**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2015 - 31 DECEMBER 2015 TOGETHER
WITH AUDITOR’S REVIEW REPORT
(ORIGINALLY ISSUED IN TURKISH)

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

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

**Report on the Consolidated Financial Statements**

1. We have audited the accompanying consolidated financial statements of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position balance sheet as at 31 December 2015 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Independent auditor's responsibility*

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

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

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

*Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers*
*BJK Plaza, Süleyman Seba Cad. No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey*
www.pwc.com/tr *Telephone: +90 (212) 326 6060, Facsimile: +90 (212) 326 6050*

*Opinion*

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. and its subsidiaries as at 31 December 2015 and its financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

*Report on independent auditor's other responsibilities arising from regulatory requirements*

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 24 February 2016.

6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

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

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

Engin Çubukçu, SMMM
Partner

Istanbul, 24 February 2016

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## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

## CONSOLIDATED FINANCIAL POSITION AS AT 31 DECEMBER 2015

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

| **ASSETS** | **Notes** | ***Audited*** **31 December 2015** | ***Audited*** **31 December 2014** |
|---|---|---|---|
| **CURRENT ASSETS** | | **84,202,078** | **39,058,426** |
| Cash and cash equivalents | 5 | 63,902,637 | 24,097,271 |
| Trade receivables | | 17,179,374 | 10,939,041 |
| *- Due from third parties* | *7* | *17,179,374* | *10,939,041* |
| Other receivables | | 147,465 | 26,155 |
| *- Due from third parties* | *8* | *147,465* | *26,155* |
| Prepaid expenses | 16 | 1,413,980 | 752,976 |
| Other current assets | 17 | 1,558,622 | 3,242,983 |
| **NON-CURRENT ASSETS** | | **1,501,655,879** | **1,406,891,433** |
| Other receivables | | 17,074,766 | 9,985,108 |
| *- Due from third parties* | *8* | *17,074,766* | *9,985,108* |
| Investment property | 9 | 1,428,360,875 | 1,351,891,377 |
| Property and equipment | 10 | 134,379 | 80,630 |
| Intangible assets | 11 | 53,318 | 42,046 |
| *- Other intangible assets* | *11* | *53,318* | *42,046* |
| Prepaid expenses | 16 | 12,995,995 | 12,925,807 |
| Deferred tax assets | 24 | 5,745,079 | 388,778 |
| Other non-current assets | 17 | 37,291,467 | 31,577,687 |
| **TOTAL ASSETS** | | **1,585,857,957** | **1,445,949,859** |

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

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

## CONSOLIDATED FINANCIAL POSITION AS AT 31 DECEMBER 2015

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

| **LIABILITIES** | **Notes** | ***Audited*** **31 December 2015** | ***Audited*** **31 December 2014** |
|---|---|---|---|
| **CURRENT LIABILITIES** | | **54,872,283** | **124,677,322** |
| Short term financial liabilities | *6* | - | 31,808,759 |
| Short term portion of long term financial liabilities | *6* | 44,730,329 | 85,805,896 |
| Trade payables | | 5,923,557 | 4,136,311 |
| *- Due to related parties* | *4, 7* | *3,742,189* | *721,394* |
| *- Due to third parties* | *7* | *2,181,368* | *3,414,917* |
| Other payables | | 2,490,694 | 1,379,813 |
| *- Due to third parties* | *8* | 2,490,694 | *1,379,813* |
| Short term provisions | | 450,977 | 356,194 |
| *- Short term provisions for employee benefits* | *15* | *450,977* | *356,194* |
| Other current liabilities | 17 | 1,276,726 | 1,190,349 |
| **NON-CURRENT LIABILITIES** | | **726,879,148** | **465,052,371** |
| Long term financial liabilities | 6 | 659,286,603 | 400,234,298 |
| Long term provisions | | 80,773 | 59,832 |
| *- Long term provisions for employee benefits* | *15* | *80,773* | *59,832* |
| Deferred tax liability | 24 | 63,911,239 | 61,526,518 |
| Other non-current liabilities | 17 | 3,600,533 | 3,231,723 |
| **EQUITY** | 18 | **804,106,526** | **856,220,166** |
| **Equity attributable to equity holders of parent** | | **773,453,673** | **823,809,895** |
| Paid in capital | | 184,000,000 | 184,000,000 |
| Adjustment to share capital | | 317,344 | 317,344 |
| Purchase of share of entity under common control | | 53,748,727 | 53,748,727 |
| Share premiums | | 58,880,000 | 58,880,000 |
| Other comprehensive income to be reclassified to profit or loss | | (72,009,383) | (68,636,240) |
| *- Currency translation differences* | | *(72,009,383)* | *(68,636,240)* |
| Restricted reserves allocated from profit | | 4,147 | 4,147 |
| Retained earnings | | 595,495,917 | 597,943,704 |
| Net loss for the year | | (46,983,079) | (2,447,787) |
| **Non-controlling interests** | | **30,652,853** | **32,410,271** |
| **TOTAL LIABILITIES** | | **1,585,857,957** | **1,445,949,859** |

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

## AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHERCOMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | Notes | *Audited* **31 December 2015** | *Audited* **31 December 2014** |
|---|---|---|---|
| **PROFIT OR LOSS** | | | |
| Revenue | 19 | 53,979,617 | 51,011,677 |
| Cost of sales (-) | 19 | (7,468,913) | (5,729,946) |
| **GROSS PROFIT** | | **46,510,704** | **45,281,731** |
| General administrative expenses (-) | 20 | (6,921,242) | (5,842,691) |
| Fair value gain on Investment property, net | 21 | 12,880,028 | 16,778,970 |
| Other operating income | 21 | 424,266 | 17,498,643 |
| Other operating expenses (-) | 21 | (154,530) | (2,931,109) |
| **OPERATING PROFIT** | | **52,739,226** | **70,785,544** |
| Financial income | 22 | 57,200,230 | 30,262,898 |
| Financial expenses (-) | 23 | (167,090,724) | (103,478,309) |
| **LOSS BEFORE TAX** | | **(57,151,268)** | **(2,429,867)** |
| Current tax expense | | 3,250,599 | (2,517,500) |
| *- Deferred tax expense* | *24* | *3,250,599* | *(2,517,500)* |
| **NET LOSS FOR THE YEAR** | | **(53,900,669)** | **(4,947,367)** |
| **Attribution of expense for the year** | | | |
| Non-controlling interest | | (6,917,590) | (2,499,580) |
| Attributable to equity holders of the parent | | (46,983,079) | (2,447,787) |
| **Net loss for the year** | | **(53,900,669)** | **(4,947,367)** |
| **Earnings per share** | 25 | **(0.26)** | **(0.01)** |
| **LOSS FOR THE YEAR** | | **(53,900,669)** | **(4,947,367)** |
| **OTHER COMPREHENSIVE EXPENSE** | | **(3,373,143)** | **(71,624,000)** |
| **Items to be reclassified to Profit or loss** | | **(3,373,143)** | **(71,624,000)** |
| Change in currency translation differences | | (3,373,143) | (71,624,000) |
| **TOTAL COMPREHENSIVE EXPENSE** | | **(57,273,812)** | **(76,571,367)** |
| Attribution of total comprehensive expense: | | | |
| Non-controlling interest | | (6,917,590) | (2,499,580) |
| Attributable to equity holders of the parent | | (50,356,222) | (74,071,787) |

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

## AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | | | | | Other Comprehensive Income and items to be reclassified to Profit or Loss | | Retained Earnings | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in Capital | Adjustment to Share Capital | Share Premium | Purchase of share of under entity common control | Foreign currency translation reserve | Restricted reserves allocated Restricted from profit | Retained earnings | Net loss for the period | Equity attributable of equity holders of the parent | Non controlling interests | Total Equity |
| **Balance as at 1 January 2014** | **184,000,000** | **317,344** | **58,880,000** | **53,748,727** | **2,987,760** | **4,147** | **479,940,859** | **118,002,845** | **897,881,682** | **34,909,851** | **932,791,533** |
| Transfers | - | - | - | - | - | - | 118,002,845 | (118,002,845) | - | - | - |
| Total comprehensive loss | - | - | - | - | (71,624,000) | - | - | (2,447,787) | (74,071,787) | (2,499,580) | (76,571,367) |
| **Balance as at 31 December 2014** | **184,000,000** | **317,344** | **58,880,000** | **53,748,727** | **(68,636,240)** | **4,147** | **597,943,704** | **(2,447,787)** | **823,809,895** | **32,410,271** | **856,220,166** |
| **Balance as at 1 January 2015** | **184,000,000** | **317,344** | **58,880,000** | **53,748,727** | **(68,636,240)** | **4,147** | **597,943,704** | **(2,447,787)** | **823,809,895** | **32,410,271** | **856,220,166** |
| Transfers | - | - | - | - | - | - | (2,447,787) | 2,447,787 | - | - | - |
| Change in non-controlling Interests | - | - | - | - | - | - | - | - | - | 5,160,172 | 5,160,172 |
| Total comprehensive loss | - | - | - | - | (3,373,143) | - | - | (46,983,079) | (50,356,222) | (6,917,590) | (57,273,812) |
| **Balance as at 31 December 2015** | **184,000,000** | **317,344** | **58,880,000** | **53,748,727** | **(72,009,383)** | **4,147** | **595,495,917** | **(46,983,079)** | **773,453,673** | **30,652,853** | **804,106,526** |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | Notes | *Audited* 31 December 2015 | *Audited* 31 December 2014 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | | |
| **Net loss for the year** | | **(53,900,669)** | **(4,947,367)** |
| *Adjustments to reconcile loss to cash provided by operating activities:* | | | |
| Adjustments for depreciation and amortization expense | 10,11 | 39,423 | 46,439 |
| Adjustments for change in provisions for employee termination benefits and unused vacation | 15 | 144,524 | 7,271 |
| Fair value gain on operating investment property, net | 21 | (12,880,028) | (16,778,970) |
| Adjustments for interest income and expense | | 39,025,597 | 22,680,694 |
| Adjustments for foreign currency exchange differences | | 79,121,286 | 53,117,690 |
| Adjustments for rent expense accrual | | 455,187 | 387,929 |
| Adjustments for tax expense | 24 | (3,250,599) | 2,517,500 |
| | | **48,754,721** | **57,031,186** |
| **Net working capital changes in:** | | | |
| Trade receivables | | (6,240,333) | (4,907,788) |
| Other receivables from operating activities | | (2,050,795) | (186,946) |
| Change in other current and noncurrent assets | | (1,573,041) | 3,669,815 |
| Trade payables | | 1,787,246 | (7,099,972) |
| Other payables from operating activities | | 1,389,900 | (8,123,102) |
| **Cash provided from operating activities** | | **42,067,698** | **40,383,193** |
| Interest received | | 117,755 | 241,021 |
| Severance indemnity paid | | (28,800) | - |
| **Net cash provided from operating activities** | | **42,156,653** | **40,624,214** |
| **B. Cash flows from investing activities** | | | |
| Cash outflow from acquisition of property, equipment and intangible assets | | (104,444) | (26,437) |
| Acquisition of investment property | | (71,467,689) | (61,584,827) |
| **Net cash used in investment activities** | | **(71,572,133)** | **(61,611,264)** |
| **C. Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 656,194,100 | 179,235,939 |
| Repayment of financial liabilities | | (544,642,332) | (141,556,142) |
| Change in project, reserve accounts | | 24,773 | 7,855,264 |
| Interest receieved | | 570,882 | 477,268 |
| Interest paid | | (30,684,822) | (23,398,983) |
| Commissions and bank charges paid for loan usage | | (12,216,982) | - |
| **Net cash provided by financing activities** | | **69,245,619** | **22,613,346** |
| **Net increase in cash and cash equivalents** | | **39,830,139** | **1,626,296** |
| Cash and cash equivalents at the beginning of the year | | 24,072,498 | 22,446,202 |
| **Cash and cash equivalents at the end of the year** | 5 | **63,902,637** | **24,072,498** |

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

## 1. REPORTING ENTITY

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

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

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

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

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

The main objective of Russian Hotel – subsidiary of Akfen GT - is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russian Property – subsidiary of Akfen GT - is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Group and 5% participation of Cüneyt Baltaoğlu as at 31 December 2015.

