**AKFEN GAYRİMENKUL YATIRIM
ORTAKLIĞI ANONİM ŞİRKETİ**

CONVENIENCE TRANSLATION TO ENGLISH OF INDIVIDUAL INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2014 WITH INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS (ORIGINALLY ISSUED IN TURKISH)

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CONVENIENCE TRANSLATION OF
REPORT ON REVIEW OF STANDALONE INTERIM FINANCIAL INFORMATION
(ORIGINALLY ISSUED IN TURKISH)

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

Introduction

1. We have reviewed the accompanying standalone statement of financial position of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. and its subsidiaries (collectively referred to as the "Group") as at 30 June 2014 and the related standalone statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim standalone financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying standalone interim financial information of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. is not prepared, in all material respects, in accordance with TAS 34.

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Other matter

4. As described in detail in Note 2, we have also reviewed the consolidated statement of financial position of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. and its subsidiaries as at 30 June 2014 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended which were prepared in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our review was based on the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity" and, we have issued an unmodified review report on 12 August 2014 for the interim consolidated financial statements.

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

Haluk Yalçın, SMMM
Partner

İstanbul, 12 August 2014

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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INDIVIDUAL BALANCE SHEET AS AT 30 JUNE 2014

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	*Reviewed* 30 June 2014	*Not audited* 31 December 2013
ASSETS			
CURRENT ASSETS		**8,974,084**	**4,134,283**
Cash and cash equivalents	*4*	144,403	409,421
Trade receivables	*6*	8,462,380	3,605,450
- Trade receivables from third parties	*6*	*8,462,380*	*3,605,450*
Other receivables	*7*	-	1,805
- Other receivables from third parties	*7*	-	*1,805*
Prepaid expenses	*16*	277,215	32,236
Other current assets	*17*	90,086	85,371
NON-CURRENT ASSETS		**919,994,609**	**910,590,191**
Financial investments	*8*	153,706,506	147,945,964
- Subsidiaries	*8*	*153,706,506*	*147,945,964*
Other receivables	*7*	141,585	73,593
- Other receivables from third parties	*7*	*141,585*	*73,593*
Investment property	*9*	742,507,086	737,445,000
Property and equipment	*10*	52,745	36,540
Intangible assets	*11*	5,118	6,541
- Other intangible assets	*11*	*5,118*	*6,541*
Prepaid expenses	*16*	13,357	853,663
Other non-current assets	*17*	23,568,212	24,228,890
TOTAL ASSETS		**928,968,693**	**914,724,474**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

INDIVIDUAL BALANCE SHEET AS AT 30 JUNE 2014

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	*Reviewed* 30 June 2014	*Not audited* 31 December 2013
LIABILITIES			
CURRENT LIABILITIES		**80,474,765**	**78,695,344**
Short term financial liabilities	*5*	25,254,139	8,504,390
Short term portion of long term financial liabilities	*5*	53,516,897	65,442,657
Trade payables	*6*	1,111,600	3,962,599
- Trade payables to related parties	*6*	*739,603*	*751,010*
- Other trade payables to third parties	*6*	*371,997*	*3,211,589*
Other payables	*7*	28,116	16,161
- Other payables to third parties	*7*	*28,116*	*16,161*
Short term provisions	*15*	*272,348*	*234,954*
- Short term provisions for employee benefits	*15*	*272,348*	*234,954*
Other current liabilities	*17*	291,665	534,583
NON-CURRENT LIABILITIES		**218,043,163**	**211,248,766**
Long term financial liabilities	*5*	214,235,623	207,700,694
Long term provisions	*15*	64,257	48,512
- Long term provisions for employee benefits	*15*	*64,257*	*48,512*
Other non-current liabilities	*17*	3,743,283	3,499,560
EQUITY	*18*	**630,450,765**	**624,780,364**
Paid in capital		184,000,000	184,000,000
Adjustment to share capital		317,344	317,344
Share premiums		58,880,000	58,880,000
Restricted reserves allocated from profit		4,147	4,147
Retained earnings		381,578,873	338,686,361
Net profit for the period		5,670,401	42,892,512
TOTAL EQUITY AND LIABILITIES		**928,968,693**	**914,724,474**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

INDIVIDUAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPRENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2014

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	*Reviewed* 1 January - 30 June 2014	Not reviewed 1 April - 30 June 2014	Not reviewed 1 January - 30 June 2013	Not reviewed 1 April - 30 June 2013
PROFIT OR LOSS					
Revenue	*19*	12,550,372	7,250,609	11,515,563	6,962,949
Cost of sales	*19*	(1,371,456)	(696,923)	(1,210,252)	(509,101)
GROSS PROFIT		**11,178,916**	**6,553,686**	**10,305,311**	**6,453,848**
General administrative expenses	*20*	(1,682,518)	(934,401)	(1,713,456)	(710,578)
Other operating income	*21*	113,863	96,583	89,637	63,478
Other operating expenses	*21*	(118,412)	(34,639)	(62,051)	(43,478)
OPERATING PROFIT		**9,491,849**	**5,681,229**	**8,619,441**	**5,763,270**
Financial income	*22*	10,657,459	10,657,459	2,584,854	-
Financial expenses	*23*	(14,478,907)	(3,858,719)	(20,414,276)	(17,976,888)
PROFIT/(LOSS) BEFORE TAX		**5,670,401**	**12,479,969**	**(9,209,981)**	**(12,213,618)**
Current tax expense		-	-	-	-
NET PROFIT/(LOSS) FOR THE PERIOD		**5,670,401**	**12,479,969**	**(9,209,981)**	**(12,213,618)**
Earnings per share (Full TL)	*26*	**0.03**	**0.07**	**(0.05)**	**(0.07)**
PROFIT/(LOSS) FOR THE PERIOD		**5,670,401**	**12,479,969**	**(9,209,981)**	**(12,213,618)**
OTHER COMPREHENSIVE INCOME		-	-	-	-
Items to be reclassified to profit or loss		-	-	-	-
Change in currency translation differences		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		**5,670,401**	**12,479,969**	**(9,209,981)**	**(12,213,618)**
Attribution of total comprehensive (loss)/income:					
Non-controlling interest		-	-	-	-
Attributable to equity holders of the parent		*5,670,401*	*12,479,969*	*(9,209,981)*	*(12,213,618)*

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

INDIVIDUAL STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2014

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

				Other Comprehensive Income items to be reclassified to Profit or Loss	Retained Earnings		
	Paid-in Capital	Adjustement to Share Capital	Share Premium	Restricted reserves allocated from profit	Retained Earnings	Net (loss)/profit for the period	Total Equity
Balance as at 1 January 2013	184,000,000	317,344	58,880,000	4,147	305,681,655	33,004,706	581,887,852
Transfers	-	-	-	-	33,004,706	(33,004,706)	-
Total comprehensive income	-	-	-	-	-	(9,209,981)	(9,209,981)
Balance as at 30 June 2013	**184,000,000**	**317,344**	**58,880,000**	**4,147**	**338,686,361**	**(9,209,981)**	**572,677,871**
Balance as at 1 January 2014	184,000,000	317,344	58,880,000	4,147	338,686,361	42,892,512	624,780,364
Transfers	-	-	-	-	42,892,512	(42,892,512)	-
Total comprehensive (loss)	-	-	-	-	-	5,670,401	5,670,401
Balanceas at 30 June 2014	**184,000,000**	**317,344**	**58,880,000**	**4,147**	**381,578,873**	**5,670,401**	**630,450,765**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

INDIVIDUAL STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2014
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Reviewed 30 June 2014	Not reviewed 30 June 2013
A. Cash flows from operating activities			
Net profit for the period		**5,670,401**	**(9,209,981)**
Adjustments to reconcile profit to cash provided by operating activities:			
Adjustments for depreciation and amortization expense	*10,11*	10,235	17,149
Adjustments for change in provisions for employee termination benefits and unused vacation	*15*	53,139	33,878
Adjustments for interest income and expense	*23*	7,883,910	4,691,880
Adjustments for foreign currency exchange differences		(4,282,966)	12,950,669
Adjustments for rent expense accrual	*17*	805	37,742
		9,335,524	**8,521,337**
Net working capital changes in:			
Trade receivables		(4,856,930)	(2,499,970)
Other receivables from operating activities		(66,187)	33,612
Change in other current and non-current assets		1,251,290	(865,502)
Trade payables		(2,839,045)	(47,725)
Other payables from operating activities		-	(186,909)
Cash provided from operating activities		**2,824,652**	**4,954,843**
Severance indemnity and vacation liability paid		-	(11,086)
Net cash provided from operating activities		**2,824,652**	**4,943,757**
B. Cash flows from investing activities			
Capital increase of subsidiary	*8*	(5,760,542)	(1,006,638)
Cash outflow from acquisition of property, equipment and intangible assets	*10,11*	(25,017)	(3,410)
Cash inflow from sale of property, equipment and intangible assets		-	2,102
Acquisition of investment property	*9*	(5,062,086)	(7,947,845)
Net cash used in investment activities		**(10,847,645)**	**(8,955,791)**
C. Cash flows from financing activities			
Proceeds from issuance of financial liabilities		85,007,325	21,593,917
Repayment of financial liabilities		(69,365,440)	(13,371,327)
Interest paid		(7,883,910)	(4,691,880)
Net cash provided by financing activities		**7,757,975**	**3,530,710**
Net increase in cash and cash equivalents		**(265,018)**	**(481,324)**
Cash and cash equivalents at the beginning of the period		409,421	768,460
Cash and cash equivalents at the end of the period	*4*	**144,403**	**287,136**

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

1. REPORTING ENTITY

Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("the Company" or "Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ ("Aksel"). Aksel was originally established on 25 June 1997 for the purpose of undertaking investments in domestic tourism sector under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding AŞ, ("Akfen Holding") purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Company became a subsidiary of Akfen Holding. The restructuring was completed subsequent to the Board of Directors resolution dated 25 April 2006 and Capital Markets Board of Turkey's ("CMB") approval numbered 31/894 and dated 14 July 2006 with the result of the Company's conversion to "Real Estate Investment Trust" registered in 25 August 2006. The change of title and activities was published on Official Trade Gazette on 31 August 2006.

