

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION TO ENGLISH OF
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED
30 SEPTEMBER 2014
(ORIGINALLY ISSUED IN TURKISH)**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2014

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

ASSETS	Notes	<i>Not reviewed</i> 30 September 2014	<i>Audited</i> 31 December 2013
CURRENT ASSETS		51,627,497	43,602,611
Cash and cash equivalents	6	32,801,464	30,326,239
Trade receivables	8	13,245,447	6,031,253
- <i>Trade receivables from third parties</i>	8	13,245,447	6,031,253
Other receivables	9	21,740	44,062
- <i>Other receivables from third parties</i>	9	21,740	44,062
Prepaid expenses	17	1,122,353	2,162,893
Other current assets	18	4,436,493	5,038,164
NON-CURRENT ASSETS		1,479,462,573	1,474,923,421
Other receivables	9	10,150,784	9,780,255
- <i>Other receivables from third parties</i>	9	10,150,784	9,780,255
Investment property	10	1,426,872,257	1,418,898,726
Property and equipment	11	97,314	98,357
Intangible assets	12	42,472	44,321
- <i>Other intangible assets</i>	12	42,472	44,321
Prepaid expenses	17	9,975,546	11,770,339
Deferred tax assets	25	1,327,304	1,133,551
Other non-current assets	18	30,996,896	33,197,872
TOTAL ASSETS		1,531,090,070	1,518,526,032

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2014

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

LIABILITIES	Notes	Not reviewed 30 September 2014	Audited 31 December 2013
CURRENT LIABILITIES		111,551,215	105,200,282
Short term financial liabilities	7	21,406,256	8,504,390
Short term portion of long term financial liabilities	7	83,145,998	83,782,797
Trade payables	8	1,650,257	11,236,283
- Trade payables to related parties	8	739,476	751,010
- Other trade payables to third parties	8	910,781	10,485,273
Other payables	9	1,060,272	781,985
- Other payables to third parties	9	1,060,272	781,985
Deferred income	17	3,389,719	-
Short term provisions	16	352,716	360,243
- Short term provisions for employee benefits	16	352,716	360,243
Other current liabilities	18	545,997	534,584
NON-CURRENT LIABILITIES		488,283,287	480,534,217
Long term financial liabilities	7	417,435,307	408,511,424
Long term provisions	16	52,992	48,512
- Long term provisions for employee benefits	16	52,992	48,512
Deferred tax liability	25	66,915,040	68,474,722
Other non-current liabilities	18	3,879,948	3,499,559
EQUITY	19	931,255,568	932,791,533
Equity attributable to equity holders of parent		897,441,004	897,881,682
Paid in capital		184,000,000	184,000,000
Adjustment to share capital		317,344	317,344
Purchase of share of entity under common control		53,748,727	53,748,727
Share premiums		58,880,000	58,880,000
Other comprehensive income to be reclassified to profit or loss		(19,025,085)	2,987,760
- Currency translation differences		(19,025,085)	2,987,760
Restricted reserves allocated from profit		4,147	4,147
Retained earnings		597,943,704	479,940,859
Net profit for the period		21,572,167	118,002,845
Non-controlling interests		33,814,564	34,909,851
TOTAL EQUITY AND LIABILITIES		1,531,090,070	1,518,526,032

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

	<i>Notes</i>	<i>Not reviewed 1 January - 30 September 2014</i>	<i>Not reviewed 1 July - 30 September 2014</i>	<i>Not reviewed 1 January - 30 September 2013</i>	<i>Not reviewed 1 July - 30 September 2013</i>
PROFIT OR LOSS					
Revenue	20	37,650,784	12,936,820	31,039,660	10,920,614
Cost of sales	20	(4,244,077)	(1,388,850)	(3,827,404)	(1,364,064)
GROSS PROFIT		33,406,707	11,547,970	27,212,256	9,556,550
General administrative expenses	21	(4,634,568)	(1,324,486)	(5,900,484)	(1,874,302)
Other operating income	22	19,673,278	12,648,510	2,422,738	1,071,571
Other operating expenses	22	(2,106,219)	(237,751)	(2,140,759)	(903,438)
OPERATING PROFIT		46,339,198	22,634,243	21,593,751	7,850,381
Financial income	23	22,348,974	297,073	6,011,446	1,024,682
Financial expenses	24	(47,451,465)	(16,879,223)	(63,378,368)	(29,085,320)
PROFIT/(LOSS) BEFORE TAX		21,236,707	6,052,093	(35,773,171)	(20,210,257)
Current tax (expense)/ income	25	(759,827)	897,708	1,041,155	849,087
- Deferred tax (expense)/income	25	(759,827)	897,708	1,041,155	849,087
NET PROFIT/(LOSS) FOR THE PERIOD		20,476,880	6,949,801	(34,732,016)	(19,361,170)
Attribution of (loss)/income for the period					
Non-controlling interest		(1,095,287)	(486,797)	(1,673,600)	(481,453)
Attributable to equity holders of the parent		21,572,167	7,436,598	(33,058,416)	(18,879,717)
Net profit/(loss) for the period		20,476,880	6,949,801	(34,732,016)	(19,361,170)
Earnings per share (Full TL)	26	0,12	0,04	(0,18)	(0,10)
PROFIT/(LOSS) FOR THE PERIOD		20,476,880	6,949,801	(34,732,016)	(19,361,170)
OTHER COMPREHENSIVE (LOSS)/INCOME					
		(22,012,845)	(16,444,871)	2,625,933	3,016,375
Items to be reclassified to profit or loss					
		(22,012,845)	(16,444,871)	2,625,933	3,016,375
Change in currency translation differences		(22,012,845)	(16,444,871)	2,625,933	3,016,375
TOTAL COMPREHENSIVE LOSS		(1,535,965)	(9,495,070)	(32,106,083)	(16,344,795)
Attribution of total comprehensive loss:					
Non-controlling interest		(1,095,287)	(486,797)	(1,673,600)	(481,453)
Attributable to equity holders of the parent		(440,678)	(9,008,273)	(30,432,483)	(15,863,342)

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

	Paid-in Capital	Adjustment to Share Capital	Share Premium	Purchase of share of under entity common control	Other Comprehensive Income and items to be reclassified to Profit or Loss Foreign currency translation reserve	Restricted reserves allocated Restricted from profit	Retained Earnings		Equity attributable of equity holders of the parent	Non controlling interests	Total Equity
							Retained earnings	Net (loss)/ profit for the period			
Balance as at 1 January 2013	184,000,000	317,344	58,880,000	53,748,727	1,401,740	4,147	455,739,024	24,201,835	778,292,817	30,978,935	809,271,752
Transfers	-	-	-	-	-	-	24,201,835	(24,201,835)	-	-	-
Total comprehensive income /(loss)	-	-	-	-	2,625,933	-	-	(33,058,416)	(30,432,483)	(1,673,600)	(32,106,083)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	360,391	360,391
Balance as at 30 September 2013	184,000,000	317,344	58,880,000	53,748,727	4,027,673	4,147	479,940,859	(33,058,416)	747,860,334	29,665,726	777,526,060
Balance as at 1 January 2014	184,000,000	317,344	58,880,000	53,748,727	2,987,760	4,147	479,940,859	118,002,845	897,881,682	34,909,851	932,791,533
Transfers	-	-	-	-	-	-	118,002,845	(118,002,845)	-	-	-
Total comprehensive (loss) /income	-	-	-	-	(22,012,845)	-	-	21,572,167	(440,678)	(1,095,287)	(1,535,965)
Balance as at 30 September 2014	184,000,000	317,344	58,880,000	53,748,727	(19,025,085)	4,147	597,943,704	21,572,167	897,441,004	33,814,564	931,255,568

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

**CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

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

	Notes	Not reviewed 1 January - 30 September 2014	Not reviewed 1 January - 30 September 2013
A. Cash flows from operating activities			
Net profit/(loss) for the period		20,476,880	(34,732,016)
<i>Adjustments to reconcile profit to cash provided by operating activities:</i>			
Adjustments for depreciation and amortization expense	11,12	27,909	44,555
Adjustments for change in provisions for employee termination benefits and unused vacation	16	(3,047)	60,107
Adjustments for interest income and expense		16,531,708	16,014,134
Adjustments for foreign currency exchange differences		7,087,838	47,230,530
Adjustments for rent expense accrual	18	391,802	477,518
Adjustments for tax expense/(income)		759,827	(1,041,155)
		45,272,917	28,053,673
Net working capital changes in:			
Trade receivables		(7,214,194)	(2,510,603)
Other receivables from operating activities		(348,207)	(1,621,250)
Change in other current and noncurrent assets		5,637,980	(10,591,708)
Trade payables		(9,591,542)	3,926,384
Other payables from operating activities		1,160,260	7,232,070
Cash provided from operating activities		34,917,214	24,488,566
Severance indemnity and vacation liability paid		--	(19,425)
Net cash provided from operating activities		34,917,214	24,469,141
B. Cash flows from investing activities			
Cash outflow from acquisition of property, equipment and intangible assets		(25,017)	(15,839)
Cash inflow from sale of property, equipment and intangible Assets		--	2,102
Acquisition of investment property		(46,006,016)	(74,889,767)
Interest received		202,096	514,622
Net cash used in investment activities		(45,828,937)	(74,388,882)
C. Cash flows from financing activities			
Proceeds from issuance of financial liabilities		142,763,536	163,809,992
Repayment of financial liabilities		(112,642,783)	(89,722,365)
Change in project, reserve accounts		5,179,284	(9,097,477)
Interest received		364,953	196,687
Interest paid		(17,098,758)	(16,725,443)
Other cash outflows		--	360,391
Net cash provided by financing activities		18,566,232	48,821,785
Net increase in cash and cash equivalents		7,654,509	(1,097,956)
Cash and cash equivalents at the beginning of the period		22,446,202	28,002,325
Cash and cash equivalents at the end of the period	6	30,100,711	26,904,369

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

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2014

(Amounts are expressed in (“TL”) unless otherwise stated)

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. 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 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 Russian Property Investments BV (“Russian 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 Russian 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 30 September 2014.