The Group has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. In portfolio of HDI - %100 subsidiary of the Group -, there is an Ibis Hotel with 317 rooms completed in Moscow Russia. The hotel has started its operations as of 16 July 2015.

## 1. REPORTING ENTITY (Continued)

The Group 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 Group.

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

The number of employees of Akfen GYO and its subsidiaries is 13 (31 December 2014:13) and 12 (31 December 2014:14) respectively as at 31 December 2015.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 2.1. Basis of preparation

#### *a Statement of compliance*

The accompanying consolidated financial statements are prepared in accordance with the Communiqué serial II, No: 14.1 announcement of Capital Markets Board ("CMB") dated 13 June 2013 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" ("Communiqué ") which is published in official gazette, no 28676. In accordance with article 5$^{th}$ of the CMB Accounting Standards ("TAS/TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standarts Authority ("POA").

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

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

#### *b. Compliance with TAS*

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

The accompanying consolidated financial statements as of 31 December 2015 have been approved by the Group's Board of Directors on 24 February 2016. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

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

### *c. Functional and presentation currency*

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

| **The Group** | **Functional Currency** |
|---|---|
| Akfen GYO | TRY |
| Akfen GT | TRY |
| Akfen Karaköy | TRY |
| Russian Hotel | RUB |
| Russian Property | RUB |
| HDI | RUB |

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

### *d Basis of consolidation*

**Subsidiaries**

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

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

The table below shows Akfen GYO's ownership ratio in subsidiaries as at 31 December 2015 and 31 December 2014:

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

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

**Transactions eliminated on consolidation**

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

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

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

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

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

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

The accompanying consolidated financial statements are presented comparatively in order to identify the tendency of the Group's financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying consolidated financial statements have been consistently applied to all periods presented by the Group. Financial statements as at 31 December 2015 are presented comparatively to the financial statements as at 31 December 2014.

## 2.2. Accounting estimates

The preperation of consolidated financial statement requires the use of assumptions and estimates that affect the reported amount sof of assets and liabilites, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues, expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Group management, the actual may differ from them. The estimates are used particularly in the following notes:

*Note 9 - Fair value measurement of investment property*

*Note 17 Long Term VAT receivables*

The Group classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 17). The Group's total VAT receivable as of 31 December 2015 is in amount of TRY 37,291,467 (31 December 2014: TRY 31,577,687) and this amounts has been reclassed to non-current based on timing of forecasted income and expense subjected to VAT.

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

### 2.3 Changes in accounting policies

The Group, for the current year, applied amendments and interpretations among the new and revised TAS (Turkish Accounting Standards) /TFRS (Turkish Financial Reporting Standards) amendments and interpretations published by the Turkish Accounting Standards Authority (TASB) and TASB's Turkish Financial Reporting Interpretations Committee (TFRIC), effective for the periods of the year beginning as of 1 January 2015 that affected the Group's financial statements.

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

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

- TFRS 2, 'Share-based payment'
- TFRS 3, 'Business Combinations'
- TFRS 8, 'Operating segments'
- TFRS 13, 'Fair value measurement'
- TAS 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 cycles of the annual improvements project, that affect 4 standards:

- TFRS 1, 'First time adoption'
- TFRS 3, 'Business combinations'
- TFRS 13, 'Fair value measurement' and
- TAS 40, 'Investment property'.

***New IFRS standards, amendments and IFRICs effective after 31 December 2015***

- TFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. TFRS 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 TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Amendment to TFRS 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.

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

***New IFRS standards, amendments and IFRICs effective after 31 December 2015 (Continued)***

- Amendment to TAS 16, 'Property, plant and equipment' and TAS 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 TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to TFRS 10, 'Consolidated financial statements' and TAS 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 TFRS 10 and those in TAS 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.

- Amendment to TFRS 10 and TAS 28 on investment entities applying the consolidation exception, effective annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the TASB 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.

- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 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 TAS 16 'Property,plant and equipment', and TAS 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 TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.

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

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

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

- TAS 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.

The standards, inerpretations and amendments below as at date of related bulletin's issue have not been published by the Public Oversight Accounting and Auditing Standards Authority ("POA"):

- TFRS 9 "Financial instruments"
- TFRS 15 "Revenue from contracts with customers"

The Group will evaluate the effects of the amendments above to its operations and will implement which are necessary.

### 2.4 Summary of significant accounting policies

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

#### *2.4.1 Revenue*

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

**Rental income**

Rental income from investment property is recognized on accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Income is realized when the economic benefits obtained by the Group and amount of the related income is measured confidingly.

#### *2.4.2 Statement of cash flows*

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

#### *2.4.3 Investment property*

***a*** **Operating investment properties**

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

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

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

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

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

### *b* Investment property under development

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

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

### *2.4.4. Property and equipment*

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

***Depreciation***

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

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

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

***Subsequent expenditure***

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

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

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

### *2.4.5 Intangible assets*

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

### *2.4.6. Impairment of assets*

At each balance sheet date, the carrying of Group's assets, other than investment property (see note 2.4.3) is reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

### *2.4.7. Financial instruments*

#### *Classification*

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

**i) Loans and receivables**

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

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

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

***Recognition and Measurement***

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

**Trade receivables and liabilities**

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

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

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

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

**Financial liabilities and borrowing cost**

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

**Cash and cash equivalents**

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

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

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

### ii) Share capital

**Ordinary shares**

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

### *2.4.8 Earnings per share*

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

### *2.4.9 Subsequent events*

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

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

If there is evidence of such events as of balance sheet date or if such events occur after balance sheet date and if adjustments are necessary, Group's financial statements are adjusted according to the new situation. The Group discloses the post-balance sheet events that are not adjusting events but material.

### *2.4.10 Provisions, contingent liabilities and contingent assets*

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

### *2.4.11 Leases*

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

**The Group as lessor**

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

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

**The Group as lessee**

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

### *2.4.12 Related parties*

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

### *2.4.13 Segment reporting*

The Group has three reporting segments, which are the Group's strategic business units. The Group management evaluates the performance and determines allocation of resources based on these business units. The Group management reviews the business units based on resource allocation and performance results regularly, since they are affected from different economic conditions and geographical locations each of the strategic business units, although the strategic business units offer same services. The Group's operating segments are in Turkey, Northern Cyprus and Russia in which the Group is operating in real estate investments.

### *2.4.14 Government grants and incentives*

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

### *2.4.15 Taxation*

The Company is exempt from corporate income taxes in accordance with paragraph d-4 of Article 5 of the Corporate Income Tax Law. In accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes, with Council of Ministers decision No, 93/5148, the withholding rate is determined as "0", Therefore, the Company has no tax obligation over its earnings for the related period .

Deferred income taxes are provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

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

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

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

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

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

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

### *2.4.16 Employee termination benefits*

In accordance with the existing labor code in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Group calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financials.

Reserve for severance payment is calculated according to the ceiling rate announced by the Government. As at 31 December 2015 and 31 December 2014 the ceiling rates are TRY 3,828 and TRY 3,438, respectively.

### *2.4.17 Offsetting*

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

### 2.5. Investment portfolio limitations on real estate investment trust

Presented information as of 31 December 2015, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated 28 May 2013 numbered 28660.

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

## 2. 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).

## 3. SEGMENT REPORTING

The Group has three reporting segments, which are the Group's strategic business units. The Group management evaluates the performance and determines allocation of resources based on these business units. The Group management reviews the business units based on resource allocation and performance results regularly, since they are affected from different economic conditions and geographical locations each of the strategic business units, although the strategic business units offer same services. Since the Group operates only in real estate investments in Turkey, Northern Cyprus and Russia, operating segments are provided in geographical segment.

| **31 December 2015:** | **Turkey** | **TRNC** | **Russia** | **Elimination** | **Total** |
|---|---|---|---|---|---|
| Revenue | 24,426,297 | 14,392,658 | 15,160,662 | - | 53,979,617 |
| Cost of sales | (5,516,791) | (172,659) | (1,779,463) | - | (7,468,913) |
| **GROSS PROFIT** | **18,909,506** | **14,219,999** | **13,381,199** | **-** | **46,510,704** |
| General administrative expenses | (4,864,937) | (134,973) | (1,921,332) | - | (6,921,242) |
| Fair value gain/(loss) on operating investment property, net | 13,358,416 | 21,187,000 | (19,748,812) | - | 14,796,604 |
| Fair value (loss)/gain on investment property under construction, net | (3,686,806) | 1,770,230 | - | - | (1,916,576) |
| Other operating income | 194,858 | 3,985 | 225,423 | - | 424,266 |
| Other operating expenses | (78,087) | (7,278) | (69,165) | - | (154,530) |
| **OPERATING PROFIT/(LOSS)** | **23,832,950** | **37,038,963** | **(8,132,687)** | **-** | **52,739,226** |
| Financial income | 39,476,746 | 945,404 | 16,778,080 | - | 57,200,230 |
| Financial expenses | (112,241,864) | (3,683,679) | (51,165,181) | - | (167,090,724) |
| **(LOSS)/PROFIT BEFORE TAX** | **(48,932,168)** | **34,300,688** | **(42,519,788)** | **-** | **(57,151,268)** |
| Current tax income/(expense) | 3,842,600 | (8,064,039) | 7,472,038 | - | 3,250,599 |
| *-Deferred tax income/(expense)* | *3,842,600* | *(8,064,039)* | *7,472,038* | - | *3,250,599* |
| **(LOSS)/PROFIT FOR THE PERIOD** | **(45,089,568)** | **26,236,649** | **(35,047,750)** | **-** | **(53,900,669)** |
| **31 December 2015:** | | | | | |
| Reportable segment assets | 1,381,244,793 | 244,940,236 | 280,846,364 | (321,173,436) | **1,585,857,957** |
| Reportable segment liabilities | 586,979,545 | 67,142,001 | 206,118,222 | (78,488,337) | **781,751,431** |
| Capital expenditures | 59,718,390 | 94,770 | 11,654,529 | - | **71,467,689** |
| Depreciation and amortization expenses | 19,316 | 1,405 | 18,702 | - | **39,423** |

## 3. SEGMENT REPORTING (Continued)

**31 December 2014:**

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

**31 December 2014:**

| | Turkey | TRNC | Russia | Elimination | Total |
|---|---|---|---|---|---|
| Reportable segment assets | 1,214,106,472 | 221,593,145 | 290,725,406 | (280,475,164) | **1,445,949,859** |
| Reportable segment liabilities | 391,951,657 | 70,031,559 | 177,322,495 | (49,576,018) | **589,729,693** |
| Capital expenditures | 25,358,413 | 1,330,150 | 34,922,701 | - | **61,611,264** |
| Depreciation and amortization expenses | 17,658 | 1,406 | 27,375 | - | **46,439** |

## 4. RELATED PARTY DISCLOSURES

### 4.1. Related party balances

*Due to related parties (trade):*

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Akfen İnşaat Turizm ve Ticaret A.Ş. | 3,742,189 | 721,394 |
| | **3,742,189** | **721,394** |