The Company's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: III No: 48.1, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups in 2005. The Company is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A operating in Turkey.

The Company was enlisted on Istanbul Stock Exchange (ISE) on 11 May 2011.

The Company acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat AŞ ("Akfen GT") on 21 February 2007 which was 100% owned by Akfen Holding. Akfen GT's main operations are also are investing in real estates, forming real estate portfolio and develop real estate projects.

The Company and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russion Property Investments BV ("Russion Property" or "RPI") on 21 September 2007 and 3 January 2008 respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. On 29 July 2011, Akfen GT, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russion Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 December 2013.

The Company has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. 100% The Company owns 100% of HDI.

Based on the share purchase agreement signed on 4 September 2013 between HDI - %100 subsidiary of the Company - and Beneta Limited , the shares of Severnyi Avtovokzal Limited Company ("Severny") of which central office is located in Russia has been takenover by HDI B.V. on 4 September 2013 with the amount of USD 12.975.000. Severny owns 2,010 m^2 land located in the center of Moscow and has construction permit on the land for a hotel project designed with 317 rooms. The Company has set up a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in Istanbul Karaköy on 31 May 2011. The capital structure of Akfen Karaköy is designated as 70% of participation for the Company.

"The Company" phrase will be used for Akfen GYO and its subsidiaries in this report.

The Company is registered in Levent Loft, Büyükdere Caddesi, C Blok No: 201, Kat: 8, Daire: 150, Levent - İstanbul address.

The number of employees of Akfen GYO is 13 (31 December 2013:13) as at 30 June 2014.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a. Statement of compliance

The attached individual financial statements are issued as complying with the provisions of the Capital Markets Board's ("SPK") Communique Serial: II, No: 14.1 "Principles Regarding Financial Reporting in Capital Markets" ("the Communique") which was published in the Official Gazette dated 13 June 2013 and numbered 28676. Pursuant to the relevant communique, the investment trusts that have to issue consolidated financial statements are also obliged to issue annual and interim individual financial statements together with the annual and interim consolidated financial statements.

The Company keeps its accounting records pursuant to Turkish Commercial Code and ("TCC") and Turkish Taxation Legislation within the framework of "the Uniform Chart of Accounts" published by the Ministry of Finance.

The Company is obliged to issue individual financial statements pursuant to second paragraph of article 7 of the Capital Markets Board's Communique "Principles Regarding Financial Reporting in Capital Markets" published on 13 June 2013. The Company has issued these individual financial statements as complying with TAS 27 and TAS 34.

b. ***Complience with TAS***

According to the Communique of CMB, the accompanying consolidated financials are prepared in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing standards Authority of Turkey("POA"). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

The accompanying consolidated financial statements as of 30 June 2014 are approved by the Company's Board of Directors on 14 August 2014. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

c. Functional and presentation currency

The presentation currency of the accompanying financial statements is TL and all financial information presented in TL unless otherwise stated. All other currencies are stated full unless otherwise stated.

d Basis of consolidation

Subsidiaries

The Company, in the individual financial statements, recognizes its investments in subsidiaries at their cost value by discounting impairment value, if any.

The table below shows Akfen GYO's ownership ratio in subsidiaries as at 30 June 2014 and 31 December 2013:

The Company	Direct or indirect shares of company (%)
Akfen GT	100
HDI	100
Akfen Karaköy	70

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

Foreign currency

Foreign currency transaction

Transactions in foreign currencies are translated to the functional currencies of the Company entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

Except for the currency used for measuring the items in the individual financial, all currency units used are named as foreign currency.

The Euro / TL and USD / TL exchange rate as at the end of each period are as follows:

	30 June 2014	**31 December 2013**
Euro / TL	2,8919	2,9365
USD / TL	2,1234	2,1343

e. Comparative information and restatement of prior periods' financial statements

The accompanying individual financial statements are presented comparatively in order to identify the tendency of the Company's financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying consolidated financial statements have been consistently applied to all periods presented by the Company.

Individual financial statements as at 30 June 2014 are presented comparatively to the individual financial statements as at 30 June 2013 and 31 December 2013.

2.1. Accounting estimates

The preparation of the financial statements in conformity with Communiqué No: II-14.1 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates are used particularly in the following notes:

Note 10 - Fair value measurement of investment property

2.3 Changes in accounting policies

The Company, for the current period, applied amendments and interpretations among the new and revised TAS (Turkish Accounting Standards) /TFRS (Turkish Financial Reporting Standards) amendments and interpretations published by the Turkish Accounting Standards Authority (TASB) and TASB's Turkish Financial Reporting Interpretations Committee (TFRIC), effective for the periods of the year beginning as of 1 January 2014 that affected the Company's financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

2.3.1 Standards, amendments and interpretations in effect as of interim reports as of 30 June 2014

Amendment on TAS 32, "Financial Instruments": Offsetting assets and liabilities; effective for annual reporting periods starting from January 1, 2014 or after this date. These amendments are provided for assisting the application of TAS 32 "Financial Instruments: Presentation" and outline some matters necessary for offsetting financial assets and financial liabilities in the balance sheet. This amendment has no effect on the Company's financial statements.

Amendments on TFRS 10, TFRS 12 and TAS 27, "Consolidated financial statements": consolidation exception for associates'; effective for annual reporting periods starting from January 1, 2014 or after this date. This amendment covers recognition of an entity having a different characteristic meeting the term "Investment Entity" at fair value instead of consolidation of it and relating fair value differences with the income statement. This amendment has no effect on the Company's consolidated financial statements.

Amendment on TAS 36, "impairment of assets" regarding disclosure of recoverable amount'; effective for annual reporting periods starting from January 1, 2014 or after this date. These amendments, if the recoverable amount of the impaired asset is determined as fair value less costs of disposal; provide complementary explanation for disclosure of information regarding recoverable amount. This amendment has no effect on the Company's consolidated financial statements.

Amendment on TAS 39, "Financial Instruments": Recognition and Measurement' - 'transfer of derivative instruments'; effective for annual reporting periods starting from January 1, 2014 or after this date. This amendment, as long as the specified conditions provided, clarifies that use of the hedge accounting shall not be terminated due to change of the parties to the hedging instrument or counterparty renewal arisen from laws and regulations.

Amendment on TAS 19, "Defined Benefit Schemes": effective for annual reporting periods starting from July 1, 2014 or after this date. This limited amendment is applied to contributions to the benefit plan defined by the third parties or employees. It clarifies how recognition is made in cases such as calculation of contributions to the plan regardless of the term of office; e.g. retaining a fixed amount of wage as contribution.

TFRIC 21 - TAS 37, "Compulsory Levies": effective for annual reporting periods starting from January 1, 2014 or after this date. This interpretation regarding "Provisions, contingent liabilities and contingent assets" clarifies that the tax liability should be recorded by the entity as soon as the realization of the act which delivers the payment in the scope of the relevant laws.

2.3.2 Standards and amendments published as of 30 June 2014 but to be effective after 1 July 2014

Amendment on TAS 19, "Defined Benefit Schemes": effective for annual reporting periods starting from July 1, 2014 or after this date. This limited amendment is applied to contributions to the benefit plan defined by the third parties or employees. It clarifies how recognition is made in cases such as calculation of contributions to the plan regardless of the term of office; e.g. retaining a fixed amount of wage as contribution.

Annual Improvements 2012: effective for annual reporting periods starting from July 1, 2014 or after this date. Improvement project for the period 2010-2012 brought forth amendments on 7 standards given below:

- TFRS 2, Share Based Payment
- TFRS 3, Business Combinations
- TFRS 8, Activity Sections

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

- TFRS 13, Fair Value Measurement
- TAS 16, Tangible Fixed Assets and TAS/ TAS 38, Intangible Fixed Assets
- TFRS 9, Financial Instruments: TAS/TAS 37, Provisions, Contingent Liabilities and Contingent Assets
- TAS 39, Financial Instruments – Recognition and Measurement

Annual Improvements 2013: effective for annual reporting periods starting from July 1, 2014 or after this date. Improvement project for the period 2011-2-13 brought forth amendments on 4 standards given below:

- TFRS 1, “First-Time Adoption of TFRS
- TFRS 3, Business Combinations
- TFRS 13, Fair Value Measurement
- TAS 40, Investment Property
- Amendment on TFRS 11’deki amendment, “Joint Arrangements”: effective for annual reporting periods starting from January 1, 2016 or after this date. This amendment addresses the accounting for interests acquired from a joint venture doing business.
- Amendments on TAS 16 and TAS 38, “Tangible Fixed Assets”, “Intangible Fixed Assets”: effective for annual reporting periods starting from January 1, 2016 or after this date. This amendment removed the income approach in calculation of depreciation and amortization of tangible and intangible fixed assets.
- TFRS 14, “Regulatory Deferral Accounts”: effective for annual reporting periods starting from January 1, 2016 or after this date. This standard is applicable for entities which shall adopt the international financial reporting standards for the first time. It grants to the entities using tariff treatment the right to continue their accounting policies applied by them according to the accounting standards they were previously using while adopting international financial reporting standards for the first time.
- TFRS 15, “Revenue from Contracts with Customers”, effective for annual reporting periods starting from January 1, 2017 or after this date. The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) in US worked together for this standard to ensure uniformity of revenue standards and to provide users of financial statements information regarding the nature, amount, timing of such transaction besides revenue uncertainty and cash flows arising from a contract with a customer. In recognition of revenue according to this standard; transition from income approach to asset and liability approach based on transfer of control is aimed.
- TFRS 9 “Financial Instruments - classification and measurement”: effective for annual reporting periods starting from January 1, 2018 or after this date. This standard superseded the standard TAS 39 regarding classification and measurement of financial assets and liabilities. TFRS 9 introduces two measurement models based on amortized cost and fair value. While all equity instruments are measured at fair value; debt instruments are measured at amortized cost on condition that cash return on debt instruments from a contract shall be retained by the Company and such cash return covers the interest and principal amounts. The standard for the liabilities continues many applications including amortized cost approach and separation of embedded derivatives in TAS 39. The major amendment is, in case of monitoring financial liabilities at fair value; partial surplus in fair value difference arisen from credit risk of the Company shall be reflected to the comprehensive income statement instead of income statement provided that there is no accounting incompatibility. This amendment shall especially affect the financial institutions.
- The amendment on TFRS 9, “Financial Instruments - general hedge accounting”: effective for annual reporting periods starting from January 1, 2018 or after this date. This amendment on TFRS 9; has brought significant changes for hedge accounting in the financial instruments standard and ensured more effective reflection of risk management activities to financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

f Additional paragraph for convenience translation to English

The financial reporting standards(TAS) described in Note 2 to the financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements. Accordingly, the accompanying financial statements are not intended to present the financial position, financial performance and cash flows of the Company in accordance with IFRS.

