AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

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

STANDALONE FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

			Restated (Note 2.1)	
ASSETS	**Notes**	***Audited*** **31 December 2016**	***Audited*** **31 December 2015**	***Audited*** **31 December 2014**
CURRENT ASSETS		**10,725,153**	**17,981,046**	**6,108,289**
Cash and cash equivalents	4	851,716	10,149,201	232,262
Trade receivables	6	4,744,216	5,689,764	3,934,495
- Trade receivables from unrelated parties	*6*	*4,744,216*	*5,689,764*	*3,934,495*
Other receivables		-	90,905	-
- Other receivables from unrelated parties	*7*	-	*90,905*	-
Prepayments	16	289,854	515,759	62,455
Other current assets	17	4,839,367	1,535,417	1,879,077
NON-CURRENT ASSETS		**827,683,775**	**960,487,503**	**906,416,215**
Long term financial assets		168,194,091	168,194,091	156,154,435
- Subsidiaries	8	*168,194,091*	*168,194,091*	*156,154,435*
Other receivables		162,623	104,281	101,737
- Other receivables from unrelated parties	*7*	*162,623*	*104,281*	*101,737*
Investment property	*9*	643,531,637	768,229,245	729,918,838
Property and equipment	10	40,192	32,982	44,149
Intangible assets		14,845	16,816	4,267
- Other intangible assets	*11*	*14,845*	*16,816*	*4,267*
Prepayments	16	910,948	4,324,823	10,687
Other non-current assets	17	14,829,439	19,585,265	20,182,102
TOTAL ASSETS		**838,408,928**	**978,468,549**	**912,524,504**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

STANDALONE FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

			Restated (Note 2.1)	
LIABILITIES	**Notes**	***Audited*** **31 December 2016**	***Audited*** **31 December 2015**	***Audited*** **31 December 2016**
CURRENT LIABILITIES		**71,889,859**	**33,304,489**	**101,068,115**
Current borrowings	5	5,174,329	-	31,808,759
Current portion of non-current borrowings	5	62,239,489	25,820,555	65,336,695
Trade payables	6	545,797	3,457,574	953,935
- Trade payables to related parties	*3,6*	-	*2,811,915*	*721,394*
- Trade payables to unrelated parties	*6*	*545,797*	*645,659*	*232,541*
Other payables		2,236,109	2,421,230	1,547,473
- Other payables to unrelated parties	*7*	*2,236,109*	*2,421,230*	*1,547,473*
Current provisions		137,119	328,404	230,904
- Current provisions for employee benefits	*15*	*137,119*	*328,404*	*230,904*
Other current liabilities	17	1,557,016	1,276,726	1,190,349
NON-CURRENT LIABILITIES		**406,580,413**	**364,486,403**	**201,967,762**
Long term borrowings	5	385,562,664	346,149,733	186,486,522
Other payables		17,405,050	14,655,363	12,189,684
- Other payables to unrelated parties	*7*	*17,405,050*	*14,655,363*	*12,189,684*
Non-current provisions		109,136	80,773	59,832
- Non-current provisions for employee benefits	*15*	*109,136*	*80,773*	59,832
Other non-current liabilities	17	3,503,563	3,600,534	3,231,724
EQUITY		**359,938,656**	**580,677,657**	**609,488,627**
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)	-	-
Share premium	18	58,880,000	58,880,000	58,880,000
Restricted reserves appropriated from profits	18	4,147	4,147	4,147
Prior years' profits or losses		337,476,166	366,287,136	366,287,136
Current period net profit or loss		(217,400,218)	(28,810,970)	-
TOTAL LIABILITIES		**838,408,928**	**978,468,549**	**912,524,504**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

