-

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3. RELATED PARTY DISCLOSURES (Continued)

	2018	2017
Trade payables from related parties		
Vakıf Yatırım Menkul Değerler A.Ş.	7,965	-
Vakıf Pazarlama San. Tic. A.Ş.	3,062	-

Deferred revenue from related parties

Vakıfbank (Note 17)	299,990,000	-
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Income and expense from related parties

Income	2018	2017
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Rent income from related parties

Vakıfbank	2,122,177	1,999,885
Vakıf Yatırım Menkul Değerler A.Ş.	1,005,090	1,005,090
Vakıf Faktoring	-	212,795
Obaköy	-	6,000

Interest income from related parties

Vakıfbank Deposit interest income	10,378,225	10,400,812
Vakıfbank bond interest income	83,684	2,166,287

Other income from related parties

Vakıf Faktoring	-	49,017
Obaköy	-	4,800

As of 31 December 2018 Company's revenue 2% generated from the related parties of the Company.
(31 December 2017: %100).

Expenses	2018	2017
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Insurance expense paid from related parties

Güneş Sigorta	297,883	189,084
Vakıf Emeklilik A.Ş.	79,856	63,285

Interest expense paid from related parties

Vakıfbank	10,745,308	1,062
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3. RELATED PARTY DISCLOSURES (Continued)

Operating expenses and commission expenses to related parties

	2018	2017
Vakıfbank	266,718	330,526
Vakıf Yatırım Menkul Değerler A.Ş.	236,925	77,220
Vakıf Pazarlama	10,110	5,625

Employee benefits to key management

Remuneration and fees paid to members of the board of directors	732,593	634,461
Remuneration and fees paid to other key management	863,432	941,849

4. CASH AND CASH EQUIVALENTS

As of 31 December 2018 and 31 December 2017, cash and cash equivalents are as follows:

	2018	2017
Cash	2,048	2,186
Banks-Time deposits	142,818,982	28,654,688
Banks-Demand deposits	276,986	164,930
Investment funds	-	670,000
Other liquid assets	11,132	7,000
Cash and cash equivalents in the financial position	143,109,148	29,498,804
Interest income accruals on cash and cash equivalents	(1,752,601)	(361,290)
Cash and cash equivalents in the statement of cash flows	141,356,547	29,137,514

As of 31 December 2018 and 31 December 2017, there is no blockage on cash and cash equivalents.

Demand deposits

As of 31 December 2018 and 31 December 2017, the details of demand deposits at bank are as follows:

	2018	2017
TRY	276,986	164,930
Total	276,986	164,930

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4. CASH AND CASH EQUIVALENTS (Continued)

Time deposits

As of 31 December 2018 and 31 December 2017, the details of time deposits at banks are as follows:

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

31 December 2017	Amount (TRY)	Nominal interest rate (%)	Maturity
TRY	14,376,080	14.60	12 January 2018
TRY	14,083,480	14.60	5 January 2018
TRY	132,005	14.60	19 January 2018
TRY	61,120	14.60	9 February 2018
TRY	2,003	9.00	2 January 2018
Total	28,654,688		

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

	31 December 2018		31 December 2017	
	Original Amount	TRY Amount	Original Amount	TRY Amount
Euro	562,788	3,889,999	-	-
Total	562,788	3,889,999	-	-

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5. FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
<i>Short term debts</i>		
Short term borrowings from related parties	27,396,686	-
Short term borrowings from third parties	10,157,281	-
Issued bonds	93,783,631	-
Short-term financial borrowings	131,337,598	-
<i>Short-term portion of long-term bank loans</i>		
Short-term portions of long-term borrowings from related parties	55,764,408	-
Short-term portions of long-term borrowings from third parties	18,170,731	-
Short-term portion of long-term financial borrowings	73,935,139	-
<i>Long term bank loans</i>		
Long-term borrowings from related parties	104,289,435	-
Long-term borrowing from third parties	66,402,658	-
Long term financial liabilities	170,692,093	-
Total financial liabilities	375,964,830	-

The currency of total financial liabilities is TRY. The interest rates are between 17% - 32.18%.

The details of bank loans as of 31 December 2018 and 31 December 2017 are as follows

	31 December 2018	31 December 2017
Up to 1 year	111,489,106	-
1 - 2 years	64,827,439	-
After 2 years	105,864,654	-
	282,181,199	-

As of December 31 December 2018 detailed of issued bonds are as follows;

BOND CODE	31 Aralık 2018			
	Issued nominal amount (TRY)	Bond Date	Date of Redemption	Value
TRFVGYO31914	100,000,000	28 September 2018	26 March 2019	93,783,631
Total				93,783,631

Within the scope of the issuance ceiling of the Company amounting to TRY 800,000,000 the application for issuance of debt instruments to be issued to the qualified investors in the Turkish Lira by the method of selling to the qualified investors in the domestic market has been approved by the decision of the Capital Markets Board dated 2 August 2018 numbered 34/905.

Within the scope of this limit, the Company has been established on 28 September 2018 by Vakıf Yatırım Menkul Değerler A.Ş. The issuance of financing bills with a nominal value of TRY 100,000,000, dated 26 March 2019 has been made available to qualified investors.

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6. TRADE RECEIVABLES AND PAYABLES

Trade receivables

Short term trade receivables

As of 31 December 2018 and 31 December 2017, short term trade receivables of the Company are as follows:

	31 December 2018	31 December 2017
Trade receivables	12,216,768	-
Note receivables (*)	3,929,705	31,182,536
Total	16,146,473	31,182,536

(*) As of 31 December 2018 notes receivables amounting to TRY3,929,705 consist of deposits received from the pre-sales of residential units at Bizimtepe Aydos project of Halk GYO-Vakıf GYO (31 December 2017: TRY31,182,536).

