

**AKFEN GAYRİMENKUL YATIRIM
ORTAKLIĞI ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION TO ENGLISH OF
STANDALONE 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 Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company"), which comprise the standalone statement of financial position balance sheet as at 31 December 2014 and the standalone statement of profit or loss and other comprehensive income, standalone statement of changes in equity and standalone 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 Standalone Financial Statements

2. The Company's management is responsible for the preparation and fair presentation of these standalone financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of standalone 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 standalone 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 standalone financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone 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 standalone financial statements.

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



Opinion

4. In our opinion, the standalone financial statements present fairly, in all material respects, the financial position of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. 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

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 2 March 2015.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Engin Çubukçu, SMMM
Partner

Istanbul, 2 March 2015

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

TABLE OF CONTENTS		PAGE
STATEMENT OF STANDALONE FINANCIAL POSITION		1-2
STATEMENT OF STANDALONE PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		3
STATEMENT OF STANDALONE CHANGES IN SHAREHOLDERS' EQUITY		4
STATEMENT OF STANDALONE CASH FLOWS		5
NOTES TO THE STANDALONE FINANCIAL STATEMENTS.....		6-55
NOTE 1	REPORTING ENTITY	6
NOTE 2	BASIS OF PREPARATION OF FINANCIAL STATEMENTS	7-19
NOTE 3	RELATED PARTY DISCLOSURES	19-20
NOTE 4	CASH AND CASH EQUIVALENTS	21
NOTE 5	FINANCIAL LIABILITIES.....	22-24
NOTE 6	TRADE RECEIVABLES AND PAYABLES.....	24
NOTE 7	OTHER RECEIVABLES AND PAYABLES.....	25
NOTE 8	FINANCIAL INVESTMENTS.....	26
NOTE 9	INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT	27-29
NOTE 10	PROPERTY AND EQUIPMENT.....	30
NOTE 11	INTANGIBLE ASSETS	31
NOTE 12	GOVERNMENT GRANTS AND INCENTIVES	31
NOTE 13	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	31
NOTE 14	COMMITMENT AND CONTINGENCIES	32-36
NOTE 15	EMPLOYEE BENEFITS	36-37
NOTE 16	PREPAID EXPENSES AND DEFERRED REVENUE	38
NOTE 17	OTHER CURRENT/NON-CURRENT ASSETS AND LIABILITIES	38
NOTE 18	EQUITY	39-40
NOTE 19	REVENUE AND COST OF SALES	40
NOTE 20	GENERAL ADMINISTRATIVE EXPENSES.....	41
NOTE 21	OTHER OPERATING INCOME/EXPENSES.....	41-42
NOTE 22	FINANCIAL INCOME.....	42
NOTE 23	FINANCIAL EXPENSES.....	42
NOTE 24	DEFERRED TAX ASSETS AND LIABILITIES.....	43
NOTE 25	EARNINGS PER SHARE	43
NOTE 26	NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS	44-54
NOTE 27	FINANCIAL INSTRUMENTS.....	55
NOTE 28	SUBSEQUENT EVENTS.....	55

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE FINANCIAL POSITION AS AT 31 DECEMBER 2014

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

ASSETS	Notes	<i>Audited</i> 31 December 2014	<i>Unaudited</i> 31 December 2013
CURRENT ASSETS		4,320,117	4,134,283
Cash and cash equivalents	4	232,262	409,421
Trade receivables	6	3,934,495	3,605,450
- <i>Trade receivables from third parties</i>	6	3,934,495	3,605,450
Other receivables	7	-	1,805
- <i>Other receivables from third parties</i>	7	-	1,805
Prepaid expenses	16	62,455	32,236
Other current assets	17	90,905	85,371
NON-CURRENT ASSETS		894,577,549	910,590,191
Financial investments	8	156,154,435	147,945,964
- <i>Subsidiaries</i>	8	156,154,435	147,945,964
Other receivables	7	101,737	73,593
- <i>Other receivables from third parties</i>	7	101,737	73,593
Investment property	9	716,292,000	737,445,000
Property and equipment	10	44,149	36,540
Intangible assets	11	4,267	6,541
- <i>Other intangible assets</i>	11	4,267	6,541
Prepaid expenses	16	10,687	853,663
Other non-current assets	17	21,970,274	24,228,890
TOTAL ASSETS		898,897,666	914,724,474

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE FINANCIAL POSITION AS AT 31 DECEMBER 2014