		Audited	Audited
PROFIT OR LOSS	**Notes**	**31 December 2016**	**31 December 2015**
Revenue	19	19,631,113	23,980,607
Cost of sales (-)	19	(3,453,344)	(3,152,098)
GROSS PROFIT		**16,177,769**	**20,828,509**
General administrative expenses (-)	20	(3,700,682)	(3,560,856)
Other operating income	21	58,862	15,474,542
Other operating expenses (-)	21	(142,230,633)	(78,083)
OPERATING (LOSS)/(PROFIT)		**(129,694,684)**	**32,664,112**
Financial income	22	573,436	27,264,024
Financial expenses (-)	23	(88,278,970)	(88,739,106)
LOSS BEFORE TAX		**(217,400,218)**	**(28,810,970)**
Current tax expense		-	-
LOSS FOR THE YEAR		**(217,400,218)**	**(28,810,970)**
Loss per share	25	**(1.18)**	**(0.16)**

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

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

STANDALONE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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

						Retained earnings		
	Paid-in capital	**Adjustment to share capital**	**Treasury shares**	**Share premiums**	**Restricted reserves allocated restricted from profit**	**Retained earnings**	**Net loss**	**Total equity**
Balance as at 1 January 2015	**184,000,000**	**317,344**	**-**	**58,880,000**	**4,147**	**366,287,136**	**-**	**609,488,627**
Transfers	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	(28,810,970)	(28,810,970)
Balance as at 31 December 2015	**184,000,000**	**317,344**	**-**	**58,880,000**	**4,147**	**366,287,136**	**(28,810,970)**	**580,677,657**
Balance as at 1 January 2016	**184,000,000**	**317,344**	**-**	**58,880,000**	**4,147**	**366,287,136**	**(28,810,970)**	**580,677,657**
Transfers	-	-	-	-	-	(28,810,970)	28,810,970	-
Share Transactions (Note 18)	-	-	(3,338,783)	-	-	-	-	(3,338,783)
Total comprehensive loss	-	-	-	-	-	-	(217,400,218)	(217,400,218)
Balance as at 31 December 2016	**184,000,000**	**317,344**	**(3,338,783)**	**58,880,000**	**4,147**	**337,476,166**	**(217,400,218)**	**359,938,656**

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

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

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

PROFIT OR LOSS	Notes	*Audited* 31 December 2016	*Audited* 31 December 2015
A. Cash flows from operating activities			
Loss from continuing operations		**(217,400,218)**	**(28,810,970)**
Adjustments to reconcile los:			
cash provided by operating activities:			
Adjustments for depreciation and amortisation expense	10, 11	20,539	17,265
Adjustments for provisions related with employee benefits	15	54,747	147,241
Adjustments for fair value losses/(gains)	21	142,128,699	(15,305,078)
Adjustments for interest income and expense		23,176,264	22,082,817
Adjustments for unrealised foreign exchange losses		59,460,693	43,538,015
Other adjustments to reconcile loss		183,319	455,187
		7,624,043	**22,124,477**
Changes in working capital:			
Adjustments for decrease/(increase) in trade accounts receivable		945,548	(1,755,269)
Adjustments for increase in other receivables related with operations		32,563	(93,449)
Adjustments for (decrease)/increase in trade accounts payable		(2,911,777)	2,503,639
Adjustments for increase in other operating payables		(424,826)	588,029
Other adjustments for Other increase/(decrease) in working capital		5,091,656	(639,374)
Cash flows from operations		**10,357,207**	**22,728,053**
Payments related with provisions for employee benefits		(217,669)	(28,800)
Cash flows from operating activities		**10,139,538**	**22,699,253**
B. Cash flows used in investing activities			
Capital and capital in advance increase of subsidiary	8	-	(12,039,656)
Purchase of property, plant, equipment and intangible assets	10, 11	(27,659)	(18,647)
Proceeds from sales of property, plant, equipment and intangible assets	10	1,882	-
Cash outflows from acquition of investment property	9	(14,441,699)	(20,253,922)
Cash flows used in investing activities		**(14,467,476)**	**(32,312,225)**
C. Cash flows (used in)/from financing activities			
Proceeds from loans		26,545,500	323,045,600
Loan repayments		(5,000,000)	(278,245,303)
Interest paid		(22,796,263)	(19,092,604)
Interest received		156,064	610,139
Payments to Acquire Entity's Shares or Other Equity Instruments			(3,338,783) -
Cash outflows from other financial liabilities		(536,065)	(6,787,921)
Cash flows (used in)/from financing activities		**(9,297,485)**	**9,916,939**
Net (decrease)/increase in cash and cash equivalents		**(8,593,423)**	**27,649,889**
Cash and cash equivalents at the beginning of the period		10,149,201	232,262
Cash and cash equivalents at the end of the period	4	**851,716**	**10,149,201**

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

1. REPORTING ENTITY

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

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

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

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

The 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 Company, 2.28% and 5% participation of Cüneyt Baltaoğlu as at 31 December 2016, respectively.