Long term trade receivables

As of 31 December 2018 and 31 December 2017, long term trade receivables of the Company are as follows:

	31 December 2018	31 December 2017
Trade receivables (*)	104,109,000	-
Note receivables (**)	3,501,319	-
Total	107,610,319	-

(*) TRY 104,109,000 of the amount consists of the investments made to the Iconova project developed by Şireci-Acarsan Company in Şehitkamil District of Gaziantep Province in accordance with the Article 22 of the Real Estate Investment Trust Communiqué. Within the scope of the contract, a total of TRY220,00,000 mortgage has been established on 30 commercial units (appraisal value TRY120,930,700 + VAT) in order to constitute the collateral of the investment support provided by Vakıf GYO. The guarantor signatures of Şireci-Acarsan and its partners are included in the contract.

(**) As of 31 December 2018, receivable notes worth TRY3,501,319 received by Halk GYO-Vakıf GYO based on the sales promise contracts made under the scope of Bizimtepe Aydos project (31 December 2017: None).

Trade payables

Short term trade payable

As of 31 December 2018 and 31 December 2017, short term trade payables of the Company are as follows:

	31 December 2018	31 December 2017
Trade payables	10,716,412	26,629,682
Trade payables to related parties (Note 3)	11,027	-
Total	10,727,439	26,629,682

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7. OTHER RECEIVABLES AND PAYABLES

Other receivables

Other current receivables

As of 31 December 2018 and 31 December 2017, other current receivables of the Company are as follows:

	31 December 2018	31 December 2017
Other receivables from third parties	1,682,790	2,493,627
Other receivables from related parties (Note 3)	-	2,174
Total	1,682,790	2,495,801

Other non-current receivables

As of 31 December 2018 and 31 December 2017, other non-current receivables of the Company are as follow:

	31 December 2018	31 December 2017
Other non-current receivables from third parties	39,762	42,241
Total	39,762	42,241

Other payables

Other current payables

As of 31 December 2018 and 31 December 2017, other current payables of the Company are as follows:

	31 December 2018	31 December 2017
Deposits and guarantees received	2,281,283	525,330
Other payables	1,233	7,555
Total	2,282,516	532,885

Other non-current payables

As of 31 December 2018 and 31 December 2017, other long-term payables of the Company are as follows:

	31 December 2018	31 December 2017
Deposits and guarantees received(*)	8,051,240	1,933,938
Total	8,051,240	1,933,938

(*) The amount of TRY8,051,240 of deposits and guarantees received, amounting to TRY7,935,133 is the guarantee of cash collateral from the contractors within the scope of Company's IUFM project , amounting to TRY116,107 other cash collaterals.

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8. PREPAID EXPENSES

As of 31 December 2018 and 31 December 2017, short term prepaid expenses of the Company are as the follows:

	31 December 2018	31 December 2017
Prepaid expense	351,264	276,646
Advances given to suppliers	-	1,633,304
Total	351,264	1,909,950

As of 31 December 2018 and 31 December 2017, long term prepaid expenses of the Company are as the follows:

	31 December 2018	31 December 2017
Advances given (*)	269,546,660	63,504,986
Total	269,546,660	63,504,986

(*) As of 31 December 2018, long-term advances given amounting to TRY 45,748,396 have been related to REC Uluslararası İnşaat Yatırım San.Tic.A.Ş. as deposit advance within the scope of IUFM main undertaking business commitments. (31 December 2017 :63,504,986).TRY 223,798,264 have been related to payment for the purchase of real estates.

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

As of 31 December 2018 and 31 December 2017, current income tax assets of the Company are as follows:

	31 December 2018	31 December 2017
Prepaid taxes and funds (*)	879,057	1,611,429
Total	879,057	1,611,429

(*) TRY879,057 of all prepaid taxes and fund consist of withholding tax on from time deposits income in the current term (31 December 2017 : TRY1,611,429).

As of 31 December 2018 and 31 December 2017, current assets of the Company are as follows:

	31 December 2018	31 December 2017
VAT receivable	92,368	1,843,138
Total	92,368	1,843,138

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**9. CURRENT INCOME TAX ASSETS, OTHER CURRENT ASSETS AND OTHER
NON-CURRENT ASSETS (Continued)**

As of 31 December 2018 and 31 December 2017, non-current assets of the Company are as follows:

	31 December 2018	31 December 2017
VAT receivable	79,180,735	50,065,538
Total	79,180,735	50,065,538

10. INVESTMENT PROPERTIES

As of 31 December 2018 and 31 December 2017, details of investment properties are as follows:

	31 December 2018	31 December 2017
Investment properties under development	760,301,079	702,970,887
Operating investment properties	55,884,100	45,502,140
Total	816,185,179	748,473,027

As of 31 December 2018 and 31 December 2017, details of operating investment properties and investment properties under development are as follows:

	31 December 2018	31 December 2017
<i>Investment properties under development</i>		
Land/ Project	760,301,079	702,970,887
<i>Operating investment properties</i>		
Buildings	55,884,100	45,502,140
Total	816,185,179	748,473,027

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10. INVESTMENT PROPERTIES (Continued)

Investment properties under development

Lands/ Project

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

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

As of 31 December 2017, the fair value of the investment properties under development in the financial statements are as follows:

Description	Valuation method	Valuation report date	Fair Value
Ümraniye Land and Project İzmir/Konak Land 8601	“Cost approach”	28 December 2017	484,326,000
Plot-1 Parcel	“Sale comparison”	28 December 2017	73,345,565
Samandıra/ Sancaktepe Land İzmir/Konak Land 8604	“Sale comparison”	28 December 2017	70,072,680
Plot-1 Parcel	“Sale comparison”	28 December 2017	28,052,210
İzmir/Konak Land 8604			
Plot-4 Parcel	“Sale comparison”	28 December 2017	26,440,312
İzmir/Konak Land 8603			
Plot-1 Parcel	“Sale comparison”	28 December 2017	20,734,120
Total			702,970,887

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10. INVESTMENT PROPERTIES (Continued)

As of 31 December 2018 and 31 December 2017, the movement of investment properties under development are as follows:

	31 December 2018	31 December 2017
Beginning of the period - 1 January	702,970,887	565,996,358
Additions (*)	147,106,781	68,972,535
Change in fair value	-	68,001,994
Transfers (**)	(84,207,249)	-
Impairment	(5,569,340)	-
End of the period- 31 December	760,301,079	702,970,887

(*) Amounting to TRY 24.047.445 of the inflow to investment property consists of the purchase price of 30 commercial units that the Company acquired from the Transform Fikirtepe project. TRY 110.105.918 of this amount (31 December 2017; TRY 67.627.112) is comprised of the payments made to the IUFM main contractor and TRY 12.953.418 of the total financing expenses (31 December 2017: 1.345.423 portion of the consultancy service fee within the scope of İzmir Konak Mixed Project).

(**) Transfer refers to transfers from investment property to stocks. At the date 23 November 2018, the company has made an agreement with "Türkiye Vakıflar bankası" for selling 22.900 m2 part of IUFM Project out of 135.988 m2. Since the Company has started to develop the related real estates with the purpose of selling, it has transferred it to its stocks.

İstanbul Finance Center

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

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

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

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10. INVESTMENT PROPERTIES (Continued)

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

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

Under the current prime contractor, the ongoing construction project planned to be complete in 2020.

According to the report dated 13 November 2018 of Yetkin Real Estate Appraisal Company, which is authorized by CMB to provide valuation services, the fair value of Istanbul Financial Center according to market comparison method is TRY 500,051,328 excluding VAT and the investment amounting to TRY 84,207,249 the purpose was transferred to real estate stocks.

Sancaktepe/Samandıra Land

On December 9th, 2016, the Company purchased a 17.518,17 m2 land which is located in Istanbul Province, Sancaktepe district, Samandıra district, 243EE4D section, 6770 plot, 2 parcel from Ak İnşaat Mermercilik ve Gayrimenkul Yatırım Ticaret A.Ş for 63.750.000 TL+VAT.

İzmir Lands

İzmir/Konak Lands are registered in İzmir Province, Konak County, Mersinli district, 8601 plot 1 parcel, 8603 plot, 1 parcel, 8604 plot, 1 parcel and 8604 plot, 4 parcel. Total land area is 35.678,93 m2. This land was joined to portofolio with cost of 114,750,467 TL on the date of 19.08.2015. No project has been started in the relevant parcels by the end of 2017. Yet, with the decision of the Board of Directors dated 05.01.2018, for the job of İzmir Konak Mixed Project construction agreement in return for land share, the company agreed with İlk İnşaat Taah. San. ve Tic A.Ş and Kaf Teknik Yapı İnş. San. ve Tic. Ltd. Şti Joint Venture. The land has been delivered and the company has started to produce projects.

Operating investment property:

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

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

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10. INVESTMENT PROPERTIES (Continued)

As of 31 December 2017, the fair values of investment properties are as follows:

Description	Valuation method	Valuation report date	Fair value
İstanbul/Levent Business Center	"Sale comparison"	28 December 2017	16,163,000
Ankara/Kavaklıdere Shop	"Sale comparison"	28 December 2017	12,042,350
Kütahya/Merkez Business Center	"Sale comparison"	28 December 2017	7,102,200
İstanbul/Fatih Business Center	"Sale comparison"	28 December 2017	5,596,140
İzmir/Aliağa Business Center	"Sale comparison"	28 December 2017	4,598,450
Total			45,502,140

İstanbul / Levent Business Center

İstanbul / Levent Business Center is registered to Beşiktaş/İstanbul Rumelihisar neighbourhood 1472 plot 1st parcel. Total gross surface is 1,195 m².

Based on Yetkin Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2018 İstanbul/Levent Business Center's VAT excluded fair value is TRY 22,596,000 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to Vakıf Yatırım Menkul Değerler A.Ş.. The Company earned TRY1,005,090 of rental income for the period started 1 January 2018 and ended 31 December 2018 (31 December 2017: TRY1,005,090)

Kütahya / Merkez Business Center

Kütahya/ Merkez Business Center is registered to Merkez/Kütahya Ali Paşa neighbourhood 63 plot 224 th parcel. Total gross surface is 2,060 m².

Based on Yetkin Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2018 Kütahya/Merkez Business Center's VAT excluded fair value is TRY 6,936,100 according to sales comparison method. There is no restriction on investment properties. The Company rented this property branch office of Vakıfbank. The Company earned TRY508,752 of rental income for the period started 1 January 2018 and ended 31 December 2018 (31 December 2017: TRY457,261).

Ankara / Kavaklıdere Shop

Ankara/ Kavaklıdere shop is registered to Çankaya/Ankara Küçükesat neighbourhood 2537 plot 6 th parcel. Total gross surface is 912 m².

Based on Yetkin Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 28 December 2018 Ankara/Kavaklıdere shop's VAT excluded fair value is TRY12,768,000 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Kavaklıdere. The Company earned TRY913,891 of rental income for the period started 1 January 2018 and ended 31 December 2018 (31 December 2017: TRY913,891).