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

LIABILITIES	Notes	Audited 31 December 2014	Unaudited 31 December 2013
CURRENT LIABILITIES		99.630.961	78,695,344
Short term financial liabilities	5	31.808.759	8,504,390
Short term portion of long term financial liabilities	5	65.336.695	65,442,657
Trade payables	6	953.935	3,962,599
- <i>Trade payables to related parties</i>	6	721.394	751,010
- <i>Other trade payables to third parties</i>	6	232.541	3,211,589
Other payables	7	110.319	16,161
- <i>Other payables to third parties</i>	7	110.319	16,161
Short term provisions	15	230.904	234,954
- <i>Short term provisions for employee benefits</i>	15	230.904	234,954
Other current liabilities	17	1.190.349	534,583
NON-CURRENT LIABILITIES		189.778.078	211,248,766
Long term financial liabilities	5	186.486.522	207,700,694
Long term provisions	15	59.832	48,512
- <i>Long term provisions for employee benefits</i>	15	59.832	48,512
Other non-current liabilities	17	3.231.724	3,499,560
EQUITY	18	609.488.627	624,780,364
Paid in capital		184,000,000	184,000,000
Adjustment to share capital		317,344	317,344
Share premiums		58,880,000	58,880,000
Restricted reserves allocated from profit		4,147	4,147
Retained earnings		381,578,873	338,686,361
Net (loss)/profit for the year		(15.291.737)	42,892,512
TOTAL EQUITY AND LIABILITIES		898.897.666	914,724,474

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE 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)

PROFIT OR LOSS	Notes	<i>Audited</i> 31 December 2014	<i>Unaudited</i> 31 December 2013
Revenue	19	23,774,412	22,998,964
Cost of sales	19	(2,766,270)	(2,493,503)
GROSS PROFIT		21,008,142	20,505,461
General administrative expenses	20	(2,930,031)	(3,074,923)
Fair value gain on operating investment property, net	21	(27,647,588)	86,805,224
Other operating income	21	126,743	109,895
Other operating expenses	21	(273,296)	(88,814)
OPERATING (LOSS)/PROFIT		(9,716,030)	104,256,843
Financial income	22	17,140,547	2,615,796
Financial expenses	23	(22,716,254)	(63,980,127)
(LOSS)/PROFIT BEFORE TAX		(15,291,737)	42,892,512
Current tax expense		-	-
NET (LOSS)/PROFIT FOR THE YEAR		(15,291,737)	42,892,512
Earnings per share (Full TRY)	25	(0.08)	0.23
(LOSS)/PROFIT FOR THE YEAR		(15,291,737)	42,892,512
OTHER COMPREHENSIVE INCOME		-	-
Items to be reclassified to profit or loss		-	-
Change in currency translation differences		-	-
TOTAL COMPREHENSIVE INCOME		(15,291,737)	42,892,512
Attribution of total comprehensive income:			
Non-controlling interest		-	-
Attributable to equity holders of the parent		(15,291,737)	42,892,512

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

CONVENIENCE TRANSLATION TO ENGLISH OF STANDALONE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Paid in Capital	Adjustment to share capital	Share premiums	Restricted reserves allocated from profit	Retained earnings		Equity Total
					Retained earnings	Net profit/(loss) for the year	
Balance							
as at 1 January 2013	184,000,000	317,344	58,880,000	4,147	305,681,655	33,004,706	581,887,852
Transfers	-	-	-	-	33,004,706	(33,004,706)	-
Total comprehensive income	-	-	-	-	-	42,892,512	42,892,512
Balance							
as at 31 December 2013	184,000,000	317,344	58,880,000	4,147	338,686,361	42,892,512	624,780,364
Balance							
as at 1 January 2014	184,000,000	317,344	58,880,000	4,147	338,686,361	42,892,512	624,780,364
Transfers	-	-	-	-	42,892,512	(42,892,512)	-
Total comprehensive loss	-	-	-	-	-	(15,291,737)	(15,291,737)
Balance							
as at 31 December 2014	184,000,000	317,344	58,880,000	4,147	381,578,873	(15,291,737)	609,488,627

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**STANDALONE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

PROFIT OR LOSS	Notes	<i>Audited</i> 31 December 2014	<i>Unaudited</i> 31 December 2013
A. Cash flows from operating activities			
Net (loss) / profit for the year		(15,291,737)	42,892,512
<i>Adjustments to reconcile profit to cash provided by operating activities:</i>			
Adjustments for depreciation and amortization expense	<i>10, 11</i>	19,682	37,084
Adjustments for change in provisions for employee termination benefits and unused vacation	<i>15</i>	7,270	181,868
Fair value (loss)/gain on operating investment property, net	<i>21</i>	27,647,588	(86,805,224)
Adjustments for interest income and expense		16,090,991	12,168,267
Adjustments for foreign currency exchange differences		(11,014,890)	50,041,982
Adjustments for rent expense accrual		387,930	540,963
		17,846,834	19,057,452
Net working capital changes in:			
Trade receivables		(329,045)	1,547,965
Other receivables from operating activities		(26,339)	73,649
Change in other current and non-current assets		3,065,839	1,206,549
Trade payables		(3,008,664)	1,936,379
Other payables from operating activities		94,158	(186,908)
Cash provided from operating activities		17,642,783	23,635,086
Employee termination benefit and vacation liability paid		-	(13,175)
Net cash provided from operating activities		17,642,783	23,621,911
B. Cash flows from investing activities			
Capital increase of subsidiary	<i>8</i>	(8,208,471)	(13,997,652)
Cash outflow from acquisition of property, equipment and intangible assets	<i>10, 11</i>	(25,017)	(16,047)
Acquisition of investment property	<i>9</i>	(6,494,588)	(34,958,776)
Net cash used in investment activities		(14,728,076)	(48,972,475)
C. Cash flows from financing activities			
Proceeds from borrowings		138,431,325	118,238,167
Repayment of financial liabilities		(125,432,200)	(81,078,375)
Interest paid		(16,121,257)	(12,168,267)
Interest received		30,266	-
Net cash provided by financing activities		(3,091,866)	24,991,525
Net increase in cash and cash equivalents		(177,159)	(359,039)
Cash and cash equivalents at the beginning of the year	<i>4</i>	409,421	768,460
Cash and cash equivalents at the end of the year	<i>4</i>	232,262	409,421

