VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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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 2017 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 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

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.

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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.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Valuation of investment properties

The Company's investment properties amounted to TRY 748,473,027, 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 2017.

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.

Reasons for concentrating on this topic:

• 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.
</td><td>
• 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.

- 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 TAS, in addition to the adequacy of disclosures in notes related to the fair value of the investment property

The procedures we performed resulted in no significant findings.
</td></tr>
</table>

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 TAS, 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 2017 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 22 February 2018.

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

Salim Alyanak, SMMM
Partner

Istanbul, 22 February 2018

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INDEX **PAGE**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017 AND 2016 (BALANCE SHEET)

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

	Notes	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
CURRENT ASSETS		**245,401,602**	**211,083,073**
Cash and cash equivalents	4	29,498,804	100,586,329
Financial investments	3, 5	-	87,633,713
Trade receivables			
- Trade receivables from third parties	*6*	*31,182,536*	*10,902,192*
Other receivables			
- Other receivables from related parties	*3,7*	*2,174*	*4,864*
- Other receivables from third parties	*7*	*2,493,627*	*7,673,802*
Inventories	11	176,859,944	-
Prepaid expenses	8	1,909,950	78,812
Current income tax assets	9	1,611,429	4,203,361
Other current assets	9	1,843,138	-
NON-CURRENT ASSETS		**906,781,528**	**818,220,597**
Trade receivables			
- Trade receivables from third parties	*6*	-	*29,062,160*
Other receivables			
- Other receivables from third parties	*7*	*42,241*	*3,464,744*
Inventories	11	43,796,893	136,193,496
Tangible assets	12	876,049	646,899
Intangible assets			
- Other intangible assets	*13*	*22,794*	*31,259*
Investment properties	10	748,473,027	608,971,758
Prepaid expenses	8	63,504,986	9,529,353
Other non-current assets	9	50,065,538	30,320,928
TOTAL ASSETS		**1,152,183,130**	**1,029,303,670**
LIABILITIES			
CURRENT LIABILITIES		**209,818,689**	**6,953,069**
Trade payables			
- Trade payables to third parties	*6*	*26,629,682*	*1,104,267*
Liabilities for employee benefits		6,871	-
Other payables			
- Other payables to related parties	*7*	*7,555*	*13,179*
- Other payables to third parties	*7*	*525,330*	*2,366,532*
Deferred income	16	181,370,958	-
Short term provisions			
- Short term provisions for employee benefits	*15*	*222,302*	*309,949*
Other current liabilities	16	1,055,991	3,159,142
NON-CURRENT LIABILITIES		**2,043,733**	**157,367,789**
Other liabilities			
- Other liabilities to third parties	*7*	*1,933,938*	*7,715*
Long term provisions			
-Long term provisions for employee benefits	*15*	*109,795*	*188,558*
Deferred income	16	-	157,171,516
EQUITY		**940,320,708**	**864,982,812**
Paid in capital	17	217,500,000	213,000,000
Adjustment to share capital	17	21,599,008	21,599,008
Share premiums	17	246,731,349	246,731,349
Other comprehensive income to not be reclassified to profit or loss			
- Revaluation and remeasurement			
- Remeasurement of employee benefits	*17*	*1,143*	*19,872*
Restricted reserves	17	7,543,019	6,389,742
Retained earnings		371,589,564	334,818,016
Net profit for the year		75,356,625	42,424,825
TOTAL LIABILITIES		**1,152,183,130**	**1,029,303,670**

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 2017 AND 2016
(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated.)

	Note	Audited 31 December 2017	Audited 31 December 2016
Profit/loss			
Revenue	18	3,223,770	3,094,415
Cost of sales (-)	18	(1,003,539)	(799,181)
Gross Profit		**2,220,231**	**2,295,234**
General administrative expenses (-)	19	(6,367,159)	(11,112,193)
Marketing expenses (-)	19	(2,886,921)	(4,651,090)
Other operating income	20	70,089,940	27,124,159
Operating Income		**63,056,091**	**13,656,110**
Operating Profit Before Financial Expenses		**63,056,091**	**13,656,110**
Financial income	22	12,670,812	29,080,089
Financial expenses (-)	22	(370,278)	(311,374)
Profit Before Tax		**75,356,625**	**42,424,825**
Net Profit For the Period		**75,356,625**	**42,424,825**
OTHER COMPREHENSIVE INCOME		**(18,729)**	**1,184**
Other comprehensive income to not be reclassified to profit or loss			
- Remeasurement of employee benefits		(18,729)	1,184
TOTAL COMPREHENSIVE INCOME		**75,337,896**	**42,426,009**
Diluted earnings per share	24	0.3465	0.1992

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD BETWEEN 1 JANUARY- 31 DECEMBER 2017 AND 2016

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

						Retained Earnings		
	Paid-in capital	Adjustment to share capital	Share premium	Remeasurement of employee benefits	Restricted reserves	Retained earnings	Net profit for the year	Total equity
Balance as of 1 January 2016	**205,400,000**	**21,599,008**	**246,731,349**	**18,688**	**4,709,369**	**269,954,662**	**74,143,727**	**822,556,803**
Capital increase	7,600,000	-	-	-	-	(7,600,000)	-	-
Transfers	-	-	-	-	1,680,373	72,463,354	(74,143,727)	-
Total comprehensive income	-	-	-	1,184	-	-	42,424,825	42,426,009
Balance as of 31 December 2016	**213,000,000**	**21,599,008**	**246,731,349**	**19,872**	**6,389,742**	**334,818,016**	**42,424,825**	**864,982,812**
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**

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.

