AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION TO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2014
(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position balance sheet as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

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

   An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

4. The consolidated financial statements of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. as of 31 December 2013 had been audited by a different audit firm and an unqualified opinion had been issued in the independent auditor's report dated 3 March 2014.

Opinion

5. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. and its subsidiaries as at 31 December 2014 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 2 March 2015.

7. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

8. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Engin Çubukçu, SMMM
Partner

Istanbul, 2 March 2015

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL POSITION AS AT 31 DECEMBER 2014

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

ASSETS	**Notes**	***Audited*** **31 December 2014**	***Audited*** **31 December 2013**
CURRENT ASSETS		**39,058,426**	**43,602,611**
Cash and cash equivalents	*5*	24,097,271	30,326,239
Trade receivables	*7*	10,939,041	6,031,253
- Trade receivables from third parties	*7*	*10,939,041*	*6,031,253*
Other receivables	*8*	26,155	44,062
- Other receivables from third parties	*8*	*26,155*	*44,062*
Prepaid expenses	*16*	752,976	2,162,893
Other current assets	*17*	3,242,983	5,038,164
NON-CURRENT ASSETS		**1,406,891,433**	**1,474,923,421**
Other receivables	*8*	9,985,108	9,780,255
- Other receivables from third parties	*8*	*9,985,108*	*9,780,255*
Investment property	*9*	1,351,891,377	1,418,898,726
Property and equipment	*10*	80,630	98,357
Intangible assets	*11*	42,046	44,321
- Other intangible assets	*11*	*42,046*	*44,321*
Prepaid expenses	*16*	12,925,807	11,770,339
Deferred tax assets	*24*	388,778	1,133,551
Other non-current assets	*17*	31,577,687	33,197,872
TOTAL ASSETS		**1,445,949,859**	**1,518,526,032**

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

CONVENİENCE TRANSLATİON TO ENGLİSH OF CONSOLİDATED FİNANCİAL STATEMENTS ORİGİNALLY ISSUED İN TURKİSH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHERCOMPREHENSIVE INCOMEFOR THE PERIOD ENDED 31 December 2014

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

LIABILITIES	**Notes**	***Audited*** **31 December 2014**	***Audited*** **31 December 2013**
CURRENT LIABILITIES		**124,677,322**	**105,200,282**
Short term financial liabilities	*6*	31,808,759	8,504,390
Short term portion of long term financial liabilities	*6*	85,805,896	83,782,797
Trade payables	*7*	4,136,311	11,236,283
- *Trade payables to related parties*	*7*	*721,394*	*751,010*
- *Other trade payables to third parties*	*7*	*3,414,917*	*10,485,273*
Other payables	*8*	1,379,813	781,985
- *Other payables to third parties*	*8*	*1,379,813*	*781,985*
Short term provisions	*15*	356,194	360,243
- *Short term provisions for employee benefits*	*15*	*356,194*	*360,243*
Other current liabilities	*17*	1,190,349	534,584
NON-CURRENT LIABILITIES		**465,052,371**	**480,534,217**
Long term financial liabilities	*6*	400,234,298	408,511,424
Long term provisions	*15*	59,832	48,512
- *Long term provisions for employee benefits*	*15*	*59,832*	*48,512*
Deferred tax liability	*24*	61,526,518	68,474,722
Other non-current liabilities	*17*	3,231,723	3,499,559
EQUITY	*18*	**856,220,166**	**932,791,533**
Equity attributable to equity holders of parent		**823,809,895**	**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		(68,636,240)	2,987,760
- *Currency translation differences*		*(68,636,240)*	*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		(2,447,787)	118,002,845
Non-controlling interests		**32,410,271**	**34,909,851**
TOTAL EQUITY AND LIABILITIES		**1,445,949,859**	**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 YEAR ENDED 31 DECEMBER 2014

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

	Notes	*Audited* 1 January - 31 December 2014	*Audited* 1 January - 31 December 2013
PROFIT OR LOSS			
Revenue	*19*	51,011,677	41,262,185
Cost of sales	*19*	(5,729,946)	(5,338,972)
GROSS PROFIT		**45,281,731**	**35,923,213**
General administrative expenses	*20*	(5,842,691)	(6,977,188)
Fair value gain on Investment property, net	*21*	16,778,970	205,607,302
Other operating income	*21*	17,498,643	2,720,670
Other operating expenses	*21*	(2,931,109)	(4,106,114)
OPERATING PROFIT		**70,785,544**	**233,167,883**
Financial income	*22*	30,262,898	6,145,332
Financial expenses	*23*	(103,478,309)	(96,697,163)
(LOSS)/PROFIT BEFORE TAX		**(2,429,867)**	**142,616,052**
Current tax expense	*24*	(2,517,500)	(21,266,153)
- Deferred tax expense	*24*	*(2,517,500)*	*(21,266,153)*
NET (LOSS)/PROFIT FOR THE YEAR		**(4,947,367)**	**121,349,899**
Attribution of (expense)/income for the year			
Non-controlling interest		(2,499,580)	3,347,054
Attributable to equity holders of the parent		(2,447,787)	118,002,845
Net (loss)/profit for the year		**(4,947,367)**	**121,349,899**
Earnings per share (Full TRY)	*25*	**(0.01)**	**0.64**
(LOSS)/PROFIT FOR THE YEAR		**(4,947,367)**	**121,349,899**
OTHER COMPREHENSIVE (EXPENSE)/ INCOME		(71,624,000)	1,586,020
Items to be reclassified to Profit or loss		(71,624,000)	1,586,020
Change in currency translation differences		(71,624,000)	1,586,020
TOTAL COMPREHENSIVE (EXPENSE)/INCOME		**(76,571,367)**	**122,935,919**
Attribution of total comprehensive (expense)/income:			
Non-controlling interest		(2,499,580)	3,347,054
Attributable to equity holders of the parent		(74,071,787)	119,588,865

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2013

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

					Other Comprehensive Income and items to be reclassified to Profit or Loss		Retained Earnings				
	Paid-in Capital	**Adjustment to Share Capital**	**Share Premium**	**Purchase of share of under entity common control**	**Foreign currency translation reserve**	**Restricted reserves allocated Restricted from profit**	**Retained earnings**	**Net profit/(loss) for the year**	**Equity attributable of equity holders of the parent**	**Non controlling interests**	**Total Equity**
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	-	-	-	-	1,586,020	-	-	118,002,845	119,588,865	3,347,054	122,935,919
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	583,862	583,862
Balance as at 31 December 2013	**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**
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	-	-	-	-	(71,624,000)	-	-	(2,447,787)	(74,071,787)	(2,499,580)	(76,571,367)
Balance as at 31 December 2014	**184,000,000**	**317,344**	**58,880,000**	**53,748,727**	**(68,636,240)**	**4,147**	**597,943,704**	**(2,447,787)**	**823,809,895**	**32,410,271**	**856,220,166**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	*Audited* 31 December 2014	*Audited* 31 December 2013
A. Cash flows from operating activities			
Net profit for the year		**(4,947,367)**	**121,349,899**
Adjustments to reconcile profit to cash provided by operating activities:			
Adjustments for depreciation and amortization expense	*10,11*	46,439	51,907
Adjustments for change in provisions for employee termination benefits and unused vacation	*15*	7,271	207,782
Fair value gain on operating investment property, net	*21*	(16,778,970)	(205,607,302)
Adjustments for interest income and expense		22,680,694	22,361,210
Adjustments for foreign currency exchange differences		53,117,690	66,211,412
Adjustments for rent expense accrual		387,929	540,962
Adjustments for tax expense/(income)		2,517,500	21,266,153
		57,031,186	**26,382,023**
Net working capital changes in:			
Trade receivables		(4,907,788)	289,913
Other receivables from operating activities		(186,946)	(2,367,367)
Change in other current and noncurrent assets		3,669,815	(6,427,322)
Trade payables		(7,099,972)	5,997,736
Other payables from operating activities		(8,123,102)	4,994,599
Cash provided from operating activities		**40,383,193**	**28,869,582**
Interest received		241,021	492,118
Employment termination benefit and vacation liability paid		-	(13,175)
Net cash provided from operating activities		**40,624,214**	**29,348,525**
B. Cash flows from investing activities			
Cash outflow from acquisition of property, equipment and intangible assets		(26,437)	(51,666)
Acquisition of investment property		(61,584,827)	(95,790,800)
Net cash used in investment activities		**(61,611,264)**	**(95,842,466)**
C. Cash flows from financing activities			
Proceeds from borrowings		179,235,939	234,786,154
Repayment of financial liabilities		(141,556,142)	(143,698,833)
Change in project, reserve accounts		7,855,264	(7,880,037)
Interest received		477,268	353,077
Interest paid		(23,398,983)	(23,206,405)
Change in non-controlling interests		-	583,862
Net cash provided by financing activities		**22,613,346**	**60,937,818**
Net increase in cash and cash equivalents		**1,626,296**	**(5,556,123)**
Cash and cash equivalents at the beginning of the year	*5*	22,446,202	28,002,325
Cash and cash equivalents at the end of the year	*5*	**24,072,498**	**22,446,202**

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

1. REPORTING ENTITY

Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("the Group" 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 Group 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 Group'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 Group'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 Group 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 Group was enlisted on Istanbul Stock Exchange (ISE) on 11 May 2011.

