

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.

Report on the Financial Statements

1. 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 2015 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 a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards ("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.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that is part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. as at 31 December 2015 and its financial performance and cash flows for the period then ended in accordance with TAS.

Reports on Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code (“TCC”) No: 6102; auditor’s report on the early risk identification system and committee has been submitted to the Company’s Board of Directors on 23 February 2016.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January - 31 December 2015 is not in compliance with the TCC and provisions of the Company’s articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Engin Çubukçu, SMMM
Partner

Istanbul, 23 February 2016

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

INDEX	PAGE
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET).....	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGE IN EQUITY	3
STATEMENT OF CASH FLOW	4
NOTES TO THE FINANCIAL STATEMENTS	5-55
NOTE 1 COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS	5-6
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	6-20
NOTE 3 RELATED PARTY DISCLOSURES	20-21
NOTE 4 CASH AND CASH EQUIVALENTS.....	22-23
NOTE 5 FINANCIAL INVESTMENTS.....	23
NOTE 6 TRADE RECEIVABLES AND PAYABLES.....	23-24
NOTE 7 OTHER RECEIVABLES AND PAYABLES.....	24-25
NOTE 8 PREPAID EXPENSES	25
NOTE 9 CURRENT INCOME TAX ASSETS, OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS	26
NOTE 10 INVESTMENT PROPERTIES.....	26-31
NOTE 11 INVENTORIES	32
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	32-33
NOTE 13 INTANGIBLE ASSETS	33
NOTE 14 SHORT TERM PORTION OF LONG TERM FINANCIAL LIABILITIES AND LONG TERM FINANCIAL LIABILITIES.....	34
NOTE 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	35-37
NOTE 16 LIABILITIES FOR EMPLOYEE BENEFITS.....	37
NOTE 17 PROVISION FOR EMPLOYEE BENEFITS	38-39
NOTE 18 OTHER CURRENT AND NON-CURRENT LIABILITIES AND DEFERRED INCOME	39
NOTE 19 SHAREHOLDER’S EQUITY	40-42
NOTE 20 SALES AND COST OF SALES.....	42
NOTE 21 GENERAL ADMINISTRATIVE EXPENSES.....	43
NOTE 22 OTHER INCOME FROM OPERATING ACTIVITIES.....	43
NOTE 23 EXPENSE BY NATURE.....	43
NOTE 24 FINANCIAL INCOME/ (EXPENSE).....	44
NOTE 25 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES	44
NOTE 26 TAX ASSETS AND LIABILITIES	44
NOTE 27 EARNINGS PER SHARE	45
NOTE 28 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS AND POLICIES....	45-50
NOTE 29 FAIR VALUE OF FINANCIAL INSTRUMENTS	51-52
NOTE 30 SUBSEQUENT EVENTS.....	52
NOTE 31 ADDITIONAL NOTES: CONTROL OF COMPLIANCE WITH THE PORTFOLIO LIMITATIONS	53-55

**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 2015
AND 2014 (BALANCE SHEET)**

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

ASSETS	Notes	Audited 31 December 2015	Audited restated (*) 31 December 2014	Audited restated (*) 31 December 2013
CURRENT ASSETS		255,759,419	319,101,316	55,678,411
Cash and cash equivalents	4	241,392,716	281,675,726	19,804,281
Financial investments	3, 5	-	31,441,510	35,591,243
Trade receivables	6	6,359,668	-	-
- <i>Trade receivables from third parties</i>	6	6,359,668	-	-
Other receivables	7	3,078,475	1,350	1,138
- <i>Other receivables from related parties</i>	3,7	9,500	-	-
- <i>Other receivables from third parties</i>	7	3,068,975	1,350	1,138
Prepaid expenses	8	63,818	50,602	-
Current income tax assets	9	4,475,775	3,061,285	-
Other current assets	9	388,967	2,870,843	281,749
NON-CURRENT ASSETS		601,148,102	430,868,490	303,740,015
Trade receivables	6	3,639,409	-	-
- <i>Trade receivables from third parties</i>	6	3,639,409	-	-
Other receivables	7	8,440	15,570	1,299
- <i>Other receivables from third parties</i>	7	8,440	15,570	1,299
Inventories	11	65,381,916	56,108,737	-
Tangible assets	12	791,728	913,877	412,395
Intangible assets	13	13,201	10,047	14,036
- <i>Other intangible assets</i>	13	13,201	10,047	14,036
Investment properties	10	514,245,000	363,918,898	303,312,285
Prepaid expenses	8	6,449,902	-	-
Other non-current assets	9	10,618,506	9,901,361	-
TOTAL ASSETS		856,907,521	749,969,806	359,418,426
LIABILITIES				
CURRENT LIABILITIES		1,274,316	1,344,933	785,622
Short term portion of long term financial liabilities	14	108,713	626,371	565,405
- <i>Financial liabilities to related parties</i>	3,14	108,713	626,371	565,405
Trade payables	6	208,525	48,807	11,608
- <i>Trade payables to related parties</i>	3,6	724	3,806	4,945
- <i>Trade payables to third parties</i>	6	207,801	45,001	6,663
Liabilities for employee benefits	16	-	26,357	-
Other payables	7	189,604	-	-
- <i>Other payables to third parties</i>	7	189,604	-	-
Short term provisions	17	253,560	128,156	96,174
- <i>Short term provisions for employee benefits</i>	17	253,560	128,156	96,174
Other current liabilities	18	513,914	515,242	112,435
NON-CURRENT LIABILITIES		33,076,402	220,855	814,822
Long term financial liabilities	14	-	108,047	721,561
- <i>Financial liabilities to related parties</i>	3,14	-	108,047	721,561
Long term provisions	17	136,863	112,808	93,261
- <i>Long term provisions for employee benefits</i>	17	136,863	112,808	93,261
Deferred income	18	32,939,539	-	-
EQUITY		822,556,803	748,404,018	357,817,982
Paid in capital	19	205,400,000	203,319,794	106,200,000
Adjustment to share capital	19	21,599,008	21,599,008	21,599,008
Share premiums	19	246,731,349	246,731,349	9,759,034
Other comprehensive income to not be reclassified				
to profit or loss	19	18,688	9,630	(2,985)
- <i>Remeasurement of employee benefits</i>	19	18,688	9,630	(2,985)
Restricted reserves		4,709,369	3,638,821	3,439,598
Retained earnings		269,954,662	215,574,104	114,391,053
Net profit for the year		74,143,727	57,531,312	102,432,274
TOTAL LIABILITIES		856,907,521	749,969,806	359,418,426

(*) Refer to note 2.3.2.