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

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

## 4. RELATED PARTY DISCLOSURES (Continued)

### 4.2. Related party transactions

#### a) Operating investment purchases (Investment properties under development)

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Akfen İnşaat Turizm ve Ticaret A.Ş. | 48,731,156 | 17,666,490 |
| | **48,731,156** | **17,666,490** |

#### b) Rent expenses

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Hamdi Akın | 397,166 | 278,344 |
| | **397,166** | **278,344** |

#### c) Interest income

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Akfen Holding | 1,097 | 1,418 |
| Akfen İnşaat Turizm ve Ticaret A.Ş. | - | 40 |
| | **1,097** | **1,458** |

#### d) Interest expenses

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Akfen İnşaat Turizm ve Ticaret A.Ş. | 6,160 | 29 |
| | **6,160** | **29** |

#### e) Remuneration of top management

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Remuneration of top management | 1,884,583 | 1,545,123 |
| | **1,884,583** | **1,545,123** |

## 5. CASH AND CASH EQUIVALENTS

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Cash on hand | 22,360 | 10,967 |
| Cash at banks | 63,880,277 | 24,061,531 |
| *- Demand deposits* | *804,181* | *606,568* |
| *- Time deposits* | *63,076,096* | *23,454,963* |
| Project, reserve accounts | - | 24,773 |
| **Cash and cash equivalents** | **63,902,637** | **24,097,271** |
| Project, reserve accounts | - | (24,773) |
| **Cash and cash equivalents in cash flow statement** | **63,902,637** | **24,072,498** |

**Demand deposits**

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

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Euro | 512,144 | 287,134 |
| TRY | 181,303 | 246,148 |
| Russian Ruble | 105,478 | 69,911 |
| USD | 5,256 | 3,375 |
| **Total demand deposits** | **804,181** | **606,568** |

**Time deposits**

As at 31 December 2015 and 31 December 2014 time deposits are comprised of the following currencies and banks:

**31 December 2015**

| **Bank** | **Currency** | **Maturity** | **Interest Rate** | **31 December 2015** |
|---|---|---|---|---|
| Credit Europe Bank[(1)] | Euro | January 2016 | 7.20% | 47,664,000 |
| Credit Europe Bank[(2)] | Euro | January 2016 | 7.20% | 7,816,896 |
| Fibabanka | TRY | January 2016 | 10.00% | 2,050,000 |
| Credit Europe Bank | Euro | January 2016 | 1.25% | 4,807,437 |
| Credit Europe Bank | Ruble | January 2016 | 11.50% | 737,763 |
| **TOTAL** | | | | **63,076,096** |

(1) As at 31 December 2015, time deposit on Credit Europe Bank is portion - in amount of Euro 15,000,000 in time blockage deposit- of Euro 30,000,000 loan obtained from Credit EuropeBank - details are disclosed in note 16- as guarantee of the loans used by HDI and RPI from the same bank. The time deposit has the same interest rate with the loans and as the principal payments are made by HDI and RPI, the guarantee amount in the blockage will be deducted in the same portion with the loans paid. The acquired interest income is net off with the interest expense.

(2) As at 31 December 2015, time deposit on Credit Europe Bank is related to not expended portion of the loan in amount of Euro 116,000,000 obtained from Credit EuropeBank - details are disclosed in note 16 - for refinancing of Akfen GYO's old loans and financing of Tuzla Ibis Hotel project. Interest rate of the time deposit is the same for the related loan's interest rate and the acquired interest income is net off with the interest expense.

## 5. CASH AND CASH EQUIVALENTS (Continued)

**31 December 2014**

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

**Project and Reserve Accounts**

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

The group has no project, reserve accounts as of 31 December 2015. As of 31 December 2014, the details of project, reserve accounts are shown as below:

**31 December 2014**

| Bank | 31 December 2014 |
|---|---|
| Demand deposits | 24,773 |
| **TOTAL** | **24,773** |

## 6. FINANCIAL LIABILITIES

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Current financial liabilities:** | | |
| Short-term bank borrowings | - | 31,808,759 |
| Current portion of long-term bank borrowings | 44,730,329 | 85,805,896 |
| **Non-current financial liabilities:** | | |
| Long-term bank borrowings | 659,286,603 | 400,234,298 |
| **Total financial liabilities** | **704,016,932** | **517,848,953** |

## 6. FINANCIAL LIABILITIES (Continued)

The repayment schedule of financial liabilities is as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---:|---:|
| Less than one year | 44,730,329 | 117,614,655 |
| 1 - 2 years | 47,369,987 | 86,194,346 |
| 2 - 3 years | 59,116,195 | 75,411,577 |
| 3 - 4 years | 58,876,882 | 58,887,562 |
| 4 - 5 years | 55,741,912 | 52,339,904 |
| 5 years and longer | 438,181,627 | 127,400,909 |
| **Total financial liabilities** | **704,016,932** | **517,848,953** |

**31 December 2015:**

| Currency | Interest rate (%) | Original currency | Current | Non-current | Total |
|---|---|---:|---:|---:|---:|
| Euro (1) (*) | 7.20% | 117,060,136 | 25,820,555 | 346,149,733 | 371,970,288 |
| Euro (2) (*) | 7.20% | 30,310,585 | 11,780,679 | 84,534,236 | 96,314,915 |
| Euro (3) (*) | 7.20% | 15,147,883 | 5,528,916 | 42,604,997 | 48,133,913 |
| Euro (4) (*) | 7.20% | 59,037,580 | 1,600,179 | 185,997,637 | 187,597,816 |
| | | | **44,730,329** | **659,286,603** | **704,016,932** |

(*) Interest rates of the loans are 7,20% for the first 2 years, 6,80% for upcoming 2 years and 6,00% + Euribor (3 months) for upcoming years.

**31 December 2014:**

| Currency | Interest rate (%) | Original currency | Current | Non-current | Total |
|---|---|---:|---:|---:|---:|
| Euro (5) | Euribor + 3.75% | 48,154,802 | 27,425,139 | 108,405,110 | 135,830,249 |
| Euro (5) | Euribor + 5.00% | 7,580,449 | 1,813,566 | 19,568,606 | 21,382,172 |
| Euro (6) | Euribor + 4.60% | 10,636,254 | 8,846,433 | 21,155,250 | 30,001,683 |
| Euro (7) | Euribor + 6.35% | 16,977,570 | 641,908 | 47,246,725 | 47,888,633 |
| Euro (8) | Euribor + 7.00% | 7,175,229 | 2,289,296 | 17,949,873 | 20,239,169 |
| Euro (9) | Euribor + 6.50% | 10,992,983 | 3,690,313 | 27,317,596 | 31,007,909 |
| Euro (10) | Euribor + 6.50% | 6,379,541 | 2,646,572 | 15,348,198 | 17,994,770 |
| Euro (11) | Euribor + 6.50% | 8,346,357 | 2,354,679 | 21,187,890 | 23,542,569 |
| Euro (12) | Euribor + 7.35% | 22,527,119 | - | 63,542,245 | 63,542,245 |
| Euro (13) | Euribor + 5.25% | 15,166,508 | 8,931,769 | 33,848,400 | 42,780,169 |
| Euro (14) | Euribor + 6,00% | 7,117,400 | 13,494,416 | 6,581,633 | 20,076,049 |
| Euro (15) | 7.50% | 2,124,349 | 5,992,153 | - | 5,992,153 |
| TRY (16) | 13.20% | 28,550,000 | 28,550,000 | - | 28,550,000 |
| TRY (17) | 13.25% | 3,258,759 | 3,258,759 | - | 3,258,759 |
| Euro (18) | Euribor + 5.25% | 4,046,777 | 131,943 | 11,282,800 | 11,414,743 |
| Euro (19) | Euribor + 6.80% | 5,086,567 | 7,547,709 | 6,799,972 | 14,347,681 |
| | | | **117,614,655** | **400,234,298** | **517,848,953** |

## 6. FINANCIAL LIABILITIES (Continued)

(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. Interest rate of the loan are 7,20% for the first 2 years, 6,80% for upcoming 2 years and 6,00% + Euribor (3 months) for upcoming years.

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

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and land, building and equipments of Ankara Esenboğa, Esenyurt and Adana and the land on which hotel is being built in Tuzla are pledged in favor of the creditors,
- Rent revenue of related hotels is 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.
- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor.

(2) The loan agreement in amount of Euro 30,000,000 having 2 years grace period an 10 years maturity has been signed for refinancing of all loans related to Akfen GT – subsidiary of Akfen GYO- and the loan has been used on 6 November 2015. Interest rate of the loan are 7,20% for the first 2 years, 6,80% for upcoming 2 years and 6,00% + Euribor (3 months) for upcoming years. Euro 15,000,000 portion of the loan has been used as guarentee of the loans used by HDI and RPI from the same bank. This portion is kept in time blockage deposit with the same interest rate of the loan and the guarantee amount in the blockage will be deducted in the same portion with the loans paid by HDI and RPI.

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

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- Shares of Akfen GYO on Akfen GT has been pledged to the favor of creditor,
- Akfen GYO has corporate guarantee in amount of the loan,
- All shares on Akfen Karaköy have been pledged to the favor of creditor,
- Akfen İnşaat has corporate guarantee in amount of the loan,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditor,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditors in the 1st degree.

(3) The loan agreement in amount of Euro 15,000,000 having 2 years grace period an 10 years maturity has been signed for refinancing of all loans related to Akfen Karaköy – subsidiary of Akfen GYO- and the loan has been used on 6 November 2015. Interest rate of the loan are 7,20% for the first 2 years, 6,80% for upcoming 2 years and 6,00% + Euribor (3 months) for upcoming years.

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

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- Right of tenancy of Merit Park Hotel are pledged in favor of the creditors in the 2nd degree,
- Rent revenue of Novotel Karaköy is alienated in favor of the creditor,
- Sureties of Akfen İnşaat is given for the completion guarantee of Novotel Karaköy project,
- Akfen İnşaat has corporate guarantee in amount of the loan,

(4) The loan agreement in amount of Euro 59,000,000 having 2 years grace period an 10 years maturity has been signed for refinancing of all loans related to HDI - subsidiary of Akfen GYO- and RHI and RPI - subsidiary of Akfen GT- and the loan has been used on 6 November 2015 and 17 November 2015. Interest rates of the loans are 7,20% for the first 2 years, 6,80% for upcoming 2 years and 6,00% + Euribor (3 months) for upcoming years.

## 6. FINANCIAL LIABILITIES (Continued)

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

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- All shares of HDI, RHI and RPI have been pledged to the favor of creditor,
- Akfen GT has corporate guarantee in amount of the loans used by RHI and RPI,
- Akfen GYO has corporate guarantee in amount of the loans used by HDI,
- Euro 15,000,000 portion of the loan used by Akfen GT is kept as guarentee,
- Right of tenancies of Yaroslavl Ibis Hotel, Samara Ibis Hotel, Samara Office, Kaliningrad Ibis Hotel and Moscow Ibis Hotel are pledged in favor of the creditors.
- Rent revenues of the projects are alienated in favor of the creditor.

(5) The Group signed a loan agreement in amount of Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Group and ACCOR S.A. to develop hotel projects in Turkey. According to loan agreement signed in 2 November 2012, the interest rate of loans to be issued for Ankara Esenboğa Ibis Hotel project is Euribor + 5%. The interest rates of the loans issued for other projects under the loan agreement is not changed and it is Euribor + 3.75%. Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and Ankara Esenboğa and the lands on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors,
- Rent revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favor of the creditors,
- Sureties of Akfen Holding and Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen İnşaat"), the shareholders' of the Group, are given for the completion guarantee of the related projects. As of December 2014, all projects included in agreement have been constructed.