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

The Group 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 Group and 5% participation of Cüneyt Baltaoğlu as at 31 December 2014.

The Group had 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 Group - and Beneta Limited , the shares of Severnyi Avtovokzal Limited Company ("Severny") of which central office is located in Russia had been taken over by HDI B.V. on 4 September 2013 with the amount of USD 12.975.000. Severny owns 2,010 m^2 land located in the center of Moscow and has construction permit on the land for a hotel project designed with 317 rooms.

1. REPORTING ENTITY (Continued)

The Group had 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 Group.

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

The Group 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 14 (31 December 2013:18) respectively as at 31 December 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 Group and its subsidiaries, Akfen GT and Akfen Karaköy head offices maintain its legal books of account and prepare 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 Communique of CMB, the accompanying consolidated financials are prepared in accordance with Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing standards Authority of Turkey(“POA”). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

The accompanying consolidated financial statements as of 31 December 2014 have been approved by the Group’s Board of Directors on 2 March 2015. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

c. Functional and presentation currency

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

The Group	Functional Currency
Akfen GYO	TRY
Akfen GT	TRY
Akfen Karaköy	TRY
Russian Hotel	Euro
Russian Property	Euro
HDI	Euro

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

d Basis of consolidation

Subsidiaries

The consolidated financial statements of the Group include its subsidiaries, which it controls directly or indirectly. This control is normally evidenced when the Group 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 Group 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 31 December 2014 and 31 December 2013:

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

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.

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 TRY, 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 of in full, the relevant amount in the FCTR is transferred to profit or loss.

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

	31 December 2014	**31 December 2013**
Euro / TRY	2.8207	2.9365
USD / TRY	2.3189	2.1343

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 31 December 2014 are presented comparatively to the financial statements as at 31 December 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 year are given below.

The reclassifications in the Group’s consolidated profit or loss and other comprehensive income for the year ended 31 December 2013 are shown as below;

- TRY 46,967,179 foreign currency exchange loss disclosed in “Finance expense” as of 31 December 2013 has been net-off with foreign currency exchange gain disclosed in “Finance income” in the comparative financial statements.

The reclassification in the Group’s consolidated cash for the year ended 31 December 2013 is as follows;

- The Group has reclassified the following item in the cash flow statement of 31 December 2014 between “Adjustments to reconcile profit to cash provided by operating activities” and “Net working capital changes”. The change in construction cost provisions amounting to TRY 2,752,344 which was previously disclosed under “Adjustments to reconcile profit to cash provided by operating activities” as of 31 December 2013 has been reclassified to “Net working capital changes”.

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 9 - Fair value measurement of investment property

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Note 17 Long Term VAT receivables

The Group classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 17). The Group’s total VAT receivable as of 31 December 2014 is in amount of TRY 31,577,687 (31 December 2013: TRY 33,197.872) and this amounts has been reclassed to non-current based on timing of forecasted income and expense subjected to VAT.

2.3 Changes in accounting policies

The Group, for the current year, 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 Group’s financial statements.

Standards, amendments and interpretations in effect as of 31 December 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.

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.

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.

IFRIC 21, ‘Levies’, effective from annual periods beginning on or after 1 January 2014. This interpretation is on IAS 37, ‘Provisions, contingent liabilities and contingent assets’. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Amendments to IFRS 10, ‘Consolidated financial statements’, IFRS 12 and IAS 27 for investment entities, effective from annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an ‘investment entity’ definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

New IFRS standards, amendments and IFRICs effective after 1 January 2015

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

  - IFRS 2, ‘Share-based payment’
  - IFRS 3, ‘Business Combinations’
  - IFRS 8, ‘Operating segments’
  - IFRS 13, ‘Fair value measurement’
  - IAS 16, ‘Property, plant and equipment’ and IAS 38,‘Intangible assets’
  - Consequential amendments to IFRS 9, ‘Financial instruments’, IAS 37, ‘Provisions, contingent liabilities and contingent assets’, and
  - IAS 39, Financial instruments - Recognition and measurement’

- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycle of the annual improvements project, that affect 4 standards:

  - IFRS 1, ‘First time adoption’
  - IFRS 3, ‘Business combinations’
  - IFRS 13, ‘Fair value measurement’ and
  - IAS 40, ‘Investment property’.

- IFRS 14 ‘Regulatory deferral accounts’, effective from annual periods beginning on or after 1 January 2016. IFRS 14, ‘Regulatory deferral accounts’ permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- Amendments to IAS 27, ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

New IFRS standards, amendments and IFRICs effective after 1 January 2015 (continued)

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- Amendments to IAS 16 'Property,plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

- Amendment to IAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

    - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
    - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
    - IAS 19, 'Employee benefits' regarding discount rates.
    - IAS 34, 'Interim financial reporting' regarding disclosure of information.

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. Income is realized when the economic benefits obtained by the Group and amount of the related income is measured confidingly.

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.

It has been assumed that all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognized in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.4.1.

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

b Investment property under development

Interest costs among the borrowing costs directly related to investment property under construction is included to the cost of the relevant asset. Exchange gains/losses recognise under 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.

2.4.4. Property and equipment

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

Depreciation

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

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

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

Subsequent expenditure

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

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

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

2.4.5 Intangible assets

Intangible assets include computer software. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated amortisation and impairment losses, and intangible assets acquired after 31 December 2004 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.

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 Group 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 Group 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 initially recognised at the value received by deducting transaction costs from the amount of financial liability on the borrowing date. Financial liabilities are measured in the consolidated financial statements from their amortised cost 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.

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 25).

2.4.9 Subsequent events

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

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

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 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.

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

2.4.15 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.

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

2.4.16 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 31 December 2014 and 31 December 2013 the ceiling rates are TRY 3,438 and TRY 3,254, respectively.

2.4.17 Offsetting

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

Presented information as of 31 December 2014, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated 28 May 2013 numbered 28660.

In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated 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 is 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 (i.e. derived from prices) observable data ;
Level 3: Asset or liability is not based on observable market data in relation to the data (non-observable data).

3. 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.