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10. INVESTMENT PROPERTIES (Continued)

İzmir / Aliğa Business Center

İzmir/ Aliğa business center is registered to Aliğa/İzmir Aliğa neighbourhood 50 plot 5637 th parcel. Total gross surface is 1,132 m².

Based on Yetkin Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2018 İzmir/Aliğa business center's VAT excluded fair value is TRY6,207,000 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Aliğa. The Company earned TRY370,965 of rental income for the period started 1 January 2018 and ended 31 December 2018 (31 December 2017: TRY333,419).

İstanbul / Fatih Business Center

İstanbul / Fatih Business Center is registered to Fatih/İstanbul neighbourhood 2123 plot 9 th parcel. Total gross surface is 509 m².

Based on Yetkin Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2018 İstanbul/Fatih Business Center's VAT exclude fair value is TRY7,377,000 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Fatih. The Company earned TRY328,569 of rental income for the period started 1 January 2018 and ended 31 December 2018 (31 December 2017: TRY295,314).

As of 31 December 2018 and 31 December 2017, insurance amount of investment properties are as follows:

	2018		2017	
	Insurance date	Insurance value	Insurance date	Insurance value
Kütahya/Merkez Business Center	3 February 2018	2,103,260	3 February 2017	1,895,200
İzmir/Aliğa Business Center	3 February 2018	951,130	3 February 2017	851,250
İstanbul/Levent Business Center	3 February 2018	896,660	3 February 2017	802,500
Ankara/Kavaklıdere Shop	3 February 2018	764,256	3 February 2017	684,000
İstanbul/Fatih Business Center	8 February 2018	426,324	8 February 2017	381,555
Total		5,141,630		4,614,505

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11. INVENTORIES

Short Term Inventories

	31 December 2018	31 December 2017
Bizimtepe Aydos Project	63,089,375	176,859,944

Long Term Inventories

	31 December 2018	31 December 2017
Lands	98,036,253	43,796,893
İstanbul Finans Merkezi (*)	84,207,249	-

Short Term and Long Term Total	245,332,877	220,656,837
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(*) 22,900 m2 part of the İUFM Project is transferred to inventories as a result of sales of the project in accordance with the sales promise agreement with the Türkiye Vakıflar Bankası.

İstanbul/Sancaktepe

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

İstanbul/Maltepe

The company purchased a 15,264 m² piece of land in Istanbul's Maltepe district for TRY66,971,250, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Obaköy. According to the decision of 2018/3 made by the Board of Directors signed on 31 January 2018, the Company has been decided to increase its shares from 50% to 99%.

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

As of 31 December 2018, TRY8,747,537 of financing expenses are capitalized on inventory.

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12. PROPERTY, PLANT AND EQUIPMENT

The movement schedule of property, plant and equipment as of 31 December 2018 and 31 December 2017 is as follows:

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

Based on Yetkin Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2018 land has been accounted under the tangible asset's VAT excluded fair value is TRY1,793,000 according to sales comparison method The gross carrying value of the land on which there is an energy transmission line amounting to TRY205,926, there is no other restriction on the land.

As of 31 December 2018, TRY261,586 of the total depreciation expenses has been accounted under general administrative expenses (31 December 2017: TRY200,767).

The movement schedule of property, plant and equipment as of 31 December 2017 is as follows:

	1 January 2017	Addition	Disposal	31 December 2017
<i>Cost</i>				
Land	205,926	-	-	205,926
Machinery and equipment	428,270	117,033	(30,853)	514,450
Vehicles	169,880	120,000	(187,882)	101,998
Special costs	407,053	478,390	(407,053)	478,390
Total	1,211,129	715,423	(625,788)	1,300,764
<i>Accumulated depreciation</i>				
Machinery and equipment	(283,138)	(50,118)	12,357	(320,899)
Vehicles	(104,759)	(54,843)	76,406	(83,196)
Special costs	(176,333)	(95,806)	251,519	(20,620)
Total	(564,230)	(200,767)	340,282	(424,715)
Net book value	646,899	-	-	876,049

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13. INTANGIBLE ASSETS

The movement schedule of intangible assets which consist of software and rights as of 31 December 2018 and 31 December 2017 are as follows:

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

	1 January 2017	Addition	Disposal	31 December 2017
Cost	70,173	8,377	-	78,550
Accumulated amortisation	(38,914)	(16,842)	-	(55,756)
Net book value	31,259			22,794

There is no lien and no pledge on intangible assets as of 31 December 2018 and 31 December 2017.

As of 31 December 2018, TRY26,889 of the total amortisation expenses has been accounted under general administrative expenses (31 December 2017: TRY16,842).

14. GOODWILL

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

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

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

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

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15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2018 and 31 December 2017 commitments given are as follows:

The CPMs given by the Company	31 December 2018	31 December 2017
A. CPM's given in the name of its own legal personality	59,295,441	63,600,441
B. CPM's given on behalf of the fully Consolidated companies	-	-
C. CPM's given on behalf of third parties for ordinary course of business (*)		75,188,849
D. Total amount of other CPM's given	69,833,625	
i. Total amount of CPM's given on behalf		-
ii. Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	-	-
	4,310,477	
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	133,439,543	138,789,290

(*) The balance consist of the Company's guarantor balance for the clients. The Company's joint venture foundation of Halk GYO-Vakıf GYO Adi Ortaklığı begun pre-sales of residential at Bizimtepe Aydos Project. If the customers use loans from the banks that the Company agreed, the Company will be guarantor to the Clients. Vakıf GYO-Halk GYO Adi Ortaklığı signed the general guarantee agreement with the agreed banks amounting to TRY850,565,000 as of 31 December 2018 (31 December 2017: TRY800,000,000). The Company's responsibility is TRY425,282,500 (31 December 2017: TRY400,000,000). The pre-sales of Vakıf GYO-Halk GYO Adi Ortaklığı amounting to TRY139,667,250 (31 December 2017: TRY150,377,697) performed through the guarantee agreement. The risk of the Company is TRY69,833,625 (31 December 2017: TRY75,188,849) due to the pre-sales through the guarantee agreements as of 31 December 2018. The proportion of other CPM and Company's equity is 7.12% as of 31 December 2018 (31 December 2017: 8.00%).