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. 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 takeover by HDI B.V. on 4 September 2013 with the amount of USD 12.975.000. Severny owns 2,010 m² land located in the center of Moscow and has construction permit on the land for a hotel project designed with 317 rooms.

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 September 2014

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

1. REPORTING ENTITY (Continued)

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 Group" 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 and its subsidiaries is 13 (31 December 2013:13) and 16 (31 December 2013:18) respectively as at 30 September 2014.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with the Communiqué serial II, No: 14.1 announcement of Capital Markets Board ("CMB") dated 13 June 2013 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" ("Communiqué ") which is published in official gazette, no 28676.

The Company and its subsidiaries, Akfen GT and Akfen Karaköy head offices maintain its legal books of account and prepares its statutory financial statements in accordance with accounting principles set out in the Turkish Commercial Code ("TTC"), tax legislation and uniform chart of account. Akfen GT, is also operating in Turkish Republic of Northern Cyprus ("Northern Cyprus"), its branch has been registered by the decision of the Cabinet of Northern Cyprus as a foreign company under the limited liability companies Code Article 346, with the registry number YŞ00148, Chapter 113 of Northern Cyprus Corporate Registration Office. Akfen GT's branch operating in Northern Cyprus maintains its legal books of account and prepares its statutory financial statements in accordance with accounting principles set out in the Commercial Code accepted in Northern Cyprus.

The Group's foreign entities RHI, RPI and HDI maintain their records and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

b. Compliance with TAS

According to the Communiqué 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 September 2014 are approved by the Company's Board of Directors on 3 November 2014. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statute.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2014

(Amounts are expressed in (“TL”) unless otherwise stated)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

c. Functional and presentation currency

The presentation currency of the accompanying financial statements is TL. The table below shows the functional currency of each Company:

The Company	Functional Currency
Akfen GYO	TL
Akfen GT	TL
Akfen Karaköy	TL
Russian Hotel	Euro
Russian Property	Euro
HDI	Euro

All financial information presented in TL unless otherwise stated. All other currencies are stated full unless otherwise stated.

d Basis of consolidation

Subsidiaries

The consolidated financial statements of the Company include its subsidiaries, which it controls directly or indirectly. This control is normally evidenced when the Company owns control power, either directly or indirectly, over company’s share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. This control power is determined based on current and convertible voting rights. The financial statements of the subsidiaries are consolidated from the beginning of the control power over the affiliate to end of that power.

Financial statements of the subsidiaries are prepared in line with the financial statements of the Company in the same accounting period using uniform accounting policies. Financial statements of the subsidiaries are consolidated based on full consolidation method.

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

The Company	Direct or indirect shares of company (%)
Akfen GT	100
HDI	100
RHI	95
RPI	95
Akfen Karaköy	70

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 September 2014

(Amounts are expressed in (“TL”) unless otherwise stated)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Jointly controlled entities

As at 30 September 2014, 31 December 2013 and 30 September 2013, the Group does not have jointly controlled entity.

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transaction

Transactions in foreign currencies are translated to the functional currencies of the Group 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.

The Group entities use Euro or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities.

All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

Assets and liabilities of the Group entities with a different functional currency than the reporting currency of the Group are translated into the reporting currency of the Group at the rate of exchange ruling at the reporting date. The income and expenses of the Group entities are translated into the reporting currency at the average exchange rates for the period. Equity items are presented at their historical costs. The foreign currency differences are recognized directly in equity, under “Foreign Currency Translation Reserve” (FCTR). When the related Group entity is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

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

	30 September 2014	31 December 2013
Euro / TL	2.8914	2.9365
USD / TL	2.2789	2.1343

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

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

The accompanying consolidated financial statements are presented comparatively in order to identify the tendency of the Group'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 Group.

Financial statements as at 30 September 2014 are presented comparatively to the financial statements as at 30 September 2013.

Adjustments in financial statements for the year 2013

For allowing determination of financial position and performance trends, the Group's consolidated financial statements are prepared in comparison to prior period. For compliance with the presentation of the consolidated financial statements for the current period, compared information can be categorized. The categories determined for compliance with the presentation of the consolidated financial statements for the current period are given below.

The reclassifications in the Group's consolidated profit or loss and other comprehensive income for the nine month period ended 30 September 2013 are shown as below;

- TL 18,806,125 foreign currency exchange loss shown in "Finance expense" as of 30 September 2013 is net-off with foreign currency exchange gain shown in "Finance income" in comparative financial tables.

The reclassifications in the Group's consolidated cash for the nine month period ended 30 September 2013 are shown as below;

- In cash flow table, reclasses has been made between "Adjustments to reconcile profit to cash provided by operating activities" and "Net working capital changes" for previous periods. Change in amount of TL 2,982,302 related to construction cost provisions, shown in "Adjustments to reconcile profit to cash provided by operating activities" as of 30 September 2013 is reclassified to "Net working capital changes".

f Additional paragraph for convenience translation to English

The financial reporting standards(TAS) described in Note 2 to the consolidated 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 consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

2.2. 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

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

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.

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

Amendment on TAS 32, “Financial Instruments”: Offsetting assets and liabilities; effective for annual reporting periods starting from January 1 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.

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.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Amendments in current standards, new standards and comments not effective yet and not implemented by the Group

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
 - 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.

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

2.4 Summary of significant accounting policies

Significant accounting policies used in the preparation of the 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 Statement of cash flows

The Group presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions.

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 Group'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 Group'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 Group 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.

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

b Investment property under development

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.

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. The fair value of the investment properties under development are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project except for the Moscow hotel project of HDI which is stated at costs incurred and Northern Cyprus-Bafra hotel project of Akfen GT which is determined with the precedent comparison method.

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 10.

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.

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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 Group’s assets, other than investment property (see note 2.4.3) 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 Group 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 Group’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.

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.

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

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 Group 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.

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 consolidated financial statements from their discounted value calculated using effective interest rate on subsequent dates.

Cash and cash equivalents

Cash and cash equivalents are consisted of cash on hand, demand deposits and time deposits having a maturity date less than 3 months.

With reference to Karaköy Novotel Project of Akfen Karaköy, in the scope of the loan agreement signed on 17 January 2013, for funding of the loan repayment of the project, investment expenses, operational and administrative expenses besides funding of the cash surplus account, banks accounts having the names rental income account, foundation rental reserve account, debt discharging reserve account, investment expenses and operational expenses account, cash surplus account are opened.

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

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 26).

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, Group’s financial statements are adjusted according to the new situation. The Group discloses the post-balance sheet events that are not adjusting events but material.

2.4.10 *Provisions, contingent liabilities and contingent assets*

A provision is recognized when the Group 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 Group 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.

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

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 Group as lessor

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

The Group 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 consolidated 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 Group has three reporting segments, which are the Group’s strategic business units. The Group management evaluates the performance and determines allocation of resources based on these business units. The Group 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 Group’s operating segments are in Turkey, Northern Cyprus and Russia in which the Group is operating in real estate investments.

2.4.14 DisContinued operations

None.

2.4.15 Government grants and incentives

According to the Investment Incentive Law numbered 47/2000, the Group has a 100% of investment incentive on capital expenditures made until 31 December 2008 in Northern Cyprus for an indefinite time.

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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.

Akfen GT's head office operating in Turkey and Akfen Karaköy are subject to the 20% of taxation on its taxable income. Akfen GT's branch operating in Northern Cyprus is subject to a corporate tax rate of 23.5%.

RHI, RPI and HDI are subject to 20% corporate tax income and are not subject to income tax for dividend yield according to regulations of the Netherlands.

Deferred tax liability or asset is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent periods will be reversed. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The current tax rates are used in the computation of deferred tax.

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income tax levied by the same taxation authority.

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

2.4.17 *Employee benefits / reserve for employee termination benefits*

In accordance with the existing labor code in Turkey, the Group 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 Group 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 September 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.

2.4.20 *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.

2.5. 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. Since the information in the Appendix are unconsolidated, they may differ from the consolidated information in the financial statements.

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).

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3. JOINTLY CONTROLLED ENTITIES

As at 30 September 2014, 31 December 2013 and 30 September 2013, the Group has no jointly controlled entities.

4. SEGMENT REPORTING

The Group has three reporting segments, which are the Group's strategic business units. The Group management evaluates the performance and determines allocation of resources based on these business units. The Group 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. Since the Group operates only in real estate investments in Turkey, Northern Cyprus and Russia, operating segments are provided in geographical segment.

30 September 2014:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	19,263,172	10,428,981	7,958,631	-	37,650,784
Cost of sales	(3,355,451)	(109,616)	(779,010)	-	(4,244,077)
GROSS PROFIT	15,907,721	10,319,365	7,179,621	-	33,406,707
General administrative expenses	(2,545,707)	(280,048)	(1,808,813)	-	(4,634,568)
Other operating income	134,909	11	19,538,358	-	19,673,278
Other operating expenses	(133,411)	(13,751)	(1,959,057)	-	(2,106,219)
OPERATING PROFIT	13,363,512	10,025,577	22,950,109	-	46,339,198
Financial income	12,559,786	702,112	9,087,076	-	22,348,974
Financial expenses	(18,353,755)	(1,271,349)	(27,826,361)	-	(47,451,465)
PROFIT BEFORE TAX	7,569,543	9,456,340	4,210,824	-	21,236,707
Current tax (expense)/income	(290,154)	(1,795,325)	1,325,652	-	(759,827)
-Deferred tax (expense)/ income	(290,154)	(1,795,325)	1,325,652	-	(759,827)
PROFIT FOR THE PERIOD	7,279,389	7,661,015	5,536,476	-	20,476,880

30 September 2014:

Reportable segment assets	1,236,181,685	231,974,161	340,922,652	(277,988,428)	1,531,090,070
Reportable segment liabilities	393,739,101	74,318,435	179,682,302	(47,905,336)	599,834,502
Capital expenditures	15,955,116	147,012	29,928,905	-	46,031,033
Depreciation and amortization expenses	9,870	6,484	11,555	-	27,909