31 December 2014:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	23,774,412	13,818,700	13,418,565	-	51,011,677
Cost of sales	(4,629,719)	(146,648)	(953,579)	-	(5,729,946)
GROSS PROFIT	**19,144,693**	**13,672,052**	**12,464,986**	**-**	**45,281,731**
General administrative expenses	(3,301,525)	(337,035)	(2,204,131)	-	(5,842,691)
Fair value loss on operating investment property, net	(30,468,270)	(9,833,000)	(809,742)	-	(41,111,012)
Fair value (loss)/gain on investment property under construction, net	(1,650,705)	(1,602,149)	61,142,836	-	57,889,982
Other operating income	4,229,414	11	13,269,218	-	17,498,643
Other operating expenses	(278,432)	(17,469)	(2,635,208)	-	(2,931,109)
OPERATING (LOSS)/PROFIT	**(12,324,825)**	**1,882,410**	**81,227,959**	**-**	**70,785,544**
Financial income	20,075,505	1,071,954	9,115,439	-	30,262,898
Financial expenses	(22,785,180)	(1,469,560)	(79,223,569)	-	(103,478,309)
(LOSS)/PROFIT BEFORE TAX	**(15,034,500)**	**1,484,804**	**11,119,829**	**-**	**(2,429,867)**
Current tax (expense)/income	(470,923)	82,072	(2,128,649)	-	(2,517,500)
-Deferred tax (expense)/ income	*(470,923)*	*82,072*	*(2,128,649)*	*-*	*(2,517,500)*
(LOSS)/PROFIT FOR THE YEAR	**(15,505,423)**	**1,566,876**	**8,991,180**	**-**	**(4,947,367)**

31 December 2014:

	Turkey	TRNC	Russia	Elimination	Total
Reportable segment assets	1,214,106,472	221,593,145	290,725,406	(280,475,164)	**1,445,949,859**
Reportable segment liabilities	391,951,657	70,031,559	177,322,495	(49,576,018)	**589,729,693**
Capital expenditures	25,358,413	1,330,150	34,922,701	-	**61,611,264**
Depreciation and amortization expenses	17,658	1,406	27,375	-	**46,439**
Fair value (loss)/gain on investment property, net	(32,118,975)	(11,435,149)	60,333,094	-	**16,778,970**

3. SEGMENT REPORTING *(*Continued*)*

31 December 2013:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	22,998,964	12,004,517	6,258,704	-	41,262,185
Cost of sales	(4,130,132)	(132,163)	(1,076,677)	-	(5,338,972)
GROSS PROFIT	**18,868,832**	**11,872,354**	**5,182,027**	**-**	**35,923,213**
General administrative expenses	(3,740,252)	(340,497)	(2,896,439)	-	(6,977,188)
Fair value gain on operating investment property, net	88,975,655	35,269,281	4,850,881	-	129,095,817
Fair value gain on investment property under construction, net	20,676,950	1,520,373	54,314,162	-	76,511,485
Other operating income	111,750	2,002	2,606,918	-	2,720,670
Other operating expenses	(89,016)	(20,721)	(3,996,377)	-	(4,106,114)
OPERATING PROFIT	**124,803,919**	**48,302,792**	**60,061,172**	**-**	**233,167,883**
Financial income	4,789,490	408,312	947,530	-	6,145,332
Financial expenses	(71,769,198)	(6,667,909)	(18,260,056)	-	(96,697,163)
PROFIT BEFORE TAX	**57,824,211**	**42,043,195**	**42,748,646**	**-**	**142,616,052**
Current tax expense	(3,214,230)	(9,888,351)	(8,163,572)	-	(21,266,153)
-Deferred tax expense	*(3,214,230)*	*(9,888,351)*	*(8,163,572)*	*-*	*(21,266,153)*
PROFIT FOR THE YEAR	**54,609,981**	**32,154,844**	**34,585,074**	**-**	**121,349,899**
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**
Capital expenditures	52,000,518	3,655,346	40,186,601	-	**95,842,465**
Depreciation and amortization expenses	34,813	3,502	13,592	-	**51,907**
Fair value gain on investment property, net	109,652,605	36,789,654	59,165,042	-	**205,607,301**

4. RELATED PARTY DISCLOSURES

4.1. Related party balances

Due to related parties (trade):

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

	31 December 2014	31 December 2013
Akfen İnşaat Turizm ve Ticaret A.Ş.	739,476	751,010
	739,476	**751,010**

4. RELATED PARTY DISCLOSURES (Continued)

As of 31 December 2014 and 31 December 2013, all part of due to related parties consist of the debts to Akfen İnşaat Turizm ve Ticaret A.Ş. related to progress payments of Esenyurt, İzmir ve Adana projects of the Group.

Guarantees given to and provided from related parties are explained in Note 6.

4.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	31 December 2014	31 December 2013
Akfen İnşaat Turizm ve Ticaret A.Ş.	17,666,490	30,740,471
	17,666,490	**30,740,471**

b) Rent expenses

	31 December 2014	31 December 2013
Hamdi Akın	278,344	266,628
	278,344	**266,628**

c) Interest income

	31 December 2014	31 December 2013
Akfen Holding	1,418	187
Akfen İnşaat Turizm ve Ticaret A.Ş.	40	277
	1,458	**464**

d) Interest expenses

	31 December 2014	31 December 2013
Akfen İnşaat Turizm ve Ticaret A.Ş.	29	1,022
Akfen Holding	-	726,236
	29	727,258

e) Remuneration of top management

	31 December 2014	31 December 2013
Remuneration of top management	1,545,123	1,497,236
	1,545,123	**1,497,236**

5. CASH AND CASH EQUIVALENTS

	31 December 2014	**31 December 2013**
Cash on hand	10,967	12,831
Cash at banks	24,061,531	22,433,371
- Demand deposits	*606,568*	*4,829,194*
- Time deposits	*23,454,963*	*17,604,177*
Project, reserve accounts	24,773	7,880,037
Cash and cash equivalents	**24,097,271**	**30,326,239**
Project, reserve accounts	(24,773)	(7,880,037)
Cash and cash equivalents in cash flow statement	**24,072,498**	**22,446,202**

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

Demand deposits

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

	31 December 2014	**31 December 2013**
Euro	287,134	4,661,002
TRY	246,148	26,049
Russian Ruble	69,911	129,341
USD	3,375	12,802
Total demand deposits	**606,568**	**4,829,194**

Time deposits

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

<u>31 December 2014</u>

Bank	**Currency**	**Maturity**	**Interest Rate**	**31 December 2014**
Ziraat Bankası	TRY	January 2015	8.00%	15,700,000
Ziraat Bankası	Euro	January 2015	0.05%	3,793,842
Credit Europe Bank	Euro	January 2015	1.60%	3,660,366
T. İş Bankası	Ruble	January 2015	0.10%	300,755
TOTAL				**23,454,963**

5. CASH AND CASH EQUIVALENTS (Continued)

31 December 2013

Bank	Currency	Maturity	Interest Rate	31 December 2013
Ziraat Bankası	TRY	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.	TRY	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 31 December 2014 and 31 December 2013, the details of project, reserve accounts and interest rates are shown as below:

31 December 2014

Bank	Currency	Maturity	Interest Rate	31 December 2014
Demand deposits				24,773
TOTAL				**24,773**

31 December 2013

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.	TRY	January 2014	5.50%	2,900,000
				7,789,290
Demand deposits				90,747
TOTAL				**7,880,037**

6. FINANCIAL LIABILITIES

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

	31 December 2014	31 December 2013
Current financial liabilities:		
Short-term bank borrowings	31,808,759	8,504,390
Current portion of long-term bank borrowings	85,805,896	83,782,797
Non-current financial liabilities:		
Long-term bank borrowings	400,234,298	408,511,424
Total financial liabilities	**517,848,953**	**500,798,611**

The repayment schedule of financial liabilities is as follows:

	31 December 2014	31 December 2013
Less than one year	117,614,655	92,287,187
Between one and two years	86,194,346	62,613,210
Between two and three years	75,411,577	71,555,995
Between three and four years	58,887,562	75,525,166
Between four and five years	52,339,904	56,981,621
In five years and longer	127,400,909	141,835,432
Total financial liabilities	**517,848,953**	**500,798,611**

31 December 2014:

Currency	Interest rate (%)	Original currency	Current	Non-current	Total
Euro (1)	Euribor + 3.75%	48,154,802	27,425,139	108,405,110	135,830,249
Euro (1)	Euribor + 5.00%	7,580,449	1,813,566	19,568,606	21,382,172
Euro (2)	Euribor + 5.25%	15,166,508	8,931,769	33,848,400	42,780,169
Euro (3)	Euribor + 6,00%	7,117,400	13,494,416	6,581,633	20,076,049
Euro (4)	7.50%	2,124,349	5,992,153	-	5,992,153
TRY (5)	13.20%	28,550,000	28,550,000	-	28,550,000
TRY (6)	13.25%	3,258,759	3,258,759	-	3,258,759
Euro (7)	Euribor + 5.25%	4,046,777	131,943	11,282,800	11,414,743
Euro (8)	Euribor + 4.60%	10,636,254	8,846,433	21,155,250	30,001,683
Euro (9)	Euribor + 6.35%	16,977,570	641,908	47,246,725	47,888,633
Euro (10)	Euribor + 7.00%	7,175,229	2,289,296	17,949,873	20,239,169
Euro (11)	Euribor + 6.50%	10,992,983	3,690,313	27,317,596	31,007,909
Euro (12)	Euribor + 6.50%	6,379,541	2,646,572	15,348,198	17,994,770
Euro (13)	Euribor + 6.50%	8,346,357	2,354,679	21,187,890	23,542,569
Euro (14)	Euribor + 7.35%	22,527,119	-	63,542,245	63,542,245
Euro (15)	Euribor + 6.80%	5,086,567	7,547,709	6,799,972	14,347,681
			117,614,655	**400,234,298**	**517,848,953**

