AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION TO ENGLISH OF STANDALONE FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 31 MARCH 2015 (ORIGINALLY ISSUED IN TURKISH)

TABLE OF CONTENTS **PAGE**

STATEMENT OF FINANCIAL POSITION		**1-2**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		**3**
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		**4**
STATEMENT OF CASH FLOWS		**5**
NOTES TO THE 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	24-25
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 MARCH 2015

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

ASSETS	**Notes**	***Not reviewed*** **31 March 2015**	***Audited*** **31 December 2014**
CURRENT ASSETS		**39,911,188**	**4,320,117**
Cash and cash equivalents	*4*	33,324,130	232,262
Trade receivables	*6*	5,803,210	3,934,495
- Trade receivables from third parties	*6*	*5,803,210*	*3,934,495*
Prepaid expenses	*16*	630,632	62,455
Other current assets	*17*	153,216	90,905
NON-CURRENT ASSETS		**897,616,064**	**894,577,549**
Financial investments	*8*	156,154,435	156,154,435
- Subsidiaries	*8*	*156,154,435*	*156,154,435*
Other receivables	*7*	101,737	101,737
- Other receivables from third parties	*7*	*101,737*	*101,737*
Investment property	*9*	720,067,395	716,292,000
Property and equipment	*10*	41,901	44,149
Intangible assets	*11*	3,851	4,267
- Other intangible assets	*11*	*3,851*	*4,267*
Prepaid expenses	*16*	9,589	10,687
Other non-current assets	*17*	21,237,156	21,970,274
TOTAL ASSETS		**937,527,252**	**898,897,666**

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 MARCH 2015

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

LIABILITIES	**Notes**	***Not reviewed*** **31 March 2015**	***Audited*** **31 December 2014**
CURRENT LIABILITIES		**5,596,407**	**99,630,961**
Short term financial liabilities	*5*	-	31,808,759
Short term portion of long term financial liabilities	*5*	853,799	65,336,695
Trade payables	*6*	3,205,456	953,935
- Trade payables to related parties	*6*	*724,003*	*721,394*
- Other trade payables to third parties	*6*	*2,481,453*	*232,541*
Other payables	*7*	95,719	110,319
- Other payables to third parties	*7*	*95,719*	*110,319*
Short term provisions	*15*	*264,246*	*230,904*
- Short term provisions for employee benefits	*15*	*264,246*	*230,904*
Other current liabilities	*17*	1,177,187	1,190,349
NON-CURRENT LIABILITIES		**331,764,902**	**189,778,078**
Long term financial liabilities	*5*	328,384,400	186,486,522
Long term provisions	*15*	67,062	59,832
- Long term provisions for employee benefits	*15*	*67,062*	*59,832*
Other non-current liabilities	*17*	3,313,440	3,231,724
EQUITY	*18*	**600,165,943**	**609,488,627**
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		366,287,136	381,578,873
Net loss for the period		(9,322,684)	(15,291,737)
TOTAL EQUITY AND LIABILITIES		**937,527,252**	**898,897,666**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPRENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2015

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

PROFIT OR LOSS	**Notes**	***Not reviewed*** **31 March 2015**	***Not reviewed*** **31 March 2014**
Revenue	*19*	4,919,693	5,299,763
Cost of sales	*19*	(703,016)	(674,533)
GROSS PROFIT		**4,216,677**	**4,625,230**
General administrative expenses	*20*	(954,473)	(748,117)
Other operating income	*21*	82,108	17,280
Other operating expenses	*21*	(15,272)	(83,773)
OPERATING PROFIT		**3,329,040**	**3,810,620**
Financial income	*22*	19,474	-
Financial expenses	*23*	(12,671,198)	(10,620,188)
LOSS BEFORE TAX		**(9,322,684)**	**(6,809,568)**
Current tax expense		-	-
NET LOSS FOR THE PERIOD		**(9,322,684)**	**(6,809,568)**
Earnings per share (Full TRY)	*25*	**(0.05)**	**(0.04)**
LOSS FOR THE PERIOD		**(9,322,684)**	**(6,809,568)**
OTHER COMPREHENSIVE INCOME		-	-
Items to be reclassified to profit or loss		-	-
Change in currency translation differences		-	-
TOTAL COMPREHENSIVE EXPENSE		**(9,322,684)**	**(6,809,568)**
Attribution of total comprehensive income:			
Non-controlling interest		-	-
Attributable to equity holders of the parent		(9,322,684)	(6,809,568)

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2015

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

					Retained earnings		
	Paid in Capital	Adjustment to share capital	Share premiums	Restricted reserves allocated from profit	Retained earnings	Net loss for the period	Equity Total
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	-	-	-	-	-	(6,809,568)	(6,809,568)
Balance as at 31 March 2014	**184,000,000**	**317,344**	**58,880,000**	**4,147**	**381,578,873**	**(6,809,568)**	**617,970,796**
Balance as at 1 January 2015	184,000,000	317,344	58,880,000	4,147	381,578,873	(15,291,737)	609,488,627
Transfers	-	-	-	-	(15,291,737)	15,291,737	-
Total comprehensive loss	-	-	-	-	-	(9,322,684)	(9,322,684)
Balance as at 31 March 2015	**184,000,000**	**317,344**	**58,880,000**	**4,147**	**366,287,136**	**(9,322,684)**	**600,165,943**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2015

