AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT FOR THE YEAR 1 JANUARY 2016 – 31 DECEMBER 2016 (ORIGINALLY ISSUED IN TURKISH)

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

TABLE OF CONTENTS **PAGE**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

CONSOLIDATED FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

			Restated (Note 2.1)	
		Audited	***Audited***	***Audited***
ASSETS	**Notes**	**31 December 2016**	**31 December 2015**	**1 January 2015**
CURRENT ASSETS		**43.113.465**	**37.842.292**	**40.846.598**
Cash and cash equivalents	5	7.826.862	16.238.637	24.097.271
Trade receivables	7	26.677.217	17.179.374	10.939.041
- Trade receivables from related parties	*4,7*	*7.414.000*	-	-
- Trade receivables from unrelated parties	*7*	*19.263.217*	*17.179.374*	*10.939.041*
Other receivables		139.311	147.465	26.155
- Other receivables from unrelated parties	*8*	*139.311*	*147.465*	*26.155*
Prepayments	16	1.964.941	1.413.980	752.976
Other current assets	17	6.505.134	2.862.836	5.031.155
NON-CURRENT ASSETS		**1.454.904.927**	**1.579.143.628**	**1.432.745.048**
Long term financial assets	5	55.648.500	47.664.000	-
Other receivables		18.625.738	17.074.766	9.985.108
- Other receivables from unrelated parties	*8*	*18.625.738*	*17.074.766*	*9.985.108*
Investment property	9	1.337.993.612	1.459.488.837	1.379.533.164
Property and equipment	10	144.110	134.379	80.630
Intangible assets		51.347	53.318	42.046
- Other intangible assets	*11*	*51.347*	*53.318*	*42.046*
Prepayments	16	8.767.327	12.995.995	12.925.807
Deferred tax asset	24	3.755.023	5.745.079	388.778
Other non-current assets	17	29.919.270	35.987.254	29.789.515
TOTAL ASSETS		**1.498.018.392**	**1.616.985.920**	**1.473.591.646**

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 FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

			Restated (Note 2.1)	
		Audited	***Audited***	***Audited***
LIABILITIES	**Notes**	**31 December 2016**	**31 December 2015**	**1 January 2015**
CURRENT LIABILITIES		**96.930.231**	**59.221.184**	**128.128.504**
Current borrowings	6	5,174,329	-	31,808,759
Current portion of non-current borrowings	6	79,065,215	44,730,329	85,805,896
Trade payables	7	3,233,249	5,923,557	4,136,310
- Trade payables to related parties	*4,7*	-	*3,742,189*	*721,394*
- Trade payables to unrelated parties	*7*	*3,233,249*	*2,181,368*	*3,414,916*
Other payables		7,640,731	6,839,594	4,830,995
- Other payables to unrelated parties	*8*	*7,640,731*	*6,839,594*	*4,830,995*
Current provisions		259,691	450,977	356,194
- Current provisions for employee benefits	*15*	*259,691*	*450,977*	*356,194*
Other current liabilities	17	1,557,016	1,276,727	1,190,350
NON-CURRENT LIABILITIES		**840,292,897**	**753,658,210**	**489,242,976**
Long term borrowings	6	754,455,292	659,286,603	400,234,298
Other payables		29,771,524	26,779,062	24,190,605
- Other payables to unrelated parties	*8*	*29,771,524*	*26,779,062*	*24,190,605*
Non-current provisions		109,136	80,773	59,832
-Non-current provisions for employee benefits	*15*	*109,136*	*80,773*	*59,832*
Deferred tax liabilities	24	52,453,383	63,911,239	61,526,518
Other non-current liabilities	17	3,503,562	3,600,533	3,231,723
EQUITY		**560,795,264**	**804,106,526**	**856,220,166**
Equity attributable to owners of parent		**544,559,122**	**773,453,673**	**823,809,895**
Issued capital	18	184,000,000	184,000,000	184,000,000
Inflation adjustments on capital	18	317,344	317,344	317,344
Treasury shares (-)	18	(3,338,783)	-	-
Effects of business combinations under common control	18	53,748,727	53,748,727	53,748,727
Share premium	18	58,880,000	58,880,000	58,880,000
Other accumulated comprehensive income (loss) that will be reclassified in profit or loss		(40,656,244)	(72,009,383)	(68,636,240)
- Exchange differences on translation	*18*	*(40,656,244)*	*(72,009,383)*	*(68,636,240)*
Restricted reserves appropriated from profits	18	4,147	4,147	4,147
Prior years' profits or losses		548,512,838	595,495,917	595,495,917
Current period net profit or loss		(256,908,907)	(46,983,079)	-
Non-controlling interests		**16,236,142**	**30,652,853**	**32,410,271**
TOTAL LIABILITIES		**1,498,018,392**	**1,616,985,920**	**1,473,591,646**

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 2016

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

		Audited	*Audited*
PROFIT OR LOSS	**Notes**	**1 Ocak 31 December 2016**	**1 Ocak – 31 December 2015**
Revenue	19	54,180,018	53,533,927
Cost of sales (-)	19	(9,503,784)	(7,468,913)
GROSS PROFIT		**44,676,234**	**46,065,014**
General administrative expenses (-)	20	(7,581,012)	(6,921,242)
Other operating income from operating activities	21	143,255	13,304,294
Other operating expenses from Operating activites (-)	21	(239,363,937)	(154,530)
(LOSS)/PROFIT FROM OPERATING ACTIVITES		**(202,125,460)**	**52,293,536**
Financial income	22	42,743,099	57,645,920
Financial expenses (-)	23	(123,600,099)	(167,090,724)
PROFIT/(LOSS) BEFORE TAX		**(282,982,460)**	**(57,151,268)**
Tax income		10,840,344	3,250,599
- Current period tax expense	24	(1,013,071)	-
- Deferred tax income	24	11,853,415	3,250,599
LOSS FROM CONTINUING OPERATIONS		**(272,142,116)**	**(53,900,669)**
Profit/(loss), attributable to			
Non-controlling interests		(15,233,209)	(6,917,590)
Owners of parent		(256,908,907)	(46,983,079)
LOSS FROM CONTINUING OPERATIONS		**(272,142,116)**	**(53,900,669)**
Earnings per share [line items]	25	(1.40)	(0.26)
LOSS FROM CONTINUING OPERATIONS		**(272,142,116)**	**(53,900,669)**
OTHER COMPREHENSIVE INCOME		**32,169,637**	**(3,373,143)**
Other comprehensive income that will be reclassified to profit or loss		**32,169,637**	**(3,373,143)**
Exchange differences on translation		32,169,637	(3,373,143)
TOTAL COMPREHENSIVE EXPENSE		**(239,972,479)**	**(57,273,812)**
Total Comprehensive Income Attributable to			
Non-controlling interests		(14,416,711)	(6,917,590)
Owners of parent		(225,555,768)	(50,356,222)

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 2016

(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	Treasury Shares	Share Premiums	Purchase of share of under entity Common Control	Foreign currency translation reserve	Restricted reserves allocated Restricted from profit	Retained Earnings	Net Loss	Equity attributable of equity holders of the parent	Non Controlling Interests	Total Equity
Balance as at 1 January 2015	**184,000,000**	**317,344**	**-**	**58,880,000**	**53,748,727**	**(68,636,240)**	**4,147**	**595,495,917**	**-**	**823,809,895**	**32,410,271**	**856,220,166**
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	-	-	-	-	-	-	-	-	-	-	5,160,172	5,160,172
Total comprehensive income/(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**
Balance as at 1 January 2016	**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**
Transfers	-	-	-	-	-	-	-	(46,983,079)	46,983,079	-	-	
Increase (Decrease) through Treasury Share Transactions (Note 18)	-	-	(3,338,783)	-	-	-	-	-	-	(3,338,783)	-	(3,338,783)
Total comprehensive income/(loss)	-	-	-	-	-	31,353,139	-	-	(256,908,907)	(225,555,768)	(14,416,711)	(239,972,479)
Balance as at 31 December 2016	**184,000,000**	**317,344**	**(3,338,783)**	**58,880,000**	**53,748,727**	**(40,656,244)**	**4,147**	**548,512,838**	**(256,908,907)**	**544,559,122**	**16,236,142**	**560,795,264**