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

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

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

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

The number of employees of Akfen GYO is 10 as at 31 December 2016 (31 December 2015:13).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a. Statement of compliance

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

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

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

b. Compliance with TAS

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

The accompanying individual financial statements as of 31 December 2016 have been approved by the Company's Board of Directors on 4 May 2016. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

c. Functional and presentation currency

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

d Basis of consolidation

Subsidiaries

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

The table below shows Akfen GYO's ownership ratio in subsidiaries as at 31 December 2016 and 31 December 2015:

The Company	**Direct or indirect shares of company (%)**
Akfen GT	100
HDI	100
RHI	97.72
RPI	95
Akfen Karaköy	70

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

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

Foreign currency

Foreign currency transaction

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

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

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

The accompanying standalone financial statements are presented comparatively in order to identify the tendency of the Company's financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying standalone financial statements have been consistently applied to all periods presented by the Company. Standalone financial statements as at 31 December 2016 are presented comparatively to the standalone 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 Company's standalone financial statements are prepared in comparison to prior period. For compliance with the presentation of the standalone financial statements for the current period, compared information can be categorized. The categories determined for compliance with the presentation of the standalone financial statements for the current year are given below.

31 Aralık 2015	**Reference**	**Reported before**	**Restatement effect**	**Restated**
Investment property	A	751,851,000	16,378,245	768,229,245
Current other payables	A	698,348	1,722,882	2,421,230
Non-current other payables	A	-	14,655,363	14,655,363

1 Ocak 2015	**Reference**	**Reported before**	**Restatement effect**	**Restated**
Investment property	A	716,292,000	13,626,838	729,918,838
Current other payables	A	110,319	1,437,154	1,547,473
Non-current other payables	A	-	12,189,684	12,189,684

A. As the fair value determinations which are intended for the investment of the Company 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 44,690 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 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 Company 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 Company 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 Company. 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 Company financial statements.

Note 17 Long Term VAT receivables

The Company, classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 17).

2.3 Changes in accounting policies

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

2.3.1 Standards, amendments and interpretations in effect as of 31 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 Company's financial situation and performance.

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

2.3.2 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 Company are being evaluated.

2.3.3 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 Company are being evaluated.

2.4 Summary of significant accounting policies

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

2.4.1 Revenue

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

Rental income

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

2.4.2 Offsetting

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

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

2.4.3 Investment property

a **Operating investment properties**

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

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

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

Financing costs of borrowing costs directly related to investment property under development are included to cost of related asset. Exchange gains/losses are recognized under income statement.

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

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

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

i) Loans and receivables

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

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

Recognition and Measurement

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

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

Trade receivables and liabilities

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

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

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

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

Financial liabilities and borrowing cost

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

Cash and cash equivalents

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

ii) Share capital

Ordinary shares

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

2.4.8 Earnings per share

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

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

2.4.9 Subsequent events

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

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

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

2.4.10 Provisions, contingent liabilities and contingent assets

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

2.4.11 Leases

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

The Company as lessor

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

The Company as lessee

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

2.4.12 Related parties

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

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

2.4.13 Segment reporting

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

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

2.4.14 Government grants and incentives

None.

2.4.15 Taxation

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to Article 15/ (3) the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through Article 15/(34) of New Corporate Tax Law. In accordance with New Corporate Tax Law Article 15 / (2), income subject to corporate tax is also exempt from withholding tax.

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers numbered 2009/14594 related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/ (3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. According to Article 5/1(d) (4) the income of REITs is subject to 0% withholding tax irrespective of its distribution.

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

2.4.16 Employee termination benefits / reserve for employee termination benefits

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

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

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

2.4.17. 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 Company activities. The cash flows related to investment activities represent the cash flows the Company 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 Company in its financing activities and repayments of those resources.