6. 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 (16)	6.95%	3,414,219	10,025,855	-	10,025,855
Euro (4)	7.50%	6,128,036	12,232,893	5,762,085	17,994,978
Euro (8)	Euribor + 4.60%	13,678,952	9,334,991	30,833,250	40,168,241
Euro (9)	Euribor + 6.35%	12,918,738	495,498	37,440,375	37,935,873
Euro (10)	Euribor + 7.00%	7,576,373	1,309,713	20,938,307	22,248,020
Euro (11)	Euribor + 6.50%	11,988,039	3,173,878	32,028,998	35,202,876
Euro (12)	Euribor + 6.50%	7,100,312	2,262,726	18,587,339	20,850,065
Euro (13)	Euribor + 6.50%	8,881,716	1,763,334	24,317,823	26,081,157
Euro (14)	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
TRY (18)	12.00%	3,502,450	3,502,450	-	3,502,450
TRY (19)	13.30%	5,001,940	5,001,940	-	5,001,940
			92,287,187	**408,511,424**	**500,798,611**

(1) The Group signed a loan agreement in amount of Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Group and ACCOR S.A. to develop hotel projects in Turkey. According to loan agreement signed in 2 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 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 Group, are given for the completion guarantee of the related projects. As of 31 December 2013 this guarantee is valid for only Ankara Esenboğa Ibis Hotel. As of December 2014, all projects included in agreement have been constructed.

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

(5) TRY 28,550,000 revolving loans have been used on third quarter of 2014. Sureties of Akfen Holding for the loans are given for the total outstanding loan amounts.

6. FINANCIAL LIABILITIES *(*Continued*)*

(6) TRY 3,250,000 spot loans have been used on June 2014. Sureties of Akfen Holding and Akfen İnşaat for the loans are given for the total outstanding loan amounts.

(7) 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 Group and Euro 4,000,000 loan based on loan agreement has been used as of 31 December 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 Group, are given for the completion guarantee of the related project.

(8) On 29 March 2013, Euro 15,000,000 loan with 5 year maturity has been used. As of 31 December 2014, the loan balance is Euro 10,500,000. 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,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditor.

(9) 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 Group. 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,
- All receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts 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,

(10) The loan has been used for Samara Office in portfolio of Russian Property on 7 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.

6. FINANCIAL LIABILITIES *(Continued)*

(11) As of 31 December 2014, remaining balance of loan that has been used within the scope of agreement signed is 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 Group 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.

(12) As of 31 December 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 Group 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.

(13) As of 31 December 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 Group 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.

(14) 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.

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

(16) On 29 September 2014, the 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, the loan with 2 year maturity has been used. The sureties of Akfen Holding are given for the total outstanding loan amount.

(18) On 31 December 2013, TRY 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, TRY 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.

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

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

	31 December 2014	**31 December 2013**
Trade receivables from third parties	10,939,041	6,031,253
	10,939,041	**6,031,253**

As at 31 December 2014, TRY 3,671,387 (31 December 2013: TRY 3,498,886) and TRY 6,927,249 (31 December 2013: TRY 2,322,541) portions of total trade receivables are comprised of receivables of the Group 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 31 December 2014 and 31 December 2013, short-term trade payables comprise the followings:

	31 December 2014	**31 December 2013**
Trade payables to related parties (1)	721,394	751,010
Trade payables to third parties	3,414,917	10,485,273
-Accruals for construction cost (3)	*2,170,813*	*4,245,285*
- Other trade payables (2)	*724,110*	*5,765,490*
-Other expense accruals	*519,994*	*474,498*
	4,136,311	**11,236,283**

(1) As at 31 December 2014 and 31 December 2013, all amount of trade payables due to related parties consist of debts to Akfen İnşaat related to progress payments of Esenyurt, İzmir ve Adana projects of the Group. The amount has been disclosed in Note 5.

(2) As at 31 December 2014, TRY 571,120 of other trade payables to contractors related to construction works of the Group. As at 31 December 2013, TRY 1,741,461, TRY 1,225,507 and TRY 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 31 December 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.

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

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

	31 December 2014	31 December 2013
Other receivables from third parties	26,155	44,062
	26,155	**44,062**

b) Other non-current receivables

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

	31 December 2014	31 December 2013
Other receivables from third parties	9,853,201	9,668,011
Deposits and guarantees given	131,907	112,244
	9,985,108	**9,780,255**

As at 31 December 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 TRY 7,847,392 (31 December 2013: TRY 7,599,827) and TRY 2,005,809 (31 December 2013: TRY 2,067,929), respectively.

c) Other current payables

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

	31 December 2014	31 December 2013
Taxes and funds payable	1,113,134	466,802
Loan commission accrual	61,716	75,933
Social security premiums payable	28,246	8,818
Other payables	176,717	230,432
	1,379,813	**781,985**

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	31 December 2014	31 December 2013
Operating investment properties	1,046,988,878	1,129,195,631
Investment properties under development	304,902,499	289,703,095
Total	**1,351,891,377**	**1,418,898,726**

Operating investment properties:

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

	31 December 2014	31 December 2013
Opening balance	1,129,195,631	872,850,482
Additions	3,020,655	4,653,059
Transfer from development projects	39,363,705	106,160,792
Foreign currency translation difference	(83,480,101)	16,435,481
Fair value (loss)/gain, net	(41,111,012)	129,095,817
Carrying amount	**1,046,988,878**	**1,129,195,631**

As at 31 December 2014, the transfer from development projects composed of Ankara Esenboğa Ibis Hotel which was completed during the year. As at 31 December 2013, the transfer from development projects composed of İzmir Ibis Hotel and Kaliningrad Ibis Hotel which were completed during the year.

As at 31 December 2014 and 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 Group 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 fits to the lease term for right of tenancy of each hotels is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

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

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

	31 December 2014			31 December 2013		
	Date of appraisal report	**Appraisal report value**	**Fair value**	**Date of appraisal report**	**Appraisal port value**	**Fair value**
Zeytinburnu Novotel and Ibis Hotel	31 December 2014	233,315,000	233,315,000	31 December 2013	247,380,000	247,380,000
Merit Park Hotel	31 December 2014	209,113,000	209,113,000	31 December 2013	218,946,000	218,946,000
Trabzon Novotel	31 December 2014	110,360,000	110,360,000	31 December 2013	96,770,000	96,770,000
Gaziantep Novotel and Ibis Hotel	31 December 2014	58,727,000	58,727,000	31 December 2013	65,317,000	65,317,000
Kayseri Novotel and Ibis Hotel	31 December 2014	54,130,000	54,130,000	31 December 2013	60,817,000	60,817,000
Esenyurt Ibis Hotel	31 December 2014	55,511,000	55,511,000	31 December 2013	57,700,000	57,700,000
Bursa Ibis Hotel	31 December 2014	47,642,000	47,642,000	31 December 2013	54,440,000	54,440,000
İzmir Ibis Hotel	31 December 2014	46,006,000	46,006,000	31 December 2013	46,833,000	46,833,000
Ankara Esenboğa Ibis Hotel	31 December 2014	35,287,000	35,287,000	-	-	-
Adana Ibis Hotel	31 December 2014	39,673,000	39,673,000	31 December 2013	39,500,000	39,500,000
Eskişehir Ibis Hotel and Fitness Center	31 December 2014	14,724,000	14,724,000	31 December 2013	16,948,000	16,948,000
Total		**904,488,000**	**904,488,000**		**904,651,000**	**904,651,000**

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 Group’s management. Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, operating in Russia, owned by RHI have fair values at amounts of TRY 43,656,908, TRY 46,571,123 and TRY 35,547,789 (31 December 2013: Yaroslavl İbis Hotel TRY 69,225,660, Samara İbis Hotel TRY 73,905,562 and Kaliningrad Ibis Hotel TRY 54,880,701) and the discount rate used for appraisals as of 31 December 2014 is 14% (31 December 2013: 12,5%). Samara office project, owned by RPI which has started to operate as at 31 December 2014, has fair value amount of TRY 16,725,060 (31 December 2013: TRY 26,532,708) and the discount rate used for appraisal as of 31 December 2014 is 14% (31 December 2013: 12,5%).