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 CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	*Audited* 31 December 2016	*Audited* 31 December 2015
A. Cash flows from operating activities			
loss from continuing operations		**(272,142,116)**	**(53,900,669)**
Adjustments to reconcile Profit/(loss):			
Adjustments for depreciation and amortisation expense	10,11	26,381	39,423
Adjustments for provisions related with employee benefits	15	54,746	144,524
Adjustments for fair value losses (gains)	21	237,390,375	(12,880,028)
Adjustments for interest income and expense		38,301,255	38,579,907
Adjustments for unrealised foreign exchange (gains)/losses		37,570,674	79,121,286
Adjustments for tax expense	24	(10,840,344)	(3,250,599)
Other adjustments to reconcile (loss)/profit		183,318	455,187
		30,544,289	**48,309,031**
Changes in working capital:			
Adjustments for decrease/(increase) in trade accounts receivable		(2,456,751)	(6,240,333)
Adjustments for increase in other receivables related with operations		(1,542,818)	(2,050,795)
Adjustments for (decrease)/increase in trade accounts payable		(2,690,308)	1,787,246
Adjustments for increase in other operating payables		1,793,829	1,389,900
Other adjustments for Other increase/(decrease) in working capital		6,103,391	(1,573,041)
Cash flows from operations		**31,751,632**	**41,622,008**
Interest received		221,600	117,755
Payments related with provisions for employee benefits		(217,669)	(28,800)
Cash flows from operating activities		**31,755,563**	**41,710,963**
B. Cash flows used in investing activities			
Purchase of property, plant, equipment and intangible assets		(36,022)	(104,444)
Proceeds from sales of property, plant, equipment and intangible assets		1,881	-
Cash Inflows from Sale of Investment Property		3,017,242	-
Cash outflows from acquition of investment property		(22,834,301)	(71,467,689)
Cash flows used in investing activities		**(19,851,200)**	**(71,572,133)**
C. Cash flows (used in)/from financing activities			
Proceeds from loans		26,545,500	608,530,100
Loan repayments		(5,000,000)	(544,642,332)
Interest receieved		1,122,469	1,016,572
Interest paid		(38,722,169)	(30,684,822)
Cash outflows from other financial liabilities		(923,155)	(12,216,982)
Payments to Acquire Entity's Shares or Other Equity Instruments		(3,338,783)	-
Other outflows of cash		-	24,773
Cash flows (used in)/from financing activities		**(20,316,138)**	**22,027,309**
Net (decrease)/increase in cash and cash equivalents		**(8,411,775)**	**(7,833,861)**
Cash and cash equivalents at the beginning of the period		16,238,637	24,072,498
Cash and cash equivalents at the end of the period	5	**7,826,862**	**16,238,637**

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 RHI and RPI are designated as 97.72% and 95% of participation for the Group, 2.28% and 5% participation of Cüneyt Baltaoğlu as at 31 December 2016, respectively.

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.

As at 31 December 2016, the number of employees of the group is 21 (31 December 2015:25).

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 5th 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 2016 have been approved by the Group's Board of Directors on 3 March 2017. 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 2016 and 31 December 2015:

The Group	Direct or indirect shares of company (%)
Akfen GT	100
HDI	100
RHI	97.72
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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

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

The accompanying consolidated financial statements are presented comparatively in order to identify the tendency of the Group’s financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying consolidated financial statements have been consistently applied to all periods presented by the Group. Financial statements as at 31 December 2016 are presented comparatively to the financial statements as at 31 December 2015 and 31 December 2015.

Adjustments in financial statements for the year 2015

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

31 December 2015	Reference	Reported before	Restatement effect	Restated
Cash and cash equivalents	A	63,902,637	(47,664,000)	16,238,637
Long term financial assets	A	-	47,664,000	47,664,000
Investment property	B	1,428,360,875	31,127,962	1,459,488,837
Current other payables	B	2,490,694	4,348,900	6,839,594
Non-current other payables	B	-	26,779,062	26,779,062

1 January 2015	Reference	Reported before	Restatement effect	Restated
Investment property	B	1,351,891,377	27,641,787	1,379,533,164
Current other payables	B	1,379,813	3,451,182	4,830,995
Non-current other payables	B	-	24,190,605	24,190,605

A. Blocked time deposit amount of TRY 47,664,000 as specified in the "Long-Term Investments" provided in the Note 5 "Cash and Cash Equivalents", and which was classified within the "Cash and Cash Equivalents" under the heading of "Current Assets" in the consolidated financial statement as of December 31,2015 is classified as "Long-Term Investments" under "Non-Current Investments". The cash flow statements for the year ended on December 31, 2015 has been rearranged due to the related classification and the cash flows which are obtained the from financing activities have decreased by TRY 47,664,000.
B. As the fair value determinations which are intended for the investment of the Group on the lands for rent are deducted from the estimated cash flows to be paid for the rental price of these lands, discounted values of the relative lands have been mutually accounted in the investment real estates and other payables accounts (Note 2.4.3).

Additionally, the interest income which is amounted to TRY 445,690 and classified within the "Bank Deposit Interest Income" under "Revenue" in the consolidated profit or loss and other comprehensive income statement as of December 31, 2015has been classified as "Interest Income" under the "Finance Income".

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

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

The fair value of the investment real estate of the Group as of the balance sheet date has been obtained according to the valuation carried out by a real estate valuation company which is not related with the Group. The evaluation made according to the International Valuation Standards has been identified with the revenue reduction methods and various estimations and assumptions (discount rates, occupancy rates, etc.) are being used in these calculations. Any possible future changes in these estimations and assumptions may lead to significant impact on the Group financial statements.

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).

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 2016 that affected the Group's financial statements.

Standards, amendments and interpretations in effect as of 31 December 2016

- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation,
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets',
- Amendments to TAS 16 'Property,plant and equipment', and TAS 41, 'Agriculture',
- Amendments to TAS 27, 'Individual financial statements' on the equity method,
- Amendments to TFRS 10, 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures',
- TFRS 10, TFRS 12 ve TMS 28, on investment entities applying the consolidation exception (Amendment on TFRS 10 and TMS 28)
- TAS 1 "Presentation of Financial Statements",
- TFRS 14 'Regulatory deferral accounts',
- TFRS annual improvements for years 2012 - 2014,

The aforesaid amendments has no important effects on the Group's financial situation and performance.

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

New IFRS standards, amendments and IFRICs effective after 31 December 2016

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

Possible effects of the said standard, amendment and improvements on the financial status and performance of the Group are being evaluated.

New and amended stanrdats and interpretaitions published by Board of International Accounting Standarts but not published by POA:

- IFRS10 and IAS 28 - Asset Sales or Contributions Made by the Investor Entity to its Affiliate or Joint Venture- Amendment
- Anual improvements – for years 2010–2012
- TFRS 16 "Leases"
- TMS 7 Amendment on "Statement of Cash Flows"
- IAS 12 - Income Taxes: (Amendments) Accounting of the Deferred Tax Assets
- IFRS2 - Classification and Calculation of the Share Based Payment Transactions (Amendments)
- IFRS4 - Insurance Contracts (Amendments)
- IAS 40 - Investment Real Estates: Transfers of the Investment Real Estates (Amendments)
- IFRS Comment 22 - Foreign Currency Transactions and Advance Fees
- Anual improvements – for years 2014–2016

Possible effects of the said standard, amendment and improvements on the financial status and performance of the Group are being evaluated.

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

2.4.2 Statement of cash flows

The cash flow statements for the period are classified and reported in the cash flow statement on the basis of investment and financing activities. The cash flows arising from the operating activities represent the cash flows arising from the Group activities. The cash flows related to investment activities represent the cash flows the Group uses and obtains in its investment activities (fixed investments and financial investments).The cash flows regarding the financing activities represent the resources used by the Group in its financing activities and repayments of those resources.

2.4.3 Investment property

a Operating investment properties

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

The fair value of the investment properties determined by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property. Fair values of the Group's investment properties 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 once in a year.

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.

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

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.

2.4.5 Intangible assets

Intangible assets consists the software programmes. 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.

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

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.

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.

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

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.

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

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.

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

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.

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

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

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

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

2.4.16 Employee termination benefits

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

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 2016, in accordance with Capital Markets Board’s Communiqué Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1“Real Estate Investment Company” published in the Official Gazette dated 28 May 2013 numbered 28660.

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

2.6. Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair value, according to valuation techniques used is classified into the following levels:

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;
Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;
Level 3: Asset or liability is not based on observable market data in relation to the data (non-observable data).

The fair value of the investment real estates is at Level 3 according to the revenue reduction method that is one of the valuation techniques. The movement table for amendment in the fair values is given in the Note 9.

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.