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

PROFIT OR LOSS	**Notes**	***Not reviewed*** **31 March 2015**	***Not reviewed*** **31 March 2014**
A. Cash flows from operating activities			
Net loss for the period		**(9,322,684)**	**(6,809,568)**
Adjustments to reconcile profit to cash provided by operating activities:			
Adjustments for depreciation and amortization expense	*10, 11*	4,360	4,806
Adjustments for change in provisions for employee termination benefits and unused vacation	*15*	40,572	(7,984)
Adjustments for interest income and expense		10,852,241	4,025,191
Adjustments for foreign currency exchange differences		805,927	5,830,169
Adjustments for rent expense accrual		68,554	35,784
		2,448,970	**3,078,398**
Net working capital changes in:			
Trade receivables		(1,868,715)	(2,633,826)
Other receivables from operating activities		-	(63,519)
Change in other current and non-current assets		103,728	226,575
Trade payables		2,251,519	(966,965)
Other payables from operating activities		(14,600)	-
Cash provided from operating activities		**2,920,902**	**(359,337)**
Employee termination benefit and vacation liability paid		-	-
Net cash provided from operating activities		**2,920,902**	**(359,337)**
B. Cash flows from investing activities			
Capital and capital in advance increase of subsidiary	*8*	-	(2,645,188)
Cash outflow from acquisition of property, equipment and intangible assets	*10, 11*	(1,696)	(20,870)
Acquisition of investment property	*9*	(3,775,394)	(3,824,067)
Net cash used in investment activities		**(3,777,090)**	**(6,490,125)**
C. Cash flows from financing activities			
Proceeds from borrowings		323,045,600	47,374,250
Repayment of financial liabilities		(278,245,303)	(35,991,976)
Interest paid		(10,871,715)	(4,025,191)
Interest received		19,474	-
Net cash provided by financing activities		**33,948,056**	**7,357,083**
Net increase in cash and cash equivalents		**33,091,868**	**507,621**
Cash and cash equivalents at the beginning of the period	*4*	232,262	409,421
Cash and cash equivalents at the end of the period	*4*	**33,324,130**	**917,042**

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

1. REPORTING ENTITY

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

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

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

The Company acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat AŞ ("Akfen GT") on 21 February 2007 which was 100% owned by Akfen Holding. Akfen GT's main operations are also are investing in real estates, forming real estate portfolio and develop real estate projects. Merit Park Hotel with 286 rooms operating in TRNC is in portfolio of Akfen GT.

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 March 2015.

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

The Company has set up a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in Istanbul Karaköy on 31 May 2011. The capital structure of Akfen Karaköy is designated as 70% of participation for the Company.

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

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

The number of employees of Akfen GYO is 13 as at 31 March 2015 (31 December 2014:13).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a. Statement of compliance

The attached standalonee 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 individual financial statements as of 31 March 2015 have been approved by the Company's Board of Directors on 5 May 2015. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

c. Functional and presentation currency

The presentation currency of the accompanying financial statements is 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 March 2015 and 31 December 2014:

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

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

Foreign currency

Foreign currency transaction

Transactions in foreign currencies are translated to the functional currencies of the Company entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in the 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 March 2015	**31 December 2014**
Euro / TRY	2,8309	2,8207
USD / TRY	2,6102	2,3189

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 March 2015 are presented comparatively to the standalone financial statements as at 31 March 2014 and 31 December 2014.

Adjustments in financial statements for the year 2014

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

The reclassifications in the Company's individual profit or loss and other comprehensive income for the period ended 31 March 2014 are shown as below;

- TRY 8,531,576 foreign currency exchange loss disclosed in "Finance expense" as of 31 March 2014 has been net-off with foreign currency exchange gain disclosed in "Finance income" in the comparative financial statements.

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

The reclassification in the Company's individual cash for the period ended 31 March 2014 is as follows;

- The Group has reclassified the following item in the cash flow statement of 31 March 2014 between "Adjustments to reconcile profit to cash provided by operating activities" and "Net working capital changes". The change in construction cost provisions amounting to TRY 1,449,063 which was previously disclosed under "Adjustments to reconcile profit to cash provided by operating activities" as of 31 March 2014 has been reclassified to "Net working capital changes".

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 March 2015 is in amount of TRY 21,237,156 (31 December 2014: TRY 21,970,274) and this amounts has been reclassed to non-current based on timing of forecasted income and expense subjected to VAT.

2.3 Changes in accounting policies

The 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 2015 that affected the Company's financial statements.

2.3.1 Standards, amendments and interpretations in effect as of 31 March 2015

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.

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

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

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

Annual improvements 2011-2013; 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'.

2.3.2 New IFRS standards, amendments and IFRICs effective after 31 March 2015

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

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

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

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

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

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

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

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

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

- 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.