STATEMENT OF CASH FLOWS FOR THE PERIOD BETWEEN 1 JANUARY-31 DECEMBER 2017 AND 2016

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

	Notes	Audited 2017	Audited 2016
A. Cash flows from operating activities:		**(101,134,739)**	**(14,301,523)**
Net profit for the year		**75,356,625**	**42,424,825**
Adjustments to reconcile profit to cash provided by operating activities:			
Depreciation and amortisation	*12, 13*	217,609	174,186
Adjustments related to provisions		43,532	33,081
Adjustments related to interest income and expenses		(12,590,275)	(29,014,650)
Fair value gain on investment properties		(69,843,819)	(26,977,287)
Fair value loss / (gain) on investment properties		*(69,843,819)*	*(26,977,287)*
Adjustments related to profit or loss on sales of tangible assets		81,031	-
Net working capital changes in		**(94,258,418)**	**(941,678)**
Adjustments related to increase in other receivables		8,605,368	(8,056,495)
Increase in prepaid expenses		(55,806,771)	(3,094,445)
Increase in inventories		(84,463,341)	(70,811,580)
Adjustments related to increase in other working capital		3,019,698	107,892,553
Increase in trade payable		25,525,415	895,742
Increase in trade receivable		8,781,816	(29,965,275)
Increase in other payables from operating activities		79,397	2,197,822
Cash (used in)/provided from operations		**(100,993,715)**	**(14,301,523)**
Employment termination benefits paid		(141,024)	-
B. Cash Flows from Investing Activities		**19,623,225**	**(154,729,502)**
Cash outflow from acquisition of tangible and intangible assets	*12, 13*	(723,800)	(47,415)
Cash outflow from acquisition of tangible assets	*12*	*(715,423)*	*(20,078)*
Cash outflow from acquisition of intangible assets	*13*	*(8,377)*	*(27,337)*
Cash-inflow from purchase of tangible and intangible assets		204,475	-
Cash-inflow from purchase of tangible assets		*204,475*	-
Cash inflow from sale of financial investments		89,800,000	-
Cash outflow from acquisition of financial investments		-	(86,932,616)
Cash outflow from acquisition of investments properties		(69,657,450)	(67,749,471)
C. Cash flows from financing activities		**10,726,318**	**28,408,139**
Repayment of financial liabilities		-	(108,048)
Cash outflow from borrowings		-	(1,500,000)
Interest received		10,738,909	28,519,763
Cash inflow from borrowings		-	1,500,000
Interest paid		(12,591)	(3,576)
Change in cash and cash equivalents		**(70,785,196)**	**(140,622,886)**
Cash and cash equivalents at the beginning of the period	*4*	**99,922,710**	**240,545,596**
Cash and cash equivalents at the end of the period	*4*	**29,137,514**	**99,922,710**

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

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 2017 and 31 December 2016:

	2017		**2016**	
	Share rate (%)	**Share amount**	**Share rate (%)**	**Share amount**
T.Vakıflar Bankası Türk Anonim Ortaklığı (“Vakıfbank”)	38.70	84,177,980	38,70	82,436,350
T,C, Başbakanlık Toplu Konut İdaresi Bşk, (“TOKİ”)	14,63	31,809,895	14,63	31,151,757
Vakıfbank Personeli Özel Sosyal. Güv. Hiz.Vakfı (“Vakıf”)	9,60	20,881,335	9,60	20,449,307
Vakıfbank Memur ve Hizmetleri Emekli Sandığı	8,88	19,310,260	8,88	18,910,736
Other	28,19	61,320,530	28,19	60,051,850
Total	**100**	**217,500,000**	**100**	**213,000,000**

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 2017, The Company’s paid in capital is TRY500,000,000. (31 December 2016: TRY500,000,000). As of 31 December 2017, the number of employees of Company is 21 (31 December 2016:18).

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

The financial statement of the Company is approved on 22 February 2018 by Board of Directors as of 31 December 2017. The General Assembly has the power to amend the financial statements after issue.

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.

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 m^2 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.

Vakıf - Obaköy

Vakıf-Obaköy has been incorporated as an ordinary partnership with a joint venture agreement on 29 April 2016 and started to operate on 29 April 2016 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 Maltepe in İstanbul. The Company purchased a 15,264 m^2 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.

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 TAS/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 Accounting Standards/Turkish Financial Reporting Standards ("TAS/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.

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 2017. 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.

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. The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2017:

- Amendments to TAS 7, 'Statement of cash flows'; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12, 'Income Taxes'; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:

    - TFRS 12, 'Disclosure of interests in other entities'; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

b. The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 December 2017, however is not effective yet:

- 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. The company assesses the effect on the financial position and performance.

- 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. The company assesses the effect on the financial position and performance.

- 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; and 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

- 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.

- TFRIC 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.

- 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, this standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

- TFRIC 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 IFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRIC 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. TFRIC 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.

As of reporting date, the following standards, interpretations and amendments have been published by the Public Surveillance Authority(UPS) as public draft text

- TFRS 16 'Leases'

As of the reporting date the following standard amendments have not yet been published by the Public Surveillance Authority(UPS) as public draft text

- TFRS 2 'Share based payments' amendments
- TAS 7 'Statement of cash flows' amendments
- TAS 12 'Income Taxes' amendments
- TAS 40, 'Investment property' amendments
- Annual improvements 2014-2016
- TFRS 17 'Insurance contracts'
- TFRS Commentary 23 'Uncertainty over income tax treatments'

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

In order to be consistent with the financial statements of the current period in the income statement of 31 December 2016, various classifications have been made The classifications made in the Company's profit or loss and other comprehensive income for the years ended 31 December 2016 are shown as below;

As of 31 December 2016, interest income which were previously classified under "Income from investment" amounting to TRY 1,243, 827 has been classified under "Financial income".

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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.

2.4.4 Intangible assets

Intangible assets are 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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.

i) **Non-derivative financial assets**

The company, its assets are recognized at the date they are incurred. All other financial assets, the transaction date that becomes a party to the conditions of the contract regarding the Company's financial instruments are recognized. When the company transferred the assets with the relevant contract in accordance with the resulting cash flows related rights expired or related rights of ownership of all of the risks and rewards associated with the assets in a purchase and sale transactions in question is to remove the financial asset register. All kinds created or retained financial assets transferred by the Company is recognized as a separate asset or liability.

Non-derivative financial assets that can be directly attributable to the statement of financial position and transaction costs are recognized at fair value. Subsequent to initial recognition, subsequent period of financial assets are measured as described below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss is divided into three subgroups: "Financial assets held for trading", "Financial assets at fair value through profit or loss" and "Derivative financial assets held for trading".

Financial assets at fair value through profit or loss are generally acquired for the purpose of selling in the short term in order to acquire revenue from fluctuations in the market.

Financial assets at fair value through profit or loss are reflected to statement of financial position with their cost value and then measured at fair value. Difference between cost and fair values is included in profit/loss accounts.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

Available for sale financial assets

Available for sale financial assets are the financial assets other than assets held for trading purposes, financial assets at fair value through profit or loss, held to maturity financial assets and loans and receivables.