1 January - 31 December 2016:

	Turkey	**TRNC**	**Russia**	**Elimination**	**Total**
Revenue	21,494,190	15,908,223	16,777,605	-	54,180,018
Cost of sales	(6,620,238)	(222,518)	(2,661,028)	-	(9,503,784)
GROSS PROFIT	**14,873,952**	**15,685,705**	**14,116,577**	**-**	**44,676,234**
General administrative expenses	(5,648,469)	(151,246)	(1,781,297)	-	(7,581,012)
Fair value (loss)/ gain on operating investment property , net	(180,742,966)	10,581,000	(60,281,620)	-	(230,443,586)
Fair value (loss) on investment property under construction, net	(6,946,789)	-	-	-	(6,946,789)
Other operating income	67,707	-	75,548	-	143,255
Other operating expenses	(104,009)	(706,874)	(1,162,679)	-	(1,973,562)
OPERATING (LOSS)/PROFIT	**(178,500,574)**	**25,408,585**	**(49,033,471)**	**-**	**(202,125,460)**
Financial income	6,513,754	164,441	36,064,904	-	42,743,099
Financial expenses	(106,550,743)	(3,767,354)	(13,282,002)	-	(123,600,099)
(LOSS) /PROFIT BEFORE TAX	**(278,537,563)**	**21,805,672**	**(26,250,569)**	**-**	**(282,982,460)**
Current tax income/(expense)	11,694,677	(5,124,834)	4,270,501	-	10,840,344
-Current period tax expense	*(1,013,071)*	-	-	-	*(1,013,071)*
- Deferred tax income/(expense)	*11,694,677*	*(5,124,834)*	*4,270,501*	-	*11,853,415*
(LOSS)/PROFIT FOR THE YEAR	**(266,842,886)**	**16,680,838**	**(21,980,068)**	**-**	**(272,142,116)**

31 December 2016:

Reportable segment assets	1,262,640,806	251,550,435	323,522,195	(339,695,044)	**1,498,018,392**
Reportable segment liabilities	738,557,228	57,071,362	236,447,410	(94,852,872)	**937,223,128**
Capital expenditures, net	22,787,777	66,335	16,211	-	**22,870,323**
Depreciation and amortization expenses	19,588	1,409	5,384	-	**26,381**

3. SEGMENT REPORTING *(Continued)*

31 December 2015:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	23,980,607	14,392,658	15,160,662	-	53,533,927
Cost of sales	(5,516,791)	(172,659)	(1,779,463)	-	(7,468,913)
GROSS PROFIT	**18,463,816**	**14,219,999**	**13,381,199**	**-**	**46,065,014**
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)	**23,387,260**	**37,038,963**	**(8,132,687)**	**-**	**52,293,536**
Financial income	39,922,436	945,404	16,778,080	-	57,645,920
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	1,411,673,936	245,163,903	281,321,516	(321,173,435)	**1,616,985,920**
Reportable segment liabilities	617,408,688	67,365,668	206,593,375	(78,488,337)	**812,879,394**
Capital expenditures	59,822,834	94,770	11,654,529	-	**71,572,133**
Depreciation and amortization expenses	19,316	1,405	18,702	-	**39,423**

As of 31 December 2016, revenue of the Group is obtained from ACCOR S.A. which is operator of the hotels under Ibis and Novotel trademarks and from Voyager Kıbrıs Limited which is operator of Merit Park Hotel in T.R.N.C. in portions of 65% and 29%, respectively (As of 31 December 2015: ACCOR S.A. : 70%, Voyager Kıbrıs Limited: 27%).

4. RELATED PARTY DISCLOSURES

4.1. Related party balances

Due from related parties (trade):

	31 December 2016	31 December 2015
Akfen İnşaat Turizm ve Ticaret A.Ş.	7,414,000	-
	7,414,000	**-**

The whole trade receivables balance from the related parties as of December 31, 2016 is the remaining receivable balance regarding transfer of the land that the Group is entitled to use for hotel project in TRNC Bafra with an amount of TRY 10,914,000 TRY including VAT (31 December 2015: None).

4. RELATED PARTY DISCLOSURES (Continued)

Due to related parties (trade):

	31 December 2016	31 December 2015
Akfen İnşaat Turizm ve Ticaret A.Ş.	-	3,742,189
	-	**3,742,189**

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.

4.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	31 December 2016	31 December 2015
Akfen İnşaat Turizm ve Ticaret A,Ş,	9,998,601	48,731,156
	9,998,601	**48,731,156**

b) Rent expenses

	31 December 2016	31 December 2015
Hamdi Akın	423,611	397,166
	423,611	**397,166**

c) Interest income

	31 December 2016	31 December 2015
Akfen Holding	3,360	1,097
Akfen İnşaat Turizm ve Ticaret A,Ş,	125	-
	3,485	**1,097**

d) Interest expenses

	31 December 2016	31 December 2015
Akfen İnşaat Turizm ve Ticaret A,Ş,	25,766	6,160
	25,766	**6,160**

e) Remuneration of top management

	31 December 2016	31 December 2015
Remuneration of top management	2,301,154	1,884,583
	2,301,154	**1,884,583**

5. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash on hand	20,485	22,360
Cash at banks	7,692,305	16,216,277
- Demand deposits	*2,640,425*	*804,181*
- Time deposits	*5,051,880*	*15,412,096*
Investment funds	114,072	-
Cash and cash equivalents in cash flow statement	**7,826,862**	**16,238,637**

Demand deposits

As at 31 December 2016 and 31 December 2015 demand deposits are comprised of the following currencies at TRY equivalents:

	31 December 2016	31 December 2015
Euro	2,016,405	512,144
TRY	541,572	181,303
Russian Ruble	72,776	105,478
USD	9,672	5,256
Total demand deposits	**2,640,425**	**804,181**

Time deposits

As at 31 December 2016 and 31 December 2015 time deposits are comprised of the following currencies:

31 December 2016

Currency	Maturity	Interest Rate	31 December 2016
Euro	January 2017	2.50%	4,451,880
TRY	January 2017	7.50%	600,000
Total			**5,051,880**

31 December 2015

Bank	Maturity	Interest Rate	31 December 2015
Euro [(2)]	January 2016	7,20%	7,816,896
TRY	January 2016	10,00%	2,050,000
Euro	January 2016	1,25%	4,807,437
Russian Ruble	January 2016	11,50%	737,763
Total			**15,412,096**

(1) As at 31 December 2016 and 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 Ibis Hotel Tuzla 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)

Long term financial investments

As at 31 December 2016 and 31 December 2015 long term financial assets are comprised of the following currencies:

31 December 2016

Currency	Maturity	Interest Rate	31 December 2016
Euro[1]	July 2025	7.20%	55,648,500
Total			**55,648,500**

31 December 2015

Currency	Maturity	Interest Rate	31 December 2015
Euro[1]	July 2025	7.20%	47,664,000
Total			**47,664,000**

(1) As at 31 December 2016 and 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.

6. FINANCIAL LIABILITIES

As at 31 December 2016 and 31 December 2015 the details of loans and borrowings are as follows:

	31 December 2016	31 December 2015
Current financial liabilities:		
Short-term bank borrowings	5,174,329	-
Current portion of long-term bank borrowings	79,065,215	44,730,329
Non-current financial liabilities:		
Long-term bank borrowings	754,455,292	659,286,603
Total financial liabilities	**838,694,836**	**704,016,932**

The repayment schedule of financial liabilities is as follows:

	31 December 2016	31 December 2015
Less than one year	84,239,544	44,730,329
1 - 2 years	71,913,883	47,369,987
2 - 3 years	74,670,044	59,116,195
3 - 4 years	69,367,684	58,876,882
4 - 5 years	63,939,206	55,741,912
5 years and longer	474,564,475	438,181,627
Total financial liabilities	**838,694,836**	**704,016,932**

6. FINANCIAL LIABILITIES (Continued)

31 December 2016:

Currency	Interest rate (%)	Original currency	Current	Non-current	Total
Euro (1) (*)	7.20%	115,686,296	43,621,922	385,562,664	429,184,586
Euro (2) (*)	7.20%	30,051,269	9,069,837	102,417,364	111,487,201
Euro (3) (*)	7.20%	15,006,222	4,359,173	51,312,410	55,671,583
Euro (4) (*)	7.20%	58,912,523	3,396,717	215,162,854	218,559,571
Euro (5) (*)	6.125%	5,018,347	18,617,566	-	18,617,566
TRY (6)	13.90%	5,174,329	5,174,329	-	5,174,329
			84,239,544	**754,455,292**	**838,694,836**

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.

(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 Ibis Hotel Tuzla 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.

6. FINANCIAL LIABILITIES (Continued)

(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 İstanbul Bosphorus, Karaköy is alienated in favor of the creditor,
- 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.

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 Ibis Hotel Yaroslavl, Ibis Hotel Samara, Samara Office, Ibis Hotel Kaliningrad and Ibis Hotel Moscow are pledged in favor of the creditors.
- Rent revenues of the projects are alienated in favor of the creditor.

(5) On September 20, 2016 a 1-year term credit amounted to EUR 5.000.000 was used. Senior usage rights of the hotels in Zeytinburnu for the credit used have been subordinately mortgaged as much as the credit amount in favor of the creditor.

(6) Spot loan in amount of Euro 5,000,000 has been used in October 2016. Akfen Holding has corporate guarantee for the loan used.