- IAS 1 "Presentation of Financial Statements" effective from annual periods beginning on or after 1 January 2016. The aim of amendments is to enhance the presentation and disclosures of financial statements.

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 confidingly.

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.

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.

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.

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

i) Loans and receivables

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

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

Recognition and Measurement

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

Trade receivables and liabilities

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

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

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

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

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

Financial liabilities and borrowing cost

Financial liabilities are 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 liquidty, of which maturity date is three months or less and the risk of change in value is negligible.

ii) Share capital

Ordinary shares

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

2.4.8 Earnings per share

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

2.4.9 Subsequent events

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

- those that provide evidence of conditions that existed on the 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.

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.

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 March 2015 and 31 December 2014 the ceiling rates are TRY 3,541 and TRY 3,438 respectively.

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 March 2015	**31 December 2014**
Akfen İnşaat Turizm ve Ticaret A.Ş.	724,003	721,394
	724,003	**721,394**

As at 31 March 2015 and 31 December 2014, all amount of due to related parties is comprised from the debts to Akfen İnşaat Turizm ve Ticaret A.Ş. related to progress payments of Esenyurt, İzmir ve Adana projects of the Company.

Guarantees given to and provided from related parties are explained in Note 5.

3. RELATED PARTY DISCLOSURES (Continued)

3.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	31 March 2015	31 March 2014
Akfen İnşaat Turizm ve Ticaret A.Ş.	830,873	2,909,555
	830,873	**2,909,555**

b) Rent expenses

	31 March 2015	31 March 2014
Hamdi Akın	99,578	69,425
	99,578	**69,425**

c) Interest income

	31 March 2015	31 March 2014
Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.	19,075	-
Akfen Holding	399	648
	19,474	**648**

d) Interest expenses

	31 March 2015	31 March 2014
Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.	384,422	117,182
Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.	-	33,619
	384,422	**150,800**

e) Remuneration of top management

	31 March 2015	31 March 2014
Remuneration of top management	465,306	368,208
	465,306	**368,208**

4. CASH AND CASH EQUIVALENTS

	31 March 2015	31 December 2014
Cash on hand	11,777	6,333
Cash at banks	33,312,353	225,929
- Demand deposits	*1,023,183*	*225,929*
- Time deposits	*32,289,170*	*-*
Cash and cash equivalents in cash flow statement	**33,324,130**	**232,262**

Demand deposits

As at 31 March 2015 and 31 December 2014 demand deposits are comprised of the following currencies at TRY equivalents:

	31 March 2015	31 December 2014
Euro	976,555	14,817
TRY	46,618	211,103
USD	10	9
Total demand deposits	**1,023,183**	**225,929**

Time deposits

As of 31 March 2015 time deposits are comprised of the following currencies and banks (As at 31 December 2014, the Company has no time deposits) :

<u>31 March 2015</u>

Bank	Currency	Maturity	Interest Rate	31 March 2015
Credit Europe Bank(1)	Euro	April 2015	7.20%	22,647,200
Fibabanka	Euro	April 2015	1.10%	8,492,700
Fibabanka	Euro	April 2015	0.05%	849,270
Fibabanka	TRY	April 2015	10.00%	300,000
TOTAL				**32,289,170**

(1) The time deposit in Credit Europe Bank is deferred fund related to ongoing project Tuzla Ibis Hotel which is obtained from refinancing loan in amount Euro 116,000,000 used in the first quarter of 2015 by akfen GYO. Interest rate of time deposit and interest rate of aforesaid refinancing loan is equal and interest expense of deferred loan related to the project is compansated with interest obtained from time deposit. Interest colection of time deposit is made in the same day with interest payment of refinancing loan.

5. FINANCIAL LIABILITIES

As at 31 March 2015 and 31 December 2014 the details of loans and borrowings are as follows:

	31 March 2015	31 December 2014
Current financial liabilities:		
Short-term bank borrowings	-	31,808,759
Current portion of long-term bank borrowings	853,799	65,336,695
Non-current financial liabilities:		
Long-term bank borrowings	328,384,400	186,486,522
Total financial liabilities	**329,238,199**	**283,631,976**

The repayment schedule of financial liabilities is as follows:

	31 March 2015	31 December 2014
Less than one year	853,799	97,145,454
Between one and two years	2,883,375	60,294,311
Between two and three years	13,175,423	49,864,756
Between three and four years	18,922,150	33,480,015
Between four and five years	21,385,033	17,405,951
In five years and longer	272,018,419	25,441,489
Total financial liabilities	**329,238,199**	**283,631,976**

31 March 2015:

Currency	Interest rate (%)	Original currency	Current	Non-current	Total
Euro (1)	7.20%	116,301,600	853,799	328,384,400	329,238,199
			853,799	**328,384,400**	**329,238,199**