Available-for-sale financial assets are subsequently measured at their fair values. Unrecognised gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Fair value reserve" under shareholders' equity. In case of sales, the realised gain or losses are recognised directly in the statement of operations. When equity investments are disposed of, any resulting gain or loss is recognised in profit or loss as the difference between the sales price and the carrying amount of the investment.

There is no available for sale financial assets of the Company.

Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfilment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any.

Interest income from investments held to maturity are recognized in the income statement as an interest income.

There is no investments held to maturity of the Company.

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.

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. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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 of 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.

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.

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 changed 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (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 5,002 full TRY which is effective from 1 January 2018 has been taken into consideration when calculating the liability (1 January 2017: 4,732 full TRY) as of 31 December 2017.

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 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.

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.

There are not any significant changes in accounting estimates of the Company in the current period financial statements as of 31 December 2017.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Critical accounting estimates, assumptions and judgments (Continued)

The fair value measurement of investment properties

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 in TRY**
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 2017.

As of 31 December 2016 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	Sale comparison	22,500
İstanbul/Levent Business Center	Sale comparison	13,530
Ankara/Kavaklıdere Shop	Sale comparison	13,200
İstanbul/Fatih Business Center	Sale comparison	10,491
İzmir/Konak Land 8604 Plot-4 Parcel	Sale comparison	4,050
İzmir/Konak Land 8604 Plot-1 Parcel	Sale comparison	4,000
İzmir/Konak Land 8601 Plot-1 Parcel	Sale comparison	4,000
İzmir/Aliağa Business Center	Sale comparison	3,907
İzmir/Konak Land 8603 Plot-1 Parcel	Sale comparison	3,850
Sancaktepe/Samandıra Land	Sale comparison	3,639
Kütahya/Merkez Business Center	Sale comparison	3,245

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 2017 is amounting to TRY51,908,676 (31 December 2016: TRY30,320,928) and this amount has been reclassed to amounting to TRY1,843,138 as short-term and amounting to TRY50,065,538 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 2017, 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

	2017	**2016**
Banks and other liquid assets		
Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank")	28,814,186	100,075,938
Türkiye Halk Bankası A.Ş. ("Halkbank")	12,432	482,386
Vakıfbank Yatırım Fund	670,000	1,224,495
Financial investments		
Vakıfbank Bond	-	87,633,713
Prepaid expenses		
Güneş Sigorta A.Ş. ("Güneş Sigorta")	276,647	69,855
Other receivable from related parties		
Vakıf Factoring	2,174	4,864
Other payables to related parties		
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.("Halk GYO")	7,555	13,179

3 RELATED PARTY DISCLOSURES (Continued)

Income and expense from related parties

Income	**2017**	**2016**
Rent income from related parties		
Vakıfbank	1,999,885	1,813,527
Vakıf Yatırım Menkul Değerler A.Ş.	1,005,090	1,005,090
Vakıf Faktoring	212,795	273,798
Obaköy	6,000	2,000
Interest income from related parties		
Vakıfbank Deposit interest income	10,400,812	27,795,038
Halkbank Deposit interest income	35,767	41,224
Vakıfbank bond interest income	2,166,287	1,243,827
Other income from related parties		
Vakıf Faktoring	49,017	54,670
Obaköy	4,800	2,797

As of 31 December 2017 and 2016, all company's revenue were generated from the related parties of the Company.

Expenses	**2017**	**2016**
Insurance expense paid to related parties		
Güneş Sigorta	189,084	137,074
Vakıf Emeklilik A.Ş.	63,285	52,199
Interest expense paid to related parties		
Vakıfbank	1,062	2,231
Vakıf Leasing	-	680
Operating expenses and commission expenses to related parties		
Vakıfbank	330,526	245,392
Vakıf Yatırım Menkul Değerler A.Ş.	77,220	75,312
Vakıf Pazarlama	5,625	2,325
Employee benefits to key management		
Remuneration and fees paid to members of the board of directors	634,461	562,166
Remuneration and fees paid to other key management	941,849	386,348

4. CASH AND CASH EQUIVALENTS

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

	2017	**2016**
Cash	2,186	1,874
Banks-Time deposits	28,654,688	99,063,551
Banks-Demand deposits	164,930	162,850
Investment funds	670,000	1,224,495
Other liquid assets	7,000	133,559
Cash and cash equivalents in the financial position	**29,498,804**	**100,586,329**
Interest income accruals on cash and cash equivalents	(361,290)	(663,619)
Cash and cash equivalents in the statement of cash flows	**29,137,514**	**99,922,710**

As of 31 December 2017 and 31 December 2016, there is no blockage on cash and cash equivalents.

Demand deposits

As of 31 December 2017 and 31 December 2016, the details of demand deposits at bank are as follows:

	2017	**2016**
TRY	164,930	162,850
Total	**164,930**	**162,850**

Time deposits

As of 31 December 2017 and 31 December 2016, the details of time deposits at banks are as follows:

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**		

4. CASH AND CASH EQUIVALENTS (Continued)

Time deposits

31 December 2016	Amount (TRY)	Nominal interest rate (%)	Maturity
TRY	66,934,612	10.40	27 January 2017
TRY	22,107,511	10.20	6 January 2017
TRY	9,521,025	9.00	13 January 2017
TRY	355,984	8.00	1 February 2017
TRY	125,389	9.50	6 January 2017
TRY	19,030	8.00	1 February 2017
Total	**99,063,551**		

5. FINANCIAL INVESTMENTS

As of 31 December 2017, there is no financial investments. As of 31 December 2016 all financial assets consist of financial assets which are accounted fair value in statement of profit or loss, the details of the accounts are as follows:

31 December 2016	Cost	Maturity	Fair value	Interest rate (%)
Private sector bond *(Note 3)*	67,757,900	7 April 2017	68,131,700	10.15
Private sector bond *(Note 3)*	19,174,716	3 March 2017	19,502,013	9.30
Total	**86,932,616**		**87,633,713**	

The fair value of private sector bonds is calculated quarterly with effective interest rates on the basis of BIST market data.

6. TRADE RECEIVABLES AND PAYABLES

Trade receivables

Short term trade receivables

As of 31 December 2017 and 31 December 2016, short term trade receivables of the Company are as follows:

	2017	2016
Note receivables (*)	31,182,536	10,295,676
Trade receivable	-	606,516
Total	**31,182,536**	**10,902,192**

(*) As of 31 December 2017 notes receivables amounting to TRY31,182,536 consist of deposits received from the pre-sales of residential units at Bizimtepe Aydos project of Halk GYO-Vakıf GYO (31 December 2016: TRY10,295,676).