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
AS OF 31 DECEMBER 2015 AND 2014

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

	Note	Audited 31 December 2015	Audited restated (*) 31 December 2014
Revenue	20	2,950,927	2,603,345
Cost of sales (-)	20	(1,002,889)	(641,559)
Gross Profit		1,948,038	1,961,786
General administrative expenses (-)	21	(4,705,745)	(3,186,029)
Fair value gain on investment properties, net		45,717,315	35,632,365
Other operating income	22	117,434	50,181
Operating Income		43,077,042	34,458,303
Income from investing activities	25	1,494,301	3,110,976
Expense from investing activities (-)	25	(142)	-
Operating Profit Before Financial Expenses		44,571,201	37,569,279
Financial income/(expenses), net	24	29,572,526	19,962,033
Profit Before Tax		74,143,727	57,531,312
Current tax income/(expense)	26	-	-
Net Profit For the Period		74,143,727	57,531,312
Earnings per share	27	0.3610	0.3734
Diluted earnings per share	27	0.3610	0.3734
Other Comprehensive Income		9,058	12,615
Other comprehensive income to not be reclassified to profit or loss			
- Remeasurement of employee benefits		9,058	12,615
Total Comprehensive Income		74,152,785	57,543,927

(*) Refer to note 2.3.2.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

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

	Paid-in capital	Adjustment to share capital	Share premium	Remeasurement of employee benefits	Restricted reserves	Retained Earnings		Total equity
						Retained earnings	Net profit for the year	
Balance as at 1 January 2014								
(Before restatement)	106,200,000	21,599,008	9,759,034	(2,985)	3,439,598	52,037,811	4,358,389	197,390,855
<i>The effect of restatement(*)</i>	-	-	-	-	-	62,353,242	98,073,885	160,427,127
Balance as at 1 January 2014 (Restated)(*)	106,200,000	21,599,008	9,759,034	(2,985)	3,439,598	114,391,053	102,432,274	357,817,982
Transfers	-	-	-	-	199,223	102,233,051	(102,432,274)	-
Capital increase	97,119,794	-	-	-	-	-	-	97,119,794
Dividend payment	-	-	-	-	-	(1,050,000)	-	(1,050,000)
Share premium	-	-	236,972,315	-	-	-	-	236,972,315
Total comprehensive income	-	-	-	12,615	-	-	57,531,312	57,543,927
Balance as at 31 December 2014 (Restated)(*)	203,319,794	21,599,008	246,731,349	9,630	3,638,821	215,574,104	57,531,312	748,404,018
Balance as at 1 January 2015								
(Before restatement)	203,319,794	21,599,008	246,731,349	9,630	3,638,821	55,146,977	21,854,652	552,300,231
<i>The effect of restatement (*)</i>	-	-	-	-	-	160,427,127	35,676,660	196,103,787
Balance as at 1 January 2015 (Restated) (*)	203,319,794	21,599,008	246,731,349	9,630	3,638,821	215,574,104	57,531,312	748,404,018
Capital increase	2,080,206	-	-	-	-	(2,080,206)	-	-
Transfers	-	-	-	-	1,070,548	56,460,764	(57,531,312)	-
Total comprehensive income	-	-	-	9,058	-	-	74,143,727	74,152,785
Balance as at 31 December 2015	205,400,000	21,599,008	246,731,349	18,688	4,709,369	269,954,662	74,143,727	822,556,803

(*) Refer to note 2.3.2.

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 YEARS ENDED 31 DECEMBER 2015 AND 2014**

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

	Notes	Audited 1 January - 31 December 2015	Audited restated (*) 1 January - 31 December 2014
A. Cash flows from operating activities:			
Net profit for the year		74,143,727	57,531,312
Adjustments to reconcile profit to cash provided by operating activities:			
Depreciation and amortisation	12, 13	168,566	75,297
Adjustments related to sales of tangible and intangible assets	25	142	(53,734)
Adjustments related to provisions		33,113	32,162
Adjustments related to interest income and expenses		(29,729,473)	(20,948,986)
Fair value gain on investment properties, net		(45,717,315)	(35,632,365)
Gain on investment properties sales		(199,704)	-
Net working capital changes in			
Adjustments related to increase in other receivables and other assets		(2,719,754)	(15,613,892)
Increase in prepaid expenses		(6,463,118)	(2,933)
Increase in inventories		(9,273,179)	(56,108,737)
Adjustments related to increase in other working capital		99,047	36,753
Increase in trade payable		159,718	37,199
Increase in trade receivable		(9,999,077)	-
Increase in other payables from operating activities		33,127,815	424,393
Net cash flow used in/(provided from) operating activities		3,630,508	(70,223,531)
B. Cash Flows From Investing Activities			
Cash outflow from acquisition of tangible and intangible assets	12, 13	(49,713)	(573,096)
Acquisition and sale of financial investments, net		30,170,288	1,540,050
Cash inflow from sale of tangible assets		-	54,040
Interest received		1,271,222	2,609,683
Cash outflow from acquisition of investments properties		(123,409,083)	(24,974,248)
Cash inflow from sale of investments properties		19,000,000	-
Net cash used in investing activities		(73,017,286)	(21,343,571)
C. Cash flows from financing activities			
Repayment of financial liabilities		(613,514)	(458,905)
Interest received		29,785,791	20,237,292
Dividend paid		-	(1,050,000)
Interest paid		(12,191)	(106,372)
Cash inflows from shares capital and other equity		-	334,092,109
Net cash provided from financing activities		29,160,086	352,714,124
Change in cash and cash equivalents		(40,226,692)	261,147,022
Cash and cash equivalents at the beginning of the period	4	280,772,288	19,625,266
Cash and cash equivalents at the end of the period	4	240,545,596	280,772,288

(*) Refer to note 2.3.2.

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

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

1. COMPANY'S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

The address of the Company is as follows:

Şerifali Mah. Bayraktar Bulvarı No: 62 Ümraniye İstanbul / Turkey.

According to Central Securities Depository of Turkey, the shareholders structure of the Company is as follows as of 31 December 2015 and 31 December 2014:

	31 December 2015		31 December 2014	
	Share rate (%)	Share amount	Share rate (%)	Share amount
T.Vakıflar Bankası Türk Anonim Ortaklığı ("Vakıfbank")	38.70	79,494,948	38.70	78,689,844
T.C. Başbakanlık Toplu Konut İdaresi Bşk. ("TOKİ")	14.63	30,040,237	14.63	29,735,998
Vakıfbank Personeli Özel Sosyal Güv. Hiz.Vakfı ("Vakıf") (*)	9.60	19,719,659	9.21	18,723,340
Vakıfbank Memur ve Hizmetleri Emekli Sandığı	8.88	18,235,986	8.88	18,051,300
Other	28.19	57,909,170	28.58	58,119,312
Total	100	205,400,000	100	203,319,794

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 at 31 December 2015, The Company's paid in capital is TRY 500.000.000. (31 December 2014: TRY 300.000.000). As at 31 December 2015, the number of employees of Company is 18 (31 December 2014:15).

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

The financial statement of the Company is approved on 23 February 2016 by Board of Directors as of 31 December 2015.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

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

Joint Venture

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

Joint Venture	Nature of the business	Entrepreneur partner
Halk GYO-Vakıf GYO Adi Ortaklığı ("Halk-Vakıf")	Real estate project	Halk GYO A.Ş.

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. The subject of the joint venture is to conduct construction and sales of the housing development project in Sancaktepe in İstanbul. The Company purchased a 95,221.84 m2 piece of land in Istanbul's Sancaktepe district for TRY 110,000,000 + VAT, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Halk GYO.

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 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 TMS/IFRS for listed companies. This financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TMS/IFRS Financial Reporting Standards.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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/IFRS") 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.

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 2015. 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

In the current period the company switched their method of valuation for investment properties from the cost method to the fair value method. As a result of this accounting policy change, the financial statements were retrospectively restated (Note 2.3.2).