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at 31 December 2016 and 31 December 2015, short-term trade receivables comprised the followings:

	31 December 2016	31 December 2015
Trade receivables from third parties	19,263,217	17,179,374
Trade receivables from related parties (Note 4)	7,414,000	-
	26,677,217	**17,179,374**

As at 31 December 2016, TRY 5,086,693 (31 December 2015: TRY 5,601,364) and TRY 13,379,851 (31 December 2015: TRY 11,397,016) 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 2016 and 31 December 2015, short-term trade payables comprise the followings:

	31 December 2016	31 December 2015
Trade payables to third parties	3,233,249	2,181,368
- Other trade payables	*2,965,154*	*1,841,006*
-Other expense accruals	*268,095*	*340,362*
Trade payables to related parties (Note 4)	-	3,742,189
	3,233,249	**5,923,557**

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 31 December 2016 and 31 December 2015, other current receivables are comprised of the followings:

	31 December 2016	31 December 2015
Other receivables from third parties	139,311	147,465
	139,311	**147,465**

8. OTHER RECEIVABLES AND PAYABLES *(continued)*

b) Other non-current receivables

As at 31 December 2016 and 31 December 2015 other non-current receivables are comprised of the followings:

	31 December 2016	31 December 2015
Other receivables from third parties	18,432,945	16,911,845
Deposits and guarantees given	192,793	162,921
	18,625,738	**17,074,766**

As at 31 December 2016, other non- current receivables are comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy (As at 31 December 2015, other non- current receivables are 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)

c) Other current payables

As at 31 December 2016 and 31 December 2015 other current payables comprised the followings:

	31 December 2016	31 December 2015	1 January 2015
Land lease payables (Note 9)	4,728,750	4,348,900	3,451,182
Taxes and funds payable	2,343,142	1,153,101	1,113,134
Social security premiums payable	54,782	28,629	28,246
Advances received	-	400,000	-
Other payables	514,057	908,964	238,433
	7,640,731	**6,839,594**	**4,830,995**

d) Other non-current payables

As at 31 December 2016 and 31 December 2015 other non-current payables comprised the followings:

	31 December 2016	31 December 2015	1 January 2015
Land lease payables (Note 9)	29,771,524	26,779,062	24,190,605
	29,771,524	**26,779,062**	**24,190,605**

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 31 December 2016 and 31 December 2015 details of investment property and investment property under development are as follows:

	31 December 2016	**31 December 2015**	**1 January 2015**
Operating investment properties	1,253,723,338	1,195,377,875	1,046,988,878
Investment properties under development	49,770,000	232,983,000	304,902,499
Land lease	34,500,274	31,127,962	27,641,787
Total	**1,337,993,612**	**1,459,488,837**	**1,379,533,164**

Operating investment properties:

As at 31 December 2016 and 2015 movements in operating investment property are as follows:

	2016	**2015**
1 January	1,195,377,875	1,046,988,878
Additions	7,449,077	401,010
Foreign currency translation difference	99,746,871	(2,531,446)
Transfer from development projects	181,593,101	135,722,829
Fair value (loss)/gain, net	(230,443,586)	14,796,604
31 December	**1,253,723,338**	**1,195,377,875**

As at 31 December 2016, the transfer from development projects composed of Novotel İstanbul Bosphorus, Karaköy which was completed during the period (31 December 2015: Ibis Hotel Moscow).

Fair values of the Group's investment properties are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. 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 2016 and 31 December 2015, the fair values of operating investment properties in Turkey and Northern Cyprus are as follows:

	31 December 2016		31 December 2015	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal**	**Fair value**
Merit Park Hotel – TRNC Kyrenia	31 December 2016	240,881,000	31 December 2015	230,300,000
Ibis Hotel and Novotel Zeytinburnu	31 December 2016	170,118,000	31 December 2015	226,575,000
Novotel İstanbul Bosphorus, Karaköy	31 December 2016	142,946,000	-	-
Novotel Trabzon	31 December 2016	109,210,000	31 December 2015	123,561,000
Ibis Hotel Alsancak İzmir	31 December 2016	45,048,000	31 December 2015	46,857,000
Ibis Hotel Adana	31 December 2016	43,520,000	31 December 2015	44,790,000
Ibis Hotel and Novotel Kayseri	31 December 2016	42,096,000	31 December 2015	51,770,000
Ibis Hotel Esenyurt	31 December 2016	40,952,000	31 December 2015	60,313,000
Ibis Hotel and Novotel Gaziantep	31 December 2016	40,178,000	31 December 2015	58,088,000
Ibis Hotel Bursa	31 December 2016	37,320,000	31 December 2015	45,580,000
Ibis Hotel Ankara Airport	31 December 2016	34,478,000	31 December 2015	37,897,000
Ibis Hotel Eskişehir	31 December 2016	11,474,000	31 December 2015	13,626,000
Total		**958,221,000**		**939,357,000**

As at 31 December 2016, Ibis Hotel Yaroslavl, Ibis Hotel Samara and Ibis Hotel Kaliningrad, operating in Russia, owned by RHI have fair values at amounts of TRY 47,777,737, TRY 52,952,422 and TRY 50,604,339 (31 December 2015: İbis Hotel Yaroslavl TRY 31,003,844, İbis Hotel Samara TRY 36,263,850 and Ibis Hotel Kaliningrad TRY 32,144,836) and the discount rate used for appraisals as of 31 December 2016 is 13% (31 December 2015: 13%). Samara office project, owned by RPI has fair value amount of TRY 20,476,174 (31 December 2015: TRY 14,906,000) and the discount rate used for appraisal as of 31 December 2016 is 13.5% (31 December 2015: 14.5%). Fair value of Ibis Hotel Moscow 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 123,691,666 as of 31 December 2016 (31 December 2015: TRY 141,702,345) and the discount rate used for appraisal as of 31 December 2016 is %12 (31 December 2015: 13%).

As at 31 December 2016, total insurance amount on operating investment properties is TRY 1,369,349,018 (31 December 2015: TRY 1,078,066,637).

As at 31 December 2016 the pledge amount on operating investment property is TRY 1,001,113,617 (31 December 2015:TRY 841,584,877).

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 2016 and 31 December 2015, are as below:

Name of investment property	Discount Rates 31 December 2016	Discount Rates 31 December 2015
Ibis Hotel and Novotel Zeytinburnu	10.09% and 11.18%	7.50% and 9.50%
Merit Park Otel – KKTC Kyrenia	10.09% and 11.18%	8.50% and 10.00%
Novotel Trabzon	10.09% and 11.18%	7.50% and 9.50%
Ibis Hotel and Novotel Kayseri	10.45% and 11.54%	8.00% and 10.00%
Ibis Hotel and Novotel Gaziantep	10.09% and 11.18%	8.00% and 10.00%
Ibis Hotel Bursa	10.09% and 11.18%	8.00% and 10.00%
Ibis Hotel Eskişehir	10.09% and 11.18%	7.50% and 9.50%
Ibis Hotel Adana	10.09% and 11.18%	8.00% and 10.00%
Ibis Hotel Esenyurt	10.45% and 11.54%	8.00% and 10.00%
Ibis Hotel Alsancak İzmir	10.09% and 11.18%	8.00% and 10.00%
Ibis Hotel Ankara Airport	10.09% and 11.18%	8.00% and 10.00%
Novotel İstanbul Bosphorus. Karaköy*	9.73% and 10.82%	7.50% and 9.50%

***** *Since the hotel started its operations as of 31 December 2016, it has been transferred to operating investment properties from investment properties under development.*

Investment properties under development:

As at 31 December 2016 and 2015, the details of investment property under development are as follows:

	2016	**2015**
1 January	232,983,000	304,902,499
Additions	15,385,224	71,066,679
Currency translation difference	-	(5,346,773)
Fair value loss, net	(6,946,789)	(1,916,576)
Transfer to operating investment properties	(181,593,101)	(135,722,829)
30 June	**49,770,000**	**232,983,000**

As at 31 December 2016, the transfer to operating investment properties composed of Novotel İstanbul Bosphorus, Karaköy which was completed during the period (31 December 2015: Ibis Hotel Moscow).

As at 31 December 2016 and 31 December 2015, the fair values of investment properties under development in Turkey and Northern Cyprus are as follows:

	31 December 2016		31 December 2015	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal**	**Fair value**
Ibis Hotel Tuzla Project	31 December 2016	49,770,000	31 December 2015	42,794,000
TRNC Bafra Hotel Project	-	-	31 December 2015	9,992,000
Novotel İstanbul Bosphorus, Karaköy	-	-	31 December 2015	180,197,000
Total		**49,770,000**		**232,983,000**

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

Discount rates used for fair value calculation of investment properties under development as of 31 December 2016 and 31 December 2015 are as below:

Name of investment property	Discount Rates 31 December 2016	Discount Rates 31 December 2015
Ibis Hotel Tuzla Project	10.45% and 11.54%	9.00% and 10.00%
Novotel İstanbul Bosphorus, Karaköy (*)	-	750% ve 9.50%
TRNC Bafra Hotel Project (**)	-	Peer Comparison

***** *Since the hotel started its operations as of 31 December 2016, it has been transferred to operating investment properties from investment properties under development.*
(**)The land on which Group has a right to use for the hotel project in TRNC Bafra as of December 31, 2016 has been transferred to Akfen Insaat Turizm ve Ticaret A.S. for an amount of TRY 10,914,000 including VAT.