As at 31 December 2014, total insurance amount on operating investment properties is TRY 1,061,411,984 (31 December 2013: TRY 1,086,971,028).

As at 31 December 2014 the pledge amount on operating investment property is TRY 657,223,100 (31 December 2013: TRY 651,168,875).

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

Discount rates used for fair value calculations of operating investment properties in Turkey and Northern Cyprus as of 31 December 2014 and 31 December 2013, are as below:

Name of investment property	Discount rates 31 December 2014	Discount rates 31 December 2013
Zeytinburnu Novotel ve Ibis Hotel	%7.00 and %9.00	%6.75 and %9.25
Merit Park Otel	%8.50 and %10.00	%8.25 and %9.75
Trabzon Novotel	%7.00 and %9.00	%6.75 and %9.25
Kayseri Novotel and Ibis Hotel	%7.00 and %9.25	%6.75 and %9.25
Gaziantep Novotel and Ibis Hotel	%7.00 and %9.00	%6.50 and %9.50
Bursa Ibis Hotel	%7.00 and %9.00	%6.75 and %9.25
Eskişehir Ibis Hotel and Fitness Center	%7.00 and %9.00	%6.75 and %9.25
Adana Ibis Hotel	%7.00 and %9.00	%7.75 and %9.50
Esenyurt Ibis Hotel	%7.00 and %9.00	%7.50 and %9.50
İzmir Ibis Hotel	%7.00 and %9.00	%7.50 and %9.75
Ankara Esenboğa Ibis Hotel	%7.00 and %9.00	%7.75 and %10.25

Investment properties under development:

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

	31 December 2014	31 December 2013
Opening balance	289,703,095	217,494,468
Additions	58,564,172	91,137,741
Currency translation difference	(61,891,045)	10,720,193
Fair value gain	57,889,982	76,511,485
Transfer to operating investment properties	(39,363,705)	(106,160,792)
Carrying amount	**304,902,499**	**289,703,095**

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

	31 December 2014			31 December 2013		
	Date of appraisal report	Appraisal report value	Fair value	Date of appraisal report	Appraisal port value	Fair value
Karaköy Hotel Project	31 December 2014	146,366,000	146,366,000	31 December 2013	132,000,000	132,000,000
Tuzla Ibis Hotel Project	31 December 2014	20,917,000	20,917,000	31 December 2013	16,470,000	16,470,000
Northern Cyprus Bafra Hotel Project	31 December 2014	8,127,000	8,127,000	31 December 2013	8,399,000	8,399,000
Ankara Ibis Hotel Project (*)	-	-	-	31 December 2013	35,270,000	35,270,000
Total		**175,410,000**	**175,410,000**		**192,139,000**	**192,139,000**

(*) It has been transferred to operating investment property.

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

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 Group's management.

Fair value of Moscow Ibis Hotel project of which construction has started in 2 September 2013 belonging to HDI which was corporated in Holland in 2011 of which Akfen GYO has 100% of shares is TRY 129,942,498 as of 31 December 2014 (31 December 2013: TRY 94,155,951) and the discount rate used for appraisal as of 31 December 2014 is %14 (31 December 2013: %15.5). The fair value of other hotel project of HDI which is planned to be developped in Moscow, is composed of the expenditures related to the project and the fair value is TRY 3,408,144 as of 31 December 2013. Land lease agreement has been cancelled by Moscow Government. The suit against Moscow Government has been won by the Group and compensation related to the suit has been collected by the Group on 3 July 2014. Since the project has been cancelled, there is no investment amount in the abalnce shet as of 31 December 2014.

Discount rates used for fair value calculation of investment properties under development as of 31 December 2014 and 31 December 2013 are as below:

Name of investment property	Discount rates 31 December 2014	Discount rates 31 December 2013
Karaköy Hotel Project	%7.00 and %9.00	%7.75 and %9.50
Ankara Esenboğa Ibis Htel(*)	-	%7.75 and %10.25
Tuzla Ibis Hotel Land	Peer Comparison	Peer Comparison
Northern Cyprus Bafra Hotel Project	Peer Comparison	Peer Comparison

(*) It has been transferred to operating investment property.

As at 31 December 2014, total insurance amount on investment properties under development is TRY 136,726,007 (31 December 2013: TRY 115,433,815).

As at 31 December 2014 the pledge amount on investment property under development is TRY 257,388,875 (31 December 2013: TRY 144,622,625).

As at 31 December 2014, directly attributable operating costs incurred for operating investment properties and investment properties under development are TRY 3,441,864 and TRY 2,288,082, respectively (31 December 2013: TRY 3,519,971 and TRY 1,809,001). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

10. PROPERTY AND EQUIPMENT

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

	Equipments	Fumiture 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	-	26,437	-	26,437
Balance at 31 December 2014	**4,688**	**296,923**	**129,583**	**431,194**
Accumulated depreciation				
Balance at 1 January 2013	(1,763)	(198,619)	(58,482)	(258,864)
Depreciation charge for the year	(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 year	(384)	(24,344)	(19,436)	(44,164)
Balance at 31 December 2014	**(2,531)**	**(247,357)**	**(100,676)**	**(350,564)**
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
31 December 2014	2,157	49,566	28,907	80,630

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

As of 31 December 2014, depreciation expenses amounting to TRY 44,164 has been recognized in general administrative expenses (31 December 2013: TRY 47,536).

11. INTANGIBLE ASSETS

As at 31 December 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 31 December 2014	**86,166**
Accumulated amortization	
Balance at 1 January 2013	(37,474)
Charge for the year	(4,371)
Balance at 31 December 2013	**(41,845)**
Balance at 1 January 2014	(41,845)
Charge for the year	(2,275)
Balance at 31 December 2014	**(44,120)**
Net carrying amounts	
1 January 2013	4,077
31 December 2013	44,321
1 January 2014	44,321
31 December 2014	42,046

As of 31 December 2014, amortization expenses amounting to TRY 2,275 has been recognized in administrative expenses (31 December 2013: TRY 4,371).

12. 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.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There is no ongoing or finalized significant lawsuit against the Group as at 31 December 2014 and 31 December 2013.

14. COMMITMENT AND CONTINGENCIES

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

CPM are given by the Group	**31 December 2014**	**31 December 2013**
A. Total amount of CPM is given on behalf of own legal personality	774,057,619	726,295,739
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	245,852,359	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 favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	1,019,909,978	**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 31 December 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 31 December 2014 (31 December 2013: Euro 48,095,744).

Other gurantees given by the shareholders and the alienation of rent revenue which will be generated from the hotels are presented at Note 6.

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

The Group, has given gurantees for the loan used by Russian Property from Credit Europe Bank on 7 August 2013.

The Group, has given gurantees for the loan used by HDI in 2013 from Credit Europe Bank.

14. COMMITMENT AND CONTINGENCIES (Continued)

14.1. The Group as lessee

Operating lease arrangements

As at 31 December 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 12,167 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 starts 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 starts 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 starts 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 TRY 20,436 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.

14. 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 TRY 2,340 per month and TRY 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 m^2, 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 TRY 170,103 for 2014 by yearly increase in ratio of PPI and shall continue till the end of 49^{th} 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 280,000 TRY 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 contains clauses on review of market conditions in the event that the Group exercises its option to renew.

Payments recognized as an expense

	31 December 2014	**31 December 2013**
Lease expenses	4,813,601	4,103,809
	4,813,601	**4,103,809**

As of 31 December 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:

	31 December 2014	**31 December 2013**
Less than one year	3,709,394	1,625,708
Between one and five years	15,765,936	11,948,934
More than five years	171,972,784	139,289,602
	191,448,114	**152,864,244**

14.COMMITMENT AND CONTINGENCIES (Continued)

Accrued rental expenses are given below:

	31 December 2014	**31 December 2013**
Accrued rent expense		
Non-current (Note 17)	3,231,723	3,499,559
Current (Note 17)	1,190,349	534,584
	4,422,072	**4,034,143**

15.2. The Group as lessor

Operating lease arrangements

As at 31 December 2014, the Group has undergone 23 operating lease arrangements as;

- The Group 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 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 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 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 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 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 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 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 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 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 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 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 2016 in Tuzla.