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

1. REPORTING ENTITY

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

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

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

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

The Company and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russian Property Investments BV ("Russian Property" or "RPI") on 21 September 2007 and 3 January 2008 respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. On 29 July 2011, Akfen GT, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russian Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 December 2014.

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

The Company 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 Company.

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

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a. *Statement of compliance*

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

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

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

b. *Compliance with TAS*

According to the Communique of CMB, the accompanying standalone 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 Company’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 statute.

c. *Functional and presentation currency*

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

d. *Basis of consolidation*

Subsidiaries

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

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Foreign currency

Foreign currency transaction

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

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

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

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

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

Standalone financial statements as at 31 December 2014 are presented comparatively to the standalone financial statements as at 31 December 2013.

2.1. Accounting estimates

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

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

Note 9 - Fair value measurement of investment property

Note 17 Long Term VAT receivables

The Company, classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 17). The Company's total VAT receivable as of 31 December 2014 is in amount of TRY 21,970,274 (31 December 2013: TRY 24,228.890) and this amounts has been reclassified to non-current based on timing of forecasted income and expense subjected to VAT.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

2.3 Changes in accounting policies

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

2.3.1 *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, 2014 or after this date. These amendments are provided for assisting the application of TAS 32 “Financial Instruments: Presentation” and outline some matters necessary for offsetting financial assets and financial liabilities in the balance sheet. This amendment has no effect on the Company’s financial statements.

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

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

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

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.

2.3.2 *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’

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

- 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 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.
- 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.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

- 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.

The Company will evaluate and apply the effects of the amendments stated above to its operations after 1 January 2015.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

2.4 Summary of significant accounting policies

Significant accounting policies used in the preparation of the standalone 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 Company and amount of the related income is measured confidently.

2.4.2 Offsetting

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

2.4.3 Investment property

a Operating investment properties

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

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

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.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

b Investment property under development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment property. Fair values of the Company's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Company's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Company management. 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 are recognized under income statement.

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

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.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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

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

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

2.4.7. *Financial instruments*

Classification

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

i) Loans and receivables

Loans and receivables are financial assets having a fixed or certain amount of payment, which are not traded on an active market and not being derivative instruments. If their due date is shorter than 12 months as of the balance sheet date, they are classified as current assets, but if their due date is longer than 12 months, then they are classified as fixed assets.

Trade receivables mainly consisted of receivables arisen from lease transactions based on lease contracts of real estates.

Recognition and Measurement

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

Trade receivables and liabilities

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

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

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Financial liabilities and borrowing cost

Financial liabilities are initially reconized at the value received by deducting transaction costs from the amount of financial liability on the borrowing date. Financial liabilities are measured in the financial statements from their amortized cost using effective interest rate on subsequent dates.

Cash and cash equivalents

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

ii) **Share capital**

Ordinary shares

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

2.4.8 Earnings per share

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

2.4.9 Subsequent events

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

- those that provide evidence of conditions that existed on the 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, Company’s financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

2.4.10 *Provisions, contingent liabilities and contingent assets*

A provision is recognized when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. If the inflow of economic benefits is probable contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and income statement effect has been recognized in the financial statements at the relevant period that income change effect occurs.

2.4.11 *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

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

The Company as lessee

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

2.4.12 *Related parties*

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

2.4.13 *Segment reporting*

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

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

2.4.14 *Government grants and incentives*

None.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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.

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

2.4.16 *Employee termination benefits / reserve for employee termination benefits*

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

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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).

Fair values of investment properties are within the scope of level 2 based on pure comparison and level 3 based on income discount method which is methods of appraisal. The movement table showing the changes in fair values is given in Note 9.