31 December 2014:

Currency	Interest rate (%)	Original currency	Current	Non-current	Total
Euro (2)	Euribor + 3.75%	48,154,802	27,425,139	108,405,110	135,830,249
Euro (2)	Euribor + 5.00%	7,580,449	1,813,566	19,568,606	21,382,172
Euro (3)	Euribor + 5.25%	15,166,508	8,931,769	33,848,400	42,780,169
Euro (4)	7.50%	2,124,349	5,992,153	-	5,992,153
Euro (5)	Euribor + 6,00%	7,117,400	13,494,416	6,581,633	20,076,049
Euro (6)	Euribor + 5.25%	4,046,777	131,943	11,282,800	11,414,743
TRY (7)	13.20%	28,550,000	28,550,000	-	28,550,000
TRY (8)	13.25%	3,258,759	3,258,759	-	3,258,759
Euro (9)	6.80%	5,086,567	7,547,709	6,799,973	14,347,682
			97,145,454	**186,486,522**	**283,631,976**

5. FINANCIAL LIABILITIES (Continued)

(1) 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 Akfen GYO’s current loans and financing the investments of ongoing projects. The loans has been used on 18 March 2015 and all loans of Akfen GYO has been refinanced.

Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and land, building and equipments of Ankara Esenboğa, Esenyurt and Adana and the land on which hotel are going to be built in Tuzla are pledged in favor of the creditors in third degree and after completion of pledge release related to the loans which has been refinanced, the third degree will become first degree,
- Rent revenue of related hotels will be alienated in favor of the creditor
- The bank accounts opened in bank and financial corporations under related projects are pledged to the favor of creditor,
- Sureties of Akfen İnşaat Turizm ve Ticaret A.Ş. (“Akfen İnşaat”),is given for the completion guarantee of Tuzla Ibis Hotel project.
- The shares which are not publicly open, of Akfen Holding – shareholder of the Company has been pledged to the favor of creditor.

(2) 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 2014, all projects included in the agreement have been completed.

(3) On 22 October 2013, the 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.

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

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

5. FINANCIAL LIABILITIES (Continued)

(6) Loan agreement with 20 March 2014 date and Euro 10,000,000 limit has been signed for financing of 200 room Tuzla Ibis Hotel in portfolio of the Company and Euro 4,000,000 loan based on loan agreement has been used as of 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.

(7) The 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.

(8) The 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.

(9) 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.

6. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at 31 March 2015 and 31 December 2014, short-term trade receivables comprised the followings:

	31 March 2015	**31 December 2014**
Trade receivables from third parties	5,803,210	3,934,495
	5,803,210	**3,934,495**

As at 31 March 2015, TRY 5,536,668 (31 December 2014: TRY 3,671,387) 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 March 2015 and 31 December 2014, short-term trade payables comprise the followings:

	31 March 2015	**31 December 2014**
Trade payables to related parties (1)	724,003	721,394
Trade payables to third parties	2,481,453	232,541
- Other expense accruals(2)	*1,285,686*	*184,876*
- Accruals for construction cost (3)	*830,873*	-
- Other trade payables	*364,894*	*47,665*
	3,205,456	**953,935**

(1) As at 31 March 2015 and 31 December 2014, 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.

6. TRADE RECEIVABLES AND PAYABLES (Continued)

(2) As at 31 March 2015, TRY 1,100,302 of other expense accruals are provisions related to advocate expense of the refinancing loan used by Akfen GYO in first quarter of 2015.

(3) As at 31 March 2015 accruals for construction costs are comprised of the progress invoices related with the ongoing projects of Tuzla (As at 31 December 2014: None).

7. OTHER RECEIVABLES AND PAYABLES

a) Other non-current receivables

As at 31 March 2015 and 31 December 2014 other non-current receivables are comprised of the followings:

	31 March 2015	31 December 2014
Deposits and guarantees given	101,737	101,737
	101,737	**101,737**

b) Other current payables

As at 31 March 2015 and 31 December 2014 other current payables comprised the followings:

	31 March 2015	31 December 2014
Taxes and funds payable	69,006	66,351
Social security premiums payable	26,527	25,398
Loan commission accrual	-	18,570
Other	186	-
	95,719	**110,319**

8. FINANCIAL INVESTMENTS

Subsidiaries

As of 31 March 2015 and 31 December 2014, nominal values of the Company's subsidiaries in balance sheet are as below:

	Ownership ratio (%)	31 March 2015	Ownership ratio (%)	31 December 2014
Akfen GT	100	121,000,000	100	121,000,000
HDI	100	23,114,779	100	23,114,779
Akfen Karaköy	70	12,039,656	70	12,039,656
Total		**156,154,435**		**156,154,435**

As of 31 March 2015 and 31 December 2014, the movement of the subsidiaries are as below:

	Akfen GT	HDI	Akfen Karaköy	Total
Openning 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**
Openning balance, 1 January 2015	121,000,000	23,114,779	12,039,656	156,154,435
Capital in advance payment	-	-	-	-
Closing balance, 31 March 2015	**121,000,000**	**23,114,779**	**12,039,656**	**156,154,435**

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 31 March 2015 and 31 December 2014, the details of investment property and investment property under development are as follows:

	31 March 2015	**31 December 2014**
Operating investment properties	695,384,394	695,375,000
Investment properties under development	24,683,001	20,917,000
Total	**720,067,395**	**716,292,000**

Operating investment properties:

As at 31 March 2015 and 31 December 2014 movements in operating investment property are as follows:

	31 March 2015	**31 December 2014**
Opening balance	695,375,000	685,705,000
Additions	9,394	774,565
Transfer from development projects	-	39,363,705
Fair value loss, net	-	(30,468,270)
Carrying amount	**695,384,394**	**695,375,000**

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 2014, 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.