As at 31 December 2016, total insurance amount on investment properties under development is TRY 45,075,285 (31 December 2015: TRY 138,257,376).

As at 31 December 2016 the pledge amount on investment property under development is TRY 118,813,900 (31 December 2015: TRY 101,766,368).

As at 31 December 2016, directly attributable operating costs incurred for operating investment properties and investment properties under development are TRY 9,269,606 and TRY 234,178, respectively (31 December 2015: TRY 4,039,731 and TRY 3,429,182). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

Land Leases

The Group classifies its rights for the lands that are rented to develop investment real estate as investment real estates. In such a case, the rights regarding the related land shall be accounted as in the financial lease and additionally the fair valuation method shall be used for the said accounted land. In such a case, the rights to the related land are recognized as if it were a financial lease and in addition, the fair value model is used for the related land that is accounted for. The fair values of the investment properties developed on the leased land have been deducted from the estimated cash flows to be paid for the rents and therefore the discounted values of rentable rentals related to the related land are accounted for in the investment property and other liabilities accounts. As the fair valuations of the investment real estates which are developed on the rented lands of the Group are made by deducting the rental amounts to be paid for these lands from the estimated cash flows, discounted values of the rental amounts which will be paid regarding the relative lands are being mutually accounted in the investment real estates and other payables accounts.

10. PROPERTY AND EQUIPMENT

As at 31 December 2016 and 2015, the movement of property and equipment is as follows:

	Equipments	Fumiture and fixtures	Motor vehicles	Total
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**
Cost value				
Balance at 1 January 2016	4,688	318,809	197,141	520,638
Acquisitions	-	32,622	-	32,622
Disposals	-	(3,013)	-	(3,013)
Balance at 31 December 2016	**4,688**	**348,418**	**197,141**	**550,247**
Accumulated depreciation				
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)**
Balance at 1 January 2016	(2,915)	(265,666)	(117,678)	(386,259)
Depreciation charge for the period	(385)	(19,215)	(1,410)	(21,010)
Depreciations of disposals	-	1,132	-	1,132
Balance at 31 December 2016	**(3,300)**	**(283,749)**	**(119,088)**	**(406,137)**
Net carrying amount				
1 January 2015	2,157	49,566	28,907	80,630
31 December 2015	1,773	53,143	79,463	134,379
1 January 2016	1,773	53,143	79,463	134,379
31 December 2016	1,388	64,669	78,053	144,110

As at 31 December 2016 there is no pledge on property and equipment (31 December 2015: None).

As of 31 December 2016, depreciation expenses amounting to TRY 21,010 has been recognized in general administrative expenses (31 December 2015: TRY 35,695).

11. INTANGIBLE ASSETS

As at 31 December 2016 and 2015, the movement of intangible assets is as follows:

	Softwares
Cost value	
Balance at 1 January 2015	86,166
Additions	15,000
Balance at 31 December 2015	**101,166**
Balance at 1 January 2016	101,166
Additions	3,400
Balance at 31 December 2016	**104,566**
Accumulated amortization	
Balance at 1 January 2015	(44,120)
Charge for the period	(3,728)
Balance at 31 December 2015	**(47,848)**
Balance at 1 January 2016	(47,848)
Charge for the period	(5,371)
Balance at 31 December 2016	**(53,219)**
Net carrying amounts	
1 January 2015	42,046
31 December 2015	53,318
1 January 2016	53,318
31 December 2016	51,347

As of 31 December 2016, amortization expenses amounting to TRY 5,371 has been recognized in administrative expenses (31 December 2015: TRY 836).

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 2016 and 31 December 2015.

14. COMMITMENT AND CONTINGENCIES

As at 31 December 2016 and 31 December 2015, Group's position related to commitments, pledges and mortgages ("CPM") are as follows:

CPM are given by the Group	**31 December 2016**	**31 December 2015**
A. Total amount of CPM is given on behalf of own legal personality	1,127,499,933	950,330,819
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	553,165,560	494,612,560
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	-	-
	1,680,665,493	**1,444,943,379**

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 302,302,899 and USD 800,000 as at 31 December 2016 (31 December 2015: Euro 297,302,899 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 110,000,000 as at 31 December 2016 (31 December 2015: Euro 110,000,000).

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 Ibis Hotel Yaroslavl, Ibis Hotel Samara and Ibis Hotel Kaliningrad, the Group pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.

As of 31 December 2016 and 31 December 2015, total amount of CPM is given in favor of subsidiaries which are fully consolidated of Akfen GYO includes CPMs given only for the subsidiaries owned by 100%.

As of 31 December 2016 and 31 December 2015, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Group includes secrutities of Akfen GYO in amount of Euro 30,000,000 and Euro 17,800,000 given for respectively Akfen GT and HDI which are 100% subsidiaries of Akfen GYO as a result of loans used by the companies, share pledges of Akfen GYO in amount of TL 145,076,560 given for Akfen GT as a result of the loan used by Akfen GT. The remaining balance includes the securities of Akfen GT in amount of Euro 15,000,000 and Avro 26,200,000 given for respectively Karaköy and RHI, RPI as a result of the loan used by the companies and mortgage in amount of Euro 21,000,000 on Merit Park Hotel in 2nd degree for the loan used by Akfen Karaköy. The CPMs given by the Group are related to the the loans for project financing.

14. COMMITMENT AND CONTINGENCIES (Continued)

14.1. The Group as lessee

Operating lease arrangements

As at 31 December 2016, the Group has undergone 11 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 2016 is USD 12,908 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.
- 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 8 February 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 27 August 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 lease payment for the first 5 years is paid in advance and annual rent amount for year 2016 is USD Dollar 50,000.
- 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 lease payment for the first 5 years is paid in advance and annual rent amount for year 2016 is USD Dollar 50,000.
- 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 and annual rent amount for year 2016 is USD Dollar 87,518.
- 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 and annual rent amount for year 2016 is USD Dollar 106,200.
- The Group signed lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to TRY 16,190 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 2017.

14. COMMITMENT AND CONTINGENCIES (Continued)

- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TRY 2,340 per month and TRY 25,155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI"). Monthly rent amount as of 31 December 2016 is TRY 30,840.
- 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 2016 is TRY 240,187 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 Ibis Hotel Moscow 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 161,516 in 2016.

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 2016	**31 December 2015**
Lease expenses	6,488,791	5,530,480
	6,488,791	**5,530,480**

As of 31 December 2016 and 31 December 2015, 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 2016	**31 December 2015**
Less than one year	5,151,838	4,059,416
1 - 5 years	20,609,564	17,502,151
5 years and longer	190,790,993	183,204,137
	216,552,395	**204,765,704**

14. COMMITMENT AND CONTINGENCIES (Continued)

Accrued rental expenses are given below:

	31 December 2016	31 December 2015
Accrued rent expense		
Current (Note 17)	1,557,016	1,276,726
Non-current (Note 17)	3,503,562	3,600,533
	5,060,578	**4,877,259**

15.2. The Group as lessor

Operating lease arrangements

As at 31 December 2016, the Group has undergone 26 operating lease arrangements as;

- The Group signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Group signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- The Group signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Group signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Group signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Group signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Group signed a rent agreement with ACCOR S.A. on 19 December 2012 to lease a hotel which was completed and starts its operations in 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 1st quarter of 2017 in Tuzla.

14. COMMITMENT AND CONTINGENCIES (Continued)

All of the twelve agreements have similar clauses described below;

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

The lease term is sum of the period between the opening date of the hotel and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. ACCOR S.A. has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. ACCOR S.A. has the right to terminate the agreement, if the Group fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. 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 Ibis Hotel Zeytinburnu, Ibis Hotel Eskişehir, Ibis Hotel Kayseri, Ibis Hotel Gaziantep, Ibis Hotel Bursa, Ibis Hotel Adana, Ibis Hotel Esenyurt and Ibis Hotel Alsancak İzmir, 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 Novotel Zeytinburnu, Novotel Trabzon, Novotel Kayseri ve Novotel Gaziantep, 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 Novotel İstanbul Bosphorus, Karaköy, 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 Ibis Hotel Ankara Airport, 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 Ibis Hotel Tuzla, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

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

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine 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%.

Currently, the AGOP rent ratio which is 70% in Turkey, increased to %72.5.

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 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount. The name of the hotel has changed as "Merit Park Hotel" as at 6 October 2012.

14. COMMITMENT AND CONTINGENCIES (Continued)

- The Group signed rent agreement with Algök Gıda Turizm İnşaat Ticaret ve Sanayi 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 2016 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 2016 is TRY 6,550.
- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, from third year Euro 6,000 per room and from fourth year to fifteenth year Euro 7,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- HDI through its subsidiary Severny signed a lease agreement for 317 rooms IBIS Hotel building under 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.
- 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.