3. RELATED PARTY DISCLOSURES

3.1. Related party balances

Due to related parties (trade):

	31 December 2014	31 December 2013
Akfen İnşaat Turizm ve Ticaret A.Ş.	721,394	751,010
	721,394	751,010

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 5.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

3. RELATED PARTY DISCLOSURES (Continued)

3.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	31 December 2014	31 December 2013
Akfen İnşaat Turizm ve Ticaret A.Ş.	2,909,555	16,278,864
	2,909,555	16,278,864

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 Gayrimenkul Ticareti ve İnşaat A.Ş.	1,497,737	106,433
Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.	334,457	37,528
Akfen Holding	-	586,199
	1,832,194	730,159

e) Remuneration of top management

	31 December 2014	31 December 2013
Remuneration of top management	1,199,766	1,032,748
	1,199,766	1,032,748

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

4. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash on hand	6,333	10,856
Cash at banks	225,929	398,565
- <i>Demand deposits</i>	225,929	48,565
- <i>Time deposits</i>	-	350,000
Cash and cash equivalents in cash flow statement	232,262	409,421

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
TRY	211,103	21,124
Euro	14,817	27,441
USD	9	-
Total demand deposits	225,929	48,565

Time deposits

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

5. 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	65,336,695	65,442,657
Non-current financial liabilities:		
Long-term bank borrowings	186,486,522	207,700,694
Total financial liabilities	283,631,976	281,647,741

The repayment schedule of financial liabilities is as follows:

	31 December 2014	31 December 2013
Less than one year	97,145,454	73,947,047
Between one and two years	60,294,311	43,309,577
Between two and three years	49,864,756	48,253,786
Between three and four years	33,480,015	50,453,408
Between four and five years	17,405,951	33,396,014
In five years and longer	25,441,489	32,287,909
Total financial liabilities	283,631,976	281,647,741

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)	7.50%	2,124,349	5,992,153	-	5,992,153
Euro (4)	Euribor + 6.00%	7,117,400	13,494,416	6,581,633	20,076,049
Euro (5)	Euribor + 5.25%	4,046,777	131,943	11,282,800	11,414,743
TRY (6)	13.20%	28,550,000	28,550,000	-	28,550,000
TRY (7)	13.25%	3,258,759	3,258,759	-	3,258,759
Euro (8)	6.80%	5,086,567	7,547,709	6,799,973	14,347,682
			97,145,454	186,486,522	283,631,976

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

5. FINANCIAL LIABILITIES (Continued)

31 December 2013:

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

(1) The Company signed a loan agreement amounting of Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding (“MoU”) signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. According to loan agreement signed in 02 November 2012, the interest rate of loans to be issued for Ankara Esenboğa Ibis Hotel project is Euribor + 5%. The interest rates of the loans issued for other projects under the loan agreement has 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 Company, 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.

(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 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.

(4) 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.

(5) Loan agreement with 20 March 2014 date and Euro 10,000,000 limit has been signed for financing of 200 room Tuzla Ibis Hotel in portfolio of the Company and Euro 4,000,000 loan based on loan agreement has been used as of 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 and Akfen İnşaat, the shareholders’ of the Company, are given for the completion guarantee of the related project.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

5 FINANCIAL LIABILITIES (Continued)

- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) On 30 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.
- (11) 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.
- (12) 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

6. 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	3,934,495	3,605,450
	3,934,495	3,605,450

As at 31 December 2014, TRY 3,671,387 (31 December 2013: TRY 3,498,886) portion of total trade receivables are comprised of receivables of the Company from Tamaris Turizm A.Ş. - operator of the hotels.

b) Short-term trade payables

As at 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	232,541	3,211,589
- <i>Other expense accruals</i>	184,876	131,195
- <i>Other trade payables</i>	47,665	292,335
- <i>Accruals for construction cost</i> ⁽²⁾	-	2,788,059
	953,935	3,962,599

(1) As at 31 December 2014 and 31 December 2013, all amount of trade payables due to related parties consist of the debts to Akfen İnşaat related to progress payments of Esenyurt, İzmir ve Adana projects of the Company. The amount has been disclosed in Note 3.

(2) As at 31 December 2014 there is no accrual for construction cost and as at 31 December 2013 accruals for construction costs are consist of the progress invoices related with the ongoing projects of Ankara Esenboğa and Karaköy.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

7. 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	-	1,805
	-	1,805

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
Deposits and guarantees given	101,737	73,593
	101,737	73,593

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	66,351	-
Social security premiums payable	25,398	-
Loan commission accrual	18,570	16,161
	110,319	16,161

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

8. FINANCIAL INVESTMENTS

Subsidiaries

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

	Ownership ratio (%)	31 December 2014	Ownership ratio (%)	31 December 2013
Akfen GT	100	121,000,000	100	118,407,688
HDI	100	23,114,779	100	17,498,620
Akfen Karaköy	70	12,039,656	70	12,039,656
Total		156,154,435		147,945,964