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 except for those underlying the fair value method explained in Note 2.3.2.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

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*

2.3.1 *Changes in Turkish Financial Reporting Standards*

Company has been performed reviews in the current period which is issued by Turkey Accounting Standards Board (TASB) and TASB Turkey Financial Reporting Interpretations Committee (TFRIC) and is valid for the period of the year beginning on 31 December 2015 the new and revised TAS / TFRS on the amendments and interpretations of the Company 'in changes that impact on the financial statements.

a) *The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2015:*

- Amendment to TAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:
 - TFRS 2, 'Share-based payment'
 - TFRS 3, 'Business Combinations'
 - TFRS 8, 'Operating segments'
 - TFRS 13, 'Fair value measurement'
 - TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets'
 - Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
 - TAS 39, Financial instruments – Recognition and measurement'
- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycles of the annual improvements project, that affect 4 standards:
 - TFRS 1, 'First time adoption'
 - TFRS 3, 'Business combinations'
 - TFRS 13, 'Fair value measurement'
 - TAS 40, 'Investment property'.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

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 2015, however is not effective yet:

- Amendment to TFRS 11, "Joint arrangements" on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16 "Property, plant and equipment", and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- TFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. TFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to TFRS 10, 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in TFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

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)*

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - TFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
 - TFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to TFRS 1) regarding servicing contracts.
 - TAS 19, ‘Employee benefits’ regarding discount rates.
 - TAS 34, ‘Interim financial reporting’ regarding disclosure of information.
- Amendment to TAS 1, ‘Presentation of financial statements’ on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the TASB initiative to improve presentation and disclosure in financial reports
- Amendment to TFRS 10 ‘Consolidated financial statements’ and TAS 28, ‘Investments in associates and joint ventures’, effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- 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 TASB 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.
- 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 will assess the affect of the regarding changes mentioned above and apply accordingly.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

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)

2.3.2 Comparative information and reclassifications in the previous period's financial statements

The Company's financial statements have been prepared comparatively with the prior period in order to allow determination of the financial position and performance trends. Reclassifications can be made in comparative information in order to conform with the presentation of the current period financial statements.

The Company begun to measure investment properties at fair value method in current period. The financial statement for the investment property of the Company is restated retrospectively as follows:

	31 December 2014	Restated 31 December 2014
Investment properties	167,815,111	363,918,898
Net profit for the period	21,854,652	57,531,312
Cost of sales (-)	(685,854)	(641,559)
Retained earnings	55,146,977	215,574,104
Earnings per share	0.1418	0.3734

	31 December 2013	Restated 31 December 2013
Investment properties	142,885,158	303,312,285
Net profit for the period	4,358,389	102,432,274
Cost of sales (-)	(247,380)	(203,084)
Retained earnings	52,037,811	114,391,053
Earnings per share	0.0410	0.9645

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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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).

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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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.

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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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.

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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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 fulfillment 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.

2.4.7 Offsetting

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

2.4.8 Foreign Currency Transactions

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

2.4.9 Share premium

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

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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.

2.4.13 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 at 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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

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.

The company as the lessee

Financial leases

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

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

2.4.16 Related parties

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

2.4.17 Taxation

Corporate Tax

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

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

2.4.18 Provision for employee termination benefits

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

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4.18 Provision for employee termination benefits (Continued)

Provision is related to fair value of defined benefit plan calculated with the method of estimated liability. All actuarial profit and losses are accounted under comprehensive income statement.

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

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of 4.093 full TRY which is effective from 1 January 2016 has been taken into consideration when calculating the liability (1 January 2015: 3.541 full TRY) as of 31 December 2015.

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.

2.5 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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

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 at 31 December 2015 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 full TRY
Ümraniye Land	Sale comparison	22,000
Ankara/Kavaklıdere Shop	Sale comparison	12,000
İstanbul/Levent Business Center	Sale comparison	12,212
İstanbul/Fatih Business Center	Sale comparison	9,295
İzmir/Aliağa Business Center	Sale comparison	3,654
İzmir/Konak Land 8604 Plot-4 Parcel	Sale comparison	3,500
İzmir/Konak Land 8604 Plot-1 Parcel	Sale comparison	3,450
İzmir/Konak Land 8601 Plot-1 Parcel	Sale comparison	3,450
İzmir/Konak Land 8603 Plot-1 Parcel	Sale comparison	3,400
Kütahya/Merkez Business Center	Sale comparison	3,017

As at 31 December 2014 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 full TRY
Ümraniye Land	Sale comparison	19,375
Ankara/Kavaklıdere Shop	Sale comparison	10,802
İstanbul/Levent Business Center	Sale comparison	10,684
İstanbul/Fatih Business Center	Sale comparison	8,000
İzmir/Aliağa Business Center	Sale comparison	3,427
Kütahya/Merkez Business Center	Sale comparison	2,852
Trabzon Land	Sale comparison	2,416

Inventories

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

The Company classifies the land which develop for residential project under the long term assets.

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 2015 is in amount of TRY 10,618,506 (31 December 2014: TRY 9,901,361) and this amounts has been reclassified to non-current based on timing of forecasted income and expense subjected to VAT.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Control of compliance with the portfolio limitations

Presented information as of 31 December 2015, 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 23 January 2014 numbered 28891.

The additional note for "Compliance control of the portfolio restrictions" is prepared according to the accompanying financial statements.

3 RELATED PARTY DISCLOSURES

Due to /from related parties

	31 December 2015	31 December 2014
Financial investments		
Vakıfbank Bond (Note 5)	-	31,441,510
Banks and other liquid assets		
Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank")	241,096,348	277,622,673
Türkiye Halk Bankası A.Ş. ("Halkbank")	293,268	4,050,672
Prepaid expenses		
Güneş Sigorta A.Ş. ("Güneş Sigorta")	55,813	43,696
Vakıf Sigorta Aracılık Hizmetleri Ltd. Şti. ("Vakıf Sigorta")	-	87
Trade receivable from related parties		
Vakıf Factoring	9,500	-
Trade payables to related parties		
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	724	3,806
Financial liabilities to related parties		
Vakıf Finansal Kiralama Anonim Şirketi ("Vakıf Leasing") (Note 14)	108,713	734,418
Purchase of investment properties from related parties		
Güneş Sigorta	93,500,000	-
Vakıfbank	19,000,000	-

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

3 RELATED PARTY DISCLOSURES (Continued)

Income and expense from related parties

Income **31 December 2015** **31 December 2014**

Rent income from related parties

Vakıfbank	1,688,226	1,582,330
Vakıf Yatırım Menkul Değerler A.Ş.	1,005,090	937,015
Vakıf Faktoring	257,611	84,000

Interest income from related parties

Vakıfbank	29,629,596	21,075,513
Halkbank	152,591	65,217

Investing activities income from related parties

Vakıfbank	1,294,597	3,057,242
-----------	-----------	-----------

Other income from related parties

Vakıf Faktoring	39,886	47,944
Güneş Sigorta	-	348

As at 31 December 2015 and 2014, all company's revenue were generated from the related parties of the Company.

Expenses **31 December 2015** **31 December 2014**

Rent expense to related parties

T. Vakıflar Bankası "T.A.O." Memur ve Hizmetlileri Emekli Sandığı	-	117,018
--	---	---------

Insurance expense paid to related parties

Güneş Sigorta	96,696	85,306
Vakıf Emeklilik A.Ş.	42,565	24,600
Vakıf Sigorta	-	1,037

Interest expense paid to related parties

Vakıf Leasing	38,740	94,833
---------------	--------	--------

Operating expenses and commission expenses to related parties

Vakıfbank	171,985	11,383
Vakıf Yatırım Menkul Değerler A.Ş.	78,632	181,487
Vakıf Pazarlama	-	5,596

Employee benefits to key management

Remuneration and fees paid to members of the board of directors	532,588	482,020
Remuneration and fees paid to other key management	363,934	185,570

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

4 CASH AND CASH EQUIVALENTS

As at 31 December 2015 and 31 December 2014, cash and cash equivalents are as follows:

	31 December 2015	31 December 2014
Cash	2,591	2,381
Banks-Time deposits	240,555,922	281,539,042
Banks-Demand deposits	524,172	134,303
Other liquid assets	310,031	-
Cash and cash equivalents in the financial position	241,392,716	281,675,726
Interest income accruals on cash and cash equivalents	(847,120)	(903,438)
Cash and cash equivalents in the statement of cash flows	240,545,596	280,772,288

As at 31 December 2015 and 31 December 2014, all bank balance were generated from generated related parties of the Company, there is no blockage on cash and cash equivalents.