As of December 31, 2018, there are no other CPMs given by the Company (31 December 2017: None).

As of 31 December 2018 and 31 December 2017, the details of deposits and guarantees received are showed below:

	31 December 2018		31 December 2017	
	Original amount	TRY Equivalent	Original amount	TRY Equivalent
TRY	139,088,242	139,088,242	163,660,965	163,660,965
Total	139,088,242	139,088,242	163,660,965	163,660,965

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15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The case where the company is a party

As of 31 December 2018, the Company has 8 litigation cases, 6 cases litigation cases related to Tax , 2 case litigation related to the reemployment claim and the remaining lawsuit related to the capital increase. The explanations for the important case by the company are explained in detail below.

With its Board of Directors' decision dated 13 March 2014, the Company decided to increase its issued capital from TRY 106,200,000 to TRY 212,400,000. Marmara Metal Mamülleri A.Ş., one of the Company's shareholders, opened a lawsuit on 11 April 2014 to request, as per Article 18/6 of *Capital Markets Law No. 6362* and Article 445 (and subsequent articles) of *Turkish Commercial Code No. 6102*, that the Company's Board of Directors' decision to increase the capital be cancelled and adjourned. With the interim decision dated 12 May 2014, the court decided to reject the request for the adjourning execution of the Board of Directors' decision. On 3 September 2014 the plaintiff objected to the resolution to reject the decision, dated 12 May 2014. With its decision dated 26 December 2014, the court decided that "The matter of investigating the plaintiff's book records should be resolved at the hearing, the interim decision should be communicated in order for the expert committee to present the file and the report within one month following communication of the interim decision, and the hearing should be held on 25 March 2015". At the hearing held on 25 March 2015, since the report was at the expert committee, it was decided that the requests that communication be sent to the expert committee for return of the file to the court with and without a report, an investigation should be done on the plaintiff attorneys' books and a construction engineer should be added to the expert committee will be evaluated upon receipt of the file and the hearing was adjourned to 17 September 2015. The hearing dated 17 September 2015 was adjourned to 10 February 2016 as the written responses were not added to the file in line with the previous decision made at the hearing dated 4 November 2015. The hearing dated 10 February 2016, since the expert committee report is not enough for the decision, new investigation by expert committee is requested. The investigation will be performed on 11 March 2016. In addition, since the shares of the defendant is decreased below 5%, the court is delayed on 8 September 2015 in order to control the right ownership of defendant. The lawsuit file was handed over to the experts at the court registry on 11 March 2016 and they reviewed the books and records on 7 April 2016. The experts provided their report on the lawsuit case on 25 May 2016. On the hearing of the case on 8 September 2016, it was decided that the parties could file an appeal against the expert report on 23 November 2016. The company made an appeal to the expert report on 13 September 2016. In the hearing of the case dated 23 November 2016, it was decided that the reports on confiscation should be re-reported as there are contradictory findings in the expert's files, the examination of the related reports should be held in the court hearing room on 16 December 2016 and the hearing was decided as 15 March 2017. The file has been delivered to expert and the report is expected. On trial dated 15 March 2017, it was decided that the expert report should be waited and set 5 July 2017 as a new trial date. At the trial of the case dated July 15, 2017, it was observed that the experts were not presenting their reports and the trial was postponed to 14 December 2017. In the trial took place on 14 December 2017, extra time is granted to make statement on the expert report and therefore the trial is delayed on 12 April 2018. On 12 April 2018, the court decided to proceed to oral proceedings as the inquiries were finalized and the hearing was postponed to 20 September 2018. The case of the case of Istanbul 7th Commercial Court of First Instance with the file no. 2014/677.

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

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

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15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Operating lease arrangements

Company as a lessor

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 February 2011 for the lease full building which consist of basement, ground and five flat located in İzmir Aliğa. The amount of monthly rent is TRY 31,176 + VAT as of 31 December 2018. The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreemet with Türkiye Vakıflar Bankası T.AO on 1 January 2011 for the lease full building which consist of basement, ground and two flat located in İstanbul Fatih. The amount of monthly rent is TRY27,613+VAT as of 31 December 2018. The annual The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 January 2005 for the lease business center located in Ankara Çankaya. The amount of monthly rent is TRY 76,158+ VAT as of 31 December 2018. The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 February 2011 for the lease full building which consist of basement, ground and seven flat located in Kütahya. The amount of monthly rent is TRY 42,756+ VAT as of 31 December 2018.The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Vakıf Yatırım Menkul Değerler A.Ş. on 1 January 2017 for the lease business center located in İstanbul Beşiktaş. The amount of monthly rent is TRY 83,757 + VAT as of 31 December 2018.The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced by Turkish Statistical Institute.

The Company as lessee

The Company signed a rent agreement with Nuri Baylar-Manolya Baylar for the workplace located in Ümraniye/İstanbul to start on 1 December 2017.The amount of monthly rent is TRY35.000 + stoppage as of 1 December 2018.The annual rent increase is the arithmetic average rate of the increase in the PPI and CPI ,determined by Turkish Statistical Institute, in the same period of the previous year.