2.5. Determination of fair values

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

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

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

2.6. 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.

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

3. RELATED PARTY DISCLOSURES

3.1. Related party balances

Due to related parties (trade):

	31 December 2016	31 December 2015
Akfen İnşaat Turizm ve Ticaret A.Ş.	-	2,811,915
	-	**2,811,915**

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

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

3.2. 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	14,728,688
	9,998,601	**14,728,688**

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 Karaköy Gayrimenkul Yatırımları ve İnşaat A,Ş,	33,383	82,055
Akfen Holding	3,360	1,097
Akfen İnşaat Turizm ve Ticaret A,Ş,	125	-
	36,868	**83,152**

d) Interest expenses

	31 December 2016	31 December 2015
Akfen Gayrimenkul Ticareti ve İnşaat A,Ş,	110,431	303,331
Akfen İnşaat Turizm ve Ticaret A,Ş,	25,735	-
	136,166	**303,331**

3. RELATED PARTY DISCLOSURES (Continued)

e) Remuneration of top management

	31 December 2016	31 December 2015
Remuneration of top management	1,741,849	1,437,880
	1,741,849	**1,437,880**

4. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash on hand	13,747	16,126
Cash at banks	723,897	10,133,075
- Demand deposits	*123,897*	*266,179*
- Time deposits	*600,000*	*9,866,896*
Investment funds	114,072	-
Cash and cash equivalents in cash flow statement	**851,716**	**10,149,201**

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
TRY	120,410	68,749
Euro	2,652	196,941
USD	835	489
Total demand deposits	**123,897**	**266,179**

Time deposits

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

<u>31 December 2016</u>

Currency	Maturity	Interest Rate	31 December 2016
TRY	January 2017	7.50%	600,000
Total			**600,000**

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

5. CASH AND CASH EQUIVALENTS *(Continued)*

31 December 2015

Currency	Maturity	Interest Rate	31 December 2016
Euro[(1)]	January 2016	7.20%	7,816,896
TRY	January 2016	10.00%	2,050,000
TOTAL			**9,866,896**

[(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 5 - 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.

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	62,239,489	25,820,555
Non-current financial liabilities:		
Long-term bank borrowings	385,562,664	346,149,733
Total financial liabilities	**452,976,482**	**371,970,288**

The repayment schedule of financial liabilities is as follows:

	31 December 2016	31 December 2015
Less than one year	67,413,818	25,820,555
Between one and two years	46,695,508	34,357,474
Between two and three years	44,702,137	37,583,127
Between three and four years	39,336,881	35,055,539
Between four and five years	35,476,055	31,789,284
In five years and longer	219,352,083	207,364,309
Total financial liabilities	**452,976,482**	**371,970,288**

31 December 2016:

Currency	Interest rate (%)	Original currency	Current	Non-current	Total
Euro (1) (*)	7.20%	115,686,295	43,621,923	385,562,664	429,184,587
Euro (2) (*)	6.125%	5,018,347	18,617,566	-	18,617,566
TRY (3)	13.90%	5,174,329	5,174,329	-	5,174,329
			67,413,818	**385,562,664**	**452,976,482**

6. FINANCIAL LIABILITIES *(Continued)*

<u>31 December 2015:</u>

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
			25,820,555	**346,149,733**	**371,970,288**

(*) 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.

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 Company has been pledged to the favor of creditor.

(2) 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.

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

6. 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	4,744,216	5,689,764
	4,744,216	**5,689,764**

As at 31 December 2016, all of total trade receivables are comprised of receivables of the Company from Tamaris Turizm A.Ş. - operator of the hotels ((31 December 2015: TRY 5,601,364).

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

6. TRADE RECEIVABLES AND PAYABLES *(Continued)*

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 related parties [1]	-	2,811,915
Trade payables to third parties	545,797	645,659
- Other trade payables	*429,546*	*486,854*
- Other expense accruals	*116,251*	*158,805*
	545,797	**3,457,574**

[1] As at 31 December 2015, all amount of trade payables due to related parties consist of the debts to Akfen İnşaat related to progress payments of Tuzla, Esenyurt, İzmir ve Adana projects of the Company (Note 3).