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

	Akfen GT	HDI	Akfen Karaköy	Total
Opening balance, 1 January 2013	117,969,776	3,938,880	12,039,656	133,948,312
Capital in advance payment	437,912	13,559,740	-	13,997,652
Closing balance, 31 December 2013	118,407,688	17,498,620	12,039,656	147,945,964
Opening balance, 1 January 2014	118,407,688	17,498,620	12,039,656	147,945,964
Capital in advance payment	2,592,312	5,616,159	-	8,208,471
Closing balance, 31 December 2014	121,000,000	23,114,779	12,039,656	156,154,435

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	31 December 2014	31 December 2013
Operating investment properties	695,375,000	685,705,000
Investment properties under development	20,917,000	51,740,000
Total	716,292,000	737,445,000

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	685,705,000	545,633,000
Additions	774,565	1,076,340
Transfer from development projects	39,363,705	50,020,005
Fair value (loss)/ gain, net	(30,468,270)	88,975,655
Carrying amount	695,375,000	685,705,000

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 which was completed during the period.

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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 are as follows:

	31 December 2014			31 December 2013		
	Date of Appraisal report	Appraisal report value	Fair value	Date of Appraisal report	Appraisal report value	Fair value
Zeytinburnu Novotel and Ibis Hotel	31 December 2014	233,315,000	233,315,000	31 December 2013	247,380,000	247,380,000
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
Esenyurt Ibis Hotel	31 December 2014	55,511,000	55,511,000	31 December 2013	57,700,000	57,700,000
Kayseri Novotel and Ibis Hotel	31 December 2014	54,130,000	54,130,000	31 December 2013	60,817,000	60,817,000
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		695,375,000	695,375,000		685,705,000	685,705,000

As at 31 December 2014, total insurance amount on operating investment properties is TRY 508,699,096 (31 December 2013: TRY 511,567,265).

As at 31 December 2014 the pledge amount on operating investment property is TRY 538,753,700 (31 December 2013: TRY 527,835,875).

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

Name of investment property	Discount rates	Discount rates
	31 December 2014	31 December 2013
Zeytinburnu Novotel ve Ibis Hotel	%7.00 and %9.00	%6.75 and %9.25
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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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	51,740,000	70,048,000
Additions	5,720,023	33,882,436
Fair value gain / (loss)	2,820,682	(2,170,431)
Transfer to operating investment properties	(39,363,705)	(50,020,005)
Carrying amount	20,917,000	51,740,000

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

Investment property	31 December 2014			31 December 2013		
	Date of appraisal report	Appraisal report value	Fair value	Date of appraisal report	Appraisal report value	Fair value
Tuzla Ibis Hotel Project	31 December 2014	20,917,000	20,917,000	31 December 2013	16,470,000	16,470,000
Ankara Ibis Hotel Project (*)	31 December 2014	-	-	31 December 2013	35,270,000	35,270,000
Total		20,917,000	20,917,000		51,740,000	51,740,000

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

As at 31 December 2014, fair values of investment properties under constructions in Turkey are composed of appraisal values of related projects as at 31 December 2013 and 31 December 2014.

Since construction of Tuzla Ibis Hotel project has not started yet, there is no insurance on investment properties under construction (31 December 2013: TRY 22,611,050).

As at 31 December 2014 the pledge amount on investment property under development is TRY 42,310,000 (31 December 2013: TRY 33,035,625).

As at 31 December 2014, directly attributable operating costs incurred for operating investment properties and investment properties under development are TRY 2,742,851 and TRY 23,419, respectively (31 December 2013: TRY 2,446,988 and TRY 46,515). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

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

Name of investment property	Discount rates 31 December 2014	Discount rates 31 December 2013
Ankara Esenboğa Ibis Htel(*)	-	%7.75 and %10.25
Tuzla Ibis Hotel Land	Peer Comparison	Peer Comparison

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

10. PROPERTY AND EQUIPMENT

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

	Equipments	Furniture and fixtures	Total
Cost value			
Balance at 1 January 2013	4,688	216,635	221,323
Acquisitions	-	7,050	7,050
Balance at 31 December 2013	4,688	223,685	228,373
Cost value			
Balance at 1 January 2014	4,688	223,685	228,373
Acquisitions	-	25,017	25,017
Balance at 31 December 2014	4,688	248,702	253,390
Accumulated depreciation			
Balance at 1 January 2013	(1,763)	(159,163)	(160,926)
Depreciation charge for the year	(384)	(30,523)	(30,907)
Balance at 31 December 2013	(2,147)	(189,686)	(191,833)
Balance at 1 January 2014	(2,147)	(189,686)	(191,833)
Depreciation charge for the year	(384)	(17,024)	(17,408)
Balance at 31 December 2014	(2,531)	(206,710)	(209,241)
Net carrying amount			
1 January 2013	2,925	57,472	60,397
31 December 2013	2,541	33,999	36,540
1 January 2014	2,541	33,999	36,540
31 December 2014	2,157	41,992	44,149

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 17,408 has been recognized in general administrative expenses (31 December 2013: TRY 30,907).