2.4 Summary of significant accounting policies

Significant accounting policies used in the preparation of the individual financial statements are summarized as follows:

2.4.1 Revenue

Revenue includes rental income and Akfen GYO's time deposit interest income.

Rental income

Rental income from investment property is recognized on accrual basis.

Revenue is measured at the fair value of the consideration received or receivable.

2.4.2 Netting

Every item that has importance due to its nature an amount is reflected in the financial statements separately even if they are similar. Unimportant amounts are reflected by adding to each other based on their principles and functions. As a result of a requirement for offsetting due to nature of the transactions and events, reflection of such transactions and events from their net values or following up from their amount after deducting impaired value shall not be considered as violation of the rule of no offset.

2.4.3 Investment property

a Operating investment properties

Investment properties are those which are held either to earn income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of the investment properties determined by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property. Fair values of the Company's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Company's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Company management.

It has been assumed that all notices and where appropriate counter notices have been served validly and within the appropriate time.
Any gain or loss arising from a change in fair value is recognized in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.4.1.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

b Investment property under development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment property. Fair values of the Company's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Company's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Company management. Financing costs among the borrowing costs directly related to investment property under construction is included to the cost of the relevant asset. Exchange difference expenses /returns are related to the comprehensive income statement.

In terms of valuation techniques, the determination of fair value of investment properties are in level 3 (Note 2.6). Movements in fair value changes on investment properties are presented in Note 9.

Financing costs among the borrowing costs directly related to investment property under construction is included to the cost of the relevant asset. Exchange difference expenses /returns are related to the comprehensive income statement.

2.4.4. Property and equipment

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation on the tangible assets is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related assets.

The estimated useful lives of the related assets are as follows:

Equipment	6 years
Furniture and fixtures	3-10 years
Motor vehicles	5 years

Subsequent expenditure

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognized in the income statement as expense as incurred.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

2.4.5. Intangible assets

Intangible assets include computer software. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses, and intangible assets acquired after 31 December 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the related assets of 3 or 5 years.

2.4.6. Impairment of assets

At each balance sheet date, the carrying of Company's assets, other than investment property is reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.4.7. Financial instruments

Classification

The Company's financial assets are consisted of trade receivables besides cash and cash equivalents. The Management makes classification of the financial assets as of their acquisition date.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

i) Loans and receivables

Loans and receivables are financial assets having a fixed or certain amount of payment, which are not traded on an active market and not being derivate instruments. If their due date is shorter than 12 months as of the balance sheet date, they are classified as current assets, but if their due date is longer than 12 months, then they are classified as fixed assets.
Trade receivables mainly consisted of receivables arisen from lease transactions based on lease contracts of real estates.

Recognition and Measurement

Financial assets are recorded on the date of sales/purchase. The date of sales/purchase is the day that the management has promised to realize such sales/purchase. Except for financial assets of which fair value differences related to the income statement, other investments are initially recorded to the book from their fair value plus transaction cost. The financial assets, measured at their fair value and related to the income statement, are appraised from fair value and transaction costs are recognized as expense in the comprehensive income statement. Once the cash flow rights arisen from financial assets are expired or transferred and the Company has transferred all risks and returns, financial assets are removed from books. The financial assets, measured at their fair value and related to the income statement, are recognized at their fair value in successive periods. Loans and receivables are recognized at a value discounted using effective interest rate.

Trade receivables and liabilities

Trade receivables arisen from supply of a product or service to a customer by the Company are reflected by netting against unrealized financing income. Trade receivables after unrealized financing income is calculated by discounting future amounts to be obtained in successive periods from the receivables recorded at their original invoice value by use of effective interest rate method. Short-term receivables not having a determined interest rate are reflected from their cost value if the original effective interest rate has no substantial effect.

The Company sets aside provision for doubtful trade receivables in case of objective evidence that there is no possibility for collection. The amount of such provision is the recorded value of the receivable less the collectible amount. The collectible amount is the discounted amount of the trade receivable arisen, all cash flows including amounts likely to be collected guarantees and collaterals, based on the original effective interest rate.

Subsequent to setting aside provision for doubtful trade receivables, if whole or a part of the doubtful trade receivables are paid, the amount paid is deducted from the provision for doubtful trade receivables and recorded under the other income account.

Trade liabilities are liabilities arisen from direct purchase of product and service from suppliers. Trade liabilities and other liabilities are reflected by netting against unrealized financing expenses. Trade liabilities and other liabilities after unrealized financing expenses is calculated by discounting future amounts to be paid in successive periods from the liabilities recorded at their original invoice value by use of effective interest rate method. Short-term liabilities not having a determined interest rate are reflected from their cost value if the original effective interest rate has no substantial effect.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

Financial liabilities and borrowing cost

Financial liabilities are recorded at the value received by deducting transaction costs from the amount of financial liability on the borrowing date. Financial liabilities are followed up in the financial statements from their discounted value calculated using effective interest rate on subsequent dates.

Cash and cash equivalents

Cash and cash equivalents covers cash on hand, demand deposits and time deposits having a maturity date less than 3 months besides investments in a certain amount, easily converted into cash and having a short maturity date and high liquidty, of which maturity date is three months or less and the risk of change in value is negligible.

ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

2.4.8 Earnings per share

Earnings per share, which is stated income statement, is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The number of common share available during the period is the sum of number of common share at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 25).

2.4.9 Subsequent events

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue. Two types of events can be identified:

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

If there is evidence of such events as of balance sheet date or if such events occur after balance sheet date and if adjustments are necessary, 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. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

2.4.10 Provisions, contingent liabilities and contingent assets

A provision is recognized 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 accompanying notes. If the inflow of economic benefits is probable contingent assets have been 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 has been recognized in the financial statements at the relevant period that income change effect occurs.

2.4.11 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 lessor

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

The Company as lessee

Rental payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.4.12 Related parties

For the purpose of the accompanying financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

2.4.13 Segment reporting

The Company has three reporting segments, which are the Company's strategic business units. The Company management evaluates the performance and determines allocation of resources based on these business units. The Company management reviews the business units based on resource allocation and performance results regularly, since they are affected from different economic conditions and geographical locations each of the strategic business units, although the strategic business units offer same services.

The Company's operating segments are in Turkey, Northern Cyprus and Russia in which the Company is operating in real estate investments.

2.4.14 Discontinued operations

None.

2.4.15 Government grants and incentives

None.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

2.4.16 Taxation

According to Article 5/1(d) (4) of the New Corporate Tax Law 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.

According to Article 15/ (3) the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through Article 15/(34) of New Corporate Tax Law. In accordance with New Corporate Tax Law Article 15 / (2), income subject to corporate tax is also exempt from withholding tax.

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new

Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers numbered 2009/14594 related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/ (3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. According to Article 5/1(d) (4) the income of REITs is subject to 0% withholding tax irrespective of its distribution.

As the profit of the Company is exempted of the corporate income tax pursuant to article 5 of the Corporate Tax Law, no deferred tax is calculated.

2.4.17 Employee benefits / reserve for employee termination benefits

In accordance with the existing labor code in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Company calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financials.

Reserve for severance payment is calculated according to the ceiling rate announced by the Government. As at 30 June 2014 and 31 December 2013 the ceiling rates are TL 3,438 and TL 3,254, respectively.

2.4.18 Pension plans

None.

2.4.19 Agricultural operations

None.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

2.5. Investment portfolio limitations on real estate investment trust

Supplementary information in the Appendix: "Compliance control on portfolio limitations" are derived from the financial statements, according to the article 16 Communiqué II No 14.1 of CMB, "Principles Regarding Financial Reporting on Capital Markets", and prepared in accordance with the related articles of the Communiqué III, No: 48.1 of CMB related to the portfolio limitation
compliance controls.

2.6. Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair value, according to valuation techniques used are classified into the following levels:

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;
Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (ie derived from prices) observable data ;
Level 3: Asset or liability is not based on observable market data in relation to the data (non-observable data).

3. RELATED PARTY DISCLOSURES

3.1. Related party balances

Due from related parties (trade):

As at 30 June 2014 and 31 December 2013, the Company has no due from related parties (trade).

Due to related parties (trade):

	30 June 2014	**31 December 2013**
Akfen İnşaat Turizm ve Ticaret A.Ş.	739,603	751,010
	739,603	**751,010**

As at 30 June 2014 and 31 December 2013, all amount of due to related parties is comprised from the invoices obtained from Akfen İnşaat Turizm ve Ticaret A.Ş. related to progress payments of Esenyurt, İzmir ve Adana projects of the Company.