Demand deposits

As at 31 December 2015 and 31 December 2014, the details of demand deposits at bank are as follows:

	31 December 2015	31 December 2014
TRY	524,172	134,303
Total	524,172	134,303

Time deposits

As at 31 December 2015 and 31 December 2014, the details of time deposits at banks are as follows:

31 December 2015	Amount (TRY)	Nominal interest rate (%)	Maturity
TRY	119,607,063	13.30	19 January 2016
TRY	80,209,425	13.65	26 January 2016
TRY	40,030,466	13.90	1 February 2016
TRY	580,167	10.50	19 January 2016
TRY	128,801	9.30	1 January 2016
Total	240,555,922		

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

4 CASH AND CASH EQUIVALENTS (Continued)

31 December 2014	Amount (TRY)	Nominal interest rate (%)	Maturity
TRY	116,135,943	11.30	2 February 2015
TRY	77,413,383	10.80	6 February 2015
TRY	51,583,140	10.15	12 January 2015
TRY	32,355,972	10.40	29 January 2015
TRY	4,050,604	8.00	2 January 2015
Total	281,539,042		

5 FINANCIAL INVESTMENTS

As at 31 December 2015, there is no available for sale financial assets.

As at 31 December 2014, all available for sale 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 2014	Cost	Maturity	Fair value	Average return (%)
Bank Bonds (Note 3)	31,200,000	13 March 2015	31,441,510	8.94
Total	31,200,000		31,441,510	

The increase/(decrease) in fair value of financial assets are accounted under the investment income/(expenses).

6 TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

As at 31 December 2015 and 31 December 2014, short term trade receivables of the Company are as follows:

	31 December 2015	31 December 2014
Trade receivable (*)	4,066,321	-
Note receivable (*)	2,293,347	-
Total	6,359,668	-

(*) As at 31 December 2015 trade receivable amounting to TRY 6,359,668, consist of deposits received from the pre-sales of residential units at Sancaktepe Aydos project of Halk-Vakıf GYO amounting to TRY 4,066,321 and notes receivables amounting to TRY 2,293,347 from pre-sales of residential units at Sancaktepe Aydos project of Halk-Vakıf GYO.

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

6 TRADE RECEIVABLES AND PAYABLES (Continued)

Long term trade receivables

As at 31 December 2015 and 31 December 2014, long term trade receivables of the Company are as follows:

	31 December 2015	31 December 2014
Note receivables (*)	3,639,409	-
Total	3,639,409	-

(*) As at 31 December 2015 long-term trade receivable amounting to TRY 3,639,409, consist notes receivables from pre-sales of residential units at Sancaktepe Aydos project of Halk-Vakıf GYO.

Trade payables

Short term trade payable

As at 31 December 2015 and 31 December 2014, short term trade payables of the Company are as follows:

	31 December 2015	31 December 2014
Trade payables	207,801	45,001
Trade payables to related parties (Note 3)	724	3,806
Total	208,525	48,807

7 OTHER RECEIVABLES AND PAYABLES

Other receivables

Other current receivables

As at 31 December 2015 and 31 December 2014, other current receivables of the Company are as follows:

	31 December 2015	31 December 2014
Other receivables from third parties (*)	3,068,975	1,350
Other receivables from related parties (Note 3)	9,500	-
Total	3,078,475	1,350

(*) TRY 3,078,475 of the other current receivables consist of receivable from tax administration amounting to TRY 2,930,825 ,other receivables amounting to TRY 147,650.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

7 OTHER RECEIVABLES AND PAYABLES (Continued)

Other non-current receivables

As at 31 December 2015 and 31 December 2014, other non-current receivables of the Company are as follow:

	31 December 2015	31 December 2014
Other non-current receivables from third parties	8,440	15,570
Total	8,440	15,570

Other payables

Other current payables

As at 31 December 2015 and 31 December 2014, other current payables of the Company are as follows:

	31 December 2015	31 December 2014
Deposits and guarantees received	137,766	-
Other payables	51,838	-
Total	189,604	-

8 PREPAID EXPENSES

As at 31 December 2015 and 31 December 2014, short term prepaid expenses of the Company are as the follows:

	31 December 2015	31 December 2014
Prepaid expense	63,818	50,602
Total	63,818	50,602

As at 31 December 2015 and 31 December 2014, long term prepaid expenses of the Company are as the follows:

	31 December 2015	31 December 2014
Advances given for purchase order (*)	6,449,902	-
Total	6,449,902	-

(*) As at 31 December 2015, long term prepaid expenses amounting to TRY 6,449,902 consist of given advances given for Sancaktepe Aydos project of Halk-Vakıf GYO.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

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

As at 31 December 2015 and 31 December 2014, current income tax assets of the Company are as follows:

	31 December 2015	31 December 2014
Prepaid taxes and funds (*)	4,475,775	3,061,285
Total	4,475,775	3,061,285

(*) TRY 4,475,775 of all prepaid taxes and fund consist of withholding tax on from time deposits income in the current term (31 December 2014 : TRY 3,061,285).

As at 31 December 2015 and 31 December 2014, other current assets of the Company are as follows:

	31 December 2015	31 December 2014
VAT receivable	388,887	2,868,112
Other current assets	80	2,731
Total	388,967	2,870,843

As at 31 December 2015 and 31 December 2014, other non-current assets of the Company are as follows:

	31 December 2015	31 December 2014
VAT receivable (*)	10,618,506	9,901,361
Total	10,618,506	9,901,361

(*) Other non-current assets consist of the Value added Tax receivable of Halk-Vakıf GYO ordinary partnership's piece of land in Sancaktepe/Istanbul, which will be offset in other periods. The VAT receivable of TRY 10,618,506, which arises from the purchase of the land in Sancaktepe by Halk -Vakıf GYO is followed under other non-current asset as the project on the land is long term on 31 December 2015.(31 December 2014: TRY 9,901,361)

10 INVESTMENT PROPERTIES

As at 31 December 2015 and 31 December 2014, details of investment properties are as follows:

	31 December 2015	31 December 2014
Investment properties under development	475,141,000	310,000,000
Operating investment properties	39,104,000	53,918,898
Total	514,245,000	363,918,898

As at 31 December 2015 and 31 December 2014, details of operating investment properties and investment properties under development are as follows:

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

10 INVESTMENT PROPERTIES (Continued)

	31 December 2015	31 December 2014
<i>Investment properties under development</i>		
Lands	475,141,000	310,000,000
<i>Operating investment properties</i>		
Buildings	39,104,000	35,118,898
Lands	-	18,800,000
Total	514,245,000	363,918,898

Investment properties under development

Lands

As at 31 December 2015, 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"	25 December 2015	351,997,000
İzmir/Konak Land 8601			
Plot-1 Parcel	"Sale comparison"	25 December 2015	60,974,000
İzmir/Konak Land 8604			
Plot-1 Parcel	"Sale comparison"	25 December 2015	22,772,000
İzmir/Konak Land 8604			
Plot-4 Parcel	"Sale comparison"	25 December 2015	21,774,000
İzmir/Konak Land 8603			
Plot-1 Parcel	"Sale comparison"	25 December 2015	17,624,000
Total			475,141,000

As at 31 December 2014, 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"	25 December 2014	310,000,000
Total			310,000,000

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

10 INVESTMENT PROPERTIES (Continued)

Investment properties under development

As at 31 December 2015 and 31 December 2014, the movement of investment properties under development are as follows:

	2015	2014
Beginning of the period - 1 January	310,000,000	272,000,000
Additions (*)	123,279,799	11,597,012
Change in fair value	41,861,201	26,402,988
End of the period- 31 December	475,141,000	310,000,000

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 120,020,438 TRY 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 neighborhood in the Ümraniye district of İstanbul province.