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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	41,195
Additions	8,997
Balance at 31 December 2013	50,192
Balance at 1 January 2014	50,192
Additions	-
Balance at 31 December 2014	50,192
Accumulated amortization	
Balance at 1 January 2013	(37,474)
Charge for the year	(6,177)
Balance at 31 December 2013	(43,651)
Balance at 1 January 2014	(43,651)
Charge for the year	(2,274)
Balance at 31 December 2014	(45,925)
Net carrying amounts	
1 January 2013	3,721
31 December 2013	6,541
1 January 2014	6,541
31 December 2014	4,267

As of 31 December 2014, amortization expenses amounting to TRY 2,274 has been recognized in administrative expenses (31 December 2013: TRY 6,177).

12. GOVERNMENT GRANTS AND INCENTIVES

None.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

14. COMMITMENT AND CONTINGENCIES

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

CPM are given by the Company	31 December 2014	31 December 2013
A.Total amount of CPM is given on behalf of own legal personality	625,954,869	563,303,989
B.Total amount of CPM is given in favour of subsidiaries which are fully consolidated	245,707,657	150,379,329
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D.Total Amount of other CPM	-	-
i. Total amount of CPM is given in favour of parent company	-	-
ii. Total amount of CPM is given in favour of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favour of third party which C doesn't include	-	-
	871,662,526	713,683,318

Total original amount of foreign currency denominated CPM given on behalf of the Company's own legal personality are Euro 221,000,000 and USD 800,000 as at 31 December 2014 (31 December 2013: Euro 191,000,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 86,294,444 as at 31 December 2014 (31 December 2013: Euro 48,044,444).

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

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

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

14.1. The Company as lessee

Operating lease arrangements

As at 31 December 2014, the Company has undergone 7 operating lease arrangements as lessee;

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

14. COMMITMENT AND CONTINGENCIES (Continued)

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

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

Payments recognized as an expense

	31 December 2014	31 December 2013
Lease expenses	2,448,768	2,273,220
	2,448,768	2,273,220

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

	31 December 2014	31 December 2013
Less than one year	1,408,512	995,208
Between one and five years	6,661,174	5,864,452
More than five years	75,367,729	71,503,817
	83,437,415	78,363,477

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

14. COMMITMENT AND CONTINGENCIES (Continued)

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

	31 December 2014	31 December 2013
Accrued rent expense		
Non-current (Note 17)	3,231,724	3,499,560
Current (Note 17)	1,190,349	534,583
	4,422,073	4,034,143

14.2. The Company as lessor

Operating lease arrangements

As at 31 December 2014, the Company has undergone 13 operating lease arrangements as;

- The Company signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Company signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Company signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Company signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Company signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- The Company signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Company signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Company signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Company signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Company 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.
- The Company signed a rent agreement with ACCOR S.A. on 1 March 2014 to lease a hotel which is planned to complete and starts its operations in 2015 in Tuzla.

All of the eleven 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 Company fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to Euro 750,000.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

14. COMMITMENT AND CONTINGENCIES (Continued)

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

AGOP is calculated as deduction of the Gross Operating Profit (“GOP”) corresponds to operational costs borne by ACCOR S.A. and costs 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 Company has additional seven operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The Company 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 Company signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TRY 3,000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI. VAT excluded monthly rent amount for the year 2014 is TRY 5,550.

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%.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

14. COMMITMENT AND CONTINGENCIES (Continued)

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

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

According to MoU amendment signed in December 2012 which 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.
- Until 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	230,904	234,954
Provision for employee termination benefits-long term	59,832	48,512
	290,736	283,466

In accordance with TAS 19 "Employee Benefits", it is required to use actuarial valuation methods in estimating the liability related with current retirement plans of the Company. The Company has calculated the provision for employee termination indemnity using the "Projected Unit Cost Method" in accordance with TAS 19 and based on its experience in the personnel service period completion and obtaining the termination indemnity right and reflected in the financial statements. Provision for employee termination indemnity is calculated by taking into account the net present value of the total amount of the liability arising due to retirement of all employees.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

15. EMPLOYEE TERMINATION BENEFITS (Continued)

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	85.00%	85.00%

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

Movement of provision for employee termination benefits is as follows:

	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

Movement of vacation pay liability is as follows:

	31 December 2014	31 December 2013
Opening balance	234,954	96,461
Payment during the year	-	(2,232)
(Disposals)/Additions during the year	(4,050)	140,725
Closing balance	230,904	234,954