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

4. SEGMENT REPORTING (Continued)

30 September 2013:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	17,625,055	8,893,069	4,521,536	-	31,039,660
Cost of sales	(3,077,570)	(98,984)	(650,850)	-	(3,827,404)
GROSS PROFIT	14,547,485	8,794,085	3,870,686	-	27,212,256
General administrative expenses	(2,879,808)	(255,422)	(2,765,254)	-	(5,900,484)
Other operating income	94,221	2	2,328,515	-	2,422,738
Other operating expenses	(81,874)	(15,579)	(2,043,306)	-	(2,140,759)
OPERATING PROFIT	11,680,024	8,523,086	1,390,640	-	21,593,751
Financial income	4,707,614	408,312	895,520	-	6,011,446
Financial expenses	(45,687,805)	(5,193,569)	(12,496,994)	-	(63,378,368)
(LOSS)/PROFIT BEFORE TAX	(29,300,167)	3,737,829	(10,210,834)	-	(35,773,171)
Current tax income/(expense)	733,995	(884,230)	1,191,390	-	1,041,155
-Deferred tax income/(expense)	733,995	(884,230)	1,191,390	-	1,041,155
(LOSS)/PROFIT FOR THE PERIOD	(28,566,172)	2,853,599	(9,019,444)	-	(34,732,016)

31 December 2013:

Reportable segment assets	1,226,100,990	231,513,616	348,305,102	(287,393,676)	1,518,526,032
Reportable segment liabilities	391,032,889	81,518,905	176,589,069	(63,406,364)	585,734,499

30 September 2013:

Capital expenditures	39,962,692	3,632,578	31,310,336	-	74,905,606
Depreciation and amortization expenses	20,305	-	24,250	-	44,555

5. RELATED PARTY DISCLOSURES

5.1. Related party balances

Due from related parties (trade):

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

Due to related parties (trade):

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

30 September 2014 31 December 2013

Akfen İnşaat Turizm ve Ticaret A.Ş.	739,476	751,010
	739,476	751,010

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

5. RELATED PARTY DISCLOSURES (Continued)

As at 30 September 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 7.

5.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Akfen İnşaat Turizm ve Ticaret A.Ş.	9,840,476	2,461,891	18,096,952	12,200,244
	9,840,476	2,461,891	18,096,952	12,200,244

b) Rent expenses

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Hamdi Akın	208,622	69,630	200,239	66,568
	208,622	69,630	200,239	66,568

c) Interest income

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Akfen Holding	1,156	328	187	187
Akfen İnşaat Turizm ve Ticaret A.Ş.	40	--	277	--
	1,196	328	464	187

d) Interest expenses

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Akfen İnşaat Turizm ve Ticaret A.Ş.	23	6	966	421
Akfen Holding	--	--	586,199	492,234
	6	6	587,165	492,655

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5. RELATED PARTY DISCLOSURES (Continued)

e) Remuneration of top management

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Current portion of remuneration of top management	1,236,951	377,653	1,144,096	286,135
	1,236,951	377,653	1,144,096	286,135

6. CASH AND CASH EQUIVALENTS

	30 September 2014	31 December 2013
Cash on hand	10,916	12,831
Cash at banks	30,089,795	22,433,371
- Demand deposits	5,484,532	4,829,194
- Time deposits	24,605,263	17,604,177
Project, reserve accounts	2,700,753	7,880,037
Cash and cash equivalents	32,801,464	30,326,239
Project, reserve accounts	(2,700,753)	(7,880,037)
Cash and cash equivalents in cash flow statement	30,100,711	22,446,202

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

Demand deposits

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

	30 September 2014	31 December 2013
Euro	5,146,024	4,661,002
Russian Ruble	180,420	129,341
TL	152,583	26,049
USD	5,505	12,802
Total demand deposits	5,484,531	4,829,194

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6. CASH AND CASH EQUIVALENTS (*Continued*)

Time deposits

As at 30 September 2014 and 31 December 2013 time deposits are comprised of the following currencies and banks:

Bank	Currency	Maturity	Interest Rate	30 September 2014
Ziraat Bankası	TL	October 2014	8.00%	13,500,000
Credit Europe Bank	Euro	October 2014	1.56%	6,912,733
Ziraat Bankası	Euro	October 2014	0.05%	3,469,680
T. İş Bankası	Euro	October 2014	0.10%	722,850

TOTAL **24,605,263**

Bank	Currency	Maturity	Interest Rate	31 December 2013
Ziraat Bankası	TL	January 2014	5%	7,166,290
Ziraat Bankası	Euro	January 2014	2.75%	6,372,205
Credit Europe Bank	Ruble	January 2014	5.50% - 7.75%	3,715,682
Türkiye İş Bankası A.Ş.	TL	January 2014	5.50%	350,000

TOTAL **17,604,177**

Project and Reserve Accounts

Within the framework of loan agreement signed in 17 January 2013 related to Karaköy Novotel Project of Akfen Karaköy, for funding the investment debt repayment expenditures, operational and managerial expenditures and cash surplus accounts of the project, the accounts are opened such as lease revenue account, foundation lease revenue reserve account, debt payment reserve account, investment expenditures and operational expenditures account, cash surplus account.

As of 30 September 2014 and 31 December 2013, the details of project, reserve accounts and interest rates are shown as below:

Bank	Currency	Maturity	Interest Rate	30 September 2014
Türkiye İş Bankası A.Ş.	TL	July 2014	6.75%	2,650,000
Demand deposits				50,753

TOPLAM **2,700,753**

Bank	Currency	Maturity	Interest Rate	31 December 2013
Türkiye İş Bankası A.Ş.	Euro	January 2014	0.50%	4,889,290
Türkiye İş Bankası A.Ş.	TL	January 2014	5.50%	2,900,000

7,789,290

Demand deposits 90,747

TOPLAM **7,880,037**

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7. FINANCIAL LIABILITIES

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

	30 September 2014	31 December 2013
Current financial liabilities:		
Short-term bank borrowings	21,406,256	8,504,390
Current portion of long-term bank borrowings	83,145,998	83,782,797
Non-current financial liabilities:		
Long-term bank borrowings	417,435,307	408,511,424
Total financial liabilities	521,987,561	500,798,611

The repayment schedule of financial liabilities is as follows:

	30 September 2014	31 December 2013
Less than one year	104,552,254	92,287,187
Between one and two years	85,150,337	62,613,210
Between two and three years	76,017,236	71,555,995
Between three and four years	66,900,585	75,525,166
Between four and five years	56,475,660	56,981,621
In five years and longer	132,891,489	141,835,432
Total financial liabilities	521,987,561	500,798,611

30 September 2014:

Currency	Interest rate (%)	Original currency	Current	Non-current	Total
Euro (1)	Euribor + 3.75%	50,472,280	27,926,179	118,009,374	145,935,553
Euro (1)	Euribor + 5.00%	7,582,349	1,457,914	20,465,691	21,923,605
Euro (2)	Euribor + 5.25%	15,400,015	1,156,602	43,371,000	44,527,602
Euro (3)	Euribor + 6.00%	7,001,262	13,496,850	6,746,600	20,243,450
Euro (4)	6.95%	1,770,505	5,119,238	--	5,119,238
Euro (5)	7.50%	2,082,266	6,020,664	--	6,020,664
TL (6)	13.20%	18,150,000	18,150,000	--	18,150,000
TL (7)	13.20%	3,256,256	3,256,256	--	3,256,256
Euro (8)	Euribor + 5.25%	4,049,077	141,901	11,565,600	11,707,501
Euro (9)	Euribor + 4.60%	10,501,465	8,678,436	21,685,500	30,363,936
Euro (10)	Euribor + 6.35%	15,211,684	612,063	43,371,000	43,983,063
Euro (11)	Euribor + 7.00%	7,352,887	2,358,133	18,902,004	21,260,137
Euro (12)	Euribor + 6.50%	11,247,186	3,631,802	28,888,311	32,520,113
Euro (13)	Euribor + 6.50%	6,567,002	2,598,319	16,389,512	18,987,831
Euro (14)	Euribor + 6.50%	8,508,231	2,350,339	22,250,359	24,600,698
Euro (15)	Euribor + 7.35%	20,386,483	--	58,945,474	58,945,474
Euro (16)	Euribor + 6.80%	4,994,964	7,597,558	6,844,882	14,442,440
			104,552,254	417,435,307	521,987,561

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7. 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	140,272,110	167,741,372
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 (4)	6.95%	3,414,219	10,025,855	-	10,025,855
Euro (5)	7.50%	6,128,036	12,232,893	5,762,085	17,994,978
Euro (9)	Euribor + 4.60%	13,678,952	9,334,991	30,833,250	40,168,241
Euro (10)	Euribor + 6.35%	12,918,738	495,498	37,440,375	37,935,873
Euro (11)	Euribor + 7.00%	7,576,373	1,309,713	20,938,307	22,248,020
Euro (12)	Euribor + 6.50%	11,988,039	3,173,878	32,028,998	35,202,876
Euro (13)	Euribor + 6.50%	7,100,312	2,262,726	18,587,339	20,850,065
Euro (14)	Euribor + 6.50%	8,881,716	1,763,334	24,317,823	26,081,157
Euro (15)	Euribor + 7.35%	12,485,829	-	36,664,637	36,664,637
Euro (17)	8.75%	5,118,365	15,030,079	-	15,030,079
TL (18)	12.00%	3,502,450	3,502,450	-	3,502,450
TL (19)	13.30%	5,001,940	5,001,940	-	5,001,940
			92,287,187	408,511,424	500,798,611

- (1) The Company signed a loan agreement amounting 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 September 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 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.
- (4) 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.
- (5) 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.
- (6) 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.