14. 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% guarantees 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 Group 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. received 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 costs related to 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 opens 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:

14. COMMITMENT AND CONTINGENCIES (Continued)

- An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years had 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 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 TRY 15,000.
- The Group 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 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 TRY 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. 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 rooms 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 prolongation 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. 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, 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

14. 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. 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 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 TRY 78,524. The delivery of the rented offices was made in 15 March 2013. According to lease agreement, there is 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 a lease agreement for a fitness center including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 30 June 2015 and the monthly rent revenue for 2013 is approximately TRY 3,622, 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 TRY 49,985, including VAT and rent payment started 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 TRY 19,522, including VAT and rent payment started on 15 April 2014.

As of 31 December 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:

	31 December 2014	**31 December 2013**
Less than one year	25,091,963	26,171,049
Between one and five years	95,637,433	102,746,266
More than five years	250,262,612	285,625,417
	370,992,008	**414,542,732**

14. COMMITMENT AND CONTINGENCIES (Continued)

Memorandum of understanding (“MoU”) signed between Akfen Holding and ACCOR S.A.

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine opens 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 Group is lessor in Turkey are based on MoU.

According to MoU:

- Any sale of a controlling shareholding of the Group 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 Group becomes a publicly listed entity.
- For securitization of further investments, Akfen Holding and ACCOR S.A. agree that the share capital of the Group 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 is 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 had been 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. is 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.
- Untill 31 December 2014, in cities in which projects exist except İstanbul, ACCOR S.A. shall not make any lease agreement and besides any agreement related to operate, manage or franchise hotels under the existing brand with third parties. During the term of present agreement, ACCOR S.A. shall not make lease agreements with third parties offering conditions of rent better than those proposed to Akfen GYO.

15. EMPLOYEE TERMINATION BENEFITS

	31 December 2014	31 December 2013
Provision for vacation pay liability-short term	356,194	360,243
Provision for employee termination benefits-long term	59,832	48,512
	416,026	**408,755**

The provision for employee termination benefits reflects the present value of future liabilities likely to be arisen due to retirement of employees of the Group and calculated according to Labor Act of Turkey. The provision for employee termination benefits are 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 employee termination benefits are the ceiling stipulated by the government for employee termination benefits. The ceilings for employee terminitaion benefits as of 31 December 2014 are 3,438 TRY (31 December 2013: 3,254 TRY), respectively.

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 31 December 2014 and 31 December 2013 the liability is calculated using the following assumptions:

	31 December 2014	31 December 2013
Wage increase rate	6.00%	5.10%
Discount rate	9.00%	10.00%
Net discount rate	2.83%	4.66%
Anticipated retirement turnover rate	88.00%	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:

	31 December 2014	31 December 2013
Opening balance	48,512	18,312
Interest cost	5,385	1,811
Service cost	7,593	37,887
Payment during the year	-	(10,943)
Actuarial (loss)/gain	(1,658)	1,445
Closing balance	**59,832**	**48,512**

15. EMPLOYEE TERMINATION BENEFITS (Continued)

Movement of vacation pay liability is as follows:

	31 December 2014	31 December 2013
Opening balance	360,243	195,836
Payment during the year	-	(2,232)
(Disposals)/Additions during the year	(4,049)	166,639
Closing balance	**356,194**	**360,243**

16. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	31 December 2014	31 December 2013
Prepaid expenses(1)	412,483	1,916,084
Advances given to suppliers	297,574	209,641
Job advances	42,919	37,168
	752,976	**2,162,893**

b) Long term prepaid expenses

	31 December 2014	31 December 2013
Prepaid expenses(1)	7,781,796	3,420,068
Advances given (2)	5,144,011	8,350,271
	12,925,807	**11,770,339**

(1) Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, which had been 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 1 September 2009 for the land in Istanbul, Beyoglu, 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.

(2) As at 31 December 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.

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2014	31 December 2013
VAT carried forward	3,041,534	4,841,810
Prepaid taxes and funds	177,067	168,416
Other	24,382	27,938
	3,242,983	**5,038,164**

b) Other non-current assets

	31 December 2014	31 December 2013
VAT carried forward	31,577,687	33,197,872
	31,577,687	**33,197,872**

c) Other current liabilities

	31 December 2014	31 December 2013
Rent expense accrual (Note 14)	1,190,349	534,584
	1,190,349	**534,584**

d) Other non-current liabilities

	31 December 2014	31 December 2013
Rent expense accrual (Note 14)	3,231,723	3,499,559
	3,231,723	**3,499,559**

18. EQUITY

18.1. Paid in capital

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

Shareholders	(%)	31 December 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 31 December 2014, TRY 9,400,447 – equal to 5.16% of total capital - publicly offered shares are included in Akfen Holding's portion. (31.12.2013 : TRY 9,370,515 – equal to 5.09 % of total capital).

As at 31 December 2014, the issued capital of the Group is TRY 184,000,000 (31 December 2013: TRY 184,000,000). As at 31 December 2014, the issued capital of the Group comprises of 184,000,000 registered units with a nominal value of TRY 1 each (31 December 2013: TRY 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 TRY 9,500,447 portion of which TRY 8,040,787 in 2011, TRY 1,329,728 in 2013 and TRY 129,932 in 2014 were purchased from the publicly available shares in amount of TRY 54,117,500 traded on the Istanbul Stock Exchange on 11 May 2011.

18.2. 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 Group 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.

18. EQUITY (Continued)

18.3. 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 TRY which is recognized in equity.

18.4. Share Premiums

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

18.5. Restricted reserves allocated from profit

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

	31 December 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.

19. REVENUE AND COST OF SALES

For the years ended 31 December 2014 and 2013, sales and cost of sales are as follows:

	31 December 2014	31 December 2013
Rent income	50,974,167	41,232,531
Total income from property rentals	**50,974,167**	**41,232,531**
Income from bank deposits	37,510	29,653
Total income from debt instruments	**37,510**	**29,653**
Total revenue	**51,011,677**	**41,262,185**
Operating lease expenses(1)	(4,297,187)	(3,641,910)
Insurance expenses	(988,287)	(1,027,508)
Taxes and duties expenses	(208,762)	(226,642)
Outsourced service expenses	(143,333)	(381,424)
Others	(92,376)	(61,489)
Total cost of sales	**(5,729,946)**	**(5,338,972)**

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

20. GENERAL ADMINISTRATIVE EXPENSES

For the years ended 31 December 2014 and 2013, administrative expenses are as follows:

	31 December 2014	31 December 2013
Personnel expenses	2,852,996	3,339,260
Consultancy expenses	1,276,158	1,569,869
Outsourced service expenses	604,278	314,752
Operating lease expenses	516,414	461,899
Travel and hosting expenses	198,536	178,480
Tax and duties expenses	160,958	494,008
Advertising expenses	61,188	297,016
Depreciation expense	44,164	47,536
Amortization expense	2,275	4,371
Other	125,724	269,997
Total	**5,842,691**	**6,977,188**

20. GENERAL ADMINISTRATIVE EXPENSES (Devamı)

Personnel expenses

	31 December 2014	31 December 2013
Wages and salaries	2,485,076	2,746,092
Social security premiums	275,552	312,917
Change in employment termination benefit	11,320	41,143
Other	81,048	239,108
Total	**2,852,996**	**3,339,260**

21. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the years ended 31 December 2014 and 2013, other operating incomes are as follows:

Other income	31 December 2014	31 December 2013
Fair value gain on investment property, net	16,778,970	205,607,302
Foreign exchange gain	77,724	57,496
Other income[1]	17,420,919	2,663,174
Total	**34,277,613**	**208,327,972**

[1] As at 31 December 2014, TRY 11,448,406 has been derived from the severance amount received from Moscow government on 3 July 2014 , since the Group won the lawsuit related to Moscow project that the Group is planning to develop in Russia, TRY 457,601 of remaining balance consist 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 TRY 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 31 December 2013, TRY 1,435,843 of other operating income is the income amount derived from cancellation of previous periods' provision provided for receivable from Razveev – ex-owner of Samara Office land belonging to RPI, by collection of that amount in related period. TRY 1,028,561 of remaining amount had been derived from contribution invoice of ACCOR S.A. which is invoiced by RHI to ACCOR S.A. related to furniture and fixtures of Kaliningrad Ibis Otel.