- (*) The Company has been purchased the land which is located in İzmir/Konak amounting to TRY 114,750,467 from Vakıfbank and Güneş Sigorta on 19 August 2015 according with decision of Board of Directors which dated on 5 August 2015 and 49 number. The other part of the additions include, TRY 5,889,025 (31 December 2014: 1,266,810 TRY) is related with progress payment, TRY 1,953,797 (31 December 2014:10,314,199 TRY) is related with payment of permit and duty to Ümraniye municipality, TRY 686.510 (31 December 2014: 16,003 TRY) is consist of other payment for İstanbul International Finance Center.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

10 INVESTMENT PROPERTIES (Continued)

Operating investment property:

As at 31 December 2015, the fair values of investment properties are as follows:

Description	Valuation method	Valuation report date	Fair value
İstanbul/Levent Business Center	"Sale comparison"	25 December 2015	13,067,000
Ankara/Kavaklıdere Shop	"Sale comparison"	25 December 2015	10,944,000
Kütahya/Merkez Business Center	"Sale comparison"	25 December 2015	6,215,000
İstanbul/Fatih Business Center (*)	"Sale comparison"	25 December 2015	4,731,000
İzmir/Aliağa Business Center	"Sale comparison"	25 December 2015	4,147,000
Total			39,104,000

(*) Fatih Business center which is accounted under investment properties is taken from Vakıf Finansal Kiralama A.Ş. ("Vakıf Leasing") through financial leasing.

As at 31 December 2014, the fair values of investment properties are as follows:

Description	Valuation method	Valuation report date	Fair value
Trabzon Land	"Sale comparison"	25 December 2014	18,800,000
İstanbul/Levent Business Center	"Sale comparison"	25 December 2014	11,432,203
Ankara/Kavaklıdere Shop	"Sale comparison"	25 December 2014	9,851,695
Kütahya/Merkez Business Center	"Sale comparison"	25 December 2014	5,875,000
İstanbul/Fatih Business Center (*)	"Sale comparison"	25 December 2014	4,070,000
İzmir/Aliağa Business Center	"Sale comparison"	25 December 2014	3,890,000
Total			53,918,898

As at 31 December 2015 and 31 December 2014, the movement of operating investment properties are as follows:

	2015	2014
Beginning of the period - 1 January	53,918,898	31,312,285
Additions	129,284	13,377,236
Disposal (*)	(18,800,296)	-
Fair value gain	3,856,114	9,229,377
End of the period - 31 December	39,104,000	53,918,898

(*) The land is registered to Ortahisar/Trabzon neighborhood 619 plot 9 th parcel under the operating investment properties has been sold amounting of TRY 19,000,000 to İttifak İnşaat Tekstil Gıda Turizm Otomotiv Elektrik İç ve Dış Ticaret Sanayi Ltd. on 2 October 2015.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

10 INVESTMENT PROPERTIES (Continued)

İstanbul / Levent Business Center

İstanbul / Levent Business Center is registered to Beşiktaş/İstanbul Rumelihisar neighborhood 1472 plot 1th parcel. Total gross surface is 1,917 m².

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 25 December 2015 İstanbul/Levent Business Center's VAT excluded fair value is TRY 13,067,000 according to sales comparison method (31 December 2014: TRY 11,432,203).There is no restriction on investment properties. The Company rented this property to Vakıf Yatırım Menkul Değerler A.Ş.. The Company earned TRY 1,005,090 of rental income for the period started 1 January 2015 and ended 31 December 2015 (31 December 2014: TRY 973,016).

Kütahya / Merkez Business Center

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

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 25 December 2015 Kütahya/Merkez Business Center's VAT excluded fair value is TRY 6,215,000 according to sales comparison method (31 December 2014:TRY 5,875,000).There is no restriction on investment properties. The Company rented this property branch office of Vakıfbank. The Company earned TRY 382,411 of rental income for the period started 1 January 2015 and ended 31 December 2015 (31 December 2014: TRY 362,250).

Ankara / Kavaklıdere Shop

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

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 25 December 2015 Ankara/Kavaklıdere shop's VAT excluded fair value is TRY 10,944,000 according to sales comparison method (31 December 2014: TRY 9,851,695).There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Kavaklıdere. The Company earned TRY 780,000 of rental income for the period started 1 January 2015 and ended 31 December 2015 (31 December 2014: TRY 721,985).

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

10 INVESTMENT PROPERTIES (Continued)

İzmir / Aliğa Business Center

İzmir/ Aliğa business center is registered to Aliğa/İzmir Aliğa neighborhood 50 plot 5637 th parcel. Total gross surface is 1,275 m².

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 25 December 2015 İzmir/Aliğa business center's VAT excluded fair value is TRY 4,147,000 according to sales comparison method (31 December 2014: TRY 3,890,000). There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Aliğa. The Company earned TRY 278,841 of rental income for the period started 1 January 2015 and ended 31 December 2015 (31 December 2014: TRY 264,141).

İstanbul / Fatih Business Center

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

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 25 December 2015 İstanbul/Fatih Business Center's VAT exclude fair value is TRY 4,731,000 according to sales comparison method (31 December 2014: TRY 4,070,000). There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Fatih. The Company earned TRY 246,974 of rental income for the period started 1 January 2015 and ended 31 December 2015 (31 December 2014: TRY 233,953).

As at 31 December 2015 and 31 December 2014, insurance amount of investment properties are as follows:

	31 December 2015		31 December 2014	
	Insurance date	Insurance value	Insurance date	Insurance value
Kütahya/Merkez Business Center	1 February 2015	1,236,000	4 February 2014	1,339,000
İstanbul/Levent Business Center	15 January 2015	1,202,004	15 January 2014	1,202,004
İzmir/Aliğa Business Center	1 February 2015	765,000	4 February 2014	745,875
Ankara/Kavaklıdere Shop	15 January 2015	533,520	8 January 2014	533,520
İstanbul/Fatih Business Center	8 February 2015	297,613	7 February 2014	297,613
Total		4,034,137		4,118,012

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

11 INVENTORIES

	31 December 2015	31 December 2014
Land	65,381,916	56,108,737
Total	65,381,916	56,108,737

İstanbul/Sancaktepe

The company purchased a 98,127.74 m2 piece of land in Istanbul's Sancaktepe district for 110,000,000TRY + VAT, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Halk GYO. The total construction area on this piece of land is 223,940 m2 and the relevant project consists of 1,015 houses and 26 trade units. A construction license was obtained on 4 November 2015 and it is expected that the project will be completed within two years.