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

16. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	31 December 2014	31 December 2013
Prepaid expenses	52,979	-
Job advances	8,649	4,766
Advances given to suppliers	827	27,470
	62,455	32,236

b) Long term prepaid expenses

	31 December 2014	31 December 2013
Prepaid expenses	10,687	15,460
Advances given ⁽¹⁾	-	838,203
	10,687	853,663

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

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2014	31 December 2013
Prepaid taxes and funds	90,905	85,224
Other	-	147
	90,905	85,371

b) Other non-current assets

	31 December 2014	31 December 2013
VAT carried forward	21,970,274	24,228,890
	21,970,274	24,228,890

c) Other current liabilities

	31 December 2014	31 December 2013
Rent expense accrual (Note 14)	1,190,349	534,583
	1,190,349	534,583

d) Other non-current liabilities

	31 December 2014	31 December 2013
Rent expense accrual (Note 14)	3,231,724	3,499,560
	3,231,724	3,499,560

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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
Mustafa Ceyhan	-	-	-	-
Akınısı Makina Sanayi ve Tic. AŞ	0.02	43,513	0.02	43,513
Akfen İnşaat	<0.001	2	<0.001	2
Mehmet Semih Çiçek	<0.001	1	<0.001	1
Mustafa Dursun Akın	<0.001	1	<0.001	1
Ahmet Seyfi Usluoğlu	<0.001	1	<0.001	1
Total		184,000,000		184,000,000
Restatement effect		317,344		317,344
Restated capital		184,317,344		184,317,344

⁽¹⁾ As of 31 December 2014, TRY 9,500,447 – 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 Company is TRY 184,000,000 (31 December 2013: TRY 184,000,000). As at 31 December 2014, the issued capital of the Company 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 9,370,515 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. 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.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

18. EQUITY (Continued)

18.3. 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 Company’s historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

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

19. REVENUE AND COST OF SALES

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

	31 December 2014	31 December 2013
Rent income	23,736,902	22,969,311
Total income from property rentals	23,736,902	22,969,311
Income from bank deposits	37,510	29,653
Total income from debt instruments	37,510	29,653
Total revenue	23,774,412	22,998,964
Operating lease expenses ⁽¹⁾	(2,061,109)	(1,912,907)
Insurance expenses	(650,975)	(529,184)
Taxes and duties expenses	(51,433)	(40,566)
Outsourced service expenses	(301)	(7,745)
Others	(2,452)	(3,101)
Total cost of sales	(2,766,270)	(2,493,503)

⁽¹⁾ Operational lease expenses include rent expense accruals in the year belonging to rented lands of the hotels and the projects in the Company’s portfolio.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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	1,524,945	1,643,087
Outsourced service expenses	561,037	269,186
Operating lease expenses	387,659	360,313
Consultancy expenses	171,525	208,572
Travel and hosting expenses	113,556	98,251
Advertising expenses	43,881	288,395
Tax and duties expenses	33,485	53,937
Depreciation expense	17,408	30,907
Amortization expense	2,274	6,177
Other	74,261	116,098
Total	2,930,031	3,074,923

Personnel expenses

	31 December 2014	31 December 2013
Wages and salaries	1,351,609	1,285,850
Social security premiums	115,435	135,929
Change in employment termination benefit (Note 15)	11,320	41,143
Other	46,581	180,165
Total	1,524,945	1,643,087

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
Foreign exchange gain	77,724	57,496
Other income	49,019	52,399
Fair value gain on investment property, net	-	86,805,224
Total	126,743	86,915,119

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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
Fair value loss on investment property, net	27,647,588	-
Foreign exchange loss	64,716	69,789
Other expense	209,120	19,025
Total	27,920,884	88,814

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	17,110,281	2,615,796
Interest income	30,266	-
Total	17,140,547	2,615,796

23. FINANCIAL EXPENSES

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

	31 December 2014	31 December 2013
Interest expenses	14,300,302	10,952,649
Foreign exchange loss	6,594,997	51,811,860
Commission expenses	1,771,774	490,872
Expenses for letter of guarantees	39,518	40,642
Other	9,663	684,104
Total	22,716,254	63,980,127

For the years ended 31 December 2014, the Company has capitalized interest expenses amounting to TRY 1,613,851 on investment properties under development (31 December 2013: TRY 901,753).

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

24. DEFERRED TAX ASSETS AND LIABILITIES

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

25. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the years ended by the weighted average number of shares of the Company 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	(15,291,737)	42,892,512
(Loss)/Earnings per share (Full TRY)	(0.08)	0.23

The company has no diluted earnings.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) *General*

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

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

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

The Company’s risk management vision is defined as, identifying variables and uncertainties that will impact the Company’s objectives, conducting proactively and managing through the most appropriate steps, supervising the implementation of steps in line with the shareholders’ risk preference.