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7. FINANCIAL LIABILITIES (Continued)

- (7) TL 2,500,000 and TL 750,000 spot loans have been used on 27 June 2014 and 30 September 2014, respectively. Sureties of Akfen Holding and Akfen İnşaat for the loans are given for the total outstanding loan amounts.
- (8) 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 September 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,
 - Right of tenancy of related hotel is pledged in favor of the creditors in first degree
 - Sureties of Akfen Holding the shareholder’ of the Company, are given for the completion guarantee of the related project.
- (9) On 29 March 2013, Euro 15,000,000 loan with 5 year maturity has been used. As of 30 September 2014, the loan balance is Euro 12,000,000. Bank borrowings obtained is secured by the followings:
- Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditor,
 - Rent revenue of Merit Park Hotel is alienated in favor of the creditor,
 - Sureties of Akfen GYO is given for the total outstanding loan amount,
 - Right of tenancy of Merit Park Hotel is pledged in favor of the creditor.
- (10) On 17 January 2013, a loan agreement with Euro 25,500,000 loan limit has been signed for financing the Karaköy Novotel project which is in the portfolio of the Company. Bank borrowings obtained with this agreement is secured by the followings:
- Rent revenue which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor,
 - The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor,
 - The total revenue that may be gained in the future under the insurance made for Karaköy Novotel project are pledged to the favor of the creditor,
 - All receivables of principal shareholders from Akfen Karaköy due to principal shareholders’ delivering capital amounts are pledged to the favor of the creditor,
 - The shares and share certificates/securities belonging to shareholders of Akfen Karaköy are pledged to the favor of the creditor,
 - The right of tenancy of the hotels in Esenyurt, Kayseri, Trabzon, Gaziantep, Bursa, Adana and Zeytinburnu and right of tenancy of lands in Adana and Ankara Esenboğa are pledged to the favor of the creditor as second-degree and first rank mortgage,
- (11) It is loan used related to Samara Office in portfolio of Russian Property on 07 August 2013. Bank borrowings obtained with this agreement is secured by the followings:
- RPI has given its 100% share related to Volgostroykom as guarantee,
 - Office building are pledged in favor of creditors in the first degree,
 - Sureties of Akfen GYO and Akfen GT are given for the total amount of Euro10,044,444,
 - Rent revenue is alienated in favor of the creditor.

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7. FINANCIAL LIABILITIES (Continued)

- (12) As of 30 September 2014, remaining balance of loan that has been used within the scope of agreement signed related to Samara Ibis Hotel on 26 February 2012. Bank borrowings obtained with this agreement is secured by the followings:
- Sureties of Akfen Holding are given for the total outstanding loan amount,
 - Based upon the loans used related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
 - The land and Samara Hotel building owned by the Group are pledged in favor of creditors,
 - Rent revenue is alienated in favor of the creditor.
- (13) As of 30 September 2014, remaining balance of loan that has been used within the scope of agreement signed related to Yaroslavl Ibis on 7 September 2012. Bank borrowings obtained with this agreement is secured by the followings:
- Sureties of Akfen Holding are given for the total outstanding loan amount,
 - Based upon the loans used related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
 - The land and Yaroslav Hotel building owned by the Group are pledged in favor of creditors,
 - Rent revenue is alienated in favor of the creditor.
- (14) As of 30 September 2014, remaining balance of loan that has been used within the scope of agreement signed related to Kaliningrad Ibis Hotel project on 7 September 2012. Bank borrowings obtained with this agreement is secured by the followings:
- Sureties of Akfen Holding are given for the total outstanding loan amount,
 - Based upon the loans used related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
 - The land and Kaliningrad Hotel building owned by the Group are pledged in favor of creditors,
 - Rent revenue is alienated in favor of the creditor.
- (15) It is related to loan with Euro 25,500,000 limit obtained for financing the Moscow Novotel project which is in portfolio of HDI. Bank borrowings obtained with this agreement is secured by the followings:
- HDI has given its 100% share related to Severnyi Avtovokzal Limited company as guarantee,
 - Land of the related project are pledged in favor of creditors in the first degree. After completion of the hotel, the hotel building will also be pledged in favor of creditors,
 - Sureties of Akfen GYO and Akfen GT are given for the total amount of Euro 38,000,000,
 - Rent revenue is alienated in favor of the creditor.
- (16) On 29 September 2014, Euro 5,000,000 loan with 1,5 year maturity has been used. Sureties of Akfen Holding are given for the total outstanding loan amount.
- (17) On 29 March 2012, Euro 10,000,000 loan with 2 year maturity has been used. As of 30 September 2014, the loan balance is Euro 5.000.000 and sureties of Akfen Holding are given for the total outstanding loan amount.
- (18) 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.
- (19) 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.

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8. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

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

	30 September 2014	31 December 2013
Trade receivables from third parties	13,245,447	6,031,253
	13,245,447	6,031,253

As at 30 September 2014, TL 7,842,077 (31 December 2013: TL 3,498,886) and TL 5,045,108 (31 December 2013: TL 2,322,541) portions of total trade receivables are comprised of receivables of the Company from Tamaris Turizm A.Ş. – operator of the hotels in Turkey and Russian Hotel Management Company – operator of the hotels in Russia - related to hotel rental revenue.

b) Short-term trade payables

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

	30 September 2014	31 December 2013
Trade payables to related parties ⁽¹⁾	739,476	751,010
Trade payables to third parties	910,782	10,485,273
-Accruals for construction cost ⁽³⁾	435,627	4,245,285
-Other expense accruals	310,461	474,498
- Other trade payables ⁽²⁾	164,694	5,765,490
	1,650,257	11,236,283

⁽¹⁾ As at 30 September 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 5).

⁽²⁾ As at 31 December 2013, TL 1,741,461, TL 1,225,507 and TL 1,980,474 portions of other trade payables comprise the payables to Kasa Story, Elba and Ant Yapı Sanayi ve Ticaret A.Ş. for constructions work in Russia, respectively.

⁽³⁾ As at 30 September 2014 accruals for construction costs are comprised of the progress invoices related with the ongoing project of Karaköy. 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.

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9. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

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

	30 September 2014	31 December 2013
Other receivables from third parties	21,740	44,062
	21,740	44,062

b) Other non-current receivables

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

	30 September 2014	31 December 2013
Other receivables from third parties	9,964,316	9,668,011
Deposits and guarantees given	186,468	112,244
	10,150,784	9,780,255

As at 30 September 2014, other non-current receivables are mainly comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy and other shareholders of RHI and RPI, amounting to TL 7,907,967 (31 December 2013: TL 7,599,827) and TL 2,056,084 (31 December 2013: TL 2,067,929), respectively.

c) Other current payables

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

	30 September 2014	31 December 2013
Taxes and funds payable	698,174	466,802
Loan commission accrual ⁽¹⁾	70,417	75,933
Social security premiums payable	35,402	8,818
Other payables	256,279	230,432
	1,060,272	781,985

⁽¹⁾ Loan commission accrual is arising from the loan agreement of Company which was signed for Tuzla Ibis Otel and Karaköy Novotel 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 7).

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10. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	30 September 2014	31 December 2013
Operating investment properties	1,144,011,562	1,129,195,631
Investment properties under development	282,860,695	289,703,095
Total	1,426,872,257	1,418,898,726

Operating investment properties:

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

	30 September 2014	31 December 2013
Opening balance	1,129,195,631	872,850,482
Additions	2,004,829	4,653,059
Transfer from development projects	39,363,705	106,160,792
Foreign currency translation difference	(26,552,603)	16,435,481
Fair value gain/(loss), net	--	129,095,817
Carrying amount	1,144,011,562	1,129,195,631

As at 30 September 2014, the transfer from development projects composed of Ankara Esenboğa Ibis Hotel which was completed during the period. As at 31 December 2013, the transfer from development projects composed of İzmir Ibis Hotel and Kaliningrad Ibis Hotel which were 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 Group'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 Group'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 Group management. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the company owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. 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.

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

As at 30 September 2014 and 31 December 2013, the fair values of operating investment properties in Turkey and Northern Cyprus are as follows:

	30 September 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
Merit Park Hotel	31 December 2013	218,946,000	218,946,000	31 December 2013	218,946,000	218,946,000
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	57,713,351	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	46,837,702	31 December 2013	46,833,000	46,833,000
Ankara Esenboğa Ibis Hotel	31 December 2013	35,270,000	39,610,614	-	--	--
Adana Ibis Hotel	31 December 2013	39,500,000	39,510,600	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		939,921,000	944,348,911		904,651,000	904,651,000

As at 30 September 2014, fair values of operating investment properties in Turkey are composed of appraisal values of related projects as at 31 December 2013 and expenditures for investment properties incurred from appraisal date to 30 September 2014.

The investment properties of RHI and RPI located in Russia, of which Akfen GT has 95% shares, are recorded with fair values which are calculated on the basis of a valuation carried out jointly by a certified company that is included in the approved list of CMB for “Property Appraisal Companies” and the Company’s management. Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, operating in Russia, owned by RHI have fair values at amounts of TL 61,080,221, TL 65,209,462 and TL 48,508,535 (31 December 2013: Yaroslavl Ibis Hotel TL 69,225,660, Samara Ibis Hotel TL 73,905,562 and Kaliningrad Ibis Hotel TL 54,880,701). Samara office project, owned by RPI which has started to operate as at 30 September 2014, has fair value amount of TL 24,864,433 (31 December 2013: TL 26,532,708).

As at 30 September 2014, total insurance amount on operating investment properties is TL 1,088,015,957 (31 December 2013: TL 1,086,971,028).

As at 30 September 2014 the pledge amount on operating investment property is TL 673,696,200 (31 December 2013: TL 651,168,875).

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

Discount rates used for fair value calculation of operating investment properties in Turkey and Northern Cyprus, are shown as below:

Name of investment property	Discount Rates 31 December 2013
Zeytinburnu Novotel and Ibis Hotel	6.75% and 9.25%
Merit Park Hotel	8.25% and 9.75%
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 Hotel	7.50% and 9.75%
Ankara Esenboğa Ibis Hotel	7.75% and 10.25%

Investment properties under development:

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

	30 September 2014	31 December 2013
Opening balance	289,703,095	217,494,468
Additions	44,001,187	91,137,741
Currency translation difference	(11,479,882)	10,720,193
Fair value gain	--	76,511,485
Transfer to operating investment properties	(39,363,705)	(106,160,792)
Carrying amount	282,860,695	289,703,095

As at 30 September 2014 and 31 December 2013, the fair values of investment properties under development in Turkey and Northern Cyprus are as follows:

	30 September 2014			31 December 2013		
	Date of appraisal report	Appraisal report value	Fair value	Date of appraisal report	Appraisal report value	Fair value
Karaköy Hotel Project	31 December 2013	132,000,000	142,029,443	31 December 2013	132,000,000	132,000,000
Tuzla Ibis Hotel Project	31 December 2013	16,470,000	17,942,745	31 December 2013	16,470,000	16,470,000
Ankara Ibis Hotel Project	--	--	--	31 December 2013	35,270,000	35,270,000
Northern Cyprus Bafra Hotel Project	31 December 2013	8,399,000	8,546,012	31 December 2013	8,399,000	8,399,000
Total		156,869,000	168,518,200		192,139,000	192,139,000

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

As at 30 September 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 for investment properties incurred from appraisal date to 30 September 2014.