Land was purchased to develop residential project showed under the inventories and measured at the lower of cost or net realizable value. The company has classified lands which has been accounted under inventories and purchased to use for residence project that will be completed in long term as long term assets.

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 9 November 2015, the fair value of land is TRY 176,160,000 according to sales comparison method. The portion of the Company is TRY 88,080,000. There is no restriction on inventories.

12 PROPERTY, PLANT AND EQUIPMENT

The movement schedule of property, plant and equipment as of 31 December 2015 and 31 December 2014 is as follows:

	1 January 2015	Addition	Disposal	31 December 2015
Cost				
Land	205,926	-	-	205,926
Machinery and equipment	374,311	38,413	-	412,724
Vehicles	169,880	-	-	169,880
Special costs	402,521	-	-	402,521
Total	1,152,638	38,413	-	1,191,051
Accumulated depreciation				
Machinery and equipment	(186,949)	(46,082)	-	(233,031)
Vehicles	(36,807)	(33,976)	-	(70,783)
Special costs	(15,005)	(80,504)	-	(95,509)
Total	(238,761)	(160,562)	-	(399,323)
Net book value	913,877			791,728

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

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 25 December 2015 land has been accounted under the tangible asset's VAT excluded fair value is TRY 753,118 according to sales comparison method (31 December 2014: TRY 720,000). The gross carrying value of the land on which there is an energy transmission line amounting to TRY 205,926, there is no other restriction on the land.

As at 31 December 2015, TRY 160,562 of the total depreciation expenses has been accounted under general administrative expenses (31 December 2014: TRY 68,069).

	1 January 2014	Addition	Disposal	31 December 2014
Cost				
Land	205,926	-	-	205,926
Machinery and equipment	250,595	167,335	(43,619)	374,311
Vehicles	267,074	-	(97,194)	169,880
Special costs	65,744	402,522	(65,745)	402,521
Total	789,339	569,857	(206,558)	1,152,638
Accumulated depreciation				
Machinery and equipment	(211,667)	(18,901)	43,619	(186,949)
Vehicles	(100,040)	(33,961)	97,194	(36,807)
Special costs	(65,237)	(15,207)	65,439	(15,005)
Total	(376,944)	(68,069)	206,252	(238,761)
Net book value	412,395			913,877

There is no lien and no pledge on tangible assets as of 31 December 2015 and 31 December 2014.

13 INTANGIBLE ASSETS

The movement schedule of intangible assets which consist of software and rights as of 31 December 2015 and 31 December 2014 are as follows:

	1 January 2015	Addition	Disposal	31 December 2015
Cost	56,191	11,300	(24,655)	42,836
Accumulated amortisation	(46,144)	(8,004)	24,513	(29,635)
Net book value	10,047			13,201

	1 January 2014	Addition	Disposal	31 December 2014
Cost	52,952	3,239	-	56,191
Accumulated amortisation	(38,916)	(7,228)	-	(46,144)
Net book value	14,036			10,047

There is no lien and no pledge on intangible assets as of 31 December 2015 and 31 December 2014.

As at 31 December 2015, TRY 8,004 of the total amortisation expenses has been accounted under general administrative expenses (31 December 2014: TRY 7,228).

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

14 SHORT TERM PORTION OF LONG TERM FINANCIAL LIABILITIES AND LONG TERM FINANCIAL LIABILITIES

Short term portion of long term financial liabilities

As at 31 December 2015 and 31 December 2014, short term portion of long term financial liabilities of the Company consist of financial leasing payable is as follows:

	31 December 2015	31 December 2014
Liabilities from finance lease (Gross)	109,339	656,034
Cost of unrealized finance lease	(626)	(29,663)
Total	108,713	626,371

Long term financial liabilities

As at 31 December 2015 and 31 December 2014, the details of long term financial liabilities of the Company are as follows:

	31 December 2015	31 December 2014
Liabilities from finance lease (Gross)	-	109,339
Cost of unrealized finance lease	-	(1,292)
Total	-	108,047

The repayment schedule of financial liabilities is as follows:

31 December 2015	Weighted average interest rates (%)	Currency	Original currency	TRY equivalent
Short term portion of long term financial liabilities	9.98%	TRY	108,713	108,713
				108,713
31 December 2014	Weighted average interest rate (%)	Currency	Original currency	TRY equivalent
Short term portion of long term financial liabilities	9.98%	TRY	626,371	626,371
Long term financial liabilities	9.98%	TRY	108,047	108,047
				734,418

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2015 and 31 December 2014 commitments given are as follows:

The CPMs given by the Company	31 December 2015	31 December 2014
A.CPM's given in the name of its own legal personality	58,377,141	83,974
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 (*)	13,030,354	-
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	71,407,495	83,974

(*) 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 gurantee agreement with the agreed banks amounting to TRY 830,565,000 as of 31 December 2015. The Company's responsibility is TRY 415,282,500. The pre-sales of Vakıf Gyo-Halk Gyo Adi Ortaklığı amounting to TRY 26,060,708 performed through the gurantee agreement. The risk of the Company is TRY 13,030,354 due to the pre-sales through the gurantee agreements as of 31 December 2015.The proportion of other CPM and Company's equity is 1.58 % as of 31 December 2015 (31 December 2014: 0.00 %).

The proportion of other CPM and Company's equity is 8.69 % as of 31 December 2015 (31 December 2014: 0.01 %).

As of 31 December 2015 and 31 December 2014, the details of deposits and guarantees received are showed below:

	31 December 2015		31 December 2014	
	Original amount	TRY Equivalent	Original amount	TRY Equivalent
TRY	17,056,270	17,056,270	1,520,548	1,520,548
EURO	660,000	2,097,216	-	-
	17,716,270	19,153,486	1,520,548	1,520,548

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

With its Board of Directors' decision dated 13 March 2014, the Company decided to increase its issued capital from 106,200,000TRY to 212,400,000TRY. 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 June 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 June 2015. The hearing dated 17 June 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 June 2015 in order to control the right ownership of defendant.

In line with the opinion obtained from the attorney, the lawsuit is about the cancellation of a joint stock company's board of directors' decision; and if the lawsuit is accepted, it cannot be ruled that the company should pay compensation.

Operating lease arrangements

The Company as 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 23,334+VAT as at 31 December 2015. 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 two flat located in İstanbul Fatih. The amount of monthly rent is TRY 20,667+VAT as at 31 December 2015. 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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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 65,000+VAT as at 31 December 2015. 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 32,001+VAT as at 31 December 2015. 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 2007 for the lease business center located in İstanbul Beşiktaş. The amount of monthly rent is TRY 83,758+VAT as at 31 December 2015. 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 22,403+VAT as at 31 December 2015. 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 44,806 TRY+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.