Due to related parties (other):

As at 31 June 2014 and 31 December 2013, the Company has no due to related parties (other).
Guarantees given to and provided from related parties is explained in Note 5.

3. RELATED PARTY DISCLOSURES (Continued)

3.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Akfen İnşaat Turizm ve Ticaret A.Ş.	2,909,555	-	5,896,708	2,664,975
	2,909,555	**-**	**5,896,708**	**2,664,975**

b) Rent expenses

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Hamdi Akın	138,991	69,566	133,671	66,828
	138,991	**69,566**	**133,671**	**66,828**

c) Interest income

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Akfen Holding	828	180	-	-
Akfen İnşaat Turizm ve Ticaret A.Ş.	40	40	277	82
	868	**220**	**277**	**82**

d) Interest expenses

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.	715,715	598,534	16,610	16,482
Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.	191,250	157,631	83	-
Akfen Holding	-	-	93,965	16,610
	906,965	**756,165**	**110,658**	**33,092**

e) Remuneration of top management

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Current portion of remuneration of top management	616,169	247,961	652,726	231,585
	616,169	**247,961**	**652,726**	**231,585**

4. CASH AND CASH EQUIVALENTS

	30 June 2014	31 December 2013
Cash on hand	4,473	10,856
Cash at banks	139,930	398,565
- Demand deposits	*139,930*	*48,565*
- Time deposits	-	*350,000*
Cash and cash equivalents in cash flow statement	**144,403**	**409,421**

As at 30 June 2014, there is no blockage on cash and cash equivalents (31 December 2013: None).

Demand deposits

As at 30 June 2014 and 31 December 2013 demand deposits are comprised of the following currencies at TL equivalents:

	30 June 2014	31 December 2013
TL	77,432	21,124
Euro	60,649	27,441
USD	1,849	-
Total demand deposits	**139,930**	**48,565**

Time deposits

As at 30 June 2014, the Compamny has no time deposits. As of 31 December 2013 time deposits are comprised of the following currencies and banks:

Bank	Currency	Maturity	Interest Rate	31 December 2013
Türkiye İş Bankası A.Ş.	TL	January 2014	5.50%	350,000
Total				**350,000**

5. FINANCIAL LIABILITIES

As at 30 June 2014 and 31 December 2013 the details of loans and borrowings are as follows:

	30 June 2014	31 December 2013
Current financial liabilities:		
Short-term bank borrowings	25,254,139	8,504,390
Current portion of long-term bank borrowings	53,516,897	65,442,657
Non-current financial liabilities:		
Long-term bank borrowings	214,235,623	207,700,694
Total financial liabilities	**293,006,659**	**281,647,741**

The repayment schedule of financial liabilities is as follows:

	30 June 2014	31 December 2013
Less than one year	78,771,036	73,947,047
Between one and two years	60,026,862	43,309,577
Between two and three years	50,392,930	48,253,786
Between three and four years	42,447,740	50,453,408
Between four and five years	27,270,523	33,396,014
In five years and longer	34,097,568	32,287,909
Total financial liabilities	**293,006,659**	**281,647,741**

<u>30 June 2014:</u>

Currency	Interest rate (%)	Original currency	Current	Non-current	Total
Euro (1)	Euribor + 3.75%	52,754,054	27,641,362	124,918,086	152,559,448
Euro (1)	Euribor + 5.00%	7,583,234	1,054,053	20,875,903	21,929,956
Euro (2)	Euribor + 5.25%	15,171,435	495,772	43,378,501	43,874,273
Euro (3)	6.95%	1,737,937	5,025,941	-	5,025,941
Euro (4)	7.50%	4,164,453	12,043,182	-	12,043,182
Euro (5)	Euribor + 6,00%	7,125,754	7,111,434	13,495,533	20,606,967
Euro (6)	Euribor + 5.25%	4,050,193	145,153	11,567,600	11,712,753
TL (7)	13.50%	20,500,000	20,500,000	-	20,500,000
TL (7)	14.25%	1,500,000	1,500,000	-	1,500,000
TL (8)	13.20%	3,254,139	3,254,139	-	3,254,139
			78,771,036	**214,235,623**	**293,006,659**

5. FINANCIAL LIABILITIES (Continued)

31 December 2013:

Currency	Interest rate (%)	Original currency	Current	Non-current	Total
Euro (1)	Euribor + 3.75%	57,122,889	27,469,262	140,272,109	167,741,371
Euro (1)	Euribor + 5.00%	6,061,930	181,858	17,619,000	17,800,858
Euro (2)	Euribor + 5.25%	15,171,194	502,710	44,047,500	44,550,210
Euro (3)	6.95%	3,414,219	10,025,855	-	10,025,855
Euro (4)	7.50%	6,128,036	12,232,893	5,762,085	17,994,978
Euro (9)	8.75%	5,118,365	15,030,079	-	15,030,079
TL (10)	12.00%	3,502,450	3,502,450	-	3,502,450
TL (11)	13.30%	5,001,940	5,001,940	-	5,001,940
			73,947,047	**207,700,694**	**281,647,741**

(1) The Company signed a loan agreement amountinf of Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. According to loan agreement signed in 02 November 2012, the interest rate of loans to be issued for Ankara Esenboğa Ibis Hotel project is Euribor + 5%. The interest rates of the loans issued for other projects under the loan agreement is not changed and it is Euribor + 3.75%. Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and Ankara Esenboğa land and the lands on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors in first degree,
- Rent revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favor of the creditors,
- Sureties of Akfen Holding and Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen İnşaat"), the shareholders' of the Company, are given for the completion guarantee of the related projects. As of 30 June 2014 and 31 December 2014, this guarantee is valid for only Ankara Esenboğa Ibis Hotel project.

(2) On 22 October 2013, Euro 15,000,000 loan with 4 year maturity has been used. Bank borrowings obtained is secured by the followings:

- Merit Park Hotel which is in the portfolio of Akfen GT is pledged to in favor of creditors in second degree,
- Sureties of Akfen GT is given for the total outstanding loan amount.

(3) On 29 November 2012, Euro 5,000,000 loan with 2 year maturity has been used and sureties of Akfen Holding are given for the total outstanding loan amount.

(4) On 20 September 2013, Euro 6,000,000 loan with 2 year maturity has been used and sureties of Akfen Holding are given for the total outstanding loan amount.

(5) On 27 March 2014, Euro 7,000,000 loan with 2 year maturity has been used. Sureties of Akfen Holding are given for the total outstanding loan amount.

(6) Loan agreement with 20 March 2014 date and Euro 10,000,000 limit has been signed for financing of 200 room Tuzla Ibis Hotel in portfolio of the Company and Euro 4,000,000 loan based on loan agreement has been used as of 30 June 2014. Bank borrowings obtained based on the loan agreement is secured by the followings:

- Rent revenue of Tuzla Ibis Hotel after start of its operation is pledged to the creditor,
- Deposits in banks and financial institutions related with Tuzla Ibis Hotel are pledged in favor of the creditor,
- The total revenue that may be gained in the future under the insurance made for Tuzla Ibis Hotel project are pledged to the favor of the creditor,
- Right of tenancy of related hotel is pledged in favor of the creditors in first degree
- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the completion guarantee of the related project.

5 FINANCIAL LIABILITIES (Continued)

(7) TL 20,500,000 and TL 1,500,000 revolving loans have been used on June 2014 and May 2014, respectively. Sureties of Akfen Holding for the loans are given for the total outstanding loan amounts.

(8) TL 2,500,000 and TL 750,000 spot loans have been used on 27 June 2014 and 30 June 2014, respectively. Sureties of Akfen Holding and Akfen İnşaat for the loans are given for the total outstanding loan amounts.

(9) On 29 March 2012, Euro 10,000,000 loan with 2 year maturity has been used. As of 30 June 2014, the loan balance is Euro 5.000.000 and sureties of Akfen Holding are given for the total outstanding loan amount.

(10) On 30 December 2013, TL 3,500,000 revolving loan has been used. Sureties of Akfen Holding for the loan is given for the total outstanding loan amount.

(11) On 31 December 2013, TL 5,000,000 spot loan has been used. Sureties of Akfen Holding and Akfen İnşaat for the loan is given for the total outstanding loan amount.

6. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at 30 June 2014 and 31 December 2013, short-term trade receivables comprised the followings:

	30 June 2014	31 December 2013
Trade receivables from third parties	8,462,380	3,605,450
	8,462,380	**3,605,450**

As at 30 June 2014, TL 8,276,507 (31 December 2013: TL 3,498,886) portion of total trade receivables are comprised of receivables of the Company from Tamaris Turizm A.Ş. - operator of the hotels.

b) Short-term trade payables

As at 30 June 2014 and 31 December 2013, short-term trade payables comprise the followings:

	30 June 2014	31 December 2013
Trade payables to related parties(1)	739,603	751,010
Trade payables to third parties	371,997	3,211,589
- Other trade payables	*209,804*	*292,335*
- Other expense accruals	*162,193*	*131,195*
- Accruals for consruction cost(2)	-	*2,788,059*
	1,111,600	**3,962,599**

(1) As at 30 June 2014 and 31 December 2013, all amount of trade payables due to related parties is comprised of the invoices obtained from Akfen İnşaat related to progress payments of Esenyurt, İzmir ve Adana projects of the Company. Related amount is shown in related party footnote (Note 3).

(2) As at 31 December 2013 accruals for construction costs are comprised of the progress invoices related with the ongoing projects of Ankara Esenboğa and Karaköy.

7. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 30 June 2014 and 31 December 2013, other current receivables are comprised of the followings:

	30 June 2014	31 December 2013
Other receivables from third parties	-	1,805
	-	**1,805**

b) Other non-current receivables

As at 30 June 2014 and 31 December 2013 other non-current receivables are comprised of the followings:

	30 June 2014	31 December 2013
Deposits and guarantees given	141,585	73,593
	141,585	**73,593**

c) Other current payables

As at 30 June 2014 and 31 December 2013 other current payables comprised the followings:

	30 June 2014	31 December 2013
Loan commission accrual(1)	28,116	16,161
	28,116	**16,161**

(1) Loan commission accrual is arising from the loan agreement of Company which was signed for Tuzla Ibis Otel project. The Company pays commitment commission which is calculated as an annual rate of on the unused portion of the loan at each quarter from the agreement dates until the maturity dates (Note 5).

8. FINANCIAL INVESTMENTS

Subsidiaries

As of 30 June 2014 and 31 December 2013, nominal values of the Company's subsidiaries in balance sheet are shown as below:

	Ownership ratio (%)	**30 June 2014**	**Ownership ratio (%)**	**31 December 2013**
Akfen GT	100	118,471,956	100	118,407,688
HDI	100	23,194,894	100	17,498,620
Akfen Karaköy	70	12,039,656	70	12,039,656
Total		**153,706,506**		**147,945,964**

As of 30 June 2014 and 31 December 2013, movement of the subsidiaries are shown as below:

	Akfen GT	**HDI**	**Akfen Karaköy**	**Total**
Openning balance, 1 January 2013	117,969,776	3,938,880	12,039,656	133,948,312
Capital payment	437,912	13,559,740	-	13,997,652
Closing balance, 31 December 2013	**118,407,688**	**17,498,620**	**12,039,656**	**147,945,964**
Openning balance, 1 January 2014	118,407,688	17,498,620	12,039,656	147,945,964
Capital payment	64,268	5,696,274	-	5,760,542
Closing balance, 30 June 2014	**118,471,956**	**23,194,894**	**12,039,656**	**153,706,506**

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 30 June 2014 and 31 December 2013 details of investment property and investment property under development are as follows:

	30 June 2014	31 December 2013
Operating investment properties	685,755,387	685,705,000
Investment properties under development	56,751,699	51,740,000
Total	**742,507,086**	**737,445,000**

Operating investment properties:

As at 30 June 2014 and 31 December 2013 movements in operating investment property are as follows:

	30 June 2014	31 December 2013
Opening balance	685,705,000	545,633,000
Additions	50,387	1,076,340
Transfer from development projects	-	50,020,005
Fair value gain/(loss), net	-	88,975,655
Carrying amount	**685,755,387**	**685,705,000**

As at 31 December 2013, the transfer from development projects composed of İzmir Ibis Hotel which was completed during the period.

As at 31 December 2013, the fair value adjustment on investment property is recognized based on the fair values of the investment property. Fair values of the Company's investment properties are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. In the valuation process, a projection period which covers the lease term for right of tenancy of each hotel is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT (Continued)

As at 30 June 2014 and 31 December 2013, the fair values of operating investment properties are as follows:

	30 June 2014			31 December 2013		
	Date of Appraisal report	**Appraisal report value**	**Fair value**	**Date of Appraisal report**	**Appraisal report value**	**Fair value**
Zeytinburnu Novotel and Ibis Hotel	31 December 2013	247,380,000	247,380,000	31 December 2013	247,380,000	247,380,000
Trabzon Novotel	31 December 2013	96,770,000	96,770,000	31 December 2013	96,770,000	96,770,000
Gaziantep Novotel and Ibis Hotel	31 December 2013	65,317,000	65,345,744	31 December 2013	65,317,000	65,317,000
Kayseri Novotel and Ibis Hotel	31 December 2013	60,817,000	60,817,000	31 December 2013	60,817,000	60,817,000
Esenyurt Ibis Hotel	31 December 2013	57,700,000	57,710,755	31 December 2013	57,700,000	57,700,000
Bursa Ibis Hotel	31 December 2013	54,440,000	54,440,000	31 December 2013	54,440,000	54,440,000
İzmir Ibis Hotel	31 December 2013	46,833,000	46,839,388	31 December 2013	46,833,000	46,833,000
Adana Ibis Hotel	31 December 2013	39,500,000	39,504,500	31 December 2013	39,500,000	39,500,000
Eskişehir Ibis Hotel and Fitness Center	31 December 2013	16,948,000	16,948,000	31 December 2013	16,948,000	16,948,000
Total		**685,705,000**	**685,755,387**		**685,705,000**	**685,705,000**

As at 30 June 2014, fair values of operating investment properties are composed of appraisal values of related projects as at 31 December 2013 and expenditures at amount of TL 50,387 for investment properties incurred from appraisal date to 30 June 2014.
As at 30 June 2014, total insurance amount on operating investment properties is TL 503,797,505 (31 December 2013: TL 511,567,265 TL).

As at 30 June 2014 the pledge amount on operating investment property is TL 519,819,025 (31 December 2013: TL 527,835,875).

Discount rates used for fair value calculation of operating investment properties are shown as below:

Name of investment property	**Discount Rates 31 December 2013**
Zeytinburnu Novotel and Ibis Hotel	6.75% and 9.25%
Trabzon Novotel	6.75% and 9.25%
Kayseri Novotel ve Ibis Hotel	6.75% and 9.25%
Gaziantep Novotel ve Ibis Hotel	6.50% and 9.50%
Bursa Ibis Hotel	6.75% and 9.25%
Eskişehir Ibis Hotel and Fitness Center	6.75% and 9.25%
Adana Ibis Hotel	7.75% and 9.50%
Esenyurt Ibis Hotel	7.50% and 9.50%
İzmir Ibis Otel Projesi	7.50% and 9.75%

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT (Continued)

Investment properties under development:

As at 30 June 2014 and 31 December 2013 details of investment property under development are as follows:

	30 June 2014	31 December 2013
Opening balance	51,740,000	70,048,000
Additions	5,011,699	33,882,436
Fair value loss	-	(2,170,431)
Transfer to operating investment properties	-	(50,020,005)
Carrying amount	**56,751,699**	**51,740,000**

As at 30 June 2014 and 31 December 2013, the fair values of investment properties under development are as follows:

	30 June 2014			**31 December 2013**		
Investment property	**Date of apraisal report**	**Appraisal report value**	**Fair value**	**Date of Appraisal report**	**Appraisal report value**	**Fair value**
Ankara Ibis Hotel Project	31 December 2013	35,270,000	39,246,587	31 December 2013	16,470,000	16,470,000
Tuzla Ibis Hotel Project	31 December 2013	16,470,000	17,505,112	31 December 2013	8,399,000	8,399,000
Total		**51,740,000**	**56,751,699**		**51,740,000**	**51,740,000**

As at 30 June 2014, fair values of investment properties under constructions in Turkey are composed of appraisal values of related projects as at 31 December 2013 and expenditures at amount of TL 5,011,699 for investment properties incurred from appraisal date to 30 June 2014.

As at 30 June 2014, total insurance amount on investment properties under development is TL 23,155,440 (31 December 2013: TL 22,611,050).

As at 30 June 2014 the pledge amount on investment property under development is TL 33,831,000 (31 December 2013: TL 33,035,625).

As at 30 June 2014, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 1,341,940 and TL 29,516, respectively (30 June 2013: TL 1,188,428 and TL 21,824). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

Discount rates used for fair value calculation of investment properties under development are shown as below, respectively:

Name of Investment Property	**Discount Rates 31 December 2013**
Ankara Ibis Hotel Project	7.75% and 10.25%
Tuzla Ibis Hotel Project	10.50%

10. PROPERTY AND EQUIPMENT

As at 30 June 2014 and 31 December 2013, the movement of property and equipment is as follows:

	Equipments	**Fumiture and fixtures**	**Total**
Cost value			
Balance at 1 January 2013	4,688	216,635	221,323
Acquisitions	-	7,050	7,050
Balance at 31 December 2013	**4,688**	**223,685**	**228,373**
Cost value			
Balance at 1 January 2014	4,688	223,685	228,373
Acquisitions	-	25,017	25,017
Balance at 30 June 2014	**4,688**	**248,702**	**253,390**
Accumulated depreciation			
Balance at 1 January 2013	(1,763)	(159,163)	(160,926)
Depreciation charge for the period	(384)	(30,523)	(30,907)
Balance at 31 December 2013	**(2,147)**	**(189,686)**	**(191,833)**
Balance at 1 January 2014	(2,147)	(189,686)	(191,833)
Depreciation charge for the period	(191)	(8,621)	(8,812)
Balance at 30 June 2014	**(2,338)**	**(198,307)**	**(200,645)**
Net carrying amount 1 January 2013	2,925	57,472	60,397
31 December 2013	2,541	33,999	36,540
1 January 2014	2,541	33,999	36,540
30 June 2014	2,350	50,395	52,745

As at 30 June 2014 there is no pledge on property and equipment (31 December 2013: None).

of 30 June 2014, depreciation expenses amounting to TL 8,812 are recognized in general administrative expenses (31 December 2013: TL 30,907).

11. INTANGIBLE ASSETS

As at 30 June 2014 and 31 December 2013, the movement of intangible assets is as follows:

	Softwares
Cost value	
Balance at 1 January 2013	41,195
Additions	8,997
Balance at 31 December 2013	**50,192**
Balance at 1 January 2014	50,192
Additions	-
Balance at 30 June 2014	**50,192**
Accumulated amortization	
Balance at 1 January 2013	(37,474)
Charge for the period	(6,177)
Balance at 31 December 2013	**(43,651)**
Balance at 1 January 2014	(43,651)
Charge for the period	(1,423)
Balance at 30 June 2014	**(45,074)**
Net carrying amounts	
1 January 2013	3,721
31 December 2013	6,541
1 January 2014	6,541
30 June 2014	5,118

As of 30 June 2014, amortization expenses amounting to TL 1,423 are recognized in administrative expenses (31 December 2013: TL 6,177).

12. GOVERNMENT GRANTS AND INCENTIVES

None.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There are no ongoing or finalized significant lawsuits against the Company as at 30 June 2014 and 31 December 2013.