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16. PROVISIONS FOR EMPLOYEE BENEFITS

Short term provisions for employee benefits

As of 31 December 2018 and 31 December 2017, provisions for employee benefits are as follows:

	31 December 2018	31 December 2017
Provision for unused vacation	141,874	61,553
Provision for bonus	-	160,749
Total	141,874	222,302

The movement schedule of the unused vacation as of 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the period - 1 January	61,553	199,681
Changes during the period	80,321	(138,128)
At the end of the period - 31 December	141,874	61,553

Long term employee benefits

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

The amount payable consists of one month's salary limited to a maximum of TRY5.434 for each period of service as of 31 December 2018 (31 December 2017: TRY4.732). The retirement pay provision ceiling is revised semi-annually, and TRY6,018 which is effective from 1 January 2019, is taken into consideration in the calculation of provision for employment termination benefits. Liability of employment termination benefits is not subject to any funding as there isn't an obligation. Provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Company's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) is accounted in "Remeasurement of the employment termination benefits" in comprehensive income statement.

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16. PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

As of 31 December 2018 and 31 December 2017, movement of provision for employee termination benefits is as follows:

	31 December 2018	31 December 2017
Opening balance - 1 January	109,795	188,558
Interest cost	27,360	11,528
Service cost	40,045	32,004
Actuarial gain/(loss)	45,982	18,729
Employment termination benefits paid	(52,073)	(141,024)
Closing balance - 31 December	171,109	109,795

17. OTHER CURRENT LIABILITIES AND DEFERRED INCOME

Other current liabilities

As of 31 December 2018 and 2017, other current liabilities of the Company are as follows:

	31 December 2018	31 December 2017
Taxes payable and other duties	559,704	910,707
Accrued expenses	1,844,201	-
Other	-	145,284
Total	2,403,905	1,055,991

Deferred revenue

As of 31 December 2018 and 31 December 2017, current deferred revenue of the Company is as follows:

	31 December 2018	31 December 2017
Deferred revenue	5,651,940	180,718,895
Received order advances	-	652,063
Total	5,651,940	181,370,958

As of 31 December 2018 and 31 December 2017, non-current deferred revenue of the Company is as follows:

	31 December 2018	31 December 2017
Deferred revenue (*)	309,245,000	-
Total	309,245,000	-

(*) TRY 299.990.000 of long-term deferred income is the advance consideration received for the sale of IUFM project covered 22,900 m2 of space to Türkiye Vakıflar Bank. as of 31 December 2018.

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18. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in capital

As of 31 December 2018 and 31 December 2017, the Company's capital structure is as follow according to Central Securities Depository:

	Class	2018		2017	
		Capital rate (%)	Capital amount	Capital rate (%)	Capital amount
Vakıfbank	A	15,32	34,473,771	15.32	33,324,645
	B	23,38	52,606,904	23.28	50,853,335
TOKİ	A	9,05	20,370,864	9.05	19,691,836
	B	5,58	12,535,923	5.58	12,118,059
Vakıfbank Personeli Özel Sosyal Güv. Hiz. Vakfı	A	5,57	12,535,917	5.57	12,118,053
	B	4,03	9,065,465	4.03	8,763,282
Vakıfbank Memur ve Hizmet Em. San. Vakfı	A	2,79	6,267,958	2.79	6,059,026
	B	6,09	13,708,173	6.09	13,251,234
Other	A	2,79	6,267,959	2.79	6,059,027
	B	25,40	57,167,066	25.40	55,261,503
Total		100	225,000,000	100	217,500,000
Effects of inflation adjustments			21,599,008		21,599,008
Total			246,599,008		239,099,008

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

Share premium

	2018	2017
Share premium	237,393,491	237,393,491
Share premium Inflation adjustments	9,337,858	9,337,858
Total	246,731,349	246,731,349

At the 2017 Ordinary General Assembly meeting, the Company decided to distribute TRY 7,500,000 of the net profit, which corresponds to 10% of the net distributable period profit, in the form of bonus shares. The Company has applied to the Capital Markets Board for approval. The capital rose from TRY217,500,000 to TRY225,000,000.

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

Restricted reserves

As of 31 December 2018 and 31 December 2017, restricted reserves are consist of legal reserves.

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

Other Comprehensive Income Not To Be Reclassified To Profit Or Loss

The Amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain/loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income as of 1 January 2013. The gains and losses arising from the changes in the actuarial assumption amounting to TRY(44,839) (31 December 2017: TRY1,143) have been accounted for by "Revaluation Funds" under the equity as of 31 December 2018.

Dividend distribution

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

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

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19. SALES AND COST OF SALES

Sales and cost of sales for the year ended 31 December 2018 and 2017 are as follows:

	2018	2017
<i>Income from operating activities</i>		
Residence sales(*)	187,774,810	-
Rent income	3,127,267	3,223,770
Total revenue	190,902,077	3,223,770
Cost of sales	(150,738,515)	(1,003,539)
Gross profit	40,163,562	2,220,231

(*) As of 31 December 2018, residence sales revenue includes the deliveries of the apartment from Bizimtepe Aydos project.