16 LIABILITIES FOR EMPLOYEE BENEFITS

As at 31 December 2015 and 31 December 2014, liabilities for employee benefits of the Company are as follows:

	31 December 2015	31 December 2014
Social security premiums payable	-	26,357
Total	-	26,357

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

17 PROVISIONS FOR EMPLOYEE BENEFITS

Short term provisions for employee benefits

As at 31 December 2015 and 31 December 2014, provisions for employee benefits are as follows:

	31 December 2015	31 December 2014
Provision for unused vacation	156,506	70,004
Provision for bonus	97,054	58,152
Total	253,560	128,156

The movement schedule of the unused vacation as of 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015	31 December 2014
Balance at the beginning of the period - 1 January	70,004	46,878
Changes during the period	88,835	23,861
Payment	(2,333)	(735)
At the end of the period - 31 December	156,506	70,004

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 TRY 4,093 for each period of service as of 31 December 2015 (31 December 2014: TRY 3,541). The retirement pay provision ceiling is revised semi-annually, and TRY 4,093 which is effective from 1 January 2016, 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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

17 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

As at 31 December 2015 and 31 December 2014 the liability is calculated using the following assumptions:

	31 December 2015	31 December 2014
Discount rate	3.97%	3.30%
Estimated retirement turnover rate	93.19%	89.17%

As at 31 December 2015 and 31 December 2014, movement of provision for employee termination benefits is as follows:

	31 December 2015	31 December 2014
Opening balance - 1 January	112,808	93,261
Interest cost	13,974	10,717
Service cost	19,139	21,445
Actuarial gain	(9,058)	(12,615)
Closing balance - 31 December	136,863	112,808

18 OTHER CURRENT LIABILITIES, OTHER NON-CURRENT LIABILITIES AND DEFERRED INCOME

As at 31 December 2015 and 31 December 2014, other current liabilities of the Company are as follows:

Other current liabilities

	31 December 2015	31 December 2014
Taxes payable and other duties	509,604	515,242
Accrual	4,310	-
Total	513,914	515,242

Deferred Income

As at 31 December 2015 and 31 December 2014, deferred income of the Company is as follows:

	31 December 2015	31 December 2014
Deferred income (*)	32,939,539	-
Total	32,939,539	-

(*) As at 31 December 2015 deferred income amounting to TRY 32,939,539 consist of advances taken according to agreement for Sancaktepe Aydos project, it is accounted under the non-current liabilities as deferred income since the project will be completed at 2019.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

19 CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in capital

As at 31 December 2015 and 31 December 2014, the Company's capital structure is as follow according to Central Securities Depository:

	Class	31 December 2015		31 December 2014	
		Capital rate (%)	Capital amount	Capital rate (%)	Capital amount
Vakıfbank	A	15.32	31,470,722	15.32	31,152,000
	B	23.38	48,024,226	23.38	47,537,844
TOKİ	A	9.05	18,596,336	9.05	18,408,000
	B	5.58	11,443,901	5.58	11,327,998
Vakıfbank Personeli Özel Sosyal Güv. Hiz. Vakfı	A	5.57	11,443,899	5.57	11,328,000
	B	4.03	8,275,760	3.64	7,395,340
Vakıfbank Memur ve Hizmet Em. San. Vakfı	A	2.79	5,721,949	2.79	5,664,000
	B	6.09	12,514,037	6.09	12,387,300
Other	A	2.78	5,721,950	2.78	5,664,000
	B	25.41	52,187,220	25.80	52,455,312
Total		100	205,400,000	100	203,319,794
Effects of inflation adjustments			21,599,008		21,599,008
Total			226,999,008		224,918,802

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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

19 CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Share premium

	31 December 2015	31 December 2014
Share premium	237,393,491	237,393,491
Share premium Inflation adjustments	9,337,858	9,337,858
Total	246,731,349	246,731,349

With the Company's Board of Directors' decision no. 12, dated 13 March 2014, it was resolved that the Company's issued capital of TRY 106,200,000 increased to TRY 212,400,000 without any limit on the current shareholders' pre-emptive rights and by covering all of them in cash within the scope of the registered capital cap of TRY 300,000,000. The shares with a nominal value of TRY 9,080,206, which cannot be sold, were cancelled on 29 May 2014. As of 27 June 2014, the capital registration processes started and as of 4 July 2014 the capital was registered.

As a result of the share capital registration processes, the capital was increased from TRY 106,200,000 to TRY 203,319,794 and share issuance premiums were increased from TRY 9,759,034 to TRY 246,731,349.

At the Company's Board of Directors' meeting, dated 15 April 2015, it was resolved that TRY 203,319,794 of the capital that the company issued within its current registered capital cap of TRY 300,000,000 increased to TRY 205,400,000 and that the increased amount, totaling TRY 2,080,206, covered by the previous years' profits. The capital increase transactions were completed by registration on 27 May 2015.

The shareholders of the Company, Türkiye Vakıflar Bankası T.A.O and Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, during the capital increase from TRY 106,200,000 to TRY 203,319,794, they increased their share from 27.63% to 38.70% and 3.33% to 8.88%, respectively and these transactions were registered on 19 March 2015.

With the Company's Board of Directors' decision no. 54, dated 27 August 2015, it was decided that the registered capital cap should be increased from TRY 300,000,000 to TRY 500,000,000 and it was registered on 3 November 2015.

Restricted reserves

As at 31 December 2015 and 31 December 2014, restricted reserves are consist of legal reserves.

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

Other Comprehensive Income Not To Be Reclassified To Profit Or Loss

The Amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain/loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income as of 1 January 2013. The gains and losses arising from the changes in the actuarial assumption amounting to TRY 18,688 (31 December 2014:9,630 TRY) have been accounted for by "Revaluation Funds" under the equity as of 31 December 2015.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

19 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.

20 SALES AND COST OF SALES

Sales and cost of sales for the year ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
<i>Income from operating activities</i>		
Rent income	2,950,927	2,603,345
Total revenue	2,950,927	2,603,345
Cost of sales	(1,002,889)	(641,559)
Gross profit	1,948,038	1,961,786

Cost of the sales for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Real estate tax expenses	642,741	532,743
Rent expenses	257,611	84,000
Maintenance and repairment expenses	48,975	7,740
Insurance expenses	13,523	17,076
Other	40,039	-
Total	1,002,889	641,559

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

21 GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Personnel expenses	2,973,522	1,954,022
Outsourced service expenses	411,136	437,959
Tax expenses	401,585	41,951
Operational lease expenses	386,417	243,018
Depreciation and amortization	168,566	75,297
Advertisement expenses	1,798	35,014
Other expenses	362,721	398,768
Total	4,705,745	3,186,029

Personnel expenses

	31 December 2015	31 December 2014
Wages and salaries of employee	1,488,619	849,261
Wages and salaries of Board of Directors	532,588	482,020
Accrued expense and payment for the premiums	433,847	249,069
Social security premiums	231,924	170,493
Unused vacation expense, net	88,835	23,861
Employment termination benefit expense	19,139	21,445
Other	178,570	157,873
Total	2,973,522	1,954,022

22 OTHER OPERATING INCOME/EXPENSES

Other operating income

Other operating income for the years ended 31 December 2015 TRY 117,434 (31 December 2014: TRY 50,181).

23 EXPENSES BY NATURE

Breakdown of depreciation and amortization expense for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
General administrative expense (Note 21)	168,566	75,297
Total	168,566	75,297

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

24 FINANCE INCOME/EXPENSE

Finance expense for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Bank charges and commission expenses	141,695	30,606
Interest expense	52,714	105,792
Share capital increase expense	15,252	1,042,299
Total	209,661	1,178,697

Finance income for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Interest income from bank	29,782,187	21,140,730
Total	29,782,187	21,140,730

25 INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income and expense from investing activities for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Interest income from bank bonds	1,271,222	2,609,683
Gain on sale of investment properties	199,704	-
Income from investment funds	23,375	25,266
Interest income/expense generated from fair value increase/decrease of government bonds	-	422,293
Loss/ (gain) on sale of fixed assets	(142)	53,734
Total	1,494,159	3,110,976

26 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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

27 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.