14. COMMITMENT AND CONTINGENCIES

As at 30 June 2014 and 31 December 2013, Company's position related to commitments, pledges and mortgages ("CPM") were as follows:

CPM are given by the Company	**30 June 2014**	**31 December 2013**
A.Total amount of CPM is given on behalf of own legal personality	641,533,669	563,303,989
B.Total amount of CPM is given in favour of subsidiaries which are fully consolidated	251,851,822	150,379,329
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D.Total Amount of other CPM	-	-
i. Total amount of CPM is given in favour of parent company	-	-
ii. Total amount of CPM is given in favour of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favour of third party which C doesn't include	-	-
	893,385,491	**713,683,318**

Total original amount of foreign currency denominated CPM given on behalf of the Company's own legal personality are Euro 206,000,000 and USD 800,000 as at 30 June 2014 (31 December 2013: Euro 191,000,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 86,294,444 as at 30 June 2014 (31 December 2013: Euro 48,044,444). As at 30 June 2014, total amount of other CPM given by the Company is 0% of the Company's equity (31 December 2013: 0%).

The Company, has given sureties in amount of Euro 10,044,444 for the loan used by Russian Property from Credit Europe Bank.

With reference to the loan used by Akfen Karaköy for Karaköy Novotel project, the Company has established second mortgage in the first rank on its hotels located in Beylikdüzü, Kayseri, Trabzon, Gaziantep, Bursa, Adana and Zeytinburnu besides the lands located in Adana and Ankara Esenboğa where the construction right is granted in favor of the creditors. Mortgage amount is Euro 38,250,000.

14.1. The Company as lessee

Operating lease arrangements
As at 30 June 2014, the Company has undergone 7 operating lease arrangements as lessee;

- The Company signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The lease term is 49 years starting from 18 November 2012. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total annualy revenue generated by the hotel constructed on the land.
- The Company signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from 30 March 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the annually fixed lease amount determined by the agreement and 5% of the total annualy revenue generated by the hotel constructed on the land.

14. COMMITMENT AND CONTINGENCIES(Continued)

- The Company signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The Company has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Company signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from 3 March 2010. Lease payments will start after a five year rent free period. The Company has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Company signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from 3 December 2009. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- The Company signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on 9 May 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.
- The Company signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TL 2,340 per month and TL 25,155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI").

Most of operating lease contracts contain clauses on review of market conditions in the event that the Company exercises its option to renew.

Payments recognized as an expense

	30 June 2014	**31 December 2013**
Lease payments	1,211,934	1,112,674
	1,211,934	**1,112,674**

As of 30 June 2014 and 31 December 2013, the Company's minimum amount of estimated rental expenses to be paid for operating lease in total is given below by taking into account terms of existing contracts:

	30 June 2014	**31 December 2013**
Less than one year	1,311,698	995,208
Between one and five years	6,465,785	5,864,452
More than five years	75,019,848	71,503,817
	82,797,331	**78,363,477**

14. COMMITMENT AND CONTINGENCIES (Continued)

In respect of non-cancellable operating leases the following liabilities have been recognized:

	30 June 2014	31 December 2013
Accrued rent expense		
current (Note 18)	291,666	534,583
Non-current (Note 18)	3,743,283	3,499,560
	4,034,949	**4,034,143**

14.2. The Company as lessor

Operating lease arrangements

As at 30 June 2014, the Company has undergone 13 operating lease arrangements as;

- The Company has signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Company has signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Company has signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Company has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Company has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- The Company has signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Company has signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Company has signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Company has signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Company has signed a rent agreement with ACCOR S.A. on 28 March 2013 to lease a hotel which is planned to complete and starts its operations in 2014 in Ankara Esenboğa.
- The Company has signed a rent agreement with ACCOR S.A. on 1 March 2014 to lease a hotel which is planned to complete and starts its operations in 2015 in Tuzla.
  All of the twelve agreements have similar clauses described below;
  The agreements are signed with Tamaris Turizm operating in Turkey and owned 100% by ACCOR S.A. and ACCOR S.A. has 100% guarantee over these agreements.

The lease term is sum of the period between the opening date of the hotel and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. ACCOR S.A. has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. ACCOR S.A. has the right to terminate the agreement, if the Company fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to Euro 750,000.

14. COMMITMENT AND CONTINGENCIES (Continued)

As of 1 January 2013;

- In Zeytinburnu Ibis, Eskişehir Ibis, Kayseri Ibis, Gaziantep Ibis, Bursa Ibis, Adana Ibis, Esenyurt Ibis and Izmir Ibis, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Zeytinburnu Novotel, Trabzon Novotel, Kayseri Novotel ve Gaziantep Novotel, 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ankara Esenboğa Ibis Otel and Tuzla Ibis Hotel, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated as deduction of 4% of the Gross Operating Profit ("GOP") corresponding to operational costs borne by ACCOR S.A. and 4% of GOP corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP.
Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

Annual rent is paid quarterly (January, April, July and October) based on the higher of AGOP ratio or gross revenue ratio actualized in related quarter.
The Company has additional seven operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The Company has signed rent agreement with Sportif Makine A.Ş. for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness center is delivered. VAT excluded monthly rent amount for the year 2014 is TL 15,000.
- The Company has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TL 3,000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI. VAT excluded monthly rent amount for the year 2014 is TL 5,550.

Memorandum of understanding signed between Akfen Holding and ACCOR S.A.

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

14. COMMITMENT AND CONTINGENCIES (Continued)

All of the operating lease arrangements that the Company is lessor are based on MoU.
According to MoU:

- Any sale of a controlling shareholding of the Company by Akfen Holding to a third party, not a member of its shareholder’s and/or family group shall be submitted to a first refusal right agreement of ACCOR S.A. under the same terms and conditions proposed by the third party offer or, except in case that the Company becomes a publicly listed entity.
- For securitisation of further investments, Akfen Holding and ACCOR S.A. agree that the share capital of the Company could be increased by the entry of new shareholders but at all times while ACCOR S.A. and Akfen Holding are partners, Akfen Holding should directly or indirectly keep control of the shareholding and the outside investor permitted by the above mention terms will not be another national or international hotel operator.
- ACCOR S.A. can terminate the agreement if ACCOR S.A. does not use its refusal right or this right is not the case and does not want to continue with the new shareholder under the same terms and conditions. If the agreement is terminated by ACCOR S.A., the ongoing lease agreements will continue until their maturity terms.

According to MoU amendment signed in December 2012 which will be valid as of 1 January 2013, the issues related to exclusivity and first right of refusal are stated as below:

- As from the 1 January 2013 to 31 December 2017, ACCOR S.A. will consent to Akfen GYO a right of refusal for hotel projects which ACCOR S.A. or any of its subsidiaries may develop and so long as the proposal is not refused, ACCOR S.A. will not be free to achieve the aforesaid project with any investors.During the term of present agreement period, Akfen GYO will offer the hotel projects to develop in Turkey, Moscow and Russia to ACCOR S.A. at first.
- Till 31 December 2014, in cities in which projects exists except İstanbul, ACCOR S.A. shall not make any lease agreement and besides any agreement related to operate, manage or franchise hotels under the existing brand with third parties. During the term of present agreement, ACCOR S.A. shall not make lease agreements with third parties offering conditions of rent better than those proposed to Akfen GYO.

15. EMPLOYEE BENEFITS

	30 June 2014	31 December 2013
Provision for vacation pay liability-short term	272,348	234,954
Provision for employee termination indemnity-long term	64,257	48,512
	336,605	**283,466**

The liability is not funded, as funding is not mandatory. In accordance with TAS 19 “Employee Benefits”, it is required to use actuarial valuation methods in estimating the liability related with current retirement plans of the Company. The Company has calculated the provision for employee termination indemnity using the “Projected Unit Cost Method” in accordance with TAS 19 and based on its experience in the personnel service period completion and obtaining the termination indemnity right and reflected in the financial statements. Provision for employee termination indemnity is calculated by taking into account the net present value of the total amount of the liability arising due to retirement of all employees.

15. EMPLOYEE BENEFITS (Continued)

As at 30 June 2014 and 31 December 2013 the liability is calculated using the following assumptions:

	30 June 2014	**31 December 2013**
Wage increase rate	5.10%	5.10%
Discount rate	10.00%	10.00%
Net discount rate	4.66%	4.66%
Anticipated retirement turnover rate	85.00%	85.00%

Reserve for employee termination indemnity is calculated according to the net present value of liability to occur in the future due to retirement of all employees and it is reflected in related financial statements.

Movement of provision for employee termination benefits is as follows:

	30 June 2014	**31 December 2013**
Opening balance	48,512	18,312
Interest cost	2,406	1,811
Service cost	3,609	37,887
Payment during the period	-	(10,943)
Actuarial difference	9,730	1,445
Closing balance	**64,257**	**48,512**

Movement of vacation pay liability is as follows:

	30 June 2014	**31 December 2013**
Opening balance	234,954	96,461
Payment during the period	-	(2,232)
(Disposals)/Additions during the period (Note 20)	37,394	140,725
Closing balance	**272,348**	**234,954**

16. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	30 June 2014	31 December 2013
Prepaid expenses	241,996	-
Job advances	25,570	4,766
Advances given to suppliers	9,649	27,470
	277,215	**32,236**

b) Long term prepaid expenses

	30 June 2014	31 December 2013
Prepaid expenses	13,357	15,460
Advances given	-	838,203
	13,357	**853,663**

(1) As at 31 December 2013 advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of Ankara Esenboğa Ibis Hotel project.