Cost of the sales for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Cost of inventory sold	147,073,844	-
Land Registry fees expenses	2,876,133	-
Real estate tax expenses	764,843	721,968
Insurance expenses	16,753	14,509
Rent expenses	-	212,795
Other	6,942	54,267
Total	150,738,515	1,003,539

20. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Marketing expenses for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Advertisement expenses	1,359,240	1,892,411
Sales commissions expenses	-	819,291
Other expenses	-	175,219
Total	1,359,240	2,886,921

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20. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

General administrative expenses for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Personnel expenses	5,710,538	4,471,041
Outsourced service expenses	1,142,682	552,095
Operational lease expenses	456,250	409,193
Depreciation and amortization	288,475	217,609
Tax expenses	251,345	29,539
Other expenses	1,121,384	687,682
Total	8,970,674	6,367,159

21. OTHER OPERATING INCOME

Other Operating Income

Other operating income for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Fair value gain on investment properties (Note 10)	4,812,620	69,843,819
Other	2,039,132	246,121
Total	6,851,752	70,089,940

22. EXPENSES BY NATURE

Breakdown of depreciation and amortization expense for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
General administrative expense (Note 20)	288,475	217,609
Total	288,475	217,609

23. FINANCE INCOME/EXPENSE

Finance expense for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Interest expense	5,361,461	12,591
Bank charges and commission expenses	225,454	353,947
Foreign exchange loss	-	3,740
Total	5,586,915	370,278

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23. FINANCE INCOME/EXPENSE (Continued)

Finance income for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Interest income from bank	9,573,393	10,436,579
Interest income from bank bonds	83,684	2,166,287
Income from investment funds	-	67,946
Total	9,657,077	12,670,812

24. TAX ASSETS AND LIABILITIES

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

25. EARNINGS PER SHARE

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

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

	2018	2017
Profit for the period	40,755,562	75,356,625
Weighted average number of shares	225,000,000	217,500,000
Earnings per share	0.1811	0.3465

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit risk

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

As of 31 December 2018 and 31 December 2017, credit risk exposure of financial assets is as follows:

31 December 2018	Receivables				Deposits on bank	Financial investment	Other	Total
	Trade receivables		Other receivables					
	Related party	Other party	Related party	Other party				
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	123,756,792	-	1,722,552	143,095,968	-	11,132	268,586,444
- Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-	-	-	-
A.) Net book value of financial assets that are either not due or not impaired	-	121,515,810		1,722,552	143,095,968	-	11,132	264,345,462
B.) Net book value of the expired but not impaired financial assets	-	2,240,982	-	-	-	-	-	2,240,982
C.) Net book value of impaired assets	-	-	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-	-
D.) Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

31 December 2017	Receivables				Deposits on bank	Financial investment	Other	Total
	Trade receivables		Other receivables					
	Related party	Other party	Related party	Other party				
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	31,182,536	2,174	2,535,868	28,819,618	-	677,000	63,217,196
- Secured portion of the maximum credit risk by guarantees, etc.		-	-	-	-	-	-	-
B.) Net book value of financial assets that are either not due or not impaired	-	29,960,375	2,174	2,535,868	28,819,618	-	677,000	61,995,035
B.) Net book value of the expired but not impaired financial assets	-	1,222,161	-	-	-	-	-	1,222,161
C.) Net book value of impaired assets	-	-	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-	-
D.) Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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

Trade receivables past due but not impaired as at 31 December 2018 and 2017 are as follows:

31 December 2018	Total
0-3 months overdue	509,064
More than 3 months overdue	1,731,918
Total	2,240,982
31 December 2017	Total
0-3 months overdue	1,065,225
More than 3 months overdue	156,936
Total	1,222,161

As of December 31, 2018 and 2017, the Company's movement tables for its loans are as follows::

	2018	2017
1 January		-
Cash inflow from issued debt instruments	87,210,000	-
Additions	273,650,000	-
Prepays	(8,850,000)	-
Change in interest accruals	23,754,830	-
31 December	375,964,830	-

Liquidity risk

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

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

Contract terms

	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
31 December 2018						
Short term financial liabilities (Non-derivative):						
Financial liabilities	375,964,830	525,279,035	-	150,442,530	374,836,505	-
Trade payables	10,727,439	10,727,439	10,727,439	-	-	-
Other payables and liabilities	10,333,756	10,333,756	2,282,516	-	8,051,240	-
Other short term payables and liabilities	2,403,905	2,403,905	2,403,905	-	-	-
Total	399,429,930	548,744,135	15,413,860	150,442,530	382,887,745	-

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

Contract terms

31 December 2017	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Short term financial liabilities (Non-derivative):						
Trade payables	26,629,682	26,629,682	26,629,682	-	-	-
Other payables and liabilities	2,466,823	2,466,823	532,885	-	1,933,938	-
Other short term payables and liabilities	1,055,991	1,055,991	1,055,991	-	-	-
Total	30,152,496	30,152,496	28,218,558	-	1,933,938	-

As of 31 December 2018 and 31 December 2017, the Company does not have any derivative financial liabilities.

Market Risk

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

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

Foreign currency risk

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

The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows as of balance sheet date (31 December 2017: None).

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

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

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

	31 December 2018	
	Appreciation of foreign currency	Depreciation of foreign currency
In the case of a 20% increase in Euro against TL		
1- Euro net Asset/Liability	677,800	(677,808)
2- The portion protected from Euro risk (-)	-	-
3- Euro net effect (1+2)	677,800	(677,800)

Interest rate risk

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

As of 31 December 2018 and 31 December 2017, the Company does not have a financial instruments sensitive to variable interest rates, financial instruments sensitive to fixed interest rate of the Company is as follows:

<i>Financial instruments with fixed interest rates</i>	31 December 2018	31 December 2017
Financial assets	142,818,982	29,324,688
<i>Time deposits</i>	142,818,982	28,654,688
<i>Investment funds</i>	-	670,000
Financial liabilities	375,964,830	-
<i>Bank loans</i>	282,181,199	-
<i>Bond issues</i>	93,783,631	-

Weighted average interest rates which are applied to financial instruments as of 31 December 2018 and 31 December 2017 are as follows:

		31 December 2018	31 December 2017
<i>Financial instruments</i>			
Banks time deposits	TRY	19.00%	14.60%
Financial liabilities/ bond	TRY	17.00%-32.18%	-

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

Capital risk management

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

	31 December 2018	31 December 2017
Total liabilities	714,739,295	211,862,422
Cash and cash equivalents (-)	(143,109,148)	(29,498,804)
Net debt	571,630,147	182,363,618
Equity	981,030,288	940,320,708

Operational risk

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

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

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

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27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets

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

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

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

Classification of Fair Value Measurement

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

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively trade market price.
- Second level: The fair value of financial assets and financial liabilities are evaluated with reference to imputes that used to determine directly or indirectly observable price in market.
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to imputes that used to determine fair value but not relying on observable data in the market.