Fair values of the Group's investment properties under development of RHI and RPI firms, located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized valuation firms to offer appraisal services within the framework of the CMB legislation for "Property Appraisal Companies" and the Company's management.

Investment property under development of HDI corporated in Holland in 2011 of which Akfen GYO has 100% of shares are comprised of costs incurred for the planned project in Moscow and Moscow Ibis Hotel project of which construction has started in 2 September 2013. Their fair values are calculated jointly by a real estate appraisal company included in the list of authorized valuation firms to offer appraisal services within the framework of the CMB legislation for "Property Appraisal Companies" and the Company's management and expenditures for investment properties incurred from appraisal date which is 31 December 2013 to 30 September 2014. The fair value of related project as of 30 September 2014 is TL 110,934,351 (31 December 2013: TL 94,155,951).

The fair value of other hotel project of HDI which is planned to be developed in Moscow, is composed of the expenditures related to the project and the fair value is TL 3,408,144 as of 30 September 2014 (31 December 2013: TL 3,408,144).

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

Name of Investment Property	Discount Rates 31 December 2013
Karaköy Hotel Project	7.75% and 9.50%
Ankara Ibis Hotel	7.75% and 10.25%
Tuzla Ibis Hotel Project	10.50%
Northern Cyprus Bafra Hotel Project	Peer comparision

As at 30 September 2014, total insurance amount on investment properties under development is TL 142,083,396 (31 December 2013: TL 115,433,815).

As at 30 September 2014 the pledge amount on investment property under development is TL 263,840,250 (31 December 2013: TL 144,622,625).

As at 30 September 2014, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 2,609,080 and TL 1,634,997, respectively (30 September 2013: TL 2,494,710 and TL 1,332,694). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

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11. PROPERTY AND EQUIPMENT

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

	Equipments	Furniture and fixtures	Motor vehicles	Total
Cost value				
Balance at 1 January 2013	4,688	263,436	129,583	397,707
Acquisitions	-	7,050	-	7,050
Balance at 31 December 2013	4,688	270,486	129,583	404,757
Cost value				
Balance at 1 January 2014	4,688	270,486	129,583	404,757
Acquisitions	-	25,017	-	25,017
Balance at 30 September 2014	4,688	295,503	129,583	429,774
Accumulated depreciation				
Balance at 1 January 2013	(1,763)	(198,619)	(58,482)	(258,864)
Depreciation charge for the period	(384)	(24,394)	(22,758)	(47,536)
Balance at 31 December 2013	(2,147)	(223,013)	(81,240)	(306,400)
Balance at 1 January 2014	(2,147)	(223,013)	(81,240)	(306,400)
Depreciation charge for the period	(287)	(16,849)	(8,924)	(26,060)
Balance at 30 September 2014	(2,434)	(239,862)	(90,164)	(332,460)
Net carrying amount				
1 January 2013	2,925	64,817	71,101	138,843
31 December 2013	2,541	47,473	48,343	98,357
1 January 2014	2,541	47,473	48,343	98,357
30 September 2014	2,254	55,641	39,419	97,314

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

As of 30 September 2014, depreciation expenses amounting to TL 26,060 are recognized in general administrative expenses (31 December 2013: TL 47,536).

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12. INTANGIBLE ASSETS

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

	Softwares
Cost value	
Balance at 1 January 2013	41,551
Additions	44,615
Balance at 31 December 2013	86,166
Balance at 1 January 2014	86,166
Additions	-
Balance at 30 September 2014	86,166
Accumulated amortization	
Balance at 1 January 2013	(37,474)
Charge for the period	(4,371)
Balance at 31 December 2013	(41,845)
Balance at 1 January 2014	(41,845)
Charge for the period	(1,849)
Balance at 30 September 2014	(43,694)
Net carrying amounts	
1 January 2013	4,077
31 December 2013	44,321
1 January 2014	44,321
30 September 2014	42,472

As of 30 September 2014, amortization expenses amounting to TL 1,849 are recognized in administrative expenses (31 December 2013: TL 4,371).

13. GOVERNMENT GRANTS AND INCENTIVES

According to the Investment Incentive Law numbered 47/2000, the Group has a 100% of investment allowance on capital expenditures made until 31 December 2008 in TRNC.

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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15. COMMITMENT AND CONTINGENCIES

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

CPM are given by the Group	30 September 2014	31 December 2013
A. Total amount of CPM is given on behalf of own legal personality	793,362,069	726,295,739
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	301,957,003	200,529,971
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	-	-
	1,095,319,072	926,825,710

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 273,500,000 and USD 800,000 as at 30 September 2014 (31 December 2013: Euro 246,500,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 86,345,744 as at 30 September 2014 (31 December 2013: Euro 48,095,744). As at 30 September 2014, total amount of other CPM given by the group is 0% of the Group's equity (31 December 2013: 0%).

The Company pledged 2,000,000 units of shares of Akfen GT - equal to 41.32% of Akfen GT's capital - amounting TL 50,000,000 as a surety for the letter of guarantees issued by Türkiye Vakıflar Bankası T.A.O. and returned as at 30 September 2014. Other sureties given by the shareholders and the alienation of rent revenue which will be generated from the hotels are presented at Note 7.

Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.

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

The Group, has given sureties in amount of Euro 38,000,00 for the loan used by HDI in 2013 from Credit Europe Bank.

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15. COMMITMENT AND CONTINGENCIES (Continued)

15.1. The Group as lessee

Operating lease arrangements

As at 30 September 2014, the Group has undergone 12 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date. Rent amount for the year 2014 is USD 11,033 and it will increase by 3% every year. Rents are paid annually.
- The Group 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 annually revenue generated by the hotel constructed on the land.
- The Group 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 annually revenue generated by the hotel constructed on the land.
- The Group 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 Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group 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 Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group 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 Group 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 Group signed lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to TL 38,781 per year. The Group has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years. On 11 November 2013, lease agreement for 49 years has been signed with Kaliningrad Municipality and the Group plans to use its right to purchase the land in third quarter of 2014.

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15. COMMITMENT AND CONTINGENCIES (Continued)

- The Group 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").
- The Group took over the 224,524 m², tourism zoning land in Bafra, Northern Cyprus which is owned by Northern Cyprus Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years with the approval of Northern Cyprus Cabinet on 23 February 2011. Annual rent amount for 2014 is USD 56,872 and it will increase by 3% every year.
- The Group took over the lease agreement for a period of 49 years starting from the agreement date on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model at 1 September 2009. Monthly rent amount is TL 115,000 starting 3rd year of transfer of the agreement by yearly increase in ratio of PPI and shall continue till the end of 49th year.
- Severny Company, which the Group purchased all shares on 15 August 2013, signed a lease agreement with Moscow City Administration on 20 April 2010 valid till 24 September 2056 related to land on which Moscow Ibis Hotel will be constructed and all object is projected as hotel. An additional lease agreement has been signed on 02 June 2011 related to aforesaid lease agreement. Rent amount is approximately 112,000 TL in 2014. The Group has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.

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

Payments recognized as an expense

	30 September 2014	30 September 2013
Lease payments	3,540,488	3,040,605
	3,540,488	3,040,605

As of 30 September 2014 and 31 December 2013, the Group'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 September 2014	31 December 2013
Less than one year	3,577,148	1,625,708
Between one and five years	15,403,509	11,948,934
More than five years	168,498,650	139,289,602
	187,479,307	152,864,244

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15. COMMITMENT AND CONTINGENCIES (Continued)

Accrued rental expenses are given below:

	30 September 2014	31 December 2013
Accrued rent expense		
Current (Note 18)	545,997	534,584
Non-current (Note 18)	3,879,948	3,499,559
	4,425,945	4,034,143

15.2. The Group as lessor

Operating lease arrangements

As at 30 September 2014, the Group has undergone 23 operating lease arrangements as;

- The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group has signed a rent agreement with ACCOR S.A. on 28 March 2013 to lease a hotel which was completed and starts its operations in 2014 in Ankara Esenboğa.
- The Group has signed a rent agreement with ACCOR S.A. on 19 December 2012 to lease a hotel which is planned to complete and starts its operations in 2015 in Karaköy.
- The Group 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.

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15. COMMITMENT AND CONTINGENCIES (Continued)

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.

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 Karaköy Novotel, 22% 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.
- In Ankara Esenboğa Ibis Otel, 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.
- In Tuzla Ibis Otel, 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 Group has additional eleven operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The Group has signed a rent agreement with Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi ("Serenas Turizm") to lease Merit Park Hotel for five full calendar years started from 1 January 2008 with an optional extension of 5 years. Annual rent amount is Euro 1,500,000 for 2011 and Euro 2,000,000 for 2012. Letter of guarantees amounting Euro 3,000,000 is provided by Serenas Turizm. An annual rent is paid quarterly (February, May, August and November). The agreement with Serenas Turizm has been terminated on 1 October 2012.