6. TRADE RECEIVABLES AND PAYABLES (Devamı)

Long term trade receivables

As of 31 December 2017 and 31 December 2016, long term trade receivables of the Company are as follows:

	2017	**2016**
Note receivables (*)	-	29,062,160
Total	**-**	**29,062,160**

(*) As of 31 December 2016 long-term trade receivable amounting to TRY 29,062,160, consist notes receivables from pre-sales of residential units at Bizimtepe Aydos project of Halk GYO-Vakıf GYO.

Trade payables

Short term trade payable

As of 31 December 2017 and 31 December 2016, short term trade payables of the Company are as follows:

	2017	**2016**
Trade payables	26,629,682	1,104,267
Total	**26,629,682**	**1,104,267**

7. OTHER RECEIVABLES AND PAYABLES

Other receivables

Other current receivables

As of 31 December 2017 and 31 December 2016, other current receivables of the Company are as follows:

	2017	**2016**
Other receivables from third parties (*)	2,493,627	7,673,802
Other receivables from related parties *(Note 3)*	2,174	4,864
Total	**2,495,801**	**7,678,666**

(*) TRY2,493,627 of the other current receivables, worth TRY2,481,013 are the costs related to the three extra basements floors of the towers to be built within the scope of the IUFM project to prevent stability problems that could arise because of its location next to metro lines that will provide rail transportation to the towers' construction area. These costs will be collected with IUFM's common construction expenses, after the related shoring works are complete. The amount worth TRY12,614 is consist of the receivables from tax administration. (31 December 2016:TRY7,673,802 of the other current receivables consist of receivable from tax administration amounting to TRY7,333,669, other receivables amounting to TRY340,133.)

7. OTHER RECEIVABLES AND PAYABLES (Continued)

Other non-current receivables

As of 31 December 2017 and 31 December 2016, other non-current receivables of the Company are as follow:

	2017	**2016**
Other non-current receivables from third parties	42,241	3,464,744
Total	**42,241**	**3,464,744**

Other payables

Other current payables

As of 31 December 2017 and 31 December 2016, other current payables of the Company are as follows:

	2017	**2016**
Deposits and guarantees received (*)	525,330	2,314,439
Other payables to related parties *(Note 3)*	7,555	13,179
Other payables	-	52,093
Total	**532,885**	**2,379,711**

(*) TRY 252,903 (31 December 2016: TRY 1,957,345) of the deposits and guarantees received amounting to TRY 525,330 consists of the cash guarantee fees received from the contractors within the scope of Bizimtepe Aydos project of Halk REIC-Vakıf GYO and TRY 272,427 (31 December 2016: TRY 357,094) consists of the cash guarantee fees received within the scope of Obaköy Adi Ortaklığı project.

Other non-current payables

As of 31 December 2017 and 31 December 2016, other long-term payables of the Company are as follows:

	2017	**2016**
Deposits and guarantees received	1,933,938	7,715
Total	**1,933,938**	**7,715**

8. PREPAID EXPENSES

As of 31 December 2017 and 31 December 2016, short term prepaid expenses of the Company are as the follows:

	2017	**2016**
Advances given to suppliers	1,633,304	-
Prepaid expense	276,646	78,812
Total	**1,909,950**	**78,812**

As of 31 December 2017 and 31 December 2016, long term prepaid expenses of the Company are as the follows:

	2017	**2016**
Advances given (*)	63,504,986	9,529,353
Total	**63,504,986**	**9,529,353**

(*) As of 31 December 2017, long-term advances given amounting to TRY63,504,986 have been related to REC Uluslararası İnşaat Yatırım San.Tic.A.Ş. as deposit advance within the scope of IUFM main undertaking business commitments.

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

As of 31 December 2017 and 31 December 2016, current income tax assets of the Company are as follows:

	2017	**2016**
Prepaid taxes and funds (*)	1,611,429	4,203,361
Total	**1,611,429**	**4,203,361**

(*) TRY1,611,429 of all prepaid taxes and fund consist of withholding tax on from time deposits income in the current term (31 December 2016 : TRY4,203,361).

As of 31 December 2017 and 31 December 2016, current assets of the Company are as follows:

	2017	**2016**
VAT receivable (**)	1,843,138	-
Total	**1,843,138**	**-**

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

As of 31 December 2017 and 31 December 2016, non-current assets of the Company are as follows:

	2017	2016
VAT receivable (**)	50,065,538	30,320,928
Total	**50,065,538**	**30,320,928**

(**) Other non-current assets consist of the VAT receivables of Halk-Vakıf GYO and Obaköy-Vakıf GYO ordinary partnership's piece of land in Sancaktepe-Maltepe/Istanbul, which will be offset in other periods. The VAT receivable of TRY31,443,975 (31 December 2016: TRY 17,620,481) which arises from the purchase of the land in Sancaktepe by Halk-Vakıf GYO, and the VAT receivables with amount of TRY1,301,999(31 December 2016: TRY126,296) which arises from the purchase of the land Vakıf GYO-Obaköy joint venture and the amount of TRY19,162,704 (31 December 2016:TRY 12,574,151) is consisted of the VAT receivables which consist of the purchase the land in Sancaktepe and other transactions .

10. INVESTMENT PROPERTIES

As of 31 December 2017 and 31 December 2016, details of investment properties are as follows:

	2017	2016
Investment properties under development	702,970,887	565,996,358
Operating investment properties	45,502,140	42,975,400
Total	**748,473,027**	**608,971,758**

As of 31 December 2017 and 31 December 2016, details of operating investment properties and investment properties under development are as follows:

	2017	2016
Investment properties under development		
Lands	702,970,887	565,996,358
Operating investment properties		
Buildings	45,502,140	42,975,400
Total	**748,473,027**	**608,971,758**

10. INVESTMENT PROPERTIES (Continued)

Investment properties under development

Lands

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	"Cost approach"	28 December 2017	484,326,000
İzmir/Konak Land 8601 Plot-1 Parcel	"Sale comparison"	28 December 2017	73,345,565
Samandıra/ Sancaktepe Land	"Sale comparison"	28 December 2017	70,072,680
İzmir/Konak Land 8604 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**