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

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

	31 March 2015			31 December 2014		
	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 2014	233,315,000	233,315,000
Trabzon Novotel	31 December 2014	110,360,000	110,360,000	31 December 2014	110,360,000	110,360,000
Gaziantep Novotel and Ibis Hotel	31 December 2014	58,727,000	58,736,394	31 December 2014	58,727,000	58,727,000
Esenyurt Ibis Hotel	31 December 2014	55,511,000	55,511,000	31 December 2014	55,511,000	55,511,000
Kayseri Novotel and Ibis Hotel	31 December 2014	54,130,000	54,130,000	31 December 2014	54,130,000	54,130,000
Bursa Ibis Hotel	31 December 2014	47,642,000	47,642,000	31 December 2014	47,642,000	47,642,000
İzmir Ibis Hotel	31 December 2014	46,006,000	46,006,000	31 December 2014	46,006,000	46,006,000
Adana Ibis Hotel	31 December 2014	39,673,000	39,673,000	31 December 2014	39,673,000	39,673,000
Ankara Esenboğa Ibis Hotel	31 December 2014	35,287,000	35,287,000	31 December 2014	35,287,000	35,287,000
Eskişehir Ibis Hotel and Fitness Center	31 December 2014	14,724,000	14,724,000	31 December 2014	14,724,000	14,724,000
Total		**695,375,000**	**695,384,394**		**695,375,000**	**695,375,000**

As at 31 March 2015, fair values of operating investment properties in Turkey are composed of appraisal values of related projects as at 31 December 2014 and expenditures for investment properties incurred from appraisal date to 31 March 2015.

As at 31 March 2015, total insurance amount on operating investment properties is TRY 510,626,390 (31 December 2014: TRY 508,699,096).

As at 31 March 2015 the pledge amount on operating investment property is TRY 908,084,812 (31 December 2014: TRY 538,753,700).

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

Name of investment property	**Discount rates 31 December 2014**
Zeytinburnu Novotel ve Ibis Hotel	%7.00 and %9.00
Trabzon Novotel	%7.00 and %9.00
Kayseri Novotel and Ibis Hotel	%7.00 and %9.25
Gaziantep Novotel and Ibis Hotel	%7.00 and %9.00
Bursa Ibis Hotel	%7.00 and %9.00
Eskişehir Ibis Hotel and Fitness Center	%7.00 and %9.00
Adana Ibis Hotel	%7.00 and %9.00
Esenyurt Ibis Hotel	%7.00 and %9.00
İzmir Ibis Hotel	%7.00 and %9.00
Ankara Esenboğa Ibis Hotel	%7.00 and %9.00

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

Investment properties under development:

As at 31 March 2015 and 31 December 2014, the details of investment property under development are as follows:

	31 March 2015	31 December 2014
Opening balance	20,917,000	51,740,000
Additions	3,766,001	5,720,023
Fair value gain	-	2,820,682
Transfer to operating investment properties	-	(39,363,705)
Carrying amount	**24,683,001**	**20,917,000**

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

	31 March 2015			31 December 2014		
Investment property	**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	24,683,001	31 December 2014	20,917,000	20,917,000
Total		**20,917,000**	**24,683,001**		**20,917,000**	**20,917,000**

As at 31 March 2015, fair values of investment properties under constructions in Turkey are composed of appraisal values of related projects as at 31 December 2014 and expenditures for investment properties incurred from appraisal date to 31 March 2015.

As at 31 March 2015, total insurance amount on investment properties under development is TRY 34,395,435 (Since construction of Tuzla Ibis Hotel project has not started yet, there is no insurance on investment properties under construction as of 31 December 2014).

As at 31 March 2015 the pledge amount on investment property under development is TRY 133,126,394 (31 December 2014: TRY 42,310,000).

As at 31 March 2015, directly attributable operating costs incurred for operating investment properties and investment properties under development are TRY 697,079 and TRY 5,937, respectively (31 March 2014: TRY 664,388 and TRY 10,145). 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 are shown as below:

Name of investment property	Discount rates 31 December 2014
Tuzla Ibis Hotel Land	Peer Comparison

10. PROPERTY AND EQUIPMENT

As at 31 March 2015 and 31 December 2014, the movement of property and equipment is as follows:

	Equipments	**Fumiture and fixtures**	**Total**
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**
Cost value			
Balance at 1 January 2015	4,688	248,702	253,390
Acquisitions	-	1,696	1,696
Balance at 31 March 2015	**4,688**	**250,398**	**255,086**
Accumulated depreciation			
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)**
Balance at 1 January 2015	(2,531)	(206,710)	(209,241)
Depreciation charge for the period	(95)	(3,849)	(3,944)
Balance at 31 March 2015	**(2,626)**	**(210,559)**	**(213,185)**
Net carrying amount			
1 January 2014	2,541	33,999	36,540
31 December 2014	2,157	41,992	44,149
1 January 2015	2,157	41,992	44,149
31 March 2015	2,062	39,839	41,901

As at 31 March 2015 there is no pledge on property and equipment (31 December 2014: None).