	31 December 2015	31 December 2014
Profit for the period	74,143,727	57,531,312
Weighted average number of shares	205,400,000	154,094,693
Earning per share	0.3610	0.3734

28 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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

28 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 at 31 December 2015 and 31 December 2014, credit risk exposure of financial assets is as follows:

31 December 2015	Receivables				Deposits on bank	Financial investment	Other	Total
	Trade receivables		Other receivables					
	Related party	Other party	Related party	Other party				
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	9,999,077	9,500	3,077,415	241,080,094	-	310,031	254,476,117
- 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								
- Secured portion by guarantees, etc.	-	9,999,077	9,500	3,077,415	241,080,094	-	310,031	254,476,117
B.) Net book value of the expired but not impaired financial assets								
- Secured portion by guarantees, etc.								
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.) Financial assets with renegotiated conditions	-	-	-	-	-	-	-	-

As at 31 December 2015, the Company does not have any financial assets which are overdue but not impaired.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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

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

31 December 2014	Receivables				Deposits on bank	Financial investment	Other	Total
	Trade receivables		Other receivables					
	Related party	Other party	Related party	Other party				
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	-	-	16,920	281,673,345	31,441,510	-	313,131,775
- 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								
- Secured portion by guarantees, etc.	-	-	-	16,920	281,673,345	31,441,510	-	313,131,775
B.) Net book value of the expired but not impaired financial assets								
- Secured portion by guarantees, etc.								
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.) Financial assets with renegotiated conditions	-	-	-	-	-	-	-	-

As at 31 December 2014, the Company does not have any financial assets which are overdue but not impaired.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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

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

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

31 December 2015	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	208,525	208,525	208,525	-	-	-
Financial liabilities	108,713	109,339	109,339	-	-	-
Other payables and liabilities	513,914	513,914	4,310	509,604	-	-
Total	831,152	831,778	322,174	509,604	-	-

Contract terms

31 December 2014	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):						
Financial liabilities	626,371	698,554	180,066	518,488	-	-
Trade payables	48,807	48,807	48,807	-	-	-
Other payables and liabilities	515,242	515,242	56,321	458,921	-	-
Total	1,190,420	1,262,603	285,194	977,409	-	-

31 December 2014	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
Long term financial liabilities (Non-derivative):						
Financial liabilities	108,047	110,631	-	-	110,631	-
Total	108,047	110,631	-	-	110,631	-

As at 31 December 2015 and 31 December 2014, the Company does not have any derivative financial liabilities.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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

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

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 at 31 December 2015 and 31 December 2014, 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 at 31 December 2015 and 31 December 2014, the Company does not have a financial instruments sensitive to variable interest rates, financial instruments sensitive to fixed interest rate of the Company is as follows:

<i>Financial instruments with fixed interest rates</i>	31 December 2015	31 December 2014
Financial assets	240,555,922	312,980,552
<i>Time deposits</i>	240,555,922	281,539,042
<i>Financial investments</i>	-	31,441,510
Financial liabilities	108,713	734,418

Weighted average interest rates which are applied to financial instruments as of 31 December 2015 and 31 December 2014 are as follows:

<i>Financial instruments</i>	<u>31 December 2015</u>		<u>31 December 2014</u>	
Banks time deposits	TRY	13.51%	TRY	10.80%
Financial investments		-	TRY	8.94%
Financial liabilities	TRY	9.98%	TRY	9.98%

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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

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

Capital risk management

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

	31 December 2015	31 December 2014
Total liabilities	34,350,718	1,565,788
Cash and cash equivalents	(241,392,716)	(281,675,726)
Net debt	(207,041,998)	(280,109,938)
Equity	822,556,803	748,404,018

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.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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

29 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.

Financial liabilities

The Company assumes that the carrying value of the trade payables is close to their fair value because of their short-term nature.

Liabilities from finance lease

Carrying value		Fair value	
31 December 2015	31 December 2014	31 December 2015	31 December 2014
108,713	734,418	96,503	715,099

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

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

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

31 December 2015	Level 1	Level 2	Level 3	Total
<i>Investment properties:</i>				
Investment properties	-	514,245,000	-	514,245,000
Total	-	514,245,000	-	514,245,000
31 December 2014	Level 1	Level 2	Level 3	Total
<i>Financial investments:</i>				
Financial asset	31,441,510	-	-	31,441,510
<i>Investment properties:</i>				
Investment properties	-	363,918,898	-	363,918,898
Total	31,441,510	363,918,898	-	395,360,408

30 SUBSEQUENT EVENTS

None.

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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

**31 SUPPLEMENTARY INFORMATION: COMPLIENCE CONTROL OF THE
PORTFOLIO RESTRICTIONS**

As at 31 December 2015, 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 2015 and 31 December 2014:

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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

31 SUPPLEMENTARY INFORMATION: COMPLIENCE 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)	241,390,125	313,114,855
B	Real estates, projects based on real estates, rights based on real estates	Serial III-48.1a, Art.24/(a)	579,626,916	420,027,635
C	Subsidiaries	Serial III-48.1a, Art.24/(b)	-	-
	Due from related parties (non-trade)	Serial III-48.1a, Art.23/(f)	9,500	-
	Other assets		35,880,980	16,827,316
D	Total asset	Serial III-48.1a, Art.3/(p)	856,907,521	749,969,806
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	108,713	734,418
H	Due to related parties (non trade)	Serial III-48.1a, Art.23/(f)	-	-
I	Equity	Serial III-48.1, Art.31	822,556,803	748,404,018
	Other liabilities		34,242,005	831,370
D	Total liabilities	Serial III-48.1, Art.3/(k)	856,907,521	749,969,806
	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)	241,080,094	281,673,345
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.28/1/(a)	-	-
J	Non-cash loans	Serial III-48.1a, Art.31	71,407,495	83,974
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)	-	-

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

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

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

31 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)	67.64%	56.01%	Min 51%
3 Monetary and capital market instruments	Serial III-48.1a, Art.24/(b)	28.17%	41.75%	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%	0.03%	Max 20%
6 Subsidiaries (operating companies)	Serial III-48.1a , Art.28/1(a)	-	-	Max 10%
7 Borrowing limit	Serial III-48.1a , Art.31	8.69%	0.11%	Max 500%
8 TRY and foreign currency time and demand deposits (*)	Serial III-48.1a , Art.24/(b)	28.13%	37.56%	Max 10%
9 Total investments of monetary and capital market instruments at one company	Serial III-48.1a Art.22/(1)	-	-	Max 10%

(*) Of the limitations to be followed within the scope of the provisions regarding comparing compliance against the portfolio limitations in the Communiqué Serial: III, No: 48.1 on the Principles Regarding the Real Estate Investment Trusts promulgated in Official Gazette No. 28660 dated 28 May 2013, as of 31 December 2015 and 31 December 2014 the Company did not comply with the limitations of " TRY and foreign currency time and demand deposits". The company submitted a written application regarding this matter to the Capital Markets Board on 12 February 2015 and requested a time extension. Upon the detailed projection request in the Capital Market Board's Corporate Investors Directorate's response letter dated 23 February 2015, the company communicated the projections, including the investment payments planned for 2015 and the payments made in 2014 to the capital markets board on 27 February 2015. On 19 March 2015, the time extension request received an affirmative response, on condition that the financial statements to be prepared and disclosed to public at the end of 2015 are compliant with the portfolio limitations stated in the communiqué.