7. 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	-	90,905
	-	**90,905**

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
Deposits and guarantees given	162,623	104,281
	162,623	**104,281**

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)	1,962,587	1,722,882	1,455,724
Taxes and funds payable	78,130	269,719	66,351
Social security premiums payable	54,782	28,629	25,398
Advances received	-	400,000	-
Other payables	140,610	-	-
	2,236,109	**2,421,230**	**1,547,473**

7. OTHER RECEIVABLES AND PAYABLES *(Continued)*

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)	17,405,050	14,655,363	12,189,684
	17,405,050	**14,655,363**	**12,189,684**

8. FINANCIAL INVESTMENTS

Subsidiaries

As of 31 December 2016 and 31 December 2015, nominal values of the Company's subsidiaries in balance sheet are as below:

	Ownership ratio (%)	31 December 2016	Ownership ratio (%)	31 December 2015
Akfen GT	100	121,000,000	100	121,000,000
HDI	100	23,114,779	100	23,114,779
Akfen Karaköy	70	24,079,312	70	24,079,312
Total		**168,194,091**		**168,194,091**

As of 31 December 2016 and 2015, the movement of the subsidiaries are as below:

	Akfen GT	HDI	Akfen Karaköy	Total
Openning balance, 1 January 2015	121,000,000	23,114,779	12,039,656	156,154,435
Capital in advance payment	-	-	12,039,656	12,039,656
Closing balance, 31 December 2015	**121,000,000**	**23,114,779**	**24,079,312**	**168,194,091**
Openning balance, 1 January 2016	121,000,000	23,114,779	24,079,312	168,194,091
Capital payment	-	-	-	-
Closing balance, 31 December 2016	**121,000,000**	**23,114,779**	**24,079,312**	**168,194,091**

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

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	31 December 2016	31 December 2015	1 January 2015
Operating investment properties	574,394,000	709,057,000	695,375,000
Investment properties under development	49,770,000	42,794,000	20,917,000
Land lease	19,367,637	16,378,245	13,626,838
Total	**643,531,637**	**768,229,245**	**729,918,838**

Operating investment properties:

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

	2016	2015
1 January	709,057,000	695,375,000
Additions	518,910	323,584
Fair value (loss)/gain, net	(135,181,910)	13,358,416
31 December	**574,394,000**	**709,057,000**

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

As at 31 December 2016 and 31 December 2015, the fair values of operating investment properties 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 and Novotel Zeytinburnu	31 December 2016	170,118,000	31 December 2015	226,575,000
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		**574,394,000**		**709,057,000**

As at 31 December 2016, fair values of operating investment properties in Turkey are composed of appraisal values of related projects as at 31 December 2016.

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

As at 31 December 2016, total insurance amount on operating investment properties is TRY 669,176,885 (31 December 2015: TRY 573,162,746).

As at 31 December 2016 the pledge amount on operating investment property is TRY 541,741,901 (31 December 2015: TRY 448,124,255).

Discount rates used for fair value calculations of operating investment properties as of 31 December 2016 and 31 December 2015, are shown 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%
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%

Investment properties under development:

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

	2016	**2015**
1 January	42,794,000	20,917,000
Additions	13,922,789	19,930,338
Fair value (loss)/gain, net	(6,946,789)	1,946,662
31 December	**49,770,000**	**42,794,000**

As at 31 December 2016 and 31 December 2015, the fair values of investment properties under development 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
Total		**49,770,000**		**42,794,000**

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

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

As at 31 December 2016, total insurance amount on investment properties under development is TRY 45,075,285 (31 December 2015: TRY 38,607,840).

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).