14. COMMITMENT AND CONTINGENCIES (Continued)

- 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 87,988. 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 Ibis Hotel Yaroslavl through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 30 November 2017 and the monthly rent revenue for 2016 is approximately TRY 4,299, 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 which will be valid till 30 September 2018. Monthly rent amount is approximately TRY 69,543, including VAT. Additionally, 584 squaremeter area of the office was leased to Rosneft with the agreement signed in 31 December 2016 of which lease duration will start in 1 July 2016 and end 30 September 2018. According to the agreement, monthly rent amount is approximately TRY 20,661, including VAT.
- Russian Property leased 622 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 18,016, including VAT.
- On 1 March 2015, Russian Hotel signed a lease agreement for a store placed in entrance floor of Ibis Hotel Yaroslavl through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 1 March 2016 and the monthly rent revenue for 2016 is approximately TRY 6,764, including VAT.
- On 18 December 2015, the Group, has signed lease agreement with BNS Gıda ve Turizm Yatırımları A.Ş. for store in Novotel İstanbul Bosphorus, Karaköy. The lease payments started with openning of Novotel İstanbul Bosphorus, Karaköy. 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 6th year, the rent amount will be monthly USD 25,000 and will be increased by %3 every year.
- On 18 January 2016, the Group, has signed lease agreement with Imperium Yeme İçme Hizmetleri A.Ş. for store in Novotel İstanbul Bosphorus, Karaköy. The lease payments started with openning of Novotel İstanbul Bosphorus, Karaköy. 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 12,500 for the first 2 years, monthly USD 13,500 for 2nd and 3th years, and monthly USD 15,000 for 5th year. Strating from 6th year, the rent amount will be monthly USD 15,000 and will be increased by %5 every year.

14. COMMITMENT AND CONTINGENCIES (Continued)

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

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine 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 2016	31 December 2015
Provision for vacation pay liability-short term	259,691	450,977
Provision for employee termination benefits-long term	109,136	80,773
	368,827	**531,750**

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 2016 are 4,297 TRY (31 December 2015: 3,828 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 2016 and 31 December 2015 the liability is calculated using the following assumptions:

	31 December 2016	31 December 2015
Net discount rate	4.50%	3.61%
Anticipated retirement turnover rate	91.60%	90.00%

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:

	2016	2015
1 January	80,773	59,832
Interest cost	11,754	7,270
Service cost	11,771	9,309
Payment during the period	(48,409)	(28,800)
Actuarial (loss)/gain	53,247	33,162
31 December	**109,136**	**80,773**

15. EMPLOYEE TERMINATION BENEFITS (Continued)

Movement of vacation pay liability is as follows:

	2016	**2015**
1 January	450,977	356,194
Payment during the period	(169,260)	-
Additions during the period	(22,026)	94,783
30 June	**259,691**	**450,977**

16. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	31 December 2016	**31 December 2015**
Advances given to suppliers[2]	1,299,591	354,451
Prepaid expenses[1]	604,837	861,063
Job advances	60,513	198,466
	1,964,941	**1,413,980**

b) Long term prepaid expenses

	31 December 2016	**31 December 2015**
Prepaid expenses[1]	8,767,327	11,518,879
Advances given [3]	-	1,477,116
	8,767,327	**12,995,995**

(1) TRY 7,729,535 (31 December 2015: TRY 7,771,186) of short term and long term prepaid expenses is related to prepaid amount made by Akfen Karaköy to Hakan Madencilik for transfer of land lease agreement related to Novotel İstanbul Bosphorus, Karaköy which is recorded as profit or loss by the straight-line basis over the lease term.

(2) As at 31 December 2016 and 31 December 2015, advances given to sppliers comprised of advances given for the construction works of the Group.

(3) As at 31 December 2015, advances given to subcontractors comprised of advances given to Akfen İnşaat for the constructions of Ibis Hotel Tuzla projects.

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2016	31 December 2015
VAT carried forward	5,386,762	1,329,410
Prepaid taxes and funds	430,333	845,346
Other	688,039	688,080
	6,505,134	**2,862,836**

b) Other non-current assets

	31 December 2016	31 December 2015
VAT carried forward	29,919,270	35,987,254
	29,919,270	**35,987,254**

c) Other current liabilities

	31 December 2016	31 December 2015
Rent expense accrual (Note 14)	1,557,016	1,276,726
	1,557,016	**1,276,726**

d) Other non-current liabilities

	31 December 2016	31 December 2015
Rent expense accrual (Note 14)	3,503,562	3,600,533
	3,503,562	**3,600,533**

18. EQUITY

18.1. Paid in capital

The capital structure as at 31 December 2016 and 31 December 2015 is as follows:

Shareholders	(%)	31 December 2016	(%)	31 December 2015
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 2016 and 31 December 2015, TRY 9,500,447 – equal to 5.16% of total capital - publicly offered shares are included in Akfen Holding's portion. Additionally, 2,409,000 shares of Akfen GYO amounting to 3,338,783 TRY have been purchased by Akfen GYO as of December 31, 2016 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of December 31, 2016 is 1,31%.

As at 31 December 2016, the issued capital of the Group is TRY 184,000,000 (31 December 2015: TRY 184,000,000). As at 31 December 2016, the issued capital of the Group comprises of 184,000,000 registered units with a nominal value of TRY 1 each (31 December 2015: 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 2016 and 31 December 2015.

	31 December 2016	**31 December 2015**
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.

18.6 Treasury shares

The amount that is paid when the shares that are registered as paid capital are received again, the paid amount shall be deducted from the equities covering the amount remaining after the tax effect of the costs are deducted. The shares that are received back are shown as decrease in the equities.

2,409,000 shares of Akfen GYO amounting to 3,338,783 TRY have been purchased by Akfen GYO as of December 31, 2016 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of December 31, 2016 is 1,31%.

19. REVENUE AND COST OF SALES

For the years ended 31 December 2016 and 2015, sales and cost of sales are as follows:

	31 December 2016	31 December 2015
Rent income	54,180,018	53,533,927
Total revenue	**54,180,018**	**53,533,927**
Operating lease expenses[1]	(5,886,739)	(4,965,329)
Taxes and duties expenses	(1,571,686)	(1,092,212)
Insurance expenses	(1,164,771)	(963,669)
Outsourced service expenses	(763,145)	(372,272)
Other	(117,443)	(75,431)
Total cost of sales	**(9,503,784)**	**(7,468,913)**

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

20. GENERAL ADMINISTRATIVE EXPENSES

For the years ended 31 December 2016 and 2015, administrative expenses are as follows:

	31 December 2016	31 December 2015
Personnel expenses	3,055,536	3,065,216
Outsourced service expenses	1,663,459	1,183,517
Consultancy expenses	1,062,093	1,187,010
Operating lease expenses	602,052	565,151
Donations and grants (*)	500,000	-
Tax and duties expenses	258,272	178,589
Travel and hosting expenses	205,507	187,000
Advertising expenses	46,343	72,768
Depreciation expense	21,010	35,695
Amortization expense	5,371	3,728
Other	161,369	442,568
Total	**7,581,012**	**6,921,242**

(*)The donations and assistances made as of December 31, 2016 consist of the donation amount that the Group made to GYODER Real Estate and Real Estate Investment Company Association GNAT Structure Consortium. (31 December 2015: None).

20. GENERAL ADMINISTRATIVE EXPENSES (Devamı)

Personnel expenses

	31 December 2016	31 December 2015
Wages and salaries	2,627,238	2,586,132
Social security premiums	300,719	268,373
Change in employment termination benefit	76,772	49,741
Other	50,807	160,970
Total	**3,055,536**	**3,065,216**

21. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the years ended 31 December 2016 and 2015, other operating incomes are as follows:

Other income

	31 December 2016	31 December 2015
Foreign exchange gain	16,956	93,206
Fair value gain on investment property, net	-	12,880,028
Other	126,299	331,060
Total	**143,255**	**13,304,294**

b) Other operating expenses

For the years ended 31 December 2016 and 2015, other operating expenses are as follows:

	31 Aralık 2016	31 Aralık 2015
Fair value loss on investment property, net	237,390,375	-
Foreign exchange loss	86,733	78,020
Other	1,886,829	76,510
Total	**239,363,937**	**154,530**

22. FINANCIAL INCOME

For the years ended 31 December 2016 and 2015, financial incomes are as follows:

	31 December 2016	31 December 2015
Foreign exchange gain	41,399,030	56,511,593
Interest income	1,344,069	1,134,327
Total	**42,743,099**	**57,645,920**

23. FINANCIAL EXPENSES

For the years ended 31 December 2016 and 2015, financial expenses are as follows:

	31 December 2016	**31 December 2015**
Foreign exchange loss	83,954,775	127,376,490
Interest expenses	38,722,169	30,684,822
Commission expenses (1)	460,492	8,756,507
Expenses for letter of guarantees	52,673	181,148
Other	409,990	91,757
Total	**123,600,099**	**167,090,724**

(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 aresult of refinancing of Akfen GYO made in 2015.