(6) On 29 March 2013, the loan with 5 year maturity has been used. Bank borrowings obtained is secured by the followings:

- Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditor,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditor,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditor.

(7) On 17 January 2013, a loan agreement with Euro 25,500,000 loan limit has been signed for financing the Karaköy Novotel project which is in the portfolio of the Group. Bank borrowings obtained with this agreement is secured by the followings:

- Rent revenue which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor,
- The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor,
- All receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts are pledged to the favor of the creditor,
- The right of tenancy of the hotels in Esenyurt, Kayseri, Trabzon, Gaziantep, Bursa, Adana and Zeytinburnu and right of tenancy of lands in Adana and Ankara Esenboğa are pledged to the favor of the creditor,

(8) The loan has been used for Samara Office in portfolio of Russian Property on 7 August 2013. Bank borrowings obtained with this agreement is secured by the followings:

- RPI has given its 100% share related to Volgastroykom as guarantee,
- Office building are pledged in favor of creditors in the first degree,
- Sureties of Akfen GYO and Akfen GT are given for the total amount of Euro10,044,444,
- Rent revenue is alienated in favor of the creditor.

## 6. FINANCIAL LIABILITIES (Continued)

(9) As of 30 September 2015, remaining balance of loan that has been used within the scope of agreement signed is related to Samara Ibis Hotel on 26 February 2012. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount,
- Based upon the loans used related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the Group pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
- The land and Samara Hotel building owned by the Group are pledged in favor of creditors,
- Rent revenue is alienated in favor of the creditor.

(10) As of 30 September 2015, remaining balance of loan that has been used within the scope of agreement signed related to Yaroslavl Ibis on 7 September 2012. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount,
- Based upon the loans used related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the Group pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
- The land and Yaroslavl Hotel building owned by the Group are pledged in favor of creditors,
- Rent revenue is alienated in favor of the creditor.

(11) As of 30 September 2015, remaining balance of loan that has been used within the scope of agreement signed related to Kaliningrad Ibis Hotel project on 7 September 2012. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount,
- Based upon the loans used related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the Group pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
- The land and Kaliningrad Hotel building owned by the Group are pledged in favor of creditors,
- Rent revenue is alienated in favor of the creditor.

(12) It is related to loan with Euro 25,500,000 limit obtained for financing the Moscow Ibis Hotel which is in portfolio of HDI. Bank borrowings obtained with this agreement is secured by the followings:

- HDI has given its 100% share related to Severnyi Avtovokzal Limited company as guarantee,
- Land of the related project is pledged in favor of creditors in the first degree. After completion of the hotel, the hotel building will also be pledged in favor of creditors,
- Sureties of Akfen GYO and Akfen GT are given for the total amount of Euro 38,000,000,
- Rent revenue is alienated in favor of the creditor.

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

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

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

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

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

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

## 6. FINANCIAL LIABILITIES (Continued)

(18) Loan agreement with 20 March 2014 date and Euro 10,000,000 limit has been signed for financing of 200 room Tuzla Ibis Hotel in portfolio of the Group and Euro 4,000,000 loan based on loan agreement has been used as of 31 December 2014. Bank borrowings obtained based on the loan agreement is secured by the followings:

- Rent revenue of Tuzla Ibis Hotel after start of its operation is pledged to the creditor,
- Deposits in banks and financial institutions related with Tuzla Ibis Hotel are pledged in favor of the creditor,
- Right of tenancy of related hotel is pledged in favor of the creditors in first degree
- Sureties of Akfen Holding the shareholder' of the Group, are given for the completion guarantee of the related project.

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

## 7. TRADE RECEIVABLES AND PAYABLES

### a) Short-term trade receivables

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Trade receivables from third parties | 17,179,374 | 10,939,041 |
| | **17,179,374** | **10,939,041** |

As at 31 December 2015, TRY 5,601,364 (31 December 2014: TRY 3,671,387) and TRY 11,397,016 (31 December 2014: TRY 6,927,249) portions of total trade receivables are comprised of receivables of the Group from Tamaris Turizm A.Ş. - operator of the hotels in Turkey and Russian Hotel Management Company - operator of the hotels in Russia - related to hotel rental revenue.

### b) Short-term trade payables

As at 31 December 2015 and 31 December 2014, short-term trade payables comprise the followings:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Trade payables to related parties (1) | 3,742,189 | 721,394 |
| Trade payables to third parties | 2,181,368 | 3,414,917 |
| *- Other trade payables (2)* | *1,841,006* | *724,110* |
| *-Other expense accruals* | *340,362* | *519,994* |
| *-Accruals for construction cost (3)* | - | *2,170,813* |
| | **5,923,557** | **4,136,311** |

(1) As at 31 December 2015, all amount of trade payables due to related parties consist of debts to Akfen İnşaat related to progress payments of Karaköy, Tuzla, Esenyurt, İzmir ve Adana projects of the Group (As at 31 December 2014, all amount of trade payables due to related parties consist of debts to Akfen İnşaat related to progress payments of Esenyurt, İzmir ve Adana projects of the Group) (Note 4).

(2) As at 31 December 2015, TRY 1,231,653 of other trade payables to contractors related to construction works of the Group (31 December 2014: TRY 571,120).

(3) As at 31 December 2014 accruals for construction costs are comprised of the progress invoices related with the ongoing projects of Karaköy.

## 8. OTHER RECEIVABLES AND PAYABLES

### a) Other current receivables

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Other receivables from third parties | 147,465 | 26,155 |
| | **147,465** | **26,155** |

### b) Other non-current receivables

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Other receivables from third parties | 16,911,845 | 9,853,201 |
| Deposits and guarantees given | 162,921 | 131,907 |
| | **17,074,766** | **9,985,108** |

As at 31 December 2015, other non- current receivables are mainly comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy and other shareholders of RHI and RPI, amounting to TRY 14,652,243 (31 December 2014:TRY 7,847,392) and TRY 2,259,602 (31 December 2014: TRY 2,005,809), respectively.

### c) Other current payables

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Taxes and funds payable | 1,153,101 | 1,113,134 |
| Other payables | 908,964 | 238,433 |
| Advances received | 400,000 | - |
| Social security premiums payable | 28,629 | 28,246 |
| | **2,490,694** | **1,379,813** |

## 9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Operating investment properties | 1,195,377,875 | 1,046,988,878 |
| Investment properties under development | 232,983,000 | 304,902,499 |
| **Total** | **1,428,360,875** | **1,351,891,377** |

***Operating investment properties:***

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Opening balance | 1,046,988,878 | 1,129,195,631 |
| Additions | 401,010 | 3,020,655 |
| Foreign currency translation difference | (2,531,446) | (83,480,101) |
| Transfer from development projects | 135,722,829 | 39,363,705 |
| Fair value gain/(loss), net | 14,796,604 | (41,111,012) |
| **Carrying amount** | **1,195,377,875** | **1,046,988,878** |

As at 31 December 2015, the transfer from development projects composed of Moscow Ibis Hotel which was completed during the period (31 December 2014: Ankara Esenboğa Ibis Hotel).

As at 31 December 2015 and 31 December 2014 the fair value adjustment on investment property is recognized based on the fair values of the investment property. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the Group owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. In the valuation process, a projection period which fits to the lease term for right of tenancy of each hotels is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

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

As at 31 December 2015 and 31 December 2014, the fair values of operating investment properties in Turkey and Northern Cyprus are as follows:

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| **Name of investment property** | **Date of appraisal report** | **Fair value** | **Date of appraisal** | **Fair value** |
| Merit Park Hotel | 31 December 2015 | 230,300,000 | 31 December 2014 | 209,113,000 |
| Zeytinburnu Novotel and Ibis Hotel | 31 December 2015 | 226,575,000 | 31 December 2014 | 233,315,000 |
| Trabzon Novotel | 31 December 2015 | 123,561,000 | 31 December 2014 | 110,360,000 |
| Esenyurt Ibis Hotel | 31 December 2015 | 60,313,000 | 31 December 2014 | 55,511,000 |
| Gaziantep Novotel and Ibis Hotel | 31 December 2015 | 58,088,000 | 31 December 2014 | 58,727,000 |
| Kayseri Novotel and Ibis Hotel | 31 December 2015 | 51,770,000 | 31 December 2014 | 54,130,000 |
| İzmir Ibis Hotel Projesi | 31 December 2015 | 46,857,000 | 31 December 2014 | 46,006,000 |
| Bursa Ibis Hotel | 31 December 2015 | 45,580,000 | 31 December 2014 | 47,642,000 |
| Adana Ibis Hotel | 31 December 2015 | 44,790,000 | 31 December 2014 | 39,673,000 |
| Ankara Esenboğa Ibis Hotel | 31 December 2015 | 37,897,000 | 31 December 2014 | 35,287,000 |
| Eskişehir Ibis Hotel | 31 December 2015 | 13,626,000 | 31 December 2014 | 14,724,000 |
| **Total** | | **939,357,000** | | **904,488,000** |

As at 31 December 2015, Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, operating in Russia, owned by RHI have fair values at amounts of TRY 31,003,844, TRY 36,263,850 and TRY 32,144,836 (31 December 2014: Yaroslavl İbis Hotel TRY 43,656,908, Samara İbis Hotel TRY 46,571,123 and Kaliningrad Ibis Hotel TRY 35,547,789) and the discount rate used for appraisals as of 31 December 2015 is 13% (31 December 2014: 14%). Samara office project, owned by RPI has fair value amount of TRY 14,906,000 (31 December 2014: TRY 16,725,058) and the discount rate used for appraisal as of 31 December 2015 is 14.5% (31 December 2014: 14%). Fair value of Moscow Ibis Hotel of which construction has started in 2 September 2013 and started its operations in 16 July 2015 belonging to HDI which was corporated in Holland in 2011 of which Akfen GYO has 100% of shares is TRY 141,702,345 as of 31 December 2015 (31 December 2014: TRY 129,942,499) and the discount rate used for appraisal as of 31 December 2015 is %13 (31 December 2014: 14%).

As at 31 December 2015, total insurance amount on operating investment properties is TRY 1,078,066,637 (31 December 2014: TRY 1,061,411,984).

As at 31 December 2015 the pledge amount on operating investment property is TRY 841,584,877 (31 December 2014:TRY 657,223,100).