Classification requires using observable market data if possible.

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

31 December 2018	Level 1	Level 2	Level 3	Total
<i>Investment properties:</i>				
Investment properties	-	816,185,179	-	816,185,179
Total	-	816,185,179	-	816,185,179

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27. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

31 December 2017	Level 1	Level 2	Level 3	Total
<i>Cash and cash equivalents:</i>				
Investment funds	670,000	-	-	670,000
<i>Investment properties:</i>				
Investment properties	-	748,473,027	-	748,473,027
Total	670,000	748,473,027	-	749,143,027

28. SUBSEQUENT EVENTS

None.

**29. SUPPLEMENTARY INFORMATION: COMPLIANCE CONTROL OF THE PORTFOLIO
RESTRICTIONS**

As of 31 December 2018, presented information in accordance with Capital Markets Board’s Communiqué Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1 “Real Estate Investment Company” published in the Official Gazette dated 28 May 2013 numbered 28660 Capital Markets Board’s Communiqué Serial: III, No: 48.1a “Amendment on Real Estate Investment Company” published in the Official Gazette dated 23 January 2014 numbered 28891.

In this context, information related to total asset, total portfolio and control of compliance with the limitations are as follows as of 31 December 2018 and 31 December 2017:

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

	Financial statements main account items	Related regulations	Current period	Previous period
A	Monetary and capital market instruments	Serial III-48.1a, Art.24/(b)	143,109,148	29,498,804
B	Real estates, projects based on real estates, rights based on real estates	Serial III-48.1a, Art.24/(a)	1,061,518,056	969,129,864
C	Subsidiaries	Serial III-48.1a, Art.24/(b)	-	-
	Due from related parties (non-trade)	Serial III-48.1a, Art.23/(f)	-	2,174
	Other assets		491,142,379	153,552,288
D	Total asset	Serial III-48.1, Art.31	1,695,769,583	1,152,183,130
E	Financial liabilities	Serial III-48.1, Art.3/(k)	375,964,830	-
F	Other financial liabilities	Serial III-48.1, Art.31	-	-
G	Financial leasing obligations	Serial III-48.1, Art.31	-	-
H	Due to related parties (non trade)	Serial III-48.1a, Art.23/(f)	-	7,555
I	Equity	Serial III-48.1, Art.31	981,030,288	940,320,708
	Other liabilities		338,774,465	211,854,867
D	Total liabilities	Serial III-48.1, Art.3/(k)	1,695,769,583	1,152,183,130
	Financial Information	Related regulations	Current period	Previous period
A1	The portion of money and capital market instruments held for payables of properties for the following 3 years	Serial III-48.1a, Art.24/(b)	-	-
A2	Time deposit/demand deposit/TRY/Foreign currency	Serial III-48.1a, Art.24/(b)	143,095,979	28,819,618
A3	Foreign capital market instruments	Serial III-48.1a, Art.24/(d)	-	-
B1	Foreign properties, projects based on properties and rights based on properties	Serial III-48.1a, Art.24/(d)	-	-
B2	Idle lands	Serial III-48.1a, Art.24/(c)	205,926	205,926
C1	Foreign Subsidiaries	Serial III-48.1a, Art.24/(d)	-	-
C2	Investments in affiliated operating companies	Serial III-48.1a, Art.28	-	-
J	Non-cash loans	Serial III-48.1a, Art.31	133,439,542	138,789,290
K	Mortgage amounts on lands that project to be developed and the ownership does not belong the partnership	Serial III-48.1a, Art.22/(e)	-	-
L	Total investments of monetary and capital market instruments at one company	Serial III-48.1a, Art.22/(1)	141,256,333-	

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

Portfolio Restrictions	Related Regulation	Current period	Previous period	Max/Min Rate
1 Mortgage amounts on lands that project to be developed and the ownership does not belong the partnership	Serial III-48.1a, Art.22/(e)	-	-	Max 10%
2 Real estates, projects based on real estates, rights based on real estates	Serial III-48.1a, Art.24/(a),(b)	62.60%	84.11%	Min 51%
3 Monetary and capital market instruments	Serial III-48.1a, Art.24/(b)	8.44%	2.56%	Max 49%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments	Serial III-48.1a, Art.24/(d)	-	-	Max 49%
5 Idle lands	Serial III-48.1a , Art.24/(c)	0.01%	0.02%	Max 20%
6 Subsidiaries (operating companies)	Serial III-48.1a , Art.28	-	-	Max 10%
7 Borrowing limit	Serial III-48.1a , Art.31	45.44%	14.76%	Max 500%
8 TRY and foreign currency time and demand deposits	Serial III-48.1a , Art.24/(b)	8.44%	2.50%	Max 10%
9 Total investments of monetary and capital market instruments at one company	Serial III-48.1a Art.22/(1)	8.33%	-	Max 10%

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