As of 31 December 2016, 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	"Sale comparison"	27 December 2016	359,996,625
İzmir/Konak Land 8601 Plot-1 Parcel	"Sale comparison"	27 December 2016	70,695,000
İzmir/Konak Land 8604 Plot-1 Parcel	"Sale comparison"	27 December 2016	26,402,080
İzmir/Konak Land 8604 Plot-4 Parcel	"Sale comparison"	27 December 2016	25,196,062
İzmir/Konak Land 8603 Plot-1 Parcel	"Sale comparison"	27 December 2016	19,956,591
Samandıra/ Sancaktepe Land (*)	"Sale comparison"	9 December 2016	63,750,000
Total			**565,996,358**

(*) The Company purchased a 17,518.17 m2 piece of land in Istanbul's Sancaktepe on 9 December 2016, Samandıra district, 243EE4D plate, 6770 plot 2th parcel for TRY63.750.000 + VAT, 50% from Ak İnşaat Mermercilik ve Gayrimenkul Yatırım Ticaret A.Ş. The transaction price is considered as the sale comparison price.

10. INVESTMENT PROPERTIES (Continued)

As of 31 December 2017 and 31 December 2016, the movement of investment properties under development are as follows:

	2017	2016
Beginning of the period - 1 January	**565,996,358**	**475,141,000**
Additions (*)	68,972,535	67,486,827
Change in fair value	68,001,994	23,368,531
End of the period- 31 December	**702,970,887**	**565,996,358**

(*) TRY68,972,535 related with purchased land of additions include, TRY1,345,423 (31 December 2016: TRY2,577,080) related with payments for consulting services within the scope of İzmir Konak Comprehensive Project and amounting to TRY67,627,112 related with payments for İstanbul Finans Merkezi.

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 September 2015. After the building licences were received, the Main Contractor Tender preparation started.

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.

10. INVESTMENT PROPERTIES (Continued)

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 Karma Projesi Arsa Satışı Karşılığı Gelir Paylaşımı, the company agreed with İlk İnşaat Taah. San. ve Tic A.Ş Kaf Teknik Yapı İnş. San. ve Tic. Ltd. Şti Joint Venture. The land has been handed over and the related company has started to work to devise a project. There is no official project on the land yet.

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.

Operating investment property:

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**

As of 31 December 2016, 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 2016	14,477,000
Ankara/Kavaklıdere Shop	"Sale comparison"	27 December 2016	12,038,400
Kütahya/Merkez Business Center	"Sale comparison"	27 December 2016	6,685,000
İstanbul/Fatih Business Center	"Sale comparison"	27 December 2016	5,340,000
İzmir/Aliağa Business Center	"Sale comparison"	27 December 2016	4,435,000
Total			**42,975,400**

10. INVESTMENT PROPERTIES (Continued)

As of 31 December 2017 and 31 December 2016, the movement of operating investment properties are as follows:

	2017	2016
Beginning of the period - 1 January	**42,975,400**	**39,104,000**
Additions	684,915	262,644
Fair value gain	1,841,825	3,608,756
End of the period - 31 December	**45,502,140**	**42,975,400**

İstanbul / Levent Business Center

İstanbul / Levent Business Center is registered to Beşiktaş/İstanbul Rumelihisar neighbourhood 1472 plot 1th parcel. Total gross surface is 1,917 m^2.

Based on Aartıbir 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 2017 İstanbul/Levent Business Center's VAT excluded fair value is TRY 16,163,000 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 2017 and ended 31 December 2017 (31 December 2016: 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 m^2.

Based on Aartıbir 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 2017 Kütahya/Merkez Business Center's VAT excluded fair value is TRY 7,102,200 according to sales comparison method. There is no restriction on investment properties. The Company rented this property branch office of Vakıfbank. The Company earned TRY457,261 of rental income for the period started 1 January 2017 and ended 31 December 2017 (31 December 2016: TRY411,376).

Ankara / Kavaklıdere Shop

Ankara/ Kavaklıdere shop is registered to Çankaya/Ankara Küçükesat neighbourhood 2537 plot 6 th parcel. Total gross surface is 912 m^2.

Based on Aartıbir 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 2017 Ankara/Kavaklıdere shop's VAT excluded fair value is TRY12,042,350 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 TRY913,891of rental income for the period started 1 January 2017 and ended 31 December 2017 (31 December 2016: TRY836,628).

10. INVESTMENT PROPERTIES (Continued)

İzmir / Aliağa Business Center

İzmir/ Aliağa business center is registered to Aliağa/İzmir Aliağa neighbourhood 50 plot 5637 th parcel. Total gross surface is 1,275 m^2.

Based on Aartıbir 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 2017 İzmir/Aliağa business center's VAT excluded fair value is TRY4,598,450 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Aliağa. The Company earned TRY333,419 of rental income for the period started 1 January 2017 and ended 31 December 2017 (31 December 2016: TRY299,925).

İstanbul / Fatih Business Center

İstanbul / Fatih Business Center is registered to Fatih/İstanbul neighbourhood 2123 plot 9 th parcel. Total gross surface is 509 m^2.

Based on Aartıbir 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 2017 İstanbul/Fatih Business Center's VAT exclude fair value is TRY5,596,140 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 TRY295,314 of rental income for the period started 1 January 2017 and ended 31 December 2017 (31 December 2016: TRY265,648).

As of 31 December 2017 and 31 December 2016, insurance amount of investment properties are as follows:

	2017		**2016**	
	Insurance date	**Insurance value**	**Insurance date**	**Insurance value**
Kütahya/Merkez Business Center	3 February 2017	1,895,200	1 February 2016	1,771,600
İzmir/Aliağa Business Center	3 February 2017	851,250	1 February 2016	892,500
İstanbul/Levent Business Center	3 February 2017	802,500	15 January 2016	749,000
Ankara/Kavaklıdere Shop	3 February 2017	684,000	15 January 2016	638,400
İstanbul/Fatih Business Center	8 February 2017	381,555	11 February 2016	356,118
Total		**4,614,505**		**4,407,618**

11. INVENTORIES

Short Term Inventories

	2017	**2016**
Bizimtepe Aydos Project (*)	176,859,944	-

Long Term Inventories

	2017	**2016**
Lands (*)	43,796,893	136,193,496
Short Term and Long Term Total	**220,656,837**	**136,193,496**

(*) As of 31 December 2017 inventories amounting to TRY220,656,837 consist of TRY176,859,944 (31 December 2016: TRY101,468,490) related with inventory of Bizimtepe Aydos residential real estate project made by Vakıf GYO-Halk GYO partnership, and the amount of TRY43,796,893 (31 December 2016:TRY34,725,006) which arises from inventories of Obaköy residential project made by Vakıf GYO-Obaköy partnership's. Inventories related to Halk-Vakıf GYO joint venture have been transferred to short term ınventories since the delivery date of the project is May 2018.