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

Discount rates used for fair value calculations of operating investment properties in Turkey and Northern Cyprus as of 31 December 2015 and 31 December 2014, are as below:

| Name of investment property | Discount rates 31 December 2015 | Discount rates 31 December 2014 |
|---|---|---|
| Zeytinburnu Novotel ve Ibis Hotel | 7.50% and 9.50% | 7.00% and 9.00% |
| Merit Park Hotel | 8.50% and 10.00% | 8.50% and 10.00% |
| Trabzon Novotel | 7.50% and 9.50% | 7.00% and 9.00% |
| Kayseri Novotel and Ibis Hotel | 8.00% and 10.00% | 7.00% and 9.25% |
| Gaziantep Novotel and Ibis Hotel | 8.00% and 10.00% | 7.00% and 9.00% |
| Bursa Ibis Hotel | 8.00% and 10.00% | 7.00% and 9.00% |
| Eskişehir Ibis Hotel and Fitness Center | 7.50% and 9.50% | 7.00% and 9.00% |
| Adana Ibis Hotel | 8.00% and 10.00% | 7.00% and 9.00% |
| Esenyurt Ibis Hotel | 8.00% and 10.00% | 7.00% and 9.00% |
| İzmir Ibis Hotel | 8.00% and 10.00% | 7.00% and 9.00% |
| Ankara Esenboğa Ibis Hotel | 8.00% and 10.00% | 7.00% and 9.00% |

***Investment properties under development:***

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Opening balance | 304,902,499 | 289,703,095 |
| Additions | 71,066,679 | 58,564,172 |
| Currency translation difference | (5,346,773) | (61,891,045) |
| Fair value (loss)/gain | (1,916,576) | 57,889,982 |
| Transfer to operating investment properties | (135,722,829) | (39,363,705) |
| **Carrying amount** | **232,983,000** | **304,902,499** |

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

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| **Name of investment property** | **Date of appraisal report** | **Fair value** | **Date of appraisal** | **Fair value** |
| Karaköy Hotel Project | 31 December 2015 | 180,197,000 | 31 December 2014 | 146,366,000 |
| Tuzla Ibis Hotel Project | 31 December 2015 | 42,794,000 | 31 December 2014 | 20,917,000 |
| Northern Cyprus Bafra Hotel Project | 31 December 2015 | 9,992,000 | 31 December 2014 | 8,127,000 |
| **Total** | | **232,983,000** | | **175,410,000** |

Discount rates used for fair value calculation of investment properties under development as of 31 December 2015 and 31 December 2014 are as below:

| Name of investment property | Discount rates 31 December 2015 | Discount rates 31 December 2014 |
|---|---|---|
| Karaköy Hotel Project | 7.50% and 9.50% | 7.00% and 9.00% |
| Tuzla Ibis Hotel Project | 9.00% and 10.00% | Peer Comparison |
| Northern Cyprus Bafra Hotel Project | Peer Comparison | Peer Comparison |

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

As at 31 December 2015, total insurance amount on investment properties under development is TRY 138,257,376 (31 December 2014: TRY 136,726,007).

As at 31 December 2015 the pledge amount on investment property under development is TRY 101,766,368 (31 December 2014: TRY 257,388,875).

As at 31 December 2015, directly attributable operating costs incurred for operating investment properties and investment properties under development are TRY 4,039,731 and TRY 3,429,182, respectively (31 December 2014: TRY 3,441,864 and TRY 2,288,082). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

## 10. PROPERTY AND EQUIPMENT

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

| | Equipments | Furniture and fixtures | Motor vehicles | Total |
|---|---|---|---|---|
| **Cost value** | | | | |
| Balance at 1 January 2014 | 4,688 | 270,486 | 129,583 | 404,757 |
| Acquisitions | - | 26,437 | - | 26,437 |
| **Balance at 31 December 2014** | **4,688** | **296,923** | **129,583** | **431,194** |
| **Cost value** | | | | |
| Balance at 1 January 2015 | 4,688 | 296,923 | 129,583 | 431,194 |
| Acquisitions | - | 21,886 | 67,558 | 89,444 |
| **Balance at 31 December 2015** | **4,688** | **318,809** | **197,141** | **520,638** |
| **Accumulated depreciation** | | | | |
| Balance at 1 January 2014 | (2,147) | (223,013) | (81,240) | (306,400) |
| Depreciation charge for the year | (384) | (24,344) | (19,436) | (44,164) |
| **Balance at 31 December 2014** | **(2,531)** | **(247,357)** | **(100,676)** | **(350,564)** |
| Balance at 1 January 2015 | (2,531) | (247,357) | (100,676) | (350,564) |
| Depreciation charge for the period | (384) | (18,309) | (17,002) | (35,695) |
| **Balance at 31 December 2015** | **(2,915)** | **(265,666)** | **(117,678)** | **(386,259)** |
| **Net carrying amount** | | | | |
| 1 January 2014 | 2,541 | 47,473 | 48,343 | 98,357 |
| 31 December 2014 | 2,157 | 49,566 | 28,907 | 80,630 |
| 1 January 2015 | 2,157 | 49,566 | 28,907 | 80,630 |
| 31 December 2015 | 1,773 | 53,143 | 79,463 | 134,379 |

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

As of 31 December 2015, depreciation expenses amounting to TRY 35,695 has been recognized in general administrative expenses (31 December 2014: TRY 44,164).

## 11. INTANGIBLE ASSETS

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

| | **Softwares** |
|---|---:|
| **Cost value** | |
| Balance at 1 January 2014 | 86,166 |
| Additions | - |
| **Balance at 31 December 2014** | **86,166** |
| | |
| Balance at 1 January 2015 | 86,166 |
| Additions | 15,000 |
| **Balance at 31 December 2015** | **101,166** |
| | |
| **Accumulated amortization** | |
| Balance at 1 January 2014 | (41,845) |
| Charge for the year | (2,275) |
| **Balance at 31 December 2014** | **(44,120)** |
| | |
| Balance at 1 January 2015 | (44,120) |
| Charge for the period | (3,728) |
| **Balance at 31 December 2015** | **(47,848)** |
| | |
| **Net carrying amounts** | |
| 1 January 2014 | 44,321 |
| 31 December 2014 | 42,046 |
| | |
| 1 January 2015 | 42,046 |
| 31 December 2015 | 53,318 |

As of 31 December 2015, amortization expenses amounting to TRY 3,728 has been recognized in administrative expenses (31 December 2014: TRY 2,275).

## 12. GOVERNMENT GRANTS AND INCENTIVES

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

## 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There is no ongoing or finalized significant lawsuit against the Group as at 31 December 2015 and 31 December 2014.

## 14. COMMITMENT AND CONTINGENCIES

As at 31 December 2015 and 31 December 2014, Group's position related to commitments, pledges and mortgages ("CPM") are as follows:

| **CPM are given by the Group** | **31 December 2015** | **31 December 2014** |
|---|---|---|
| A. Total amount of CPM is given on behalf of own legal personality | 950,330,819 | 774,057,619 |
| B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated | 494,612,560 | 245,852,359 |
| C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities | - | - |
| D. Total Amount of other CPM | - | - |
| i. Total amount of CPM is given in favor of parent company | - | - |
| ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include | - | - |
| iii. The amount of CPM is given in favor of third party which C doesn't include | - | - |
| | **1,444,943,379** | **1,019,909,978** |

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 297,302,899 and USD 800,000 as at 31 December 2015 ( 31 December 2014: Euro 273,500,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 110,000,000 as at 31 December 2015 (31 December 2014: Euro 86,345,744).

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

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

### 14.1. The Group as lessee

*Operating lease arrangements*

As at 31 December 2015, the Group has undergone 12 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date. Rent amount for the year 2015 is USD 12,532 and it will increase by 3% every year. Rents are paid annually.
- The Group signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The lease term is 49 years starting from 18 November 2002. 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.

## 14. COMMITMENT AND CONTINGENCIES (Continued)

- The Group signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from 30 March 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the annually fixed lease amount determined by the agreement and 5% of the total annually revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from 3 March 2010. Lease payments will start after a five year rent free period. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from 3 December 2009. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on 9 May 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.
- The Group signed lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to TRY 11,990 per year. The Group has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years. On 11 November 2013, lease agreement for 49 years has been signed with Kaliningrad Municipality and the Group plans to use its right to purchase the land in the second quarter of 2016.
- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TRY 2,340 per month and TRY 25,155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI").
- The Group took over the 224,524 $m^2$, tourism zoning land in Bafra, Northern Cyprus which is owned by Northern Cyprus Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years with the approval of Northern Cyprus Cabinet on 23 February 2011. Annual rent amount for 2015 is USD 58,580 and it will increase by 3% every year.
- The Group took over the lease agreement for a period of 49 years starting from the agreement date on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model at 1 September 2009. Monthly rent amount as of 31 December 2015 is TRY 180,667 for 2014 by yearly increase in ratio of PPI and shall continue till the end of 49th year.
- Severny Company, which the Group purchased all shares on 15 August 2013, signed a lease agreement with Moscow City Administration on 20 April 2010 valid till 24 September 2056 related to land on which Moscow Ibis Hotel was constructed and all object is projected as hotel. An additional lease agreement has been signed on 02 June 2011 related to aforesaid lease agreement. Rent amount is approximately TRY 159,028 in 2015.

## 14. COMMITMENT AND CONTINGENCIES (Continued)

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

*Payments recognized as an expense*

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Lease expenses | 5,530,480 | 4,813,601 |
| | **5,530,480** | **4,813,601** |

As of 31 December 2015 and 31 December 2014, the Group’s minimum amount of estimated rental expenses to be paid for operating lease in total is given below by taking into account terms of existing contracts:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Less than one year | 4,059,416 | 3,709,394 |
| 1 - 5 years | 17,502,151 | 15,765,936 |
| 5 years and longer | 183,204,137 | 171,972,784 |
| | **204,765,704** | **191,448,114** |

Accrued rental expenses are given below:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Accrued rent expense** | | |
| Current (Note 17) | 1,276,726 | 1,190,349 |
| Non-current (Note 17) | 3,600,533 | 3,231,723 |
| | **4,877,259** | **4,422,072** |

### 14.2. The Group as lessor

*Operating lease arrangements*

As at 31 December 2015, the Group has undergone 25 operating lease arrangements as;

- The Group signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Group signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.

## 14. COMMITMENT AND CONTINGENCIES (Continued)

### 14.2. The Group as lessor (Continued)

- The Group signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Group signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Group signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Group signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Group signed a rent agreement with ACCOR S.A. on 19 December 2012 to lease a hotel which is planned to complete and starts its operations in 1$^{st}$ quarter of 2016 in Karaköy.
- The Group signed a rent agreement with ACCOR S.A. on 28 March 2013 to lease a hotel which was completed and starts its operations in 2014 in Ankara Esenboğa.
- The Group signed a rent agreement with ACCOR S.A. on 1 March 2014 to lease a hotel which is planned to complete and starts its operations in 2$^{nd}$ quarter of 2016 in Tuzla.

All of the twelve agreements have similar clauses described below;

The agreements are signed with Tamaris Turizm operating in Turkey and owned 100% by ACCOR S.A. and ACCOR S.A. has 100% guarantees over these agreements.

The lease term is sum of the period between the opening date of the hotel and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. ACCOR S.A. has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. ACCOR S.A. has the right to terminate the agreement, if the Group fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to Euro 750,000.
As of 1 January 2013;

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

AGOP is calculated as deduction of 4% of the Gross Operating Profit ("GOP") corresponding to operational costs borne by ACCOR S.A. and costs related to corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP.