21. OTHER OPERATING INCOME/EXPENSES (Continued)

b) Other operating expenses

For the years ended 31 December 2014 and 2013, other operating expenses are as follows:

	31 December 2014	31 December 2013
Foreign exchange loss	64,716	69,789
Other expense [1]	2,866,933	4,036,325
Total	**2,931,109**	**4,106,114**

(1) As at 31 December 2014, TRY 1,792,865 of other expense is related to advocacy expenses of the ongoing case of Moscow project which the Group is planning to develop in Russia. TRY 480,208 of remaining balance comprised from the expenditures in previous years related to unrealized projects that the Group is planning to develop.

As at 31 December 2013, TRY 931,509 of other expenses is related to the expenditures of Kaliningrad Ibis Hotel project which are not eligible for capitalization. TRY 817,896 of other expense is related to advocacy expenses of the ongoing case of Moscow project which the Group is planning to develop in Russia.

22. FINANCIAL INCOME

For the years ended 31 December 2014 and 2013, financial incomes are as follows:

	31 December 2014	31 December 2013
Foreign exchange gain	29,544,609	5,300,137
Interest income	718,289	845,195
Total	**30,262,898**	**6,145,332**

23. FINANCIAL EXPENSES

For the years ended 31 December 2014 and 2013, financial expenses are as follows:

	31 December 2014	31 December 2013
Foreign exchange loss	80,079,326	73,490,758
Interest expenses	21,242,254	20,279,960
Commission expenses	2,103,845	2,100,687
Expenses for letter of guarantees	43,221	130,827
Other	9,663	694,931
Total	**103,478,309**	**96,697,163**

For the years ended 31 December 2014, the Group has capitalized interest expenses amounting to TRY 6,234,587 on investment properties under development (31 December 2013: TRY 3,299,289).

24. 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 are 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 Group 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 years ended 31 December 2014 and 2013, the main components of tax expenses are as follows:

	31 December 2014	**31 December 2013**
Deferred tax expense	(2,517,500)	(21,266,153)
Total taxation expense	**(2,517,500)**	**(21,266,153)**

The reported taxation charge for the years ended 31 December 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 - 31 December 2014**	**%**	**1 January - 31 December 2013**
Profit / (Loss) for the year		**(2,429,867)**		**142,616,052**
Income tax using the domestic tax (expense)/income rate	(20)	485,972	(20)	(28,523,209)
Tax-exempt (loss)/income (1)	23.72	(576,449)	13.76	8,613,389
Non-deductible expenses	(0.41)	(9,921)	0.04	(36,233)
Effect of different tax rates in foreign Jurisdictions	2.26	(54,841)	0.27	(1,125,420)
Current year loss for which no deferred tax was recognized	29.31	(712,175)	1.36	(337,766)
Investment allowance to be used	72.03	(1,750,217)	0.58	(335,890)
Other	(4.12)	100,131	1.07	478,975
Taxation expense		**(2,517,500)**		**(21,266,153)**

(1) Akfen GYO is exempt from Corporate Tax.

24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Unrecognized deferred tax assets

As at 31 December 2014, Akfen GT and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TRY 11,086,565 (31 December 2013: TRY 8,968,884). The expiry dates of the unrecognized accumulated losses are as follows:

	31 December 2014	31 December 2013	Year of expiry
2009	-	954,322	31 December 2014
2010	-	102,968	31 December 2015
2011	2,459,277	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	3,560,875	-	31 December 2019
	11,086,565	**8,968,884**	

24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Recognized deferred tax assets and liabilities

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

	Deferred tax Assets		**Deferred tax Liabilities**		**Net**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Investment incentive [1]	12,888,155	14,638,372	-	-	12,888,155	14,638,372
Fair value gain on investment property	-	-	(72,283,698)	(82,103,714)	(72,283,698)	(82,103,714)
Financial liabilities	45	3,143	-	-	45	3,143
Tax losses carried forward	388,778	1,133,551	-	-	388,778	1,133,551
Intangible assets	165,011	948,833	(2,295,852)	(1,955,233)	(2,130,841)	(1,006,400)
Other	-	-	(179)	(6,123)	(179)	(6,123)
Deferred tax asset / (liability)	**13,441,989**	**16,723,899**	**(74,579,729)**	**(84,065,070)**	**(61,137,740)**	**(67,341,171)**
Net off tax	(13,053,211)	(15,590,348)	13,053,211	15,590,348	-	-
Net deferred tax asset / (liability)	**388,778**	**1,133,551**	**(61,526,518)**	**(68,474,722)**	**(61,137,740)**	**(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.

25. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the years ended by the weighted average number of shares of the Group during the year. For the year ended 31 December 2014 and 2013, the earnings per share computation are as follows:

	31 December 2014	31 December 2013
Number of shares in circulation		
1 January	184,000,000	184,000,000
The shares issued for cash	-	-
Closing balance	**184,000,000**	**184,000,000**
Weighted average number of shares	184,000,000	184,000,000
Net (loss)/profit for the year	**(2,447,787)**	**118,002,845**
(Loss)/Earnings per share (Full TRY)	(0.01)	0.64

The Group has no diluted earnings.

26. 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.

26. 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 and Russia.

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.

26. 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 optimizing 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 31 December 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 TRY 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 TRY and Euro in balance by pooling/ portfolio model.

Interest rate risk

As at 31 December 2014, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 90% of the Group's bank borrowings have been obtained by floating interest rates.
The Group is also exposed to basis risk for its floating rate borrowings, which is the difference in reprising 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.

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

Capital management

The Group manages its capital by minimizing the investment risk through portfolio diversification. The Group'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.

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

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

	31 December 2014	31 December 2013
Total liabilities	589,729,693	585,734,499
Cash and cash equivalents	(24,097,271)	(30,326,239)
Net liabilities	565,632,422	555,408,260
Equity	856,220,166	932,791,533
Total capital	**1,421,852,588**	**1,488,199,793**
Net liabilities/total sources rate	**40%**	**37%**

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

26.1. Credit risk disclosures

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

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

	Receivables					
	Trade receivables		Other receivables			
31 December 2014	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**10,939,041**	**-**	**10,011,263**	**24,086,304**	**-**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	10,939,041	-	10,011,263	24,086,304	-
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

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

	Receivables					
	Trade receivables		Other receivables			
31 December 2013	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**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 31 December 2014 and 31 December 2013, the Group does not have any financial assets which are overdue but not impaired

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

26.2. Liquidity risk

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

31 December 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	517,848,953	620,337,541	68,487,507	71,007,251	338,310,172	142,532,611
Trade payables	4,136,311	4,136,311	4,136,311	-	-	-
Other payables (other liabilities included)	5,801,885	5,801,885	2,570,162	-	3,231,723	-

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 31 December 2014 and 31 December 2013. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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

26.3. Market risk

a) Foreign currency position table and sensitivity analysis

31 December 2014		**TRY Equivalent**	**USD**	**EURO**	**RUB**	**Other**
Foreign currency position		**(Functional currency)**				
1	Trade receivables	7,106,963	-	-	172,502,348	-
2a	Monetary financial assets (cash and bank accounts included)	8,136,114	2,525	2,750,945	8,996,954	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	229,819	14	17,410	4,385,486	-
4	**Current assets (1+2+3)**	**15,472,896**	**2,539**	**2,768,355**	**185,884,789**	**-**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	8,239,298	-	2,783,182	9,436,525	-
8	**Non-current assets (5+6+7)**	**8,239,298**	**-**	**2,783,182**	**9,436,525**	**-**
9	**Total assets (4+8)**	**23,712,194**	**2,539**	**5,551,537**	**195,321,314**	**-**
10	Trade payables	1,991,556	-	25,592	46,587,480	-
11	Financial liabilities	85,805,896	-	30,420,072	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	1,198,552	-	94,677	22,609,528	-
13	**Short-term liabilities (10+11+12)**	**88,996,004**	**-**	**30,540,341**	**69,197,008**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	400,234,298	-	141,891,835	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	3,152,044	1,359,284	-	-	-
17	**Long-term liabilities (14+15+16)**	**403,386,342**	**1,359,284**	**141,891,835**	**-**	**-**
18	**Total liabilities (13+17)**	**492,382,346**	**1,359,284**	**172,432,176**	**69,197,008**	**-**
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)**	**(468,670,152)**	**(1,356,745)**	**(166,880,639)**	**126,124,306**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(472,788,673)**	**2,525**	**(169,586,553)**	**134,911,823**	**-**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**	**-**