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	30 June 2014	31 December 2013
Prepaid taxes and funds	90,086	85,224
Other	-	147
	90,086	**85,371**

b) Other non-current assets

	30 June 2014	31 December 2013
VAT carried forward	23,568,212	24,228,890
	23,568,212	**24,228,890**

c) Other current liabilities

	30 June 2014	31 December 2013
Rent expense accrual (Note 14)	291,665	534,583
	291,665	**534,583**

d) Other non-current liabilities

	30 June 2014	31 December 2013
Rent expense accrual (Note 15)	3,743,283	3,499,560
	3,743,283	**3,499,560**

18. EQUITY

18.1. Paid in capital

The capital structure as at 30 June 2014 and 31 December 2013 is as follows:

Shareholders	(%)	30 June 2014	(%)	31 December 2013
Akfen Holding	51.72	95,156,384	51.72	95,156,384
Publicly Listed[1]	29.60	54,462,880	29.60	54,462,880
Hamdi Akın	16.41	30,196,838	16.41	30,196,838
İbrahim Süha Güçsav	2.25	4,140,380	2.25	4,140,380
Mustafa Ceyhan	-	-	-	-
Akınısı Makina Sanayi ve Tic. AŞ	0.02	43,513	0.02	43,513
Akfen İnşaat	<0.001	2	<0.001	2
Mehmet Semih Çiçek	<0.001	1	<0.001	1
Mustafa Dursun Akın	<0.001	1	<0.001	1
Ahmet Seyfi Usluoğlu	<0.001	1	<0.001	1
Total		**184,000,000**		**184,000,000**
Restatement effect		317,344		317,344
Restated capital		**184,317,344**		**184,317,344**

(1) As of 30 June 2014, TL 9,400,447 – equal to 5.16% of total capital - publicly offered shares are included in Akfen Holding's portion. (31.12.2013 : TL 9,370,515 - equal to 5.09 % of total capital).

As at 30 June 2014, the issued capital of the Company is TL 184,000,000 (31 December 2013: TL 184,000,000). As at 30 June 2014, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TL 1 each (31 December 2013: TL 1, units, 184,000,000 units). The share group of A, C, D owning 1,000 unit share for each,has the privilege to select 2 nominees for each for the board of directors member selection.

Equal to 5.09% of total capital include TL 9,370,515 portion of which TL 8,040,787 in 2011, TL 1,329,728 in 2013 and TL 129,932 in 2014 were purchased from the publicly available shares in amount of TL 54,117,500 traded on the Istanbul Stock Exchange on 11 May 2011.

18.2. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TL 58,800,000 during the initial public offering of the shares at 11 May 2011 were accounted as share premium.

18. EQUITY (Continued)

18.3. Restricted reserves allocated from profit

Profit reserves comprised of the legal reserves as at 30 June 2014 and 31 December 2013.

	30 June 2014	31 December 2013
Legal reserves	4,147	4,147
Closing balance	**4,147**	**4,147**

The legal reserves consist of first and second legal reserves, according to the Turkish Commercial Code "TCC"). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical 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 historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

Accordingly the inflation adjustments provided for within the framework of TAS/TFRS, for paid-in capital has been presented under inflation adjustment on capital, where as for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented with their TAS/TFRS values.

19. REVENUE AND COST OF SALES

For the six month periods ended 30 June 2014 and 2013, sales and cost of sales are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Rent income	12,517,472	7,228,970	11,504,720	6,962,216
Total income from property rentals	**12,517,472**	**7,228,970**	**11,504,720**	**6,962,216**
Income from bank deposits	32,900	21,639	10,843	733
Total income from debt instruments	**32,900**	**21,639**	**10,843**	**733**
Total revenue	**12,550,372**	**7,250,609**	**11,515,563**	**6,962,949**
Operating lease expenses[(1)]	(1,017,826)	(516,315)	(934,450)	(485,171)
Insurance expenses	(331,606)	(164,834)	(240,569)	(129,389)
Outsourced service expenses	(21,615)	(15,365)	(24,388)	113,892
Taxes and duties expenses	-	-	(7,745)	(7,745)
Others	(409)	(409)	(3,100)	(688)
Total cost of sales	**(1,371,456)**	**(696,923)**	**(1,210,252)**	**(509,101)**

[(1)] Operational lease expenses includes rent expense accruals in the period belonging to rented lands of the hotels and the projects in the Company's portfolio.

20. GENERAL ADMINISTRATIVE EXPENSES

For the six month periods ended 30 June 2014 and 2013, administrative expenses are as follows:

	1 January - 30 June 2014	**1 April - 30 June 2014**	**1 January - 30 June 2013**	**1 April - 30 June 2013**
Personnel expenses	830,194	382,869	795,578	304,975
Outsourced service expenses	394,619	317,587	164,812	106,138
Operating lease expenses	194,108	97,061	178,224	89,076
Consultancy expenses	97,025	49,775	141,166	72,455
Travel and hosting expenses	52,476	31,804	44,058	22,958
Tax and duties expenses	35,601	13,660	62,339	48,595
Advertising expenses	23,832	7,700	232,267	7,993
Depreciation expense	8,812	4,913	15,429	7,183
Amortisation expense	1,423	516	1,708	866
Other	44,428	28,516	77,875	50,339
Total	**1,682,518**	**934,401**	**1,713,456**	**710,578**

Personnel expenses

	1 January - 30 June 2014	**1 April - 30 June 2014**	**1 January - 30 June 2013**	**1 April - 30 June 2013**
Wages and salaries	691,340	280,162	696,405	250,758
Social security premiums	56,084	27,674	48,227	24,024
Change in vacation pay liability	37,394	57,365	-	-
Change in termination benefit	15,745	3,758	33,878	21,673
Other	29,631	13,910	17,068	8,520
Total	**830,194**	**382,869**	**795,578**	**304,975**

21. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the six month periods ended 30 June 2014 and 2013, other operating income are as follows:

	1 January - 30 June 2014	**1 April - 30 June 2014**	**1 January - 30 June 2013**	**1 April - 30 June 2013**
Foreign exchange gain	56,643	43,029	42,463	21,598
Other income	57,220	53,554	47,174	41,880
Total	**113,863**	**96,583**	**89,637**	**63,478**

21. OTHER OPERATING INCOME/EXPENSES (Continued)

b) Other operating expenses

For the six month periods ended 30 June 2014 and 2013, other operating expenses are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Foreign exchange loss	48,383	32,980	55,329	37,501
Other expense	70,029	1,659	6,722	5,977
Total	**118,412**	**34,639**	**62,051**	**43,478**

22. FINANCIAL INCOME

For the six month periods ended 30 June 2014 and 2013, financial income are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Foreign exchange gain	10,657,459	10,657,459	2,584,854	-
Total	**10,657,459**	**10,657,459**	**2,584,854**	**-**

23. FINANCIAL EXPENSES

For the six month periods ended 30 June 2014 and 2013, financial expenses are as follows:

	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2013
Foreign exchange loss	6,594,997	-	15,722,396	15,722,396
Interest expenses	7,315,064	3,822,330	4,481,938	2,152,027
Commission expenses	543,603	23,767	107,510	38,941
Expenses for letter of guarantees	19,736	9,684	21,568	12,360
Other	5,507	2,938	80,864	51,164
Total	**14,478,907**	**3,858,719**	**20,414,276**	**17,976,888**

For the six month periods ended 30 June 2014, the Company has capitalised interest expenses amounting to TL 737,382 on investment properties under development (31 December 2013: TL 901,753).

24. DEFERRED TAX ASSETS AND LIABILITIES

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

25. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the six month periods ended by the weighted average number of shares of the Company during the period. For the year ended 30 June 2014 and 2013, the earnings per share computation are as follows:

	1 January - 30 June 2014	**1 April - 30 June 2014**	**1 January - 30 June 2013**	**1 April - 30 June 2013**
Number of shares in circulation				
1 January	184,000,000	184,000,000	184,000,000	184,000,000
Closing balance	**184,000,000**	**184,000,000**	**184,000,000**	**184,000,000**
Weighted average number of shares	184,000,000	184,000,000	184,000,000	184,000,000
Net profit for the period	**5,670,401**	**12,479,969**	**(9,209,981)**	**(12,213,618)**
Earnings per share	0.03	0.17	(0.05)	(0.07)

The company has no diluted earnings.

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

The Company exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks and explains the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's risk management vision is defined as, identifying variables and uncertainties that will impact the Company's objectives, conducting proactively and managing through the most appropriate steps, supervising the implementation of steps in line with the shareholders' risk preference.
Corporate Risk Management activities are executed within the Company as a whole in the following fields:

- Determining risk management standards and policies,
- Developing a uniform risk management oriented work culture and capabilities,
- Conducting risk analysis of existing and potential investments,
- Creating a senior administration vehicle reporting on the risks of new investments of a company, sector or group
- Determining risk limitations and action plans,
- Supporting the implementation of these action plans ,
- Supporting strategic processes with a risk management approach.

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of Akfen GYO's risk management framework.

Board of Directors states the risk options and ensures performing of the risk management implementations. Akfen GYO's BOD has the ultimate responsibility for Corporate Risk Management.

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

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investment securities.

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company’s customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk. Since the Company operates in real estate businesses geographically the concentration of credit risk for the Company’s entities operating in the mentioned businesses are mainly in Turkey.

The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company’s standard payment and delivery terms and conditions are offered.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The allowance is provided for receivables that are legally insolvent.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Company’s income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk on various foreign currency denominated income and expenses and resulting receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of Company entities.
In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

To minimize risk arising from foreign currency denominated balance sheet items, the Company keeps part of its idle cash in foreign currencies.

As at 30 June 2014, the companies in the Company have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the financial statements.

The Company keeps cash in USD, Euro and TL to manage the foreign currency risk.

The Company realizes the medium and long term bank borrowings in the currency of project revenues. Additionally, the Company realizes short term bank borrowings in TL, Euro and USD in balance by pooling/ portfolio model.