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15. COMMITMENT AND CONTINGENCIES (Continued)

- Voyager has operating the casino of 5 star Merit Park Hotel placed in Kyrenia, Northern Cyprus within the portfolio of Akfen GT since 2007. An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years has been signed between the parties in 15 May 2012 and first year rent amount is Euro 4,750,000. The start date of the agreement is set as January 2013. In first 5 year, the rent amount will not increase, from 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount. The name of the hotel has changed as “Merit Park Hotel” as at 6 October 2012.
- The Group 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 Group 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.
- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. Hotel has been delivered to ACCOR S.A. in 1st quarter of 2012. The operation of the hotel has been started in March 2012. In addition to first agreement related to Samara Hotel, the Company has signed a long term agreement with ACCOR S.A. in 10 January 2012. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, from third year Euro 6,000 per room and from fourth year to fifteenth year Euro 7,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- HDI through its subsidiary Severny signed a lease agreement for 317 room IBIS Hotel building under construction in Moscow, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia on 29 January 2014. The lease term is 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit (“AGOP”).
- Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 15 October 2009 in Moscow. The building has been delivered to ACCOR S.A. in the third quarter of 2011. The operation of hotel has been started in September 2012. In addition to first agreement related to Yaroslavl Hotel, the Company has signed a long term agreement with ACCOR S.A. in 1 July 2011. The lease term is 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, for third year 6,000 Euro per a room and from fourth year to fifteenth year Euro 7,000 per a room. The Minimum Annual Guaranteed Rent the highest price is Euro14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

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15. COMMITMENT AND CONTINGENCIES (Continued)

- Russian Hotel through its subsidiary LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 8 September 2010 in Moscow. The building is delivered to ACCOR S.A. in the third quarter of 2013. The lease term is 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 4,000 per a room, for second year Euro 5,000 per a room, from third year to fifteenth year Euro 6,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 12,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.
- Russian Property leased 1,562 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to OAO Bank VTB with an agreement signed on 1 March 2013. The duration of the agreement is 6 years and monthly rent amount is approximately TL 110,813. The delivery of the rented offices was made in 15 March 2013. According to lease agreement, there will be no increase to the rent for the first year and for the upcoming year, the rent increase will be 10% with the condition of proving the rent increase in the market with an expertise report.
- On 2 September 2013, Russian Hotel signed an lease agreement for a fitness center including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 01 August 2014 and the monthly rent revenue for 2013 is approximately TL 5,23, including VAT.
- Russian Property leased 1,869 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Rosneft Oil Company with an agreement signed in 2 December 2013 with duration of 24 months. Monthly rent amount is approximately TL 70,538, including VAT and rent payment will start on 1 July 2014.
- Russian Property leased 746 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Samarasnabpodshipnik Company which is established by Samara Podshibnik company -one of the biggest roller producers- for sale of its productions with an agreement signed in 19 February 2014. Monthly rent amount is approximately TL 28,206, including VAT and rent payment will start on 15 April 2014.

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

	30 September 2014	31 December 2013
Less than one year	26,332,247	26,171,049
Between one and five years	99,598,133	102,746,266
More than five years	262,621,043	285,625,417
	388,551,423	414,542,732

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15. COMMITMENT AND CONTINGENCIES (Continued)

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%.

All of the operating lease arrangements with ACCOR S.A. that the Company is lessor in Turkey 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.

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16. EMPLOYEE BENEFITS

	30 September 2014	31 December 2013
Provision for vacation pay liability-short term	352,716	360,243
Provision for employee termination indemnity-long term	52,992	48,512
	405,708	408,755

The provision for severance payments reflects the present value of future liabilities likely to be arisen due to retirement of employees of the Company and calculated according to Labor Act of Turkey. The provision for severance payments is calculated based on accrual principle as soon as the employees deserve such right and reflected to the financial statements. The ceiling for calculation of the provision for severance payments is the ceiling stipulated by the government for severance payments. The ceilings for severance payments as of 30 September 2014 are 3,438 TL (31 December 2013: 3,254 TL), respectively.

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 Group. The Group 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.

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

	30 September 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 September 2014	31 December 2013
Opening balance	48,512	18,312
Interest cost	5,299	1,811
Service cost	6,880	37,887
Payment during the period	-	(10,943)
Actuarial difference	(7,699)	1,445
Closing balance	52,992	48,512

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16. EMPLOYEE BENEFITS (Continued)

Movement of vacation pay liability is as follows:

	30 September 2014	31 December 2013
Opening balance	360,243	195,836
Payment during the period	-	(2,232)
(Disposals)/Additions during the period (Note 21)	(7,527)	166,639
Closing balance	352,716	360,243

17. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	30 September 2014	31 December 2013
Job advances	500,071	37,168
Prepaid expenses ⁽¹⁾	400,715	1,916,084
Advances given to suppliers	221,567	209,641
	1,122,353	2,162,893

b) Long term prepaid expenses

	30 September 2014	31 December 2013
Advances given ⁽²⁾	6,211,337	8,350,271
Prepaid expenses ⁽¹⁾	3,764,209	3,420,068
	9,975,546	11,770,339

⁽¹⁾ Akfen Karaköy took over the “Conditional Construction Lease Agreement” on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and ‘Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. (“Hakan Madencilik”) under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in Istanbul, Beyoğlu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 30 September 2014 the amount of expenses paid in advance for short and long-term is TL 213,035 (31 December 2013: TL 1,562,136) and TL 3,752,192 (31 December 2013: TL 3,404,608), respectively.

⁽²⁾ As at 30 September 2014 and 31 December 2013 advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of Ankara Esenboğa Ibis Hotel and Karaköy Novotel projects.

c) Deferred revenue

As of 30 September 2014 deferred revenue in amount of 3,389,719 TL is rent revenue which was collected in advance related to the rental of Merit Park Hotel in Northern Cyprus to Voyager.

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18. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	30 September 2014	31 December 2013
VAT carried forward ⁽¹⁾	4,129,886	4,841,810
Prepaid taxes and funds	176,473	168,416
Other	130,134	27,938
	4,436,493	5,038,164

b) Other non-current assets

	30 September 2014	31 December 2013
VAT carried forward	30,996,896	33,197,872
	30,996,896	33,197,872

⁽¹⁾ As at 30 September 2014, the Group collected approximately TL 4,160,000 VAT receivable related to Kaliningrad Ibis Hotel.

c) Other current liabilities

	30 September 2014	31 December 2013
Rent expense accrual (Note 15)	545,996	534,584
	545,996	534,584

d) Other non-current liabilities

	30 September 2014	31 December 2013
Rent expense accrual (Note 15)	3,879,948	3,499,559
	3,879,948	3,499,559

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19. EQUITY

19.1. Paid in capital

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

Shareholders	(%)	30 September 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
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 September 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 September 2014, the issued capital of the Company is TL 184,000,000 (31 December 2013: TL 184,000,000). As at 30 September 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 9,500,447 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.

19.2. Purchase of share of entity under common control

100% of Akfen GT and 50% of RHI and RPI were acquired with the nominal value from parents of the Company in 2007 and 2009, respectively. The acquired subsidiary, Akfen GT could be treated as an integrated operation of Akfen GYO by nature or by transfer of knowledge, were under common control with Akfen GYO since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. Management decided not to restate its comparative information. The acquisition of this entity being under common control is recognized with cost method, since this treatment is the best way to present the economic substance of the transaction since the transaction is moving the shares of one party from one part of the group to another, there is no independent third party involvement and in particular the purchase price is not determined on an arm's length basis. Excess of net assets over cash paid at the acquisition date is recognized in "Business combination under common control" directly in equity.

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19. EQUITY

19.3. Foreign currency translation reserves

The translation reserve comprise of foreign exchange difference arising from the translation of the financial statements of Russian Hotel, Russian Property and HDI from their functional currency to the presentation currency TL which is recognized in equity.

19.4. 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.

19.5. Restricted reserves allocated from profit

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

	30 September 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 Group’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.

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20. REVENUE AND COST OF SALES

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Rent income	37,613,485	12,932,422	31,019,272	10,911,069
Total income from property rentals	37,613,485	12,932,422	31,019,272	10,911,069
Income from bank deposits	37,299	4,398	20,388	9,545
Total income from debt instruments	37,299	4,398	20,388	9,545
Total revenue	37,650,784	12,936,820	31,039,660	10,920,614
Operating lease expenses ⁽¹⁾	(3,142,467)	(1,057,200)	(2,693,048)	(908,552)
Insurance expenses	(756,832)	(246,015)	(715,996)	(259,402)
Taxes and duties expenses	(149,125)	(51,314)	(170,972)	(52,031)
Outsourced service expenses	(105,317)	(11,762)	(185,541)	(91,122)
Others	(90,336)	(22,559)	(61,847)	(52,957)
Total cost of sales	(4,244,077)	(1,388,850)	(3,827,404)	(1,364,064)

⁽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.

21. GENERAL ADMINISTRATIVE EXPENSES

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Personnel expenses	2,190,575	613,317	2,377,199	666,468
Consultancy expenses	1,051,641	328,085	1,825,301	821,928
Outsourced service expenses	506,519	87,389	286,715	68,769
Operating lease expenses	398,021	131,377	347,557	110,847
Tax and duties expenses	145,076	62,966	451,607	37,173
Travel and hosting expenses	138,433	47,557	128,794	54,467
Advertising expenses	51,331	13,890	254,698	22,431
Depreciation expense	26,060	4,074	41,295	12,323
Amortisation expense	1,849	426	3,260	1,552
Other	125,063	35,405	184,058	78,345
Total	4,634,568	1,324,486	5,900,484	1,874,302

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21. GENERAL ADMINISTRATIVE EXPENSES (Devamı)

Personnel expenses

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Wages and salaries	1,884,693	568,096	2,037,585	574,134
Social security premiums	246,271	86,498	234,462	63,150
Change in termination benefit	4,480	(11,265)	38,243	4,365
Change in vacation pay liability	(7,527)	(44,922)	21,864	9,087
Other	62,658	14,910	45,045	15,732
Total	2,190,575	613,317	2,377,199	666,468

22. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Foreign exchange gain (Note 2)	77,160	20,517	45,975	3,512
Other income	19,596,118	12,627,993	2,376,763	1,068,059
Total	19,673,278	12,648,510	2,422,738	1,071,571

(1) As at 30 September 2014, TL 6,078,112 is composed of income incurred from cancellation of the expense amounts in previous periods due from lawsuit process related to Moscow project that the Group is planning to develop in Russia, since the Group won the lawsuit, TL 12,183,561 is derived from the severance amount received from Moscow government in 3 July 2014 TL since the Group won the lawsuit, TL 457,601 is composed of income resulting from the payable to Kasa Stroy in aforesaid amount related to the Group’s construction works in Russia becoming not to be paid dealing with the counter party and TL 483,715 comprises the invoice amount of RHI for Accor S.A.’s contribution related to purchase of furnitures and fixtures of hotels in Russia.

As at 30 September 2013, TL 1,268,349 of other operating income is the income amount derived from cancellation of previous periods’ provisions occurred by prediction of impossibility of receivable collection from Razveev – ex- owner of Samara Office land belonging to RPI, by collection of the amount in related period. TL 981,003 comprises the invoice amount of RHI for Accor S.A.’s contribution related to purchase of furnitures and fixtures of Kaliningrad Ibis Hotel.