As of 31 March 2015, depreciation expenses amounting to TRY 3,944 has been recognized in general administrative expenses (31 December 2014: TRY 17,408).

11. INTANGIBLE ASSETS

As at 31 March 2015 and 31 December 2014, the movement of intangible assets is as follows:

	Softwares
Cost value	
Balance at 1 January 2014	50,192
Additions	-
Balance at 31 December 2014	**50,192**
Balance at 1 January 2015	50,192
Additions	-
Balance at 31 March 2015	**50,192**
Accumulated amortization	
Balance at 1 January 2014	(43,651)
Charge for the year	(2,274)
Balance at 31 December 2014	**(45,925)**
Balance at 1 January 2015	(45,925)
Charge for the period	(416)
Balance at 31 March 2015	**(46,341)**
Net carrying amounts	
1 January 2014	6,541
31 December 2014	4,267
1 January 2015	4,267
31 March 2015	3,851

As of 31 March 2015, amortization expenses amounting to TRY 416 has been recognized in administrative expenses (31 December 2014: TRY 2,274).

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 March 2015 and 31 December 2014.

14. COMMITMENT AND CONTINGENCIES

As at 31 March 2015 and 31 December 2014, Company’s position related to commitments, pledges and mortgages (“CPM”) are as follows:

CPM are given by the Company	31 March 2015	31 December 2014
A.Total amount of CPM is given on behalf of own legal personality	1,075,872,040	625,954,869
B.Total amount of CPM is given in favour of subsidiaries which are fully consolidated	244,290,942	245,707,657
C. Total amount of CPM is given for assurance of third party’s debts in order to conduct of usual business activities	-	-
D.Total Amount of other CPM	-	-
i. Total amount of CPM is given in favour of parent company	-	-
ii. Total amount of CPM is given in favour of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favour of third party which C doesn't include	-	-
	1,320,162,982	**871,662,526**

Total original amount of foreign currency denominated CPM given on behalf of the Company’s own legal personality are Euro 417.302.185 and USD 800,000 as at 31 March 2015 (31 December 2014: Euro 221,000,000 and USD 800,000). Euro 173,052,185 of denominated CPM given on behalf of the Group’s is composed of third degree pledges given by the Group to the Credit Europe Bank related to refinancing completed on 18 March 2015 and the pledge in amount of Euro 244,250,000 related to refinancing loans is included in the list since the pledge release has not been completed as of 31 March 2015. The pledge release is planned to be completed in the second quarter of 2015.

Total original amount of foreign currency denominated other CPM is Euro 86,294,444 as at 31 March 2015 (31 December 2014: Euro 86,294,444).

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. COMMITMENT AND CONTINGENCIES (Continued)

14.1. The Company as lessee

Operating lease arrangements

As at 31 March 2015, 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.
- The Company signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The Company has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Company signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from 3 March 2010. Lease payments will start after a five year rent free period. The Company has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Company signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from 3 December 2009. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- The Company signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on 9 May 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.
- The Company signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are 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").

14. COMMITMENT AND CONTINGENCIES (Continued)

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 March 2015	31 March 2014
Lease expenses	670,214	598,558
	670,214	**598,558**

As of 31 March 2015 and 31 December 2014, 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 March 2015	31 December 2014
Less than one year	1,465,951	1,408,512
Between one and five years	7,006,745	6,661,174
More than five years	78,772,973	75,367,729
	87,245,669	**83,437,415**

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

	31 March 2015	31 December 2014
Accrued rent expense		
Non-current (Note 17)	3,313,440	3,231,724
Current (Note 17)	1,177,187	1,190,349
	4,490,627	**4,422,073**

14.2. The Company as lessor

Operating lease arrangements

As at 31 March 2015, 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.

14. COMMITMENT AND CONTINGENCIES (Continued)

- 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 thirteen 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.

- 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 will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

Annual rent is paid quarterly (January, April, July and October) based on the higher of AGOP ratio or gross revenue ratio actualized in related quarter.

14. COMMITMENT AND CONTINGENCIES (Continued)

The Company has additional two 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 included monthly rent amount for the year 2015 is TRY 17,700.
- 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 included monthly rent amount for the year 2015 is TRY6,100.

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 will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.
All of the operating lease arrangements 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 March 2015	31 December 2014
Provision for vacation pay liability-short term	264,246	230,904
Provision for employee termination benefits-long term	67,062	59,832
	331,308	**290,736**

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.