For the year ended 31 December 2016, the Group has capitalized interest expenses amounting to TRY 6,602,370 on investment properties under development (31 December 2015: TRY 7,080,442).

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 2016 and 2015, the main components of tax expenses are as follows:

	31 December 2016	31 December 2015
Current period tax expense	(1,013,071)	-
Deferred tax income	11,853,415	3,250,599
Total	**10,840,344**	**3,250,599**

The reported taxation charge For the years ended 31 December 2016 and 2015 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 2016	%	1 January - 31 December 2015
Loss for the year before tax		**(282,982,460)**		**(57,151,268)**
Income tax using the domestic tax expense rate	(20)	56,596,492	(20)	11,430,254
Tax-exempt loss [1]	15,32	(43,354,083)	9,48	(5,420,540)
Non-deductible expenses	0,58	(1,639,420)	2,76	(1,577,832)
Effect of different tax rates in foreign Jurisdictions	0,27	(763,198)	2,10	(1,200,524)
Other	0,00	553	(0,03)	19,241
Taxation expense		**10,840,344**		**3,250,599**

[1] Akfen GYO is exempt from Corporate Tax.

24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Unrecognized deferred tax assets

As at 31 December 2016, Akfen GT and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TRY 6,413,111 (31 December 2015: TRY 9,806,400). The expiry dates of the unrecognized accumulated losses are as follows:

	31 December 2016	**31 December 2015**	**Year of expiry**
2011	-	1,179,112	31 December 2016
2012	1,752,646	3,505,292	31 December 2017
2013	776,114	1,561,121	31 December 2018
2014	1,779,470	3,560,875	31 December 2019
2015	2,104,881	-	31 December 2020
	6,413,111	**9,806,400**	

24. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2016 and 31 December 2015 were attributable to the items detailed in the table below:

	Deferred tax Assets		Deferred tax Liabilities		Net	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Investment incentive [(1)]	7,782,057	11,103,852	-	-	7,782,057	11,103,852
Fair value gain on investment property	-	-	(59,246,408)	(71,587,938)	(59,246,408)	(71,587,938)
Tax losses carried forward	4,144,875	5,386,224	-	-	4,144,875	5,386,224
Goodwill adjustment derived from land lease transfer	-	-	(1,733,299)	(1,517,790)	(1,733,299)	(1,517,790)
Other	-	-	(1,378,884)	(1,550,508)	(1,378,884)	(1,550,508)
Deferred tax asset / (liability)	**11,926,932**	**16,490,076**	**(60,625,292)**	**(74,656,236)**	**(48,698,360)**	**(58,166,160)**
Net off tax	(8,171,909)	(10,744,997)	8,171,909	10,744,997	-	-
Net deferred tax asset / (liability)	**3,755,023**	**5,745,079**	**(52,453,383)**	**(63,911,239)**	**(48,698,360)**	**(58,166,160)**

(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 2016 and 2015, the earnings per share computation are as follows:

	31 December 2016	**31 December 2015**
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	(256,908,907)	(46,983,079)
Loss per share	(1.40)	(0.26)

26. THE FAIR VALUE EXPLANATIONS

The fair value is described as a price that will be obtained from sales of an asset or paid on transfer of a debt, in an ordinary transaction on the date of calculation among the market attendants.

Financial Instruments

The Group has determined the estimated fair values of the financial instruments by employing current market information and appropriate valuation methods. However, interpretation and reasoning are required to estimate the fair values by evaluating the market information. As a result, the estimations presented herein may not be indicative of the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions have been used to estimate the fair value of the financial instruments for which estimation of the fair values in practice is possible:

<u>Financial Assets</u>

It is foreseen that book values of the cash and cash equivalents are close to their fair values since they are short term cash assets.

It is also foreseen that their book values reflect the fair value since the trade receivables are short-term.

It is foreseen that the fair values of the balances in foreign currency that are converted with the period-end rates are close to their book values.

<u>Financial Liabilities</u>

It is considered that fair values of the trade payables and other monetary liabilities approach to the values that they bear due to the fact that they are short-term.

26. THE FAIR VALUE EXPLANATIONS (Continued)

The bank credits are expressed with their amortized cost values and transactional costs are added into the first cost of the credits. As the floating rate bank credits of the Group have been repriced in the recent history, it is considered that its fair values reflect the value that they bear.

Classes and fair values of financial instuments

31 December 2016	**Credits and receivables (including cash and cash equivalents)**	**Financial liabilities increasing in value with the effective interest method**	**Book value**	**Fair Value**	**Note**
Financial Assets					
Cash and cash equivalents	**7,826,862**	**-**	**7,826,862**	**7,826,862**	**-**
Trade receivables from non-related parties	**19,263,217**	**-**	**19,263,217**	**19,263,217**	**-**
Trade receivables from the related parties	**7,414,000**	**-**	**7,414,000**	**7,414,000**	**-**
Financial Liabilities					
Financial liabilities	**-**	**838,694,836**	**838,694,836**	**838,694,836**	**-**
Trade payables to non-related parties	**-**	**3,233,249**	**3,233,249**	**3,233,249**	**-**
Trade payables to the related parties	-	-	-	-	-

31 December 2015	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	16,238,637	-	16,238,637	16,238,637	-
Trade receivables from non-related parties	17,179,374	-	17,179,374	17,179,374	-
Trade receivables from the related parties	-	-	-	-	-
Financial Liabilities					
Financial liabilities	-	704,016,932	704,016,932	704,016,932	-
Trade payables to non-related parties	-	2,181,368	2,181,368	2,181,368	-
Trade payables to the related parties	-	3,742,189	3,742,189	3,742,189	-

26. THE FAIR VALUE EXPLANATIONS (Continued)

Non-Financial Assets

The real estate appraisal reports that are prepared by the real estate valuation company authorized by the CMB
are based on while determining the fair values of the investment real estates which are measured with their fair values in the consolidated financial statements (Note9).

The fair value classifications of the non-financial assets which are calculated with their fair values are as follows:

31 December 2016			**Fair Value Level**
	1. Level TRY	**2. Level TRY**	**3. Level TRY**
Operating investment properties	**-**	**-**	**1,253,723,338**
Investment properties under development	**-**	**-**	**49,770,000**

31 December 2015			Fair Value Level
	1, Level TRY	2, Level TRY	3, Level TL
Operating investment properties	-	-	1,195,377,875
Investment properties under development	-	-	232,983,000

26. THE FAIR VALUE EXPLANATIONS (Continued)

The fair value of the assets and liabilities are determined as follows:

- First level: It increases in value from the stock exchange prices that are traded on the active market in terms of the identical assets and liabilities.
- Second level: It increases in value from the inputs which are used in order to find the price that can be directly or indirectly observed other than the stock exchange rate of the related asset or liability which is specified in the first level.
- Third Level: It increases in value from the inputs which are used in order to find the fair value of the asset or liability and which do not depend on any observable data in the market.

The fair values of the investment real estates on the sector basis, and the methods that are used to identify the fair values and significant unobservable assumptions are as follows:

					31 December 2016	31 December 2015
	31 December 2016	31 December 2015	**Valuation method**	**Unobservable significant inputs**	**Weighted average amount**	Weighted average amount
Hotel	**1,279,180,338**	1,413,454,875	Discounted cash flow	* Room price (per day) – Euro	**98**	115
Level 3				* Occupancy rate	**79%**	77%
Office	**24,313,000**	14,906,000	Discounted cash flow	* Rentable area / m2	**4.637**	4.637
Level 3				* Occupancy rate	**95%**	94%

26. THE FAIR VALUE EXPLANATIONS (Continued)

Discounted cash flows (DCF)

The fair value of an asset under the discounted cash flows is estimated by referring to the net assumptions on the benefits and liabilities of the property including the output and final value. This estimation includes estimation of a series of cash flow and a discount rate depending on an appropriate market is applied in order to create the current value of the income flow.

Period of the cash flow and certain schedule of the inputs and outputs are determined by events such as review of the rents, renewal of the lease contracts and relative rental periods, rent again, re-development and renewal.

The costs incurred during the development of the assets and constructional costs, development costs and anticipated sales revenue will be estimated in order to reach a series of net cash flow which is discounted over the additional development and marketing expenditures that are foreseen for duration of the rent. Certain development risks such as planning, licenses, zoning permits should be separately evaluated.

Level 3 Sensitivity analysis of significant changes in unobserved inputs that are used in the fair value calculations

The sensitivity analysis for the unobservable inputs which are used in measurement of the fair values of the active and ongoing investment real estates of the Group is as follows:

		If it increases	If it decreases
31 December 2016	**Sensitivity Analysis**	**Profit/(loss) effect on the fair value (TRY)**	**Profit/(loss) effect on the fair value (TRY)**
Hotel			
Discount rate	**0.50%**	**(58,590,500)**	**64,932,000**
Room price ramping rate	**1%**	**11,423,507**	**(12,534,000)**
Occupancy rate	**1%**	**18,246,002**	**(14,616,285)**
Office			
Discount rate	**0.50%**	**(594,000)**	**593,000**
Room price ramping rate	**1%**	**185,000**	**(223,000)**
Occupancy rate	**1%**	**296,000**	**(75,000)**

27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

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

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

(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.