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22. OTHER OPERATING INCOME/EXPENSES (Continued)

b) Other operating expenses

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Foreign exchange loss (Note 2)	63,382	14,999	62,896	7,567
Other expense	2,042,837	222,752	2,077,863	895,871
Total	2,106,219	237,751	2,140,759	903,438

(1) As at 30 September 2014, TL 1,807,703 of other expense is related to advocacy expenses of the ongoing case of Moscow project which the Group is planning to develop in Russia.

As at 30 September 2013, TL 931,509 of other expenses is related to the investing expenditures of Kaliningrad Ibis Hotel projects which cannot be capitalized. TL 817,896 of remaining balance is related to advocate expenses of the ongoing case of Moscow project whih the Group is planning to develop in Russia.

23. FINANCIAL INCOME

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Foreign exchange gain	21,781,924	88,448	5,300,137	822,125
Interest income	567,050	208,625	711,309	202,557
Total	22,348,974	297,073	6,011,446	1,024,682

24. FINANCIAL EXPENSES

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Foreign exchange loss	30,352,707	11,502,988	46,652,925	22,417,567
Interest expenses	16,212,398	5,239,709	14,342,977	6,220,150
Commission expenses	846,132	123,521	1,887,218	353,289
Expenses for letter of guarantees	32,383	10,811	120,198	61,830
Other	7,845	2,194	375,050	32,484
Total	47,451,465	16,879,223	63,378,368	29,085,320

For the nine month periods ended 30 September 2014, the Group has capitalised interest expenses amounting to TL 4,541,111 on investment properties under development (31 December 2013: TL 3,299,289).

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25. DEFERRED TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of real estate investment trusts is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. Therefore, deferred tax is not recognized for the income of the Company from the operations as a real estate investment trust since those are exempt from income tax.

Deferred tax has been recognized for the temporary differences of Akfen GT and its branch operating in Northern Cyprus arising between its financial statements as reported in compliance with CMB standards and its statutory financial statements. The corporate tax rates are 23.5% and 20% in Northern Cyprus and Holland, respectively.

For the nine month periods ended 30 September 2014 and 2013, the main components of tax expenses are as follows:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Deferred tax (expense)/income	(759,827)	897,708	1,041,155	849,087
Total taxation (expense)/income	(759,827)	897,708	1,041,155	849,087

The reported taxation charge for the nine month periods ended 30 September 2014 and 2013 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	1 January - 30 September 2014	1 January - 30 September 2013
Profit/(Loss) for the period	21,236,708	(35,773,172)
Income tax using the domestic tax (expense)/income rate	(20) (4,247,343)	(20) 7,154,633
Tax-exempt (loss)/income ⁽¹⁾	27.46 5,831,628	13.76 (4,923,812)
Non-deductible expenses	(0.05) (11,406)	0.04 (15,662)
Effect of different tax rates in foreign Jurisdictions	(1.26) (268,135)	0.27 (95,006)
Current year loss for which no deferred tax was recognized	(2.33) (495,536)	1.36 (486,792)
Investment allowance to be used	(5.43) (1,152,301)	0.58 (209,197)
Other	(1.96) (416,734)	1.07 (383,009)
Taxation income/(expense)	(759,827)	1,041,155

⁽¹⁾ Akfen GYO is exempt from Corporate Tax.

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25. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Unrecognized deferred tax assets

As at 30 September 2014, Akfen GT and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 11,680,145 (31 December 2013: TL 9,202,464). The expiry dates of the unrecognized accumulated losses are as follows:

	30 September 2014	31 December 2013	Year of expiry
2009	1,187,902	1,187,902	31 December 2014
2010	102,968	102,968	31 December 2015
2011	2,845,181	2,845,181	31 December 2016
2012	3,505,292	3,505,292	31 December 2017
2013	1,561,121	1,561,121	31 December 2018
2014	2,477,681	-	31 December 2019
	11,680,145	9,202,464	

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25. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 30 September 2014 and 31 December 2013 were attributable to the items detailed in the table below:

	Deferred tax Assets		Deferred tax Liabilities		Net	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Investment incentive ⁽¹⁾	13,486,071	14,638,372	--	--	13,486,071	14,638,372
Fair value gain on investment property	--	--	(79,386,660)	(82,103,714)	(79,386,660)	(82,103,714)
Financial liabilities	45	3,143	--	--	45	3,143
Tax losses carried forward	1,327,304	1,133,551	--	--	1,327,304	1,133,551
Intangible assets	967,179	948,833	(1,981,495)	(1,955,233)	(1,014,316)	(1,006,400)
Other	--	--	(180)	(6,123)	(180)	(6,123)
Deferred tax asset/(liability)	15,780,599	16,723,899	(81,368,335)	(84,065,070)	(65,587,736)	(67,341,171)
Net off tax	(14,453,295)	(15,590,348)	14,453,295	15,590,348	-	-
Net deferred tax asset / (liability)	1,327,304	1,133,551	(66,915,040)	(68,474,722)	(65,587,736)	(67,341,171)

⁽¹⁾ The Group has recognized deferred tax assets on the capital expenditures subject to 100% of investment allowance completed until 31 December 2008 in Northern Cyprus.

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26. EARNINGS PER SHARE

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 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/(loss) for the period	21,572,167	7,436,598	(33,058,416)	(18,879,717)
Earnings per share	0.12	0.04	(0.18)	(0.10)

The company has no diluted earnings.

27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

The Group 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 Group's exposure to each of the above risks and explains the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

The Group’s risk management vision is defined as, identifying variables and uncertainties that will impact the Group’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 Group 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.

(ii) *Credit risk*

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

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

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Group’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 Group 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 Group entities.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group 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 Group keeps part of its idle cash in foreign currencies.

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

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

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

Interest rate risk

As at 30 September 2014, the Group’s operations are subject to the risk of interest rate fluctuations to the extent that 91% of the Group’s bank borrowings are obtained by floating interest rates.

The Group 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 Group’s business strategies.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’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 Group’s reputation.

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

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

(v) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’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 Group’s operations.

The Group’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group’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 Group 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

Capital management

The Group 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 Group’s goals for capital management are to provide return to its members and benefit to other stakeholders besides to have the Group 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 Group determines dividend amounts to be paid to members, may issue new shares and may sell assets to restrict borrowings.

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

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

	30 September 2014	31 December 2013
Total liabilities	599,834,502	585,734,499
Cash and cash equivalents	(32,801,464)	(30,326,239)
Net liabilities	567,033,038	555,408,260
Equity	931,255,568	932,791,533
Total sources	1,498,288,606	1,548,852,271
Net liabilities/total sources rate	38%	37%

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

27.1. 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 September 2014 and 31 December 2013 is as follows:

	Receivables				Deposits on banks	Other
	Trade receivables	Other receivables	Related party	Third party		
30 September 2014	Related party	Third party	Related party	Third party		
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	13,245,447	-	10,172,524	32,790,548	-
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	13,245,447	-	10,172,524	32,790,548	-
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	-	-	-	-	-	-

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27. 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)	-	6,031,253	-	9,824,317	30,313,408	-
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	6,031,253	-	9,824,317	30,313,408	-
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 September 2014 and 31 December 2013, the Group does not have any financial assets which are overdue but not impaired

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

27.2. 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 Group by grouping the terms. The contractual cash flow is not discounted:

30 September 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	521,987,561	631,088,085	44,169,471	82,380,340	354,756,643	149,781,631
Trade payables	1,650,257	1,650,257	1,650,257	-	-	-
Other payables (other liabilities included)	8,875,936	8,875,936	4,995,988	-	3,879,948	-

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	500,798,611	608,769,206	48,557,706	62,928,330	336,620,565	160,662,605
Trade payables	11,236,283	11,236,283	11,236,283	-	-	-
Other payables (other liabilities included)	4,816,128	4,816,128	1,316,569	-	3,499,559	-

The Group does not have any derivative financial liabilities as at 30 September 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.

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

27.3. Market risk

a) Foreign currency position table and sensitivity analysis

30 September 2014 Foreign currency position	TL Equivalent (Functional currency)	USD	EURO	GBP	Other
1 Trade receivables	-	-	-	-	-
2a Monetary financial assets (cash and bank accounts included)	9,350,536	3,985	3,230,772	-	-
2b Non-monetary financial assets	-	-	-	-	-
3 Other	131,669	-	45,538	-	-
4 Current assets (1+2+3)	9,482,205	3,985	3,276,310	-	-
5 Trade receivables	-	-	-	-	-
6a Monetary financial assets	-	-	-	-	-
6b Non-monetary financial assets	-	-	-	-	-
7 Other	7,917,154	-	2,735,087	2,416	-
8 Non-current assets (5+6+7)	7,917,154	-	2,735,087	2,416	-
9 Total assets (4+8)	17,399,359	3,985	6,011,397	2,416	-
10 Trade payables	80,965	32,369	2,490	-	-
11 Financial liabilities	75,548,440	-	26,128,671	-	-
12a Other monetary financial liabilities	-	-	-	-	-
12b Other non-monetary financial liabilities	209,820	-	72,567	-	-
13 Short-term liabilities (10+11+12)	75,839,225	32,369	26,203,728	-	-
14 Trade payables	-	-	-	-	-
15 Financial liabilities	410,590,425	-	142,004,021	-	-
16a Other monetary financial liabilities	-	-	-	-	-
16b Other non-monetary financial liabilities	3,071,089	1,347,619	-	-	-
17 Long-term liabilities (14+15+16)	413,661,514	1,347,619	142,004,021	-	-
18 Total liabilities (13+17)	489,500,739	1,379,988	168,207,749	-	-
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)	(472,101,380)	(1,376,003)	(162,196,352)	2,416	-
21 Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(476,869,294)	(28,384)	(164,904,410)	-	-
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	-	-	-	-	-