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

	31 March 2015	31 December 2014
Wage increase rate	6.00%	6.00%
Discount rate	9.00%	9.00%
Net discount rate	2.83%	2.83%
Anticipated retirement turnover rate	90.00%	88.00%

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 March 2015	31 December 2014
Opening balance	59,832	48,512
Interest cost	6,036	5,385
Service cost	8,393	7,593
Actuarial (loss)/gain	(7,198)	(1,658)
Closing balance	**67,062**	**59,832**

Movement of vacation pay liability is as follows:

	31 March 2015	31 December 2014
Opening balance	230,904	234,954
Additions/(Disposals) during the period	33,342	(4,050)
Closing balance	**264,246**	**230,904**

16. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	31 March 2015	31 December 2014
Prepaid expenses	516,332	52,979
Advances given to suppliers	98,756	827
Job advances	15,544	8,649
	630,632	**62,455**

b) Long term prepaid expenses

	31 March 2015	31 December 2014
Prepaid expenses	9,589	10,687
	9,589	**10,687**

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 March 2015	31 December 2014
Prepaid taxes and funds	93,738	90,905
Other	59,478	-
	153,216	**90,905**

b) Other non-current assets

	31 March 2015	31 December 2014
VAT carried forward	21,237,156	21,970,274
	21,237,156	**21,970,274**

c) Other current liabilities

	31 March 2015	31 December 2014
Rent expense accrual (Note 14)	1,177,187	1,190,349
	1,177,187	**1,190,349**

d) Other non-current liabilities

	31 March 2015	31 December 2014
Rent expense accrual (Note 14)	3,313,440	3,231,724
	3,313,440	**3,231,724**

18. EQUITY

18.1. Paid in capital

The capital structure as at 31 March 2015 and 31 December 2014 is as follows:

Shareholders	(%)	31 March 2015	(%)	31 December 2014
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 March 2015 and 31 December 2014, TRY 9,500,447 – equal to 5.16% of total capital - publicly offered shares are included in Akfen Holding's portion.

As at 31 March 2015, the issued capital of the Company is TRY 184,000,000 (31 December 2014: TRY 184,000,000). As at 31 March 2015, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TRY 1 each (31 December 2014: 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.

18. EQUITY (Continued)

18.3. Restricted reserves allocated from profit

Profit reserves comprised of the legal reserves as at 31 March 2015 and 31 December 2014.

	31 March 2015	31 December 2014
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 periods ended 31 March 2015 and 2014, sales and cost of sales are as follows:

	31 March 2015	31 March 2014
Rent income	4,841,916	5,288,501
Total income from property rentals	**4,841,916**	**5,288,501**
Income from bank deposits	77,777	11,262
Total income from debt instruments	**77,777**	**11,262**
Total revenue	**4,919,693**	**5,299,763**
Operating lease expenses [1]	(543,964)	(501,511)
Insurance expenses	(141,346)	(166,772)
Taxes and duties expenses	(15,733)	(6,250)
Outsourced service expenses	(402)	-
Others	(1,571)	-
Total cost of sales	**(703,016)**	**(674,533)**

(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.

20. GENERAL ADMINISTRATIVE EXPENSES

For the periods ended 31 March 2015 and 2014, administrative expenses are as follows:

	31 March 2015	**31 March 2014**
Personnel expenses	597,353	447,325
Operating lease expenses	126,250	97,047
Outsourced service expenses	91,058	77,032
Consultancy expenses	53,750	47,250
Travel and hosting expenses	27,804	20,672
Tax and duties expenses	12,095	21,941
Advertising expenses	5,520	16,132
Depreciation expense	3,944	3,899
Amortization expense	416	906
Other	36,283	15,913
Total	**954,473**	**748,117**

Personnel expenses

	31 March 2015	**31 March 2014**
Wages and salaries	511,550	411,178
Social security premiums	32,464	28,410
Change in employment termination benefit (Note 15)	7,230	11,987
Other	46,109	(4,250)
Total	**597,353**	**447,325**

21. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the periods ended 31 March 2015 and 2014, other operating incomes are as follows:

Other income	**31 March 2015**	**31 March 2014**
Foreign exchange gain	20,957	13,614
Other income	61,151	3,666
Total	**82,108**	**17,280**

21. OTHER OPERATING INCOME/EXPENSES (Continued)

b) Other operating expenses

For the periods ended 31 March 2015 and 2014, other operating expenses are as follows:

	31 March 2015	31 March 2014
Foreign exchange loss	15,272	15,403
Other expense	-	68,370
Total	**15,272**	**83,773**

22. FINANCIAL INCOME

For the periods ended 31 March 2015 and 2014, financial incomes are as follows:

	31 March 2015	31 March 2014
Interest income	19,474	-
Foreign exchange gain	-	-
Total	**19,474**	**-**

23. FINANCIAL EXPENSES

For the periods ended 31 March 2015 and 2014, financial expenses are as follows:

	31 March 2015	31 March 2014
Interest expenses	9,092,639	3,492,734
Foreign exchange loss	1,799,483	6,594,997
Commission expenses	669,495	519,836
Expenses for letter of guarantees	5,813	10,052
Other	1,103,768	2,569
Total	**12,671,198**	**10,620,188**

For the period ended 31 March 2015, the Company has capitalized interest expenses amounting to TRY 220,708 on investment properties under development (31 December 2014: TRY 1,613,851).