## 14. COMMITMENT AND CONTINGENCIES (Continued)

### 14.2. The Group as lessor (Continued)

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

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

The Group has additional thirteen operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years had been signed between the parties in 15 May 2012 and first year rent amount is Euro 4,750,000. The start date of the agreement is set as January 2013. In first 5 year, the rent amount will not increase, from 6$^{th}$ year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount. The name of the hotel has changed as "Merit Park Hotel" as at 6 October 2012.
- The Group signed rent agreement with YNS Turizm Gıda İnşaat San. Tic. Ltd. Şti. for Eskişehir İbis Hotel Fitness Center on 1 July 2015. The rent payments begin as of 1 July 2015 which the rentable area is delivered. Agreement period includes three periods having 7 years and after each period the agreement may be terminated in cased of informing before 6 months. VAT included monthly rent amount for the year 2015 is TRY 17,700 and the rent amount will be increased by inflation rate at the beginning of each year.
- The Group signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The rent increases at the beginning of the period as the average of annual PPI and CPI. VAT included monthly rent amount for the year 2015 is TRY 6,100.
- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, from third year Euro 6,000 per room and from fourth year to fifteenth year Euro 7,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- HDI through its subsidiary Severny signed a lease agreement for 317 rooms IBIS Hotel building under operation in Moscow, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia on 29 January 2014. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP").
- Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, for third year Euro 6,000 per a room and from fourth year to fifteenth year Euro 7,000 per a room. The Minimum Annual Guaranteed Rent the highest price is Euro14.000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

## 14. COMMITMENT AND CONTINGENCIES (Continued)

### 14.2. The Group as lessor (Continued)

- Russian Hotel through its subsidiary LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 4,000 per a room, for second year Euro 5,000 per a room, from third year to fifteenth year Euro 6,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 12,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.
- Russian Property leased 1,562 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to OAO Bank VTB with an agreement signed on 1 March 2013. The duration of the agreement is 6 years and monthly rent amount is approximately TRY 75,495. The delivery of the rented offices was made in 15 March 2013. According to lease agreement, there will be no increase to the rent for the first year and for the upcoming year, the rent increase will be 10% with the condition of proving the rent increase in the market with an expertise report.
- On 2 September 2013, Russian Hotel signed a lease agreement for a fitness center including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 31 December 2016 and the monthly rent revenue for 2015 is approximately TRY 2,971, including VAT.
- Russian Property leased 1,869 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Rosneft Oil Company with an agreement signed in 2 December 2013 with duration of 24 months. Monthly rent amount is approximately TRY 49,985, including VAT.
- Russian Property leased 588 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Samarasnabpodshipnik Company which is established by Samara Podshibnik company -one of the biggest roller producers- for sale of its productions with an agreement signed in 19 February 2014 and 1 September 2015. Monthly rent amount is approximately TRY 16,997, including VAT.
- On 1 March 2015, Russian Hotel signed a lease agreement for a store placed in entrance floor of Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 1 March 2016 and the monthly rent revenue for 2015 is approximately TRY 4,674, including VAT.
- On 18 December 2015, the Group, has signed lease agreement with BNS Gıda ve Turizm Yatırımları A.Ş. for store in Karaköy Novotel. The lease payments will start with openning of Karaköy Novotel. The lease agreement has 10 years maturity and for determination of the rent amount for the first 5 years; 12% of total yearly turnover obtained by the lessee from the store will be calculated. Rent amount will be higher of the calculated amount or monthly USD 20,000 for the first 2 years, monthly USD 22,000 for 2nd and 3th years, and monthly USD 25,000 for 5th year.

  Strating from 6$^{th}$ year, the rent amount will be monthly USD 25,000 and will be increased by %3 every year.

## 14. COMMITMENT AND CONTINGENCIES (Continued)

As of 31 December 2015 and 31 December 2014, the Group's minimum amount of estimated rental income to be obtained for operating lease in total is given below by taking into account terms of existing contracts:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Less than 1 year | 28,458,799 | 25,091,963 |
| 1 - 5 years | 110,294,004 | 95,637,433 |
| 5 years and longer | 260,042,624 | 250,262,612 |
| | **398,795,427** | **370,992,008** |

**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 with ACCOR S.A. that the Group is lessor in Turkey are based on MoU.

According to MoU:

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

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

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

## 15. EMPLOYEE TERMINATION BENEFITS

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Provision for vacation pay liability-short term | 450,977 | 356,194 |
| Provision for employee termination benefits-long term | 80,773 | 59,832 |
| | **531,750** | **416,026** |

The provision for employee termination benefits reflects the present value of future liabilities likely to be arisen due to retirement of employees of the Group and calculated according to Labor Act of Turkey. The provision for employee termination benefits are calculated based on accrual principle as soon as the employees deserve such right and reflected to the financial statements. The ceiling for calculation of the provision for employee termination benefits are the ceiling stipulated by the government for employee termination benefits. The ceilings for employee terminitaion benefits as of 31 December 2015 are 3,828 TRY (31 December 2014: 3,438 TRY), respectively.

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

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Net discount rate | 3.61% | 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 December 2015 | 31 December 2014 |
|---|---|---|
| Opening balance | 59,832 | 48,512 |
| Interest cost | 7,270 | 5,385 |
| Service cost | 9,309 | 7,593 |
| Payment during the period | (28,800) | - |
| Actuarial gain/(loss) | 33,162 | (1,658) |
| **Closing balance** | **80,773** | **59,832** |

## 15. EMPLOYEE TERMINATION BENEFITS (Continued)

Movement of vacation pay liability is as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Opening balance | 356,194 | 360,243 |
| Additions/(Disposals) during the period | 94,783 | (4,049) |
| **Closing balance** | **450,977** | **356,194** |

## 16. PREPAID EXPENSES AND DEFERRED REVENUE

### a) Short term prepaid expenses

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Prepaid expenses(1) | 861,063 | 412,483 |
| Advances given to suppliers | 354,451 | 297,574 |
| Job advances | 198,466 | 42,919 |
| | **1,413,980** | **752,976** |

### b) Long term prepaid expenses

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Prepaid expenses(1) | 11,518,879 | 7,781,796 |
| Advances given (2) | 1,477,116 | 5,144,011 |
| | **12,995,995** | **12,925,807** |

(1) TRY 7,771,186 (31 December 2014: TRY 8,194,279) of short term and long term prepaid expenses in amount of TRY 12,379,942 (31 December 2014: TRY 8,194,279) is related to prepaid amount made by Akfen Karaköy to Hakan Madencilik for transfer of land lease agreement related to Karaköy Novotel project which is recorded as profit or loss by the straight-line basis over the lease term. Balance in amount of TRY 4,790,034 is prepaid expenses related to loan usage commissions and advocate expenses for the Group's loan with 10 years maturity used from CEB (31 December 2014: None).

(2) As at 31 December 2015 advances given to subcontractors comprised of advances given to Akfen İnşaat for the constructions of Tuzla Ibis Hotel projects (As at 31 December 2014 advances given to subcontractors comprised of advances given to Akfen İnşaat for the constructions of Karaköy Novotel and Tuzla Ibis Hotel projects).

## 17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

### a) Other current assets

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Prepaid taxes and funds | 845,346 | 177,067 |
| VAT carried forward | 25,196 | 3,041,534 |
| Other | 688,080 | 24,382 |
| | **1,558,622** | **3,242,983** |

### b) Other non-current assets

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| VAT carried forward | 37,291,467 | 31,577,687 |
| | **37,291,467** | **31,577,687** |

### c) Other current liabilities

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Rent expense accrual (Note 14) | 1,276,726 | 1,190,349 |
| | **1,276,726** | **1,190,349** |

### d) Other non-current liabilities

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Rent expense accrual (Note 14) | 3,600,533 | 3,231,723 |
| | **3,600,533** | **3,231,723** |

## 18. EQUITY

### 18.1. Paid in capital

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

| Shareholders | (%) | 31 December 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 |
| Akınısı Makina Sanayi ve Tic. AŞ | 0.02 | 43,513 | 0.02 | 43,513 |
| Akfen İnşaat | <0.001 | 2 | <0.001 | 2 |
| Mehmet Semih Çiçek | <0.001 | 1 | <0.001 | 1 |
| Mustafa Dursun Akın | <0.001 | 1 | <0.001 | 1 |
| Ahmet Seyfi Usluoğlu | <0.001 | 1 | <0.001 | 1 |
| **Total** | | **184,000,000** | | **184,000,000** |
| Restatement effect | | 317,344 | | 317,344 |
| **Restated capital** | | **184,317,344** | | **184,317,344** |

[1] As of 31 December 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 December 2015, the issued capital of the Group is TRY 184,000,000 (31 December 2014: TRY 184,000,000). As at 31 December 2015, the issued capital of the Group 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.

### 18.2. Purchase of share of entity under common control

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

## 18. EQUITY (Continued)

### 18.3. Foreign currency translation reserves

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

### 18.4. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TRY 58,880,000 during the initial public offering of the shares at 11 May 2011 were accounted as share premium.

### 18.5. Restricted reserves allocated from profit

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

| | **31 December 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 Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

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

## 19. REVENUE AND COST OF SALES

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Rent income | 53,533,927 | 50,974,167 |
| **Total income from property rentals** | **53,533,927** | **50,974,167** |
| Income from bank deposits | 445,690 | 37,510 |
| **Total income from debt instruments** | **445,690** | **37,510** |
| **Total revenue** | **53,979,617** | **51,011,677** |
| Operating lease expenses[1] | (4,965,329) | (4,297,187) |
| Taxes and duties expenses | (1,092,212) | (208,762) |
| Insurance expenses | (963,669) | (988,287) |
| Outsourced service expenses | (372,272) | (143,333) |
| Others | (75,431) | (92,377) |
| **Total cost of sales** | **(7,468,913)** | **(5,729,946)** |

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

## 20. GENERAL ADMINISTRATIVE EXPENSES

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Personnel expenses | 3,065,216 | 2,852,996 |
| Consultancy expenses | 1,187,010 | 1,276,158 |
| Outsourced service expenses | 1,183,517 | 604,278 |
| Operating lease expenses | 565,151 | 516,414 |
| Travel and hosting expenses | 187,000 | 198,536 |
| Tax and duties expenses | 178,589 | 160,958 |
| Advertising expenses | 72,768 | 61,188 |
| Depreciation expense | 35,695 | 44,164 |
| Amortization expense | 3,728 | 2,275 |
| Other | 442,568 | 125,724 |
| **Total** | **6,921,242** | **5,842,691** |

## 20. GENERAL ADMINISTRATIVE EXPENSES (Continued)

**Personnel expenses**

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Wages and salaries | 2,586,132 | 2,485,076 |
| Social security premiums | 268,373 | 275,552 |
| Change in employment termination benefit | 49,741 | 11,320 |
| Other | 160,970 | 81,048 |
| **Total** | **3,065,216** | **2,852,996** |

## 21. OTHER OPERATING INCOME/EXPENSES

### a) Other operating income

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

**Other income**

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Fair value gain on investment property, net | 12,880,028 | 16,778,970 |
| Foreign exchange gain | 93,206 | 77,724 |
| Other income (1) | 331,060 | 17,420,919 |
| **Total** | **13,304,294** | **34,277,613** |

(1) As at 31 December 2014, TRY 11,448,406 has been derived from the severance amount received from Moscow government on 3 July 2014 , since the Group won the lawsuit related to Moscow project that the Group is planning to develop in Russia, TRY 457,601 of remaining balance consist of income resulting from the payable to Kasa Stroy in aforesaid amount related to the Group's construction works in Russia becoming not to be paid dealing with the counter party and TRY 483,715 comprises the invoice amount of RHI for Accor S.A.'s contribution related to purchase of furnitures and fixtures of hotels in Russia.

### b) Other operating expenses

For the years ended 31 December 2015 and 2014, other operating expenses are as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Foreign exchange loss | 78,020 | 64,176 |
| Other expense (1) | 76,510 | 2,866,933 |
| **Total** | **154,530** | **2,931,109** |

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

## 22. FINANCIAL INCOME

For the years ended 31 December 2015 and 2014, financial incomes are as follows:

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Foreign exchange gain | 56,511,593 | 29,544,609 |
| Interest income | 688,637 | 718,289 |
| **Total** | **57,200,230** | **30,262,898** |

## 23. FINANCIAL EXPENSES

For the years ended 31 December 2015 and 2014, financial expenses are as follows:

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Foreign exchange loss | 127,376,490 | 80,079,326 |
| Interest expenses | 30,684,822 | 21,242,254 |
| Commission expenses (1) | 8,756,507 | 2,103,845 |
| Expenses for letter of guarantees | 181,148 | 43,221 |
| Other | 91,757 | 9,663 |
| **Total** | **167,090,724** | **103,478,309** |

(1) As at 31 December 2015, TRY 7,863,095 of commission expenses is related to early payment commissions paid for the loans closed as result of refinancing of Akfen GYO made in 2015 (31 December 2014: None).

For the period ended 31 December 2015, the Group has capitalized interest expenses amounting to TRY 7,080,442 on investment properties under development (31 December 2014: TRY 6,234,587).