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

31 December 2013	TL Equivalent	USD	EURO	GBP	Other
Foreign currency position	(Functional currency)				
1 Trade receivables	-	-	-	-	-
2a Monetary financial assets (cash and bank accounts included)	16,005,214	6,031	5,446,056	-	-
2b Non-monetary financial assets	-	-	-	-	-
3 Other	865,439	-	-	-	-
4 Current assets (1+2+3)	16,870,653	6,031	5,740,774	-	-
5 Trade receivables	-	-	-	-	-
6a Monetary financial assets	-	-	-	-	-
6b Non-monetary financial assets	-	-	-	-	-
7 Other	7,608,565	-	2,588,143	2,416	-
8 Non-current assets (5+6+7)	7,608,565	-	2,588,143	2,416	-
9 Total assets (4+8)	24,479,218	6,031	8,328,917	2,416	-
10 Trade payables	1,178,946	-	401,480	-	-
11 Financial liabilities	83,782,797	-	28,531,516	-	-
12a Other monetary financial liabilities	-	-	-	-	-
12b Other non-monetary financial liabilities	123,664	-	42,113	-	-
13 Short-term liabilities (10+11+12)	85,085,407	-	28,975,109	-	-
14 Trade payables	-	-	-	-	-
15 Financial liabilities	408,511,424	-	139,115,077	-	-
16a Other monetary financial liabilities	-	-	-	-	-
16b Other non-monetary financial liabilities	2,705,144	1,267,462	-	-	-
17 Long-term liabilities (14+15+16)	411,216,568	1,267,462	139,115,077	-	-
18 Total liabilities (13+17)	496,301,975	1,267,462	168,090,186	-	-
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)	(471,822,757)	(1,261,431)	(159,761,269)	2,416	-
21 Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(477,467,953)	6,031	(162,602,017)	-	-
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	-	-	-	-	-

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

Foreign currency sensitivity analysis

30 September 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	(313,577)	313,577
2- Hedged portion of TL against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	(313,577)	313,577
4- Net Euro denominated asset/liability	(46,897,454)	46,897,454
5- Hedged portion of TL against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	(46,897,454)	46,897,454
10% change of other foreign currencies against TL		
7- Net other foreign currencies denominated asset/liability	893	(893)
8- Hedged portion of TL against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	893	(893)
TOTAL(3+6+9)	(47,210,138)	47,210,138

As at 30 September 2014, the Group has undiscounted non-cancellable lease receivables amounting TL 388,551,423 in equivalent of Euro 132,225,000 and Ruble 108,723,266 and non-cancellable undiscounted lease liabilities amounting TL 39,394,101 in equivalent of total of Euro 1,602,627 and USD 15,253,089 which are not included in the table above and to be recognized in the following periods.

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

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	(269,227)	269,227
2- Hedged portion of TL against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	(269,227)	269,227
4- Net Euro denominated asset/liability	(46,913,897)	46,913,897
5- Hedged portion of TL against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	(46,913,897)	46,913,897
10% change of other foreign currencies against TL		
7- Net other foreign currencies denominated asset/liability	848	(848)
8- Hedged portion of TL against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	848	(848)
TOTAL (3+6+9)	(47,182,276)	47,182,276

As at 31 December 2013, the Group has undiscounted non-cancellable lease receivables amounting TL 414,542,732 in equivalent of Euro 138,369,000 and Ruble 129,924,412 and non-cancellable undiscounted lease liabilities amounting TL 35,044,279 in equivalent of total of Euro 1,461,575 and USD 14,408,642 which are not included in the table above and to be recognized in the following periods.

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

	As of report date	
	30 September 2014	31 December 2013
USD	2.2789	2.1343
Euro	28914	2.9365

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

b) Interest rate risk table and sensitivity analysis

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

	30 September 2014	31 December 2013
Fixed rate instruments		
Financial assets	27,255,263	25,393,467
Financial liabilities	46,988,599	51,555,302
Variable rate instruments		
Financial assets	-	-
Financial liabilities	474,998,962	449,243,309

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group 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 Group 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 September 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 September 2014				
Variable rate instruments	(4,749,990)	4,749,990	(4,749,990)	4,749,990
31 December 2013				
Variable rate instruments	(4,492,433)	4,492,433	(4,492,433)	4,492,433

^(*) Profit / loss effect is included.

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(Amounts are expressed in (“TL”) unless otherwise stated)

28. INANCIAL INSTRUMENTS

28.1. 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.

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29. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES

Informations for the Group's subsidiaries having non-controlling interests in significant level as below.

30 September 2014	Non-controlling interests %	Profit/(loss) for non-controlling interests	Non-controlling interests
Subsidiary			
Akfen Karaköy	30%	389,970	27,949,655

31 December 2013	Non-controlling interests %	Profit/(loss) for non-controlling interests	Non-controlling interests
Subsidiary			
Akfen Karaköy	30%	(3,748,578)	28,339,625

Summarized financial figures before elimination for related subsidiaries are shown as below:

Balance sheet summary:

Akfen Karaköy	30 September 2014	31 December 2013
Cash and cash equivalents	2,701,823	7,881,320
Other current assets	299,616	1,736,852
Investment property	142,029,443	132,000,000
Other non-current assets	14,361,566	13,761,490
TOTAL ASSETS	159,392,448	155,379,662
Short term financial liabilities	612,063	495,498
Other current liabilities	625,994	1,653,792
Long term financial liabilities	43,371,000	37,440,375
Other non-current liabilities	21,620,979	21,327,728
TOTAL LIABILITIES	66,230,036	60,917,393
TOTAL EQUITY	93,162,412	94,462,269

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29. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES (Continued)

Income table summary:

Akfen Karaköy

30 September 2014 31 December 2013

PROFIT OR LOSS

Cost of sales	(1,287,427)	(816,886)
GROSS PROFIT	(1,287,427)	(816,886)
General administrative expenses	(238,727)	(468,517)
Other operating income	58	-
OPERATING (LOSS)/PROFIT	(1,526,096)	(1,285,403)
Financial income/(loss), net	519,490	(1,844,406)
LOSS BEFORE TAX	(1,006,606)	(3129,809)
Current tax (expense)/income	(293,251)	69,218
- Deferred tax (expense)/income	(293,251)	69,218
NET LOSS FOR THE PERIOD	(1,299,857)	(3,060,591)

30. SUBSEQUENT EVENTS

None.

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

None.

32. STATEMENT OF CASH FLOWS DISCLOSURES

As at and for nine month period ended 30 September 2014, cash flows from operating activities TL 34,917,214 (30 September 2013: TL 24,469,141), cash flows from investing activities TL 45,828,937 (30 September 2013: TL 74,388,882), cash flows from financing activities TL 18,566,232 (30 September 2013: TL 48,821,785).

33. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY DISCLOSURES

As at and for nine month period ended 30 September 2014, equity attributable of equity holders of the parent is TL 897,441,004 (30 September 2013: TL 747,860,334) and non-controlling interest is TL 33,814,564 (30 September 2013: TL 29,665,726), As total, equity is TL 931,255,568 (30 September 2013: TL 777,526,060).

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APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

The Company's control of compliance of the portfolio limits according to the CMB Communiqué Serial: III, No. 48.1 "Communiqué on Principles Regarding Real Estate Investment Trusts" is as follows:

Unconsolidated (separate) financial statement main account items		Related Regulation	30 September 2014	31 December 2013
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	874,043	409,421
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	743,345,655	737,445,000
C	Participations	III-48.1. S/N 24 / (b)	517,284,089	511,336,899
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		31,177,967	28,922,193
D	Total assets	III-48.1. S/N 3 / (p)	1,292,681,754	1,278,113,513
E	Financial liabilities	III-48.1. S/N 31	291,326,308	281,647,741
F	Other financial liabilities	III-48.1. S/N 31	5,815,636	8,296,370
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
I	Shareholders' equity (net asset value)	III-48.1. S/N 31	995,539,810	988,169,402
	Other liabilities		-	-
D	Total liabilities and equity	III-48.1. S/N 3 / (p)	1,292,681,754	1,278,113,513
Unconsolidated (separate) other financial information		Related Regulation	30 September 2014	31 December 2013
A1	Cash and capital market instruments held for payments of investment properties for 3 years	III-48.1. S/N 24 / (b)	-	-
A2	Time / demand TL / foreign currency	III-48.1. S/N 24 / (b)	865,661	398,565
A3	Foreign capital market instruments	III-48.1. S/N 24 / (d)	-	-
B1	Foreign investment property, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (d)	-	-
B2	Idle lands	III-48.1. S/N 24 / (c)	-	-
C1	Foreign subsidiaries	III-48.1. S/N 24 / (d)	101,683,276	95,736,087
C2	Participation to the operator company	III-48.1. S/N 28/1(a)	-	-
J	Non-cash loans	III-48.1. S/N 31	893,356,243	763,683,318
K	Pledges on land not owned by the Investment Trust which will be used for project developments	III-48.1. S/N 22 / (e)	-	-
L	Cash and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	-	-

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APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS (Continued)

Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Period	Previous Period	Minimum/ Maximum Ratio
1 Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	III-48.1. S/N 22 / (e)	0.00%	0.00%	<10%
Investment Property, Investment Property Based	III-48.1. S/N 24 /			
2 Projects, Investment Property Based Rights	(a). (b)	57.50%	57.70%	>51%
Cash and Capital Market Instruments and				
3 Participations	III-48.1. S/N 24 / (b)	40.08%	40.04%	<50%
4 Foreign Investment Property, Investment Property based				
Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	40.02%	40.01%	<50%
5 Idle Lands	III-48.1. S/N 24 / (c)	0.00%	0.00%	<20%
6 Participation to the Operator Company	III-48.1. S/N 28	0.00%	0.00%	<10%
7 Borrowing Limit	III-48.1. S/N 31	119.58%	106.62%	<500%
8 Time / Demand TL / Foreign Currency	III-48.1. S/N 22 / (e)	0.07%	0.03%	<10%
Cash and capital market instrument Investments held				
9 on One Unique Company	III-48.1. S/N 22 / (I)	0.00%	0.00%	<10%

The figures shown in the table are summarized and prepared in accordance with the 16. Article of the communique with II-14.1 no related to “Financial Reporting Principals in Capital Markets” and portfolio limitation regulations of the communique with III-48.1 no related to “Principals of Real Estate Investments”. Additionally, since the information in the table is unconsolidated, they may differ from the consolidated information in the financial statements.