Corporate Risk Management activities are executed within the Company as a whole in the following fields:

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

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

(ii) *Credit risk*

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

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

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

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

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

(iii) *Market risk*

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

Currency risk

The Company is exposed to currency risk on various foreign currency denominated income and expenses and resulting receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of Company entities.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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

As at 31 December 2014, the companies in the Company have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the financial statements.

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

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

Interest rate risk

As at 31 December 2014, the Company's operations are subject to the risk of interest rate fluctuations to the extent that 81.6% of the Company's bank borrowings have been obtained by floating interest rates.

The Company 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 Company's business strategies.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

(iv) *Liquidity risk*

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

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

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

(v) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company’s operations.

The Company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Capital management

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

The Company’s goals for capital management are to provide return to its members and benefit to other stakeholders besides to have the Company to protect its ability for conducting its activity for preserving the most suitable capital structure to reduce the cost of capital.

For preserving its capital structure or reorganizing it, the Company determines dividend amounts to be paid to members, may issue new shares and may sell assets to restrict borrowings.

As of 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	289,409,039	289,944,110
Cash and cash equivalents	(232,262)	(409,421)
Net liabilities	289,176,777	289,534,689
Equity	609,488,627	624,780,364
Total capital	898,665,404	914,315,053
Net liabilities/total sources rate	32%	32%

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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:

	<u>Receivables</u>				Deposits on banks	Other
	<u>Trade receivables</u>		<u>Other receivables</u>			
	Related party	Third party	Related party	Third party		
31 December 2014						
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	3,934,495	-	101,737	225,929	-
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A.Net carrying value of financial assets which are neither impaired nor overdue	-	3,934,495	-	101,737	225,929	-
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	-	-	-	-	-	-

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

26.2. Liquidity risk

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

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	283,631,976	280,162,005	22,949,073	50,708,337	178,523,699	27,980,896
Trade payables	953,935	953,935	953,935	-	-	-
Other payables (other liabilities included)	4,532,392	4,532,392	1,300,668	-	3,231,724	-

31 December 2013:

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

The Company does not have any derivative financial liabilities as at 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.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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	GBP	Other
Foreign currency position		(Functional currency)				
1	Trade receivables	-	-	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	17,774	1,073	5,419	-	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,220	12	422	-	-
4	Current assets (1+2+3)	18,994	1,085	5,841	-	-
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	Non-current assets (5+6+7)	-	-	-	-	-
9	Total assets (4+8)	18,994	1,085	5,841	-	-
10	Trade payables	-	-	-	-	-
11	Financial liabilities	65,336,695	-	23,163,291	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	267,057	-	94,678	-	-
13	Short-term liabilities (10+11+12)	65,603,752	-	23,257,969	-	-
14	Trade payables	-	-	-	-	-
15	Financial liabilities	186,486,522	-	66,113,561	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	3,152,044	1,359,284	-	-	-
17	Long-term liabilities (14+15+16)	189,638,566	1,359,284	66,113,561	-	-
18	Total liabilities (13+17)	255,242,318	1,359,284	89,371,530	-	-
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)	(255,223,324)	(1,358,199)	(89,365,689)	-	-
	Net foreign currency position of monetary assets / (liabilities)					
21	(1+2a+5+6a-10-11-12a-14-15-16a)	(251,805,443)	1,073	(89,271,433)	-	-
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	-	-	-	-	-

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

Foreign currency sensitivity analysis

31 December 2014:

	Profit or (loss)	
	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TRY		
1- Net USD denominated asset/liability	(314,953)	314,953
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	(314,953)	314,953
4- Net Euro denominated asset/liability	(25,207,380)	25,207,380
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	(25,207,380)	25,207,380
10% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	-	-
8- Hedged portion of TRY against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	-	-
TOTAL(3+6+9)	(25,522,333)	25,522,333

31 December 2013

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

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 Company’s interest-bearing financial instruments is as follows:

	31 December 2014	31 December 2013
Fixed rate instruments		
Financial assets	-	350,000
Financial liabilities	52,148,592	51,555,302
Variable rate instruments		
Financial assets	-	-
Financial liabilities	231,483,384	230,092,439

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

As at 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 are as 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.

	<u>Profit or (loss)</u>		<u>Equity^(*)</u>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2014				
Variable rate instruments	(2,314,834)	2,314,834	(2,314,834)	2,314,834
31 December 2013				
Variable rate instruments	(2,300,924)	2,300,924	(2,300,924)	2,300,924

(*) Profit / loss effect is included.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

27. FINANCIAL INSTRUMENTS

27.1. Fair value risk

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

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

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

Financial assets

The Company assumes that the carrying value of cash equivalents are close to their fair value because of their short-term nature and insignificant amount of impairment risk. Trade receivables after netting the allowance for doubtful receivables are close to their fair value due to short-term nature.

Financial liabilities

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

28. SUBSEQUENT EVENTS

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, Aydınli 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.