Interest rate risk

As at 30 June 2014, the Company’s operations are subject to the risk of interest rate fluctuations to the extent that 85.6% of the Company’s bank borrowings are obtained by floating interest rates.

The Company is also exposed to basis risk for its floating rate borrowings, which is the difference in repricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company’s business strategies.

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

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company's entities ensure that they have sufficient cash on demand to meet expected operational expenses in terms of the relevant characteristics of the businesses they operate, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

For the Company entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Company entities, in order to minimize liquidity risk, hold adequate cash and available line of credit.

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and 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 to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

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

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

Capital management

The Company is trying to manage its capital by minimizing the investment risk through portfolio diversification. The Company's objective; is to ensure its continuity as an income-generating business, look after interests of shareholders and corporate members besides to ensure sustainability of its efficient capital structure by reducing cost of capital and continuing net debt-to-equity rate at market averages.

The Company's goals for capital management are to provide return to its members and benefit to other stakeholders besides to have the Company to protect its ability for conducting its activity for preserving the most suitable capital structure to reduce the cost of capital.
For preserving its capital structure or reorganizing it, the Company determines dividend amounts to be paid to members, may issue new shares and may sell assets to restrict borrowings.

As of 30 June 2014 and 31 December 2013, the net debt-to-invested capital rate is given below:

	30 June 2014	31 December 2013
Total liabilities	298,517,928	289,944,110
Cash and cash equivalents	(144,403)	(409,421)
Net liabilities	298,373,525	289,534,689
Equity	630,450,765	624,780,364
Total sources	928,824,290	914,315,053
Net liabilities/total sources rate	**32%**	**32%**

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

26.1. Credit risk disclosures

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party.

The maximum exposure to credit risk as at 30 June 2014 and 31 December 2013 is as follows:

	Receivables					
	Trade receivables		**Other receivables**			
30 June 2014	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**8,462,380**	**-**	**141,585**	**139,930**	**-**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A.Net carrying value of financial assets which are neither impaired nor overdue	-	8,462,380	-	141,585	139,930	-
B.Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C.Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

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

	Receivables					
	Trade receivables		Other receivables			
31 December 2013	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**3,605,450**	**-**	**75,398**	**398,565**	**-**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A.Net carrying value of financial assets which are neither impaired nor overdue	-	3,605,450	-	75,398	398,565	-
B.Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C.Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

As at 30 June 2014 and 31 December 2013, the Company does not have any financial assets which are overdue but not impaired

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

26.2. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. The table analyses the financial liabilities of the Company by grouping the terms. The contractual cash flow is not discounted:

30 June 2014:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	293,006,659	303,680,849	15,495,344	47,810,134	202,737,397	37,637,974
Trade payables	1,111,600	1,111,600	1,111,600	-	-	-
Other payables (other liabilities included)	4,063,064	4,063,064	319,781	-	3,743,283	-

31 December 2013:

Contractual maturities	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities						
Financial liabilities	281,647,741	307,406,094	30,680,702	43,855,745	198,454,539	34,415,108
Trade payables	3,962,599	3,962,599	3,962,599	-	-	-
Other payables (other liabilities included)	4,050,304	4,050,304	550,744	-	3,499,560	-

The Company does not have any derivative financial liabilities as at 30 June 2014 and 31 December 2013. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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

26.3. Market risk

a) Foreign currency position table and sensitivity analysis

30 June 2014 Foreign currency position		**TL Equivalent (Functional currency)**	**USD**	**EURO**	**GBP**	**Other**
1	Trade receivables	-	-	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	40,375	-	13,961	-	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,174	-	406	-	-
4	**Current assets (1+2+3)**	**41,549**	**-**	**14,367**	**-**	**-**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**	**-**
9	**Total assets (4+8)**	**41,549**	**-**	**14,367**	**-**	**-**
10	Trade payables	209,993	-	72,614	-	-
11	Financial liabilities	53,516,897		18,505,791	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	123,665	-	42,763	-	-
13	**Short-term liabilities (10+11+12)**	**53,850,555**	**-**	**18,621,168**	**-**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	214,235,623		74,081,269	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	2,974,416	1,400,780	-	-	-
17	**Long-term liabilities (14+15+16)**	**217,210,039**	**1,400,780**	**74,081,269**	**-**	**-**
18	**Total liabilities (13+17)**	**271,060,594**	**1,400,780**	**92,702,437**	**-**	**-**
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	**-**	**-**	**-**	**-**	**-**
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	**-**	**-**	**-**	**-**	**-**
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	**-**	**-**	**-**	**-**	**-**
20	**Net foreign currency position (9-18+19)**	**(271,019,045)**	**(1,400,780)**	**(92,688,070)**	**-**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(267,922,138)**	**-**	**(92,645,713)**	**-**	**-**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**	**-**

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

31 December 2013 **Foreign currency position**		**TL Equivalent** **(Functional currency)**	**USD**	**EURO**	**GBP**	**Other**
1	Trade receivables	-	-	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	28,040	-	9,549	-	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	839,074	-	285,740	-	-
4	**Current assets (1+2+3)**	**867,114**	-	**295,289**	-	-
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	**Non-current assets (5+6+7)**	-	-	-	-	-
9	**Total assets (4+8)**	**867,114**	-	**295,289**	-	-
10	Trade payables	58,663	-	19,977	-	-
11	Financial liabilities	65,442,657	-	22,285,938	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	123,664	-	42,113	-	-
13	**Short-term liabilities (10+11+12)**	**65,624,984**	-	**22,348,028**	-	-
14	Trade payables	-	-	-	-	-
15	Financial liabilities	207,700,694	-	70,730,698	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	2,705,143	1,267,462	-	-	-
17	**Long-term liabilities (14+15+16)**	**210,405,837**	**1,267,462**	**70,730,698**	-	-
18	**Total liabilities (13+17)**	**276,030,821**	**1,267,462**	**93,078,726**	-	-
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	-	-	-	-	-
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	-	-	-	-	-
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	-	-	-	-	-
20	**Net foreign currency position (9-18+19)**	**(275,163,707)**	**(1,267,462)**	**(92,783,437)**	-	-
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(273,173,974)**	-	**(93,027,064)**	-	-
22	**Fair value of the financial instruments used in foreign currency hedging**	-	-	-	-	-
23	**Amount of foreign currency assets hedged**	-	-	-	-	-
24	**Amount of foreign currency liabilities hedged**	-	-	-	-	-

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

Foreign currency sensitivity analysis

30 June 2014:

	Profit or (loss)	
	Appreciation of foreign currency	**Devaluation of foreign currency**
10% change of the USD against TL		
1- Net USD denominated asset/liability	(297,442)	297,442
2- Hedged portion of TL against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(297,442)**	**297,442**
4- Net Euro denominated asset/liability	(26,804,463)	26,804,463
5- Hedged portion of TL against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(26,804,463)**	**26,804,463**
10% change of other foreign currencies against TL		
7- Net other foreign currencies denominated asset/liability	-	-
8- Hedged portion of TL against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**
TOTAL(3+6+9)	**(27,101,905)**	**27,101,905**

31 December 2013

	Profit or (loss)	
	Appreciation of foreign currency	**Devaluation of foreign currency**
10% change of the USD against TL		
1- Net USD denominated asset/liability	(270,514)	270,514
2- Hedged portion of TL against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(270,514)**	**270,514**
4- Net Euro denominated asset/liability	(27,245,856)	27,245,856
5- Hedged portion of TL against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(27,245,856)**	**27,245,856**
10% change of other foreign currencies against TL		
7- Net other foreign currencies denominated asset/liability	-	-
8- Hedged portion of TL against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**
TOTAL (3+6+9)	**(27,516,370)**	**27,516,370**

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

The following significant exchange rates applied as at 30 June 2014, 31 December 2013 and 30 June 2013:

	As of report date	
	30 June 2014	**31 December 2013**
USD	2.1234	2.1343
Euro	2.8919	2.9365

b) Interest rate risk table and sensitivity analysis

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	30 June 2014	**31 December 2013**
Fixed rate instruments		
Financial assets	-	350,000
Financial liabilities	42,323,262	51,555,302
Variable rate instruments		
Financial assets	-	-
Financial liabilities	250,683,397	230,092,439

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilit ies at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore; a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Company does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore; a change in interest rates at the reporting date would not directly affect equity.

Cash flow sensitivity analysis for variable rate instruments

As at 30 June 2014, a change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2013.

	Profit or (loss)		**Equity(*)**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
30 June 2014				
Variable rate instruments	(2,506,834)	2,506,834	(2,506,834)	2,506,834
31 December 2013				
Variable rate instruments	(2,300,924)	2,300,924	(2,300,924)	2,300,924

(*) Profit / loss effect is included.

27. FINANCIAL INSTRUMENTS

27.1. Fair value risk

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable. The assumptions used in determining the fair value of the related assets and liabilities are disclosed in the related notes.

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. Trade receivables after netting the allowance for doubtful receivables are close to their fair value due to short-term nature.

Financial liabilities

The Company assumes that the carrying value of the trade payables and other liabilities are close to their fair value because of their short-term nature. Bank borrowings are measured with their amortized cost value and transaction costs are added to their acquisition costs. It is assumed that the borrowings' fair values are equal to their carrying values since interest rates of variable rate instruments are updated with changing market conditions and the maturities of fixed rate instruments are short term.

28. SUBSEQUENT EVENTS

None.

29. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

30. STATEMENT OF CASH FLOWS DISCLOSURES

As at and for six month period ended 30 June 2014, cash flows from operating activities TL 2,824,652 (30 June 2013: TL 4,954,843), cash flows from investing activities TL 10,847,645 (30 June 2013: TL 8,955,791), cash flows from financing activities TL 7,795,975 (30 June 2013: TL 3,530,710),

31. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY DISCLOSURES

As at and for six month period ended 30 June 2014, equity of the Company is TL 630,450,765 (30 June 2013: TL 572,677,871).