İstanbul/Sancaktepe

The company purchased a 95,221.84 m^2 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.

İstanbul/Maltepe

The company purchased a 15,264 m^2 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.

12. PROPERTY, PLANT END EQUIPMENT

The movement schedule of property, plant and equipment as of 31 December 2017 and 31 December 2016 is as follows:

	1 January 2017	**Addition**	**Disposal**	**31 December 2017**
Cost				
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**
Accumulated depreciation				
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**

Based on Aartıbir 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 21 December 2017 land has been accounted under the tangible asset's VAT excluded fair value is TRY800,000 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 2017, TRY200,767 of the total depreciation expenses has been accounted under general administrative expenses (31 December 2016: TRY164,907).

	1 January 2016	**Addition**	**Disposal**	**31 December 2016**
Cost				
Land	205,926	-	-	205,926
Machinery and equipment	412,724	15,546	-	428,270
Vehicles	169,880	-	-	169,880
Special costs	402,521	4,532	-	407,053
Total	**1,191,051**	**20,078**	**-**	**1,211,129**
Accumulated depreciation				
Machinery and equipment	(233,031)	(50,107)	-	(283,138)
Vehicles	(70,783)	(33,976)	-	(104,759)
Special costs	(95,509)	(80,824)	-	(176,333)
Total	**(399,323)**	**(164,907)**	**-**	**(564,230)**
Net book value	**791,728**	**-**	**-**	**646,899**

13. INTANGIBLE ASSETS

The movement schedule of intangible assets which consist of software and rights as of 31 December 2017 and 31 December 2016 are as follows:

	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**

	1 January 2016	Addition	Disposal	31 December 2016
Cost	42,836	27,337	-	70,173
Accumulated amortisation	(29,635)	(9,279)	-	(38,914)
Net book value	**13,201**			**31,259**

There is no lien and no pledge on intangible assets as of 31 December 2017 and 31 December 2016.

As of 31 December 2017, TRY16,842 of the total amortisation expenses has been accounted under general administrative expenses (31 December 2016: TRY9,279).

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2017 and 31 December 2016 commitments given are as follows:

The CPMs given by the Company	2017	2016
A. CPM's given in the name of its own legal personality	63,600,441	57,094,641
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	63,778,435
D. Total amount of other CPM's given		-
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	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	**138,789,290**	**120,873,076**

(*) 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 TRY 800,000,000 as of 31 December 2017 (31 December 2016: TRY850,565,000). The Company's responsibility is TRY 400,000,000 (31 December 2016: TRY452,282,500). The pre-sales of Vakıf GYO-Halk GYO Adi Ortaklığı amounting to TRY 150,377,697 (31 December 2016: TRY127,556,870) performed through the guarantee agreement. The risk of the Company is TRY 75,188,849 (31 December 2016: TRY63,778,435) due to the pre-sales through the guarantee agreements as of 31 December 2017.The proportion of other CPM and Company's equity is 8.00% as of 31 December 2017 (31 December 2016: 7.37%).

The proportion of other CPM and Company's equity is 14.76% as of 31 December 2017 (31 December 2016: 13.98%).

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As of 31 December 2017 and 31 December 2016, the details of deposits and guarantees received are showed below:

	2017		2016	
	Original amount	**TRY Equivalent**	**Original amount**	**TRY Equivalent**
TRY	163,660,965	163,660,965	280,875,100	280,875,100
Total	**163,660,965**	**163,660,965**	**280,875,100**	**280,875,100**

The case where the company is a party

As of 31 December 2017, the Company has 8 litigation cases, 6 cases litigation cases related to Tax , 1 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.

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.

14. 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 Aliağa. The amount of monthly rent is TRY 28,028 + VAT as of 31 December 2017. 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 TRY24,822+VAT as of 31 December 2017. 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 2017. 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 38,434+ VAT as of 31 December 2017.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 2017.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 signed a rent agreement with Vakıf Finans Factoring A.Ş. on 9 October 2014 for the lease business center located in İstanbul Ümraniye. The amount of monthly rent is TRY 23,644 + VAT as of 31 December 2017.The annual rent increases, at the end of the every year, is as the arithmetic average of annual PPI and CPI which are announced by Turkish Statistical Institute.

The Company as lessee

The Company signed a rent agreement with Burak Çilingir-Hilmi Fırat Çilingir to lease a business center located in İstanbul Ümraniye with effect from date on 1 September 2014.The amount of monthly rent is TRY47,288 + stoppage. The every annual rent increases is the arithmetic average of annual PPI and CPI on the same month of the previous year determined by Turkish Statistical Institute.

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 TRY30.000 + stoppage as of 31 December 2017.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.

15. PROVISIONS FOR EMPLOYEE BENEFITS

Short term provisions for employee benefits

As of 31 December 2017 and 31 December 2016, provisions for employee benefits are as follows:

	2017	**2016**
Provision for unused vacation	61,553	199,681
Provision for bonus	160,749	110,268
Total	**222,302**	**309,949**

The movement schedule of the unused vacation as of 31 December 2017 and 31 December 2016 is as follows:

	2017	**2016**
Balance at the beginning of the period - 1 January	**199,681**	**156,506**
Changes during the period	(138,128)	43,175
At the end of the period - 31 December	**61,553**	**199,681**

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 TRY5,002 for each period of service as of 31 December 2017 (31 December 2016: TRY4,426). The retirement pay provision ceiling is revised semi-annually, and TRY4,732 which is effective from 1 January 2017, 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.

15. PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

As of 31 December 2017 and 31 December 2016 the liability is calculated using the following assumptions:

	2017	**2016**
Discount rate	4.25%	4.25%
Estimated retirement turnover rate	95.17%	91.88%

As of 31 December 2017 and 31 December 2016, movement of provision for employee termination benefits is as follows:

	2017	**2016**
Opening balance - 1 January	**188,558**	**136,863**
Interest cost	11,528	19,798
Service cost	32,004	33,081
Employment termination benefits paid	(141,024)	-
Actuarial gain	18,729	(1,184)
Closing balance - 31 December	**109,795**	**188,558**

16. OTHER CURRENT LIABILITIES, OTHER NON-CURRENT LIABILITIES AND DEFERRED INCOME

Other current liabilities

As of 31 December 2017 and 2016, other current liabilities of the Company are as follows:

	2017	**2016**
Taxes payable and other duties	910,707	854,772
Accrued expenses	-	2,250,000
Other	145,284	54,370
Total	**1,055,991**	**3,159,142**

Deferred revenue

As of 31 December 2017 and 31 December 2016, current deferred revenue of the Company is as follows:

	2017	**2016**
Deferred revenue (*)	180,718,895	-
Received order advances	652,063	-
Total	**181,370,958**	**-**

16. OTHER CURRENT LIABILITIES, OTHER NON-CURRENT LIABILITIES AND DEFERRED INCOME (Countinued)

As of 31 December 2017 and 31 December 2016, non-current deferred revenue of the Company is as follows:

	2017	2016
Deferred revenue (*)	-	157,171,516
Total	**-**	**157,171,516**

(*) As of 31 December 2017 deferred income amounting to TRY181,370,958 (31 December 2016: 157,171,516) consist of advances taken according to agreement for Bizimtepe Aydos project, it is accounted under the non-current liabilities as deferred income since the project will be completed in 2018.

17. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in capital

As of 31 December 2017 and 31 December 2016, the Company’s capital structure is as follow according to Central Securities Depository:

		2017		2016	
	Class	**Capital rate (%)**	**Capital amount**	**Capital rate (%)**	**Capital amount**
Vakıfbank	A	15.32	33,324,645	15.32	32,635,170
	B	23.28	50,835,335	23.38	49,801,180
TOKİ	A	9.05	19,691,836	9.05	19,284,418
	B	5.58	12,118,059	5.58	11,867,339
Vakıfbank Personeli Özel	A	5.57	12,118,053	5.57	11,867,335
Sosyal Güv. Hiz. Vakfı	B	4.03	8,763,282	4.03	8,581,972
Vakıfbank Memur ve Hizmet	A	2.79	6,059,026	2.79	5,993,667
Em. San. Vakfı	B	6.09	13,251,234	6.09	12,977,069
Other	A	2.79	6,059,027	2.79	5,933,668
	B	25.40	55,261,503	25.40	54,118,182
Total		**100**	**217,500,000**	**100**	**213,000,000**
Effects of inflation adjustments			21,599,008		21,599,008
Total			**239,099,008**		**234,599,008**

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.

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

Share premium

	2017	2016
Share premium	237,393,491	237,393,491
Share premium İnflation adjustments	9,337,858	9,337,858
Total	**246,731,349**	**246,731,349**

As a result of Company's Board of Directors' meeting, dated 27 April 2016, it was resolved that, according to the dated 15 April 2016 dividend distribution policy and articles of association of the Company, within the scope of capital markets legislation, TRY7,600,000 of the net profit, amounting to 3.70% of the paid in capital, are distributed as bonus shares and the Company applies to Capital Markets Board related to this. The capital increase transactions were registered on 1 June 2016. As a result of these capital increase transactions, the capital increased from TRY205,400,000 to TRY213,000,000.

As a result of Company's Board of Directors' meeting on 2016, it was resolved that, 10.16% of the net profit amounting and %2.11267 of the ratio of capital equals TRY4,500,000 and distributed as bonus shares and the Company applies to Capital Markets Board related to this. The capital increased from TRY213,000,000 to TRY217,500,000.

Restricted reserves

As of 31 December 2017 and 31 December 2016, 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 TRY1,143 (31 December 2016: TRY19,872) have been accounted for by "Revaluation Funds" under the equity as of 31 December 2017.

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

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.

18. SALES AND COST OF SALES

Sales and cost of sales for the year ended 31 December 2017 and 2016 are as follows:

	2017	**2016**
Income from operating activities		
Rent income	3,223,770	3,094,415
Total revenue	**3,223,770**	**3,094,415**
Cost of sales	(1,003,539)	(799,181)
Gross profit	**2,220,231**	**2,295,234**

Cost of the sales for the years ended 31 December 2017 and 2016 are as follows:

	2017	**2016**
Real estate tax expenses	721,968	435,831
Rent expenses	212,795	273,798
Insurance expenses	14,509	29,607
Other	54,267	59,945
Total	**1,003,539**	**799,181**

19. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Marketing expenses for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
Advertisement expenses	1,892,411	1,468,668
Sales commissions expenses	819,291	2,722,845
Other expenses	175,219	459,577
Total	**2,886,921**	**4,651,090**

General administrative expenses for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
Personnel expenses	4,471,041	3,520,603
Donation expenses (*)	-	3,000,000
Social responsibility project expense (**)	-	3,000,000
Outsourced service expenses	552,095	388,806
Operational lease expenses	409,193	410,697
Depreciation and amortization	217,609	174,186
Advertisement expenses	42,898	24,859
Tax expenses	29,539	6,966
Other expenses	644,784	586,076
Total	**6,367,159**	**11,112,193**

(*) Donation and aid expenses amounting to TRY3,000,000 consists of donations made within the scope of "1915 Çanakkale Panorama Museum Project" to be built in Sancaktepe district.

(**) Social responsibility project expense amounting to TRY3,000,000 consists of costs within the scope of "Milletin Meclisini Millet Yapar" construction consortium agreement signed on 23 August 2016.

20. OTHER OPERATING INCOME

Other Operating Income

Other operating income for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
Fair value gain on investment properties	69,843,819	26,977,287
Other	246,121	146,872
Total	**70,089,940**	**27,124,159**

21. EXPENSES BY NATURE

Breakdown of depreciation and amortization expense for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
General administrative expense (Note 19)	217,609	174,186
Total	**217,609**	**174,186**

22. FINANCE INCOME/EXPENSE

Finance expense for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
Bank charges and commission expenses	353,947	259,782
Interest expense	12,591	22,709
Foreign exchange loss	3,740	-
Share capital increase expense	-	28,883
Total	**370,278**	**311,374**

Finance income for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
Interest income from bank	10,436,579	27,836,262
Interest income from bank bonds	2,166,287	1,201,097
Income from investment funds	67,946	42,730
Total	**12,670,812**	**29,080,089**

23. 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.

24. 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.