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

31 December 2013		**TRY Equivalent**	**USD**	**EURO**	**RUB**	**Other**
Foreign currency position		**(Functional currency)**				
1	Trade receivables	2,509,297	-	-	38,398,773	-
2a	Monetary financial assets (cash and bank accounts included)	27,016,527	6,031	7,886,475	58,838,862	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	865,436	-	294,718	-	-
4	**Current assets (1+2+3)**	**30,391,260**	**6,031**	**8,181,193**	**97,237,635**	**-**
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)**	**37,999,825**	**6,031**	**10,769,336**	**97,237,635**	**2,416**
10	Trade payables	3,566,550	-	401,480	36,536,548	-
11	Financial liabilities	83,782,797	-	28,531,516	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	767,489	-	42,113	9,852,191	-
13	**Short-term liabilities (10+11+12)**	**88,116,836**	**-**	**28,975,109**	**46,388,740**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	408,511,424	-	139,115,077	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	2,705,143	1,267,462	-	-	-
17	**Long-term liabilities (14+15+16)**	**411,216,567**	**1,267,462**	**139,115,077**	**-**	**-**
18	**Total liabilities (13+17)**	**499,333,403**	**1,267,462**	**168,090,186**	**46,388,740**	**-**
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)**	**(461,333,578)**	**(1,261,431)**	**(157,320,850)**	**50,848,895**	**2,416**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(466,334,947)**	**6,031**	**(160,161,598)**	**60,701,086**	**-**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**	**-**

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

Foreign currency sensitivity analysis

31 December 2014:

	Profit or (loss)		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
10% change of the USD against TRY				
1- Net USD denominated asset/liability	(314,616)	314,616	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(314,616)**	**314,616**	**-**	**-**
4- Net Euro denominated asset/liability	(47,702,021)	47,702,021	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(47,702,021)**	**47,702,021**	**-**	**-**
10% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	519,622	(519,622)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**519,622**	**(519,622)**
TOTAL(3+6+9)	**(47,386,638)**	**47,386,638**	**519,622**	**(519,622)**

As at 31 December 2014, the Group has undiscounted non-cancellable lease receivables amounting TRY 370,992,008 in equivalent of Euro 130,117,000 and Ruble 98,682,565 and non-cancellable undiscounted lease liabilities amounting TRY 39,375,907 in equivalent of total of Euro 1,597,189 and USD 15,002,689 which are not included in the table above and to be recognized in the following periods.

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

31 December 2013:

	Profit or (loss)		Equity	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
10% change of the USD against TRY				
1- Net USD denominated asset/liability	(269,227)	269,227	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(269,227)**	**269,227**	**-**	**-**
4- Net Euro denominated asset/liability	(46,197,268)	46,197,268	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-		
6- Net effect of Euro (4+5)	**(46,197,268)**	**46,197,268**	**-**	**-**
10% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	848	(848)	332,289	(332,289)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**848**	**(848)**	**332,289**	**(332,289)**
TOTAL(3+6+9)	**(46,465,647)**	**46,465,647**	**332,289**	**(332,289)**

As at 31 December 2013, the Group has undiscounted non-cancellable lease receivables amounting TRY 414,542,732 in equivalent of Euro 138,369,000 and Ruble 129,924,412 and non-cancellable undiscounted lease liabilities amounting TRY 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.

26. 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:

	31 December 2014	31 December 2013
Fixed rate instruments		
Financial assets	23,454,962	25,393,467
Financial liabilities	52,148,592	51,555,302
Variable rate instruments		
Financial assets	-	-
Financial liabilities	465,700,361	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 31 December 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
31 December 2014				
Variable rate instruments	(4,657,004)	4,657,004	(4,657,004)	4,657,004
31 December 2013				
Variable rate instruments	(4,492,433)	4,492,433	(4,492,433)	4,492,433

(*) Profit / loss effect is included.

27. INANCIAL INSTRUMENTS

27.1. Fair value risk

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

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

28. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES

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

31 December 2014	Non-controlling interests %	Profit/(loss) for non-controlling interests	Non-controlling interests
Subsidiary			
Akfen Karaköy	30%	498,010	27,841,616

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	31 December 2014	31 December 2013
Cash and cahs equivalents	27,797	7,881,320
Other current assets	445,286	1,736,852
Investment property	146,366,000	132,000,000
Other non-current assets	18,432,390	13,761,490
TOTAL ASSETS	**165,271,473**	**155,379,662**
Short term financial liabilities	641,908	495,498
Other current liabilities	2,778,800	1,653,792
Long term financial liabilities	47,246,725	37,440,375
Other non-current liabilities	21,801,748	21,327,728
TOTAL LIABILITIES	**72,469,181**	**60,917,393**
TOTAL EQUITY	**92,802,292**	**94,462,269**

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

Income table summary:

Akfen Karaköy	**31 December 2014**	**31 December 2013**
PROFIT OR LOSS		
Cost of sales	(1,863,449)	(1,636,629)
GROSS PROFIT	**(1,863,449)**	**(1,636,629)**
General administrative expenses	(317,301)	(615,372)
Other operating (loss)/income	(369,251)	22,847,659
OPERATING (LOSS)/PROFIT	**(2,550,001)**	**20,595,658**
Financial income/(loss), net	1,364,044	(6,064,368)
LOSS/(PROFIT) BEFORE TAX	**(1,185,957)**	**14,531,290**
Current tax expense	(474,020)	(3,286,155)
- Deferred tax expense	(474,020)	(3,286,155)
NET LOSS/(PROFIT) FOR THE YEAR	**(1,659,977)**	**11,245,135**

29. SUBSEQUENT EVENTS

On February 19, 2015 between Akfen GYO and Credit Europe Bank N.V ("Bank"),the loan agreement in amount of Euro 116.000.000 with 10 year maturity having 2 year grace period has been signed for refinancing of our Company’s current loans and financing the investments of ongoing projects. The loan will be used as the loan usage conditions are performed. Discussions with the bank for providing loans with the same conditions to refinance of Akfen GYO’s subsidiaries’ current loans and finance the investments of ongoing projects are still continuing.

Land amalgamation of the Group’s land with 3623 parcel no located in İstanbul, Tuzla, Aydınlı and 427,74 squaremeter parcels (3624 parcel no, 3590 parcel no and 3558 parcel no) belonging to the Treasury around the aforesaid land of the Group has been completed and the related parcels with 427,74 squaremeter area has been purchased from the Treasury in amount of TRY 1.924.830. The transactions regarding title deed transfer were completed in 7 January, 2015.

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

The Group'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**	**31 December 2014**	**31 December 2013**
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	232,262	409,421
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	716,292,000	737,445,000
C	Participations	III-48.1. S/N 24 / (b)	466,823,220	511,336,899
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		26,218,968	28,922,193
D	**Total assets**	III-48.1. S/N 3 / (p)	**1,209,566,450**	**1,278,113,513**
E	Financial liabilities	III-48.1. S/N 31	283,631,976	281,647,741
F	Other financial liabilities	III-48.1. S/N 31	5,777,063	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	920,157,411	988,169,402
	Other liabilities		-	-
D	**Total liabilities and equity**	III-48.1. S/N 3 / (p)	**1,209,566,450**	**1,278,113,513**

	Unconsolidated (separate) other financial information	**Related Regulation**	**31 December 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 TRY / foreign currency	III-48.1. S/N 24 / (b)	225,929	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)	92,581,292	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	871,662,526	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)	-	-

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS *(Continued)*

	Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Year	Previous Year	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%
2	Investment Property, Investment Property Based Projects, Investment Property Based Rights	III-48.1. S/N 24 / (a). (b)	59.22%	57.70%	>51%
3	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	38.61%	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)	38.59%	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	126.18%	106.62%	<500%
8	Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (e)	0.02%	0.03%	<10%
9	Cash and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	0.00%	0.00%	<10%

Presented information, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated 28 May 2013 numbered 28660.

In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

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