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 periods ended by the weighted average number of shares of the Company during the year. For the periods ended 31 March 2015 and 2014, the earnings per share computation are as follows:

	31 March 2015	**31 March 2014**
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 period	**(9,322,684)**	**(6,809,568)**
(Loss)/Earnings per share (Full TRY)	(0.05)	(0.04)

The company has no diluted earnings.

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

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

(ii) Credit risk

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

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

The companies operating under these segments have set a credit policy under which each new customer is 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 March 2015, 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.

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

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 March 2015 and 31 December 2014, the net debt-to-invested capital rate is given below:

	31 March 2015	31 December 2014
Total liabilities	337,361,309	289,409,039
Cash and cash equivalents	(33,324,130)	(232,262)
Net liabilities	304,037,179	289,176,777
Equity	600,165,943	609,488,627
Total capital	**904,203,122**	**898,665,404**
Net liabilities/total sources rate	**34%**	**32%**

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

26.1. Credit risk disclosures

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

The maximum exposure to credit risk as at 31 March 2015 and 31 December 2014 is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 March 2015	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**5,803,210**	**-**	**101,737**	**33,312,353**	**-**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A.Net carrying value of financial assets which are neither impaired nor overdue	-	5,803,210	-	101,737	33,312,353	-
B.Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C.Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

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

	Receivables					
	Trade receivables		Other receivables			
31 December 2014	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**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	-	-	-	-	-	-

As at 31 March 2015 and 31 December 2014, the Company does not have any financial assets which are overdue but not impaired

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

26.2. Liquidity risk

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

31 March 2015:

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	329,238,199	494,362,241	-	20,097,125	140,109,940	334,155,176
Trade payables	3,205,456	3,205,456	3,205,456	-	-	-
Other payables (other liabilities included)	4,586,346	4,586,346	1,272,906	-	3,313,440	-

31 December 2014:

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	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	-

The Company does not have any derivative financial liabilities as at 31 March 2015 and 31 December 2014. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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

26.3. Market risk

a) Foreign currency position table and sensitivity analysis

31 March 2015		**TRY Equivalent**	**USD**	**EURO**	**Other**
Foreign currency position		**(Functional currency)**			
1	Trade receivables	-	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	32,970,963	873	11,646,008	-
2b	Non-monetary financial assets	-	-	-	-
3	Other	1,748	11	607	-
4	**Current assets (1+2+3)**	**32,972,711**	**884**	**11,646,615**	**-**
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)**	**32,972,711**	**884**	**11,646,615**	**-**
10	Trade payables	296,675	-	104,799	-
11	Financial liabilities	853,799		301,600	
12a	Other monetary financial liabilities	-	-	-	-
12b	Other non-monetary financial liabilities	437,972	-	154,711	-
13	**Short-term liabilities (10+11+12)**	**1,588,446**	**-**	**561,110**	**-**
14	Trade payables	-	-	-	-
15	Financial liabilities	328,384,400	-	116,000,000	
16a	Other monetary financial liabilities	-	-	-	-
16b	Other non-monetary financial liabilities	3,243,642	1,242,679	-	-
17	**Long-term liabilities (14+15+16)**	**331,628,042**	**1,242,679**	**116,000,000**	**-**
18	**Total liabilities (13+17)**	**333,216,488**	**1,242,679**	**116,561,110**	**-**
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)**	**(300,243,777)**	**(1,241,795)**	**(104,914,495)**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(296,563,911)**	**873**	**(104,760,391)**	**-**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**

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

31 December 2014		**TRY Equivalent**	**USD**	**EURO**	**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)**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (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**	**-**	**-**	**-**	**-**

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

Foreign currency sensitivity analysis

31 March 2015:

	Profit or (loss)	
	Appreciation of foreign currency	**Devaluation of foreign currency**
10% change of the USD against TRY		
1- Net USD denominated asset/liability	(324,133)	324,133
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(324,133)**	**324,133**
4- Net Euro denominated asset/liability	(29,700,244)	29,700,244
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(29,700,244)**	**29,700,244**
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)	**(30,024,377)**	**30,024,377**

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**

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 March 2015	31 December 2014
Fixed rate instruments		
Financial assets	32,389,170	-
Financial liabilities	329,238,199	52,148,592
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	231,483,384

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 March 2015, the Company has no liability with variable interest. 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:

	Profit or (loss)		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 March 2015				
Variable rate instruments	-	-	-	-
31 December 2014				
Variable rate instruments	(2,314,834)	2,314,834	(2,314,834)	2,314,834

(*) Profit / loss effect is included.

27. FINANCIAL INSTRUMENTS

27.1. Fair value risk

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

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

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

Financial assets

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

Financial liabilities

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

28. SUBSEQUENT EVENTS

Ordinary general assembly regarding to fiscal 2014 of the Company was convened on 14.04.2015 at 14:00 hours at company headquarters address Levet Loft Building, Büyükdere Caddesi, No: 201, C Blok, Kat:8 Levent Istanbul under supervision of representative of ministry Mr. Mehmet Ali Köse who was assigned by T.R. Governorate of İstanbul, Trade Directorate of İstanbul with assignment letter date of 10.04.2015 number of 7212007.

…………………………..