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 2016, 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 2016	**31 December 2015**
Euro / TRY	3.7099	3.1776
USD / TRY	3.5192	2.9076
Ruble / TRY	0.0586	0.0401

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

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.

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

(v) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent 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.

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

As of 31 December 2016 and 31 December 2015, the net debt-to-invested capital rate is given below:

	31 December 2016	**31 December 2015**
Total liabilities	937,223,128	812,879,394
Cash and cash equivalents	(63,475,362)	(63,902,637)
Net liabilities	873,747,766	748,976,757
Equity	560,795,264	804,106,526
Total capital	**1,434,543,030**	**1,553,083,283**
Net liabilities/total sources rate	**61%**	**48%**

(*)The amount of the liquid assets as from December 31, 2016 includes the long-term financial investments possessed by the Group and amounted to TRY 55,648,500 as well as the cash and cash equivalents. (31 December 2015: TRY 47,664,000).

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

27.1. Credit risk disclosures

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

The maximum exposure to credit risk as at 31 December 2016 and 31 December 2015 is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 December 2016	**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)	**7,414,000**	**19,263,217**	**-**	**18,765,049**	**63,454,877**	**-**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	7,414,000	19,263,217	-	18,765,049	63,454,877	-
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	-	-	-	-	-	-

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

	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	-	-	-	-	-	-

As at 31 December 2016 and 31 December 2015, the Group does not have any financial assets which are overdue but not impaired

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

27.2. Liquidity risk

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

31 December 2016:

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	838,694,836	1,184,829,316	24,338,126	77,452,434	381,187,594	701,851,162
Trade payables	3,233,249	3,233,249	3,233,249	-	-	-
Other payables (other liabilities included)	42,472,834	42,472,834	5,788,357	3,409,390	16,475,697	16,799,390

31 December 2015:

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	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)	38,155,555	38,155,554	4,604,445	3,171,514	15,456,805	14,922,790

The Group does not have any derivative financial liabilities as at 31 December 2016 and 31 December 2015. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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

27.3. Market risk

a) Foreign currency position table and sensitivity analysis

31 December 2016		**TRY Equivalent**	**USD**	**EURO**	**GBP**	**RUB**
Foreign currency position		**(Functional currency)**				
1	Trade receivables	12,635,048	-	-	-	220,430,010
2a	Monetary financial assets (cash and bank accounts included)	6,557,724	3,397	1,744,737	45	1,269,633
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	55,876,790	-	15,001,060	-	3,914,131
4	**Current assets (1+2+3)**	**75,069,562**	**3,397**	**16,745,797**	**45**	**225,613,774**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	18,432,988	-	4,968,594	-	-
8	**Non-current assets (5+6+7)**	**18,432,988**	**-**	**4,968,594**	**-**	**-**
9	**Total assets (4+8)**	**93,502,550**	**3,397**	**21,714,391**	**45**	**225,613,774**
10	Trade payables	1,858,031	-	80,157	-	27,227,094
11	Financial liabilities	79,065,215	-	21,311,953	-	
12a	Other monetary financial liabilities	-	-	-	-	
12b	Other non-monetary financial liabilities	1,720,909	-	60,840	-	26,085,101
13	**Short-term liabilities (10+11+12)**	**82,644,155**	**-**	**21,452,950**	**-**	**53,312,195**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	754,455,292	-	203,362,703	-	-
16a	Other monetary financial liabilities	3,939,696	1,119,486	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**758,394,988**	**1,119,486**	**203,362,703**	**-**	**-**
18	**Total liabilities (13+17)**	**841,039,143**	**1,119,486**	**224,815,653**	**-**	**53,312,195**
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)**	**(747,536,593)**	**(1,116,089)**	**(203,101,262)**	**45**	**172,301,579**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(820,125,462)**	**(1,116,089)**	**(223,010,076)**	**45**	**194,472,549**
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**	**-**	**-**	**-**	**-**	**-**

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

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**	**-**	**-**	**-**	**-**	**-**

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

Foreign currency sensitivity analysis

31 December 2016:

	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	(392,774)	392,774	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(392,774)**	**392,774**	**-**	**-**
4- Net Euro denominated asset/liability	(82,734,508)	82,734,508	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(82,734,508)**	**82,734,508**	**-**	**-**
10% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	1,009,687	(1,009,687)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**1,009,687**	**(1,009,687)**
TOTAL(3+6+9)	**(82,734,508)**	**82,734,508**	**1,009,687**	**(1,009,687)**

As at 31 December 2016, the Group has undiscounted non-cancellable lease receivables amounting TRY 440,097,559 in equivalent of Euro 114,509,000, USD 4,283,710 and Ruble 55,051,579 and non-cancellable undiscounted lease liabilities amounting TRY 53,859,716 in equivalent of total of Euro 1,192,982 and USD 13,985,149 which are not included in the table above and to be recognized in the following periods.

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

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 2016, 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 65,552,557 in equivalent of total of Euro 1,405,228 and USD 21,009,529 which are not included in the table above and to be recognized in the following periods.

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

b) Interest rate risk table and sensitivity analysis

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

	31 December 2016	31 December 2015
Fixed rate instruments		
Financial assets	60,700,380	63,076,096
Financial liabilities	838,694,836	704,016,932

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

The floating interest loans which are classified by the Group as the financial liabilities in the consolidated financial statement are exposed to the interest risk depending on the interest changes.

The following table shows the sensitivity of the Group with regard to the effect of the interest rates on the profit (loss) for a possible change (0. 01%) when all other factors remain as fixed.

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
31 December 2016	(0.01%)	59,140
	0.01%	(59,142)

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 2016	Non-controlling interests (%)	Profit/(loss) for non-controlling interests	Non-controlling interests
Subsidiary			
Akfen Karaköy	30	(15,831,701)	11,756,649

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

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 2016**	**31 December 2015**
Cash and cahs equivalents	155,933	40,667
Other current assets	5,184,589	441,076
Investment property	157,100,671	194,247,898
Other non-current assets	17,700,604	20,294,340
TOTAL ASSETS	**180,141,797**	**215,023,981**
Short term financial liabilities	4,359,173	5,528,916
Other current liabilities	68,890,142	45,681,717
Long term financial liabilities	51,312,410	42,604,997
Other non-current liabilities	16,392,551	29,250,251
TOTAL LIABILITIES	**140,954,276**	**123,065,881**
TOTAL EQUITY	**39,187,521**	**91,958,100**

Income table summary:

Akfen Karaköy	**31 December 2016**	**31 December 2015**
PROFIT OR LOSS		
Revenue	1,863,077	-
Cost of sales	(3,166,894)	(1,153,018)
GROSS LOSS	**(1,303,817)**	**(1,153,018)**
General administrative expenses	(508,994)	(252,867)
Other operating loss, net	(45,554,286)	85,551
OPERATING LOSS	**(47,367,097)**	**(1,320,334)**
Financial loss, net	(18,265,760)	(3,830,964)
LOSS BEFORE TAX	**(65,632,857)**	**(5,151,298)**
Current tax income	12,862,279	1,030,258
- Deferred tax income	*12,862,279*	*1,030,258*
NET LOSS FOR THE PERIOD	**(52,770,578)**	**(4,121,040)**

29. SUBSEQUENT EVENTS

Some part of the participation shares including shares of AKFEN GYO, which is available in the assets of Akfen Holding, a main partner of Akfen GYO, have been transferred to Akfen Muhendislik A.S. through partial splitting and the said partial splitting operations were completed on February 16, 2017.

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 2016	31 December 2015
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	851,716	10,149,201
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	643,531,638	768,229,245
C	Participations	III-48.1. S/N 24 / (b)	427,864,488	424,403,825
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		**25,831,483**	**31,805,107**
D	**Total assets**	III-48.1. S/N 3 / (p)	**1,098,079,325**	**1,234,587,378**
E	Financial liabilities	III-48.1. S/N 31	452,976,482	371,970,288
F	Other financial liabilities	III-48.1. S/N 31	25,493,790	25,820,604
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	619,609,053	836,796,486
	Other liabilities		-	-
D	**Total liabilities and equity**	III-48.1. S/N 3 / (p)	**1,098,079,325**	**1,234,587,378**

	Unconsolidated (separate) other financial information	Related Regulation	31 December 2016	31 December 2015
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)	837,969	10,133,075
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)	59,579,441	67,074,294
C2	Participation to the operator company	III-48.1. S/N 28/1(a)	-	-
J	Non-cash loans	III-48.1. S/N 31	987,005,991	850,407,592
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)	58.61%	62.23%	>51%
3	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	39.04%	35.20%	<50%
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	38.96%	34.38%	<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	236.52%	149.16%	<500%
8	Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (e)	0.07%	0.82%	<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 2016, 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.