	2017	**2016**
Profit for the period	75,356,625	42,424,825
Weighted average number of shares	217,500,000	213,000,000
Earnings per share	0.3465	0.1992

25. 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.

25. 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 2017 and 31 December 2016, credit risk exposure of financial assets is as follows:

	Receivables							
	Trade receivables		Other receivables					
2017	Related party	Other party	Related party	Other party	Deposits on bank	Financial investment	Other	Total
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.		-	-	-	-	-	-	-
A.) 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	-	-	-	-	-	-	-	-

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

	Receivables							
	Trade receivables		**Other receivables**					
2016	**Related party**	**Other party**	**Related party**	**Other party**	**Deposits on bank**	**Financial investment**	**Other**	**Total**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**39,964,352**	**4,864**	**11,138,546**	**99,226,401**	**87,633,713**	**1,358,054**	**239,325,930**
- 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	-	38,711,760	4,864	11,138,546	99,226,401	87,633,713	1,358,054	238,073,338
B.) Net book value of the expired but not impaired financial assets	-	1,252,592	-	-	-	-	-	1,252,592
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	-	-	-	-	-	-	-	-

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

Trade receivables past due but not impaired as at 31 December 2017 and 2016 are as follows:

2017	**Total**
0-3 months overdue	1,065,225
More than 3 months overdue	156,936
Total	**1,222,161**

2016	**Total**
0-3 months overdue	774,108
More than 3 months overdue	478,484
Total	**1,252,592**

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

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**	-

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

Contract terms

2016	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	1,104,267	1,104,267	1,104,267	-	-	-
Other payables and liabilities	2,387,426	2,387,426	2,379,711	-	7,715	-
Other short term payables and liabilities	3,159,142	3,159,142	3,159,142	-	-	-
Total	**6,650,835**	**6,650,835**	**6,643,120**	**-**	**7,715**	**-**

As of 31 December 2017 and 31 December 2016, 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

As of 31 December 2017 and 31 December 2016, the Company does not have any exchange risk due to there is no any transaction with foreign currency.

Interest rate risk

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

As of 31 December 2017 and 31 December 2016, 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:

Financial instruments with fixed interest rates	**2017**	**2016**
Financial assets	29,324,688	187,921,759
Time deposits	*28,654,688*	*99,063,551*
Investment funds	*670,000*	*1,224,495*
Financial investments	-	*87,633,713*

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

Weighted average interest rates which are applied to financial instruments as of 31 December 2017 and 31 December 2016 are as follows:

Financial instruments		**2017**		**2016**
Banks time deposits	TRY	14.60%	TRY	10.21%
Financial investments		-	TRY	9.49%

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 2017	**31 December 2016**
Total liabilities	211,862,422	164,320,858
Cash and cash equivalents	(29,498,804)	(100,586,329)
Net debt	**182,363,618**	**63,734,529**
Equity	**940,320,708**	**864,982,812**

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.

26. 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:

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents:				
Investment funds	670,000	-	-	670,000
Investment properties:				
Investment properties	-	748,473,027	-	748,473,027
Total	**670,000**	**748,473,027**	**-**	**749,143,027**

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents:				
Investment funds	1,224,495	-	-	1,224,495
Financial investments:				
Bank bond	68,131,700	19,502,013	-	87,633,713
Investment properties:				
Investment properties	-	608,971,758	-	608,971,758
Total	**69,356,195**	**628,473,771**	**-**	**697,829,966**

27. SUBSEQUENT EVENTS

On 16 January 2018, the Company has signed a TRY 600,000,000 limited general loan agreement with its main shareholder T. Vakıflar Bankası T.A.O to finance the developing projects.

As of the board meeting decision numbered 2018/3 ,it has been decided on 31 January 2018 that between the Company and Obaköy Gayrimenkul Geliştirme İnşaat Yatırım Taahhüt Sanayi ve Ticaret A.Ş. (Obaköy) signing the protocol that the ordinary partnership share of the 15.264 m2 land which is located in Maltepe İstanbul,increased from 50% to the share of 99%. According to the valuation report arranged by Halk Yatırım Menkul Değerler, the value of ordinary agreement is set at TRY 30,700,000.The 49% share which belongs to Obaköy has been purchasing for TRY14,680,400.

28. SUPPLEMENTARY INFORMATION: COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS

As of 31 December 2017, 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 2017 and 31 December 2016:

28. 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)	29,498,804	188,084,609
B	Real estates, projects based on real estates, rights based on real estates	Serial III-48.1a, Art.24/(a)	969,129,864	745,165,254
C	Subsidiaries	Serial III-48.1a, Art.24/(b)	-	-
	Due from related parties (non-trade)	Serial III-48.1a, Art.23/(f)	2,174	4,864
	Other assets		**153,552,288**	**96,048,943**
D	**Total asset**	**Serial III-48.1, Art.31**	**1,152,183,130**	**1,029,303,670**
E	Financial liabilities	Serial III-48.1, Art.3/(k	-	-
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	13,179
I	Equity	Serial III-48.1, Art.31	940,320,708	864,982,812
	Other liabilities		**211,854,867**	**164,307,679**
D	**Total liabilities**	**Serial III-48.1, Art.3/(k)**	**1,152,183,130**	**1,029,303,670**

	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)	28,819,618	99,226,401
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	138,789,290	120,873,076
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)	-	-

28. 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)	84.11%	72.40%	Min 51%
3	Monetary and capital market instruments	Serial III-48.1a, Art.24/(b)	2.56%	18.27%	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)	0.02%	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	14.76%	13.98%	Max 500%
8	TRY and foreign currency time and demand deposits	Serial III-48.1a , Art.24/(b)	2.50%	9.64%	Max 10%
9	Total investments of monetary and capital market instruments at one company	Serial III-48.1a Art.22/(1)	-	-	Max 10%

As a result of the application made by the Company to the Capital Markets Board, the payments to be done in return for certain progressions and instalments related to the assets and projects in the portfolio in the Capital Markets Board's Corporate Investors Directorate's letter response dated 23 March 2016, is utilized in the deposit account, it was decided that these amounts will not be included in the maximum limit calculation specified for investment deposit and participation accounts mentioned in sub-paragraph (l) of the first paragraph of Article 22 of the Communiqué. As of 31 December 2017, there is no non-compliance within the scope of the maximum limit according to III-48.1 Communiqué Art. 24 / (b) and III-48.1, Art. 22 / (l) substances.

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