## 24. DEFERRED TAX ASSETS AND LIABILITIES

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

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

For the years ended 31 December 2015 and 2014, the main components of tax expenses are as follows:

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Deferred tax income/(expense) | 3,250,599 | (2,517,500) |
| **Total taxation income/(expense)** | **3,250,599** | **(2,517,500)** |

## 24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The reported taxation charge for the years ended 31 December 2015 and 2014 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

| | % | 1 January - 31 December 2015 | % | 1 January - 31 December 2014 |
|---|---|---|---|---|
| **Loss for the year before tax** | | **(57,151,268)** | | **(2,429,867)** |
| Income tax using the domestic tax (expense)/income rate | (20) | 11,430,254 | (20) | 485,972 |
| Tax-exempt loss [(1)] | 9.48 | (5,420,540) | 113.57 | (2,759,547) |
| Non-deductible expenses | 2.76 | (1,577,832) | (3.51) | 85,396 |
| Effect of different tax rates in foreign Jurisdictions | 2.10 | (1,200,524) | 2.14 | (51,968) |
| Current year loss for which no deferred tax was recognized | - | - | 29.31 | (712,175) |
| Other | (0.03) | 19,241 | (17.89) | 434,822 |
| **Taxation income/(expense)** | | **3,250,599** | | **(2,517,500)** |

[(1)] Akfen GYO is exempt from Corporate Tax.

### Unrecognized deferred tax assets

As at 31 December 2015, Akfen GT and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TRY 9,806,400 (31 December 2014: TRY 11,086,565). The expiry dates of the unrecognized accumulated losses are as follows:

| | 31 December 2015 | 31 December 2014 | Year of expiry |
|---|---|---|---|
| 2011 | 1,179,112 | 2,459,277 | 31 December 2016 |
| 2012 | 3,505,292 | 3,505,292 | 31 December 2017 |
| 2013 | 1,561,121 | 1,561,121 | 31 December 2018 |
| 2014 | 3,560,875 | 3,560,875 | 31 December 2019 |
| | **9,806,400** | **11,086,565** | |

## 24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

### Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2015 and 31 December 2014 were attributable to the items detailed in the table below:

| | **Deferred tax Assets** | | **Deferred tax Liabilities** | | **Net** | |
|---|---|---|---|---|---|---|
| | **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** |
| Investment incentive [1] | 11,103,852 | 12,888,155 | - | - | 11,103,852 | 12,888,155 |
| Fair value gain on investment property | - | - | (71,587,938) | (72,283,698) | (71,587,938) | (72,283,698) |
| Tax losses carried forward | 5,386,224 | 388,778 | - | - | 5,386,224 | 388,778 |
| Goodwill adjustment derived from land lease transfer | - | - | (1,517,790) | (1,210,338) | (1,517,790) | (1,210,338) |
| Other | - | 45 | (1,550,508) | (920,682) | (1,550,508) | (920,637) |
| **Deferred tax asset / (liability)** | **16,490,076** | **13,276,978** | **(74,656,236)** | **(74,414,718)** | **(58,166,160)** | **(61,137,740)** |
| Net off tax | (10,744,997) | (12,888,200) | 10,744,997 | 12,888,200 | - | - |
| **Net deferred tax asset / (liability)** | **5,745,079** | **388,778** | **(63,911,239)** | **(61,526,518)** | **(58,166,160)** | **(61,137,740)** |

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

## 25. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the years ended by the weighted average number of shares of the Group during the year. For the years ended 31 December 2015 and 2014, the earnings per share computation are as follows:

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| **Number of shares in circulation** | | |
| 1 January | 184,000,000 | 184,000,000 |
| **Closing balance** | **184,000,000** | **184,000,000** |
| Weighted average number of shares | 184,000,000 | 184,000,000 |
| Net loss for the year | (46,983,079) | (2,447,787) |
| Loss per share | (0.26) | (0.01) |

The Group has no diluted earnings.

## 26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

### *(i) General*

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

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

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

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

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

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

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

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

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

### *(ii) Credit risk*

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

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

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

### *(iii) Market risk*

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

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

***Currency risk***

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

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. To minimize risk arising from foreign currency denominated balance sheet items, the Group keeps part of its idle cash in foreign currencies. As at 31 December 2015, the companies in the Group have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the consolidated financial statements.

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

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

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

| | **31 December 2015** | **31 December 2014** |
|---|---|---|
| Euro / TRY | 3.1776 | 2.8207 |
| USD / TRY | 2.9076 | 2.3189 |

***Interest rate risk***

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

***(iv) Liquidity risk***

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

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

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

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

### *(v) Operational risk*

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

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

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

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

### Capital management

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

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

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

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

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| Total liabilities | 781,751,431 | 589,729,693 |
| Cash and cash equivalents | (63,902,637) | (24,097,271) |
| Net liabilities | 717,848,794 | 565,632,422 |
| Equity | 804,106,526 | 856,220,166 |
| **Total capital** | **1,521,955,320** | **1,421,852,588** |
| **Net liabilities/total sources rate** | **47%** | **40%** |

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

### 26.1. Credit risk disclosures

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

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

| | Receivables | | | | | |
|---|---|---|---|---|---|---|
| | Trade receivables | | Other receivables | | | |
| **31 December 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)** | **-** | **17,179,374** | **-** | **17,222,231** | **63,880,277** | **-** |
| - The portion of maximum risk covered by guarantee | - | - | - | - | - | - |
| A. Net carrying value of financial assets which are neither impaired nor overdue | - | 17,179,374 | - | 17,222,231 | 63,880,277 | - |
| 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)** | **-** | **10,939,041** | **-** | **10,011,263** | **24,061,531** | **-** |
| - The portion of maximum risk covered by guarantee | - | - | - | - | - | - |
| A. Net carrying value of financial assets which are neither impaired nor overdue | - | 10,939,041 | - | 10,011,263 | 24,061,531 | - |
| B. Net carrying value of financial assets which are overdue but not impaired | - | - | - | - | - | - |
| C. Net carrying value of impaired assets | - | - | - | - | - | - |
| - Overdue (gross book value) | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - |
| - Covered portion of net book value (with letter of guarantee etc.) | - | - | - | - | - | - |
| - Undue (gross book value) | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - |
| - Covered portion of net book value (with letter of guarantee etc.) | - | - | - | - | - | - |
| D. Off balance sheet items with credit risks | - | - | - | - | - | - |

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

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

### 26.2. Liquidity risk

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

**31 December 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 | 704,016,932 | 1,041,200,531 | 11,909,248 | 38,565,991 | 310,729,634 | 679,995,658 |
| Trade payables | 5,923,557 | 5,923,557 | 5,923,557 | - | - | - |
| Other payables (other liabilities included) | 7,367,953 | 7,367,953 | 3,767,420 | - | 3,600,533 | - |

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

The Group does not have any derivative financial liabilities as at 31 December 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 December 2015** | | **TRY Equivalent** | **USD** | **EURO** | **GBP** | **RUB** |
|---|---|---|---|---|---|---|
| **Foreign currency position** | | **(Functional currency)** | | | | |
| 1 | Trade receivables | 11,475,223 | - | - | - | 289,705,194 |
| 2a | Monetary financial assets (cash and bank accounts included) | 60,563,497 | 2,453 | 19,023,996 | 45 | 2,663,996 |
| 2b | Non-monetary financial assets | - | - | - | - | - |
| 3 | Other | 380,537 | 10 | 13,804 | - | 8,498,978 |
| **4** | **Current assets (1+2+3)** | **72,419,257** | **2,463** | **19,037,800** | **45** | **300,868,168** |
| 5 | Trade receivables | - | - | - | - | |
| 6a | Monetary financial assets | - | - | - | - | - |
| 6b | Non-monetary financial assets | - | - | - | - | - |
| 7 | Other | 16,134,250 | - | 5,077,496 | - | - |
| **8** | **Non-current assets (5+6+7)** | **16,134,250** | **-** | **5,077,496** | **-** | **-** |
| **9** | **Total assets (4+8)** | **88,553,507** | **2,463** | **24,115,296** | **45** | **300,868,168** |
| 10 | Trade payables | 1,080,291 | - | 338,468 | - | 120,573 |
| 11 | Financial liabilities | 44,730,329 | - | 14,076,765 | - | |
| 12a | Other monetary financial liabilities | 104,650 | 35,992 | - | | - |
| 12b | Other non-monetary financial liabilities | 1,809,065 | - | 94,097 | | 38,123,269 |
| **13** | **Short-term liabilities (10+11+12)** | **47,724,335** | **35,992** | **14,509,330** | **-** | **38,243,842** |
| 14 | Trade payables | - | - | - | - | - |
| 15 | Financial liabilities | 659,286,603 | - | 207,479,419 | - | - |
| 16a | Other monetary financial liabilities | | - | - | - | - |
| 16b | Other non-monetary financial liabilities | 3,516,538 | 1,209,430 | - | - | - |
| **17** | **Long-term liabilities (14+15+16)** | **662,803,141** | **1,209,430** | **207,479,419** | **-** | **-** |
| **18** | **Total liabilities (13+17)** | **710,527,476** | **1,245,422** | **221,988,749** | **-** | **38,243,842** |
| **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)** | **(621,973,969)** | **(1,242,959)** | **(197,873,453)** | **45** | **262,624,326** |
| **21** | **Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)** | **(633,163,153)** | **(33,539)** | **(202,870,656)** | **45** | **292,248,617** |
| **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 | RUB | Other |
|---|---|---|---|---|---|---|
| **Foreign currency position** | | **(Functional currency)** | | | | |
| 1 | Trade receivables | 7,106,963 | - | - | 172,502,348 | - |
| 2a | Monetary financial assets (cash and bank accounts included) | 8,136,114 | 2,525 | 2,750,945 | 8,996,954 | - |
| 2b | Non-monetary financial assets | - | - | - | - | - |
| 3 | Other | 229,819 | 14 | 17,410 | 4,385,486 | - |
| **4** | **Current assets (1+2+3)** | **15,472,896** | **2,539** | **2,768,355** | **185,884,789** | **-** |
| 5 | Trade receivables | - | - | - | - | - |
| 6a | Monetary financial assets | - | - | - | - | - |
| 6b | Non-monetary financial assets | - | - | - | - | - |
| 7 | Other | 8,239,298 | - | 2,783,182 | 9,436,525 | - |
| **8** | **Non-current assets (5+6+7)** | **8,239,298** | **-** | **2,783,182** | **9,436,525** | **-** |
| **9** | **Total assets (4+8)** | **23,712,194** | **2,539** | **5,551,537** | **195,321,314** | **-** |
| 10 | Trade payables | 1,991,556 | - | 25,592 | 46,587,480 | - |
| 11 | Financial liabilities | 85,805,896 | - | 30,420,072 | - | - |
| 12a | Other monetary financial liabilities | - | - | - | - | - |
| 12b | Other non-monetary financial liabilities | 1,198,552 | - | 94,677 | 22,609,528 | - |
| **13** | **Short-term liabilities (10+11+12)** | **88,996,004** | **-** | **30,540,341** | **69,197,008** | **-** |
| 14 | Trade payables | - | - | - | - | - |
| 15 | Financial liabilities | 400,234,298 | - | 141,891,835 | - | - |
| 16a | Other monetary financial liabilities | - | - | - | - | - |
| 16b | Other non-monetary financial liabilities | 3,152,044 | 1,359,284 | - | - | - |
| **17** | **Long-term liabilities (14+15+16)** | **403,386,342** | **1,359,284** | **141,891,835** | **-** | **-** |
| **18** | **Total liabilities (13+17)** | **492,382,346** | **1,359,284** | **172,432,176** | **69,197,008** | **-** |
| **19** | **Net asset / (liability) position of off-balance sheet items (19a-19b)** | **-** | **-** | **-** | **-** | **-** |
| **19a** | **Amount of derivative off-balance sheet items in foreign currency in asset characteristics** | **-** | **-** | **-** | **-** | **-** |
| **19b** | **Amount of off derivative-balance sheet items in foreign currency in liability characteristics** | **-** | **-** | **-** | **-** | **-** |
| **20** | **Net foreign currency position (9-18+19)** | **(468,670,152)** | **(1,356,745)** | **(166,880,639)** | **126,124,306** | **-** |
| **21** | **Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)** | **(472,788,673)** | **2,525** | **(169,586,553)** | **134,911,823** | **-** |
| **22** | **Fair value of the financial instruments used in foreign currency hedging** | **-** | **-** | **-** | **-** | **-** |
| **23** | **Amount of foreign currency assets hedged** | **-** | **-** | **-** | **-** | **-** |
| **24** | **Amount of foreign currency liabilities hedged** | **-** | **-** | **-** | **-** | **-** |

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

**Foreign currency sensitivity analysis**

**31 December 2015:**

| | Profit or (loss) | | Equity | |
|---|---|---|---|---|
| | **Appreciation of foreign currency** | **Devaluation of foreign currency** | **Appreciation of foreign currency** | **Devaluation of foreign currency** |
| 10% change of the USD against TRY | | | | |
| 1- Net USD denominated asset/liability | (361,403) | 361,403 | - | - |
| 2- Hedged portion of TRY against USD risk (-) | - | - | - | - |
| **3- Net effect of USD (1+ 2)** | **(361,403)** | **361,403** | **-** | **-** |
| 4- Net Euro denominated asset/liability | (62,876,267) | 62,876,267 | - | - |
| 5- Hedged portion of TRY against Euro risk (-) | - | - | - | - |
| **6- Net effect of Euro (4+5)** | **(62,876,267)** | **62,876,267** | **-** | **-** |
| 10% change of other foreign currencies against TRY | | | | |
| 7- Net other foreign currencies denominated asset/liability | - | - | 1,040,273 | (1,040,273) |
| 8- Hedged portion of TRY against other currencies risk (-) | - | - | - | - |
| **9- Net effect of other foreign currencies (7+8)** | **-** | **-** | **1,040,273** | **(1,040,273)** |
| **TOTAL(3+6+9)** | **(63,237,670)** | **63,237,670** | **1,040,273** | **(1,040,273)** |

As at 31 December 2015, the Group has undiscounted non-cancellable lease receivables amounting TRY 398,795,427 in equivalent of Euro 122,913,000, USD 2,808,000 and Ruble 68,374,676 and non-cancellable undiscounted lease liabilities amounting TRY 46,393,281 in equivalent of total of Euro 1,281,968 and USD 13,803,243 which are not included in the table above and to be recognized in the following periods.

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

**31 December 2014:**

| | Profit or (loss) | | Equity | |
|---|---|---|---|---|
| | **Appreciation of foreign currency** | **Devaluation of foreign currency** | **Appreciation of foreign currency** | **Devaluation of foreign currency** |
| 10% change of the USD against TRY | | | | |
| 1- Net USD denominated asset/liability | (314,616) | 314,616 | - | - |
| 2- Hedged portion of TRY against USD risk (-) | - | - | - | - |
| **3- Net effect of USD (1+ 2)** | **(314,616)** | **314,616** | **-** | **-** |
| 4- Net Euro denominated asset/liability | (47,072,021) | 47,072,021 | - | - |
| 5- Hedged portion of TRY against Euro risk (-) | - | - | | |
| **6- Net effect of Euro (4+5)** | **(47,072,021)** | **47,072,021** | **-** | **-** |
| 10% change of other foreign currencies against TRY | | | | |
| 7- Net other foreign currencies denominated asset/liability | - | - | 519,622 | (519,622) |
| 8- Hedged portion of TRY against other currencies risk (-) | - | - | - | - |
| **9- Net effect of other foreign currencies (7+8)** | **-** | **-** | **519,622** | **(519,622)** |
| **TOTAL(3+6+9)** | **(47,386,637)** | **47,386,637** | **519,622** | **(519,622)** |

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

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

### b) Interest rate risk table and sensitivity analysis

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

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 63,076,096 | 23,454,963 |
| Financial liabilities | 704,016,932 | 52,148,593 |
| **Variable rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | - | 465,700,360 |

**Fair value sensitivity analysis for fixed rate instruments**

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

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

**Cash flow sensitivity analysis for variable rate instruments**

As at 31 December 2015, Group has no liability with variable rates. As at 31 December 2014, a change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Profit or (loss) | | Equity (*) | |
|---|---|---|---|---|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| **31 December 2015** | | | | |
| Variable rate instruments | - | - | - | - |
| **31 December 2014** | | | | |
| Variable rate instruments | (4,657,004) | 4,657,004 | (4,657,004) | 4,657,004 |

(*) 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 Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

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

**Financial assets**

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

**Financial liabilities**

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

## 28. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES

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

| 31 December 2015 | Non-controlling interests (%) | Profit/(loss) for non-controlling interests | Non-controlling interests |
|---|---|---|---|
| **Subsidiary** | | | |
| Akfen Karaköy | 30 | (5,413,438) | 27,588,350 |

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

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

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

**Balance sheet summary:**

| **Akfen Karaköy** | **31 December 2015** | **31 Decemer 2014** |
|---|---|---|
| Cash and cahs equivalents | 40,667 | 27,797 |
| Other current assets | 441,076 | 445,286 |
| Investment property | 180,197,000 | 146,366,000 |
| Other non-current assets | 20,294,340 | 18,432,390 |
| **TOTAL ASSETS** | **200,973,083** | **165,271,473** |
| Short term financial liabilities | 5,528,916 | 641,908 |
| Other current liabilities | 43,158,470 | 2,778,800 |
| Long term financial liabilities | 42,604,997 | 47,246,725 |
| Other non-current liabilities | 17,722,600 | 21,801,748 |
| **TOTAL LIABILITIES** | **109,014,983** | **72,469,181** |
| **TOTAL EQUITY** | **91,958,100** | **92,802,292** |

**Income table summary:**

| **Akfen Karaköy** | **31 December 2015** | **31 December 2014** |
|---|---|---|
| **PROFIT OR LOSS** | | |
| Cost of sales | (2,364,693) | (1,863,449) |
| **GROSS LOSS** | **(2,364,693)** | **(1,863,449)** |
| General administrative expenses | (434,687) | (317,301) |
| Other operating loss, net | (5,547,916) | (369,251) |
| **OPERATING LOSS** | **(8,347,296)** | **(2,550,001)** |
| Financial (loss)/income, net | (13,776,042) | 1,364,044 |
| **LOSS BEFORE TAX** | **(22,123,338)** | **(1,185,957)** |
| Current tax income/(expense) | 4,079,147 | (474,020) |
| *- Deferred tax income/(expense)* | *4,079,147* | *(474,020)* |
| **NET LOSS FOR THE PERIOD** | **(18,044,191)** | **(1,659,977)** |

## 29. SUBSEQUENT EVENTS

Novotel İstanbul Bosphorus (Karaköy) having 200 rooms developed as 5-star hotel in the centre of Karaköy, one of the oldest trade center of İstanbul has started its operations.

## APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

The Group's control of compliance of the portfolio limits according to the CMB Communiqué

Serial: III, No. 48.1 "Communiqué on Principles Regarding Real Estate Investment Trusts" is as follows:

| | Unconsolidated (separate) financial statement main account items | Related Regulation | 31 December 2015 | 31 December 2014 |
|---|---|---|---|---|
| A | Cash and capital market instruments | III-48.1. S/N 24 / (b) | 10,149,201 | 232,262 |
| B | Investment properties, investment property-based projects, investment property-based rights | III-48.1. S/N 24 / (a) | 751,851,000 | 716,292,000 |
| C | Participations | III-48.1. S/N 24 / (b) | 424,403,825 | 466,823,220 |
| | Due from related parties (non-trade) | III-48.1. S/N 23 / (f) | - | - |
| | Other assets | | 31,805,107 | 26,218,968 |
| **D** | **Total assets** | III-48.1. S/N 3 / (p) | **1,218,209,133** | **1,209,566,450** |
| E | Financial liabilities | III-48.1. S/N 31 | 371,970,288 | 283,631,976 |
| F | Other financial liabilities | III-48.1. S/N 31 | 9,442,359 | 5,777,063 |
| G | Finance lease liabilities | III-48.1. S/N 31 | - | - |
| H | Due to related parties (non-trade) | III-48.1. S/N 23 / (f) | - | - |
| I | Shareholders' equity (net asset value) | III-48.1. S/N 31 | 836,796,486 | 920,157,411 |
| | Other liabilities | | - | - |
| **D** | **Total liabilities and equity** | III-48.1. S/N 3 / (p) | **1,218,209,133** | **1,209,566,450** |

| | Unconsolidated (separate) other financial information | Related Regulation | 31 December 2015 | 31 December 2014 |
|---|---|---|---|---|
| A1 | Cash and capital market instruments held for payments of investment properties for 3 years | III-48.1. S/N 24 / (b) | - | - |
| A2 | Time / demand TRY / foreign currency | III-48.1. S/N 24 / (b) | 10,133,075 | 225,929 |
| A3 | Foreign capital market instruments | III-48.1. S/N 24 / (d) | - | - |
| B1 | Foreign investment property, investment property-based projects, investment property-based rights | III-48.1. S/N 24 / (d) | - | - |
| B2 | Idle lands | III-48.1. S/N 24 / (c) | - | - |
| C1 | Foreign subsidiaries | III-48.1. S/N 24 / (d) | 67,074,294 | 92,581,292 |
| C2 | Participation to the operator company | III-48.1. S/N 28/1(a) | - | - |
| J | Non-cash loans | III-48.1. S/N 31 | 850,407,592 | 871,662,526 |
| K | Pledges on land not owned by the Investment Trust which will be used for project developments | III-48.1. S/N 22 / (e) | - | - |
| L | Cash and capital market instrument Investments held on One Unique Company | III-48.1. S/N 22 / (I) | - | - |

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

| | **Portfolio Constraints Related Regulation** | **Portfolio Constraints Related Regulation** | **Current Period** | **Previous Year** | **Minimum/ Maximum Ratio** |
|---|---|---|---|---|---|
| **1** | Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments | III-48.1. S/N 22 / (e) | 0.00% | 0.00% | <10% |
| **2** | Investment Property, Investment Property Based Projects, Investment Property Based Rights | III-48.1. S/N 24 / (a). (b) | 61.72% | 59.22% | >51% |
| **3** | Cash and Capital Market Instruments and Participations | III-48.1. S/N 24 / (b) | 35.67% | 38.61% | <50% |
| **4** | Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments | III-48.1. S/N 24 / (d) | 34.84% | 38.59% | <50% |
| **5** | Idle Lands | III-48.1. S/N 24 / (c) | 0.00% | 0.00% | <20% |
| **6** | Participation to the Operator Company | III-48.1. S/N 28 | 0.00% | 0.00% | <10% |
| **7** | Borrowing Limit | III-48.1. S/N 31 | 147.21% | 126.18% | <500% |
| **8** | Time / Demand TRY / Foreign Currency | III-48.1. S/N 22 / (e) | 0.83% | 0.02% | <10% |
| **9** | Cash and capital market instrument Investments held on One Unique Company | III-48.1. S/N 22 / (I) | 0.00% | 0.00% | <10% |

Presented information in the footnote of "Compliance Control on Portfolio Limitations" as at 31 December 2015, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated 28 May 2013 numbered 28660.

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

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