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

As at 31 December 2016, directly attributable operating costs incurred for operating investment properties and investment properties under development are TRY 3,398,921 and TRY 54,423, respectively (31 December 2015: TRY 3,110,245 and TRY 41,853). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

Land leases

The Company 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 Company 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	Total
Cost value			
Balance at 1 January 2015	4,688	248,702	253,390
Acquisitions	-	3,647	3,647
Balance at 31 December 2015	**4,688**	**252,349**	**257,037**
Cost value			
Balance at 1 January 2016	4,688	252,349	257,037
Acquisitions	-	24,259	24,259
Disposals	-	(3,013)	(3,013)
Balance at 31 December 2016	**4,688**	**273,595**	**278,283**
Accumulated depreciation			
Balance at 1 January 2015	(2,531)	(206,710)	(209,241)
Depreciation charge for the period	(384)	(14,430)	(14,814)
Balance at 31 December 2015	**(2,915)**	**(221,140)**	**(224,055)**
Balance at 1 January 2016	(2,915)	(221,140)	(224,055)
Depreciation charge for the period	(385)	(14,783)	(15,168)
Depreciation of disposals	-	1,132	1,132
Balance at 31 December 2016	**(3,300)**	**(234,791)**	**(238,091)**
Net carrying amount			
1 January 2015	2,157	41,992	44,149
31 December 2015	1,773	31,209	32,982
1 January 2016	1,773	31,209	32,982
31 December 2016	1,388	38,804	40,192

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 15,168 has been recognized in general administrative expenses (31 December 2015: TRY 14,814).

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

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	50,192
Additions	15,000
Balance at 31 December 2015	**65,192**
Balance at 1 January 2016	65,192
Additions	3,400
Balance at 31 December 2016	**68,592**
Accumulated amortization	
Balance at 1 January 2015	(45,925)
Charge for the period	(2,451)
Balance at 31 December 2015	**(48,376)**
Balance at 1 January 2015	(48,376)
Charge for the period	(5,371)
Balance at 31 December 2016	**(53,747)**
Net carrying amounts	
1 January 2015	4,267
31 December 2015	16,816
1 January 2016	16,816
31 December 2016	14,845

As of 31 December 2016, amortization expenses amounting to TRY 5,371 has been recognized in administrative expenses (31 December 2015: TRY 2,451).

12. GOVERNMENT GRANTS AND INCENTIVES

None.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There is no ongoing or finalized significant lawsuit against the Company as at 31 December 2016 and 31 December 2015.

14. COMMITMENT AND CONTINGENCIES

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

CPM are given by the Company	**31 December 2016**	**31 December 2015**
A.Total amount of CPM is given on behalf of own legal personality	664,596,211	553,441,752
B.Total amount of CPM is given in favour of subsidiaries which are fully consolidated	322,409,780	296,965,840
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D.Total Amount of other CPM	-	-
i. Total amount of CPM is given in favour of parent company	-	-
ii. Total amount of CPM is given in favour of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favour of third party which C doesn't include	-	-
	987,005,991	**850,407,592**

Total original amount of foreign currency denominated CPM given on behalf of the Company's own legal personality are Euro 178,052,185 and USD 800,000 as at 31 December 2016 (31 December 2015: Euro 173,052,185 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 47,800,000 as at 31 December 2016 (31 December 2015: Euro 47,800,000).

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 Company 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 Company 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 CPMs given by the Company are related to the the loans for project financing.

14.1. The Company as lessee

Operating lease arrangements

As at 31 December 2016, the Company has undergone 7 operating lease arrangements as lessee;

- The Company signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The lease term is 49 years starting from 18 November 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 Company signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from 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.

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

14. COMMITMENT AND CONTINGENCIES (Continued)

- The Company signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from 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 Company has priority over the companies which submit equivalent proposals for the extension of the lease term. 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 Company signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from 3 March 2010. Lease payments will start after a five year rent free period. The Company has priority over the companies which submit equivalent proposals for the extension of the lease term. The lease payment for the first 5 years is paid in advance and annual rent amount for year 2016 is USD Dollar 50,000.
- The Company signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from 3 December 2009. The lease payment for the first 5 years is paid in advance after obtaining building permit. The lease payment for the first 5 years is paid in advance and annual rent amount for year 2016 is USD Dollar 87,518.
- The Company signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on 9 May 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period and annual rent amount for year 2016 is USD Dollar 106,200.
- The Company signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TRY 2,340 per month and TRY 25,155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI"). Monthly rent amount as of 31 December 2016 is TRY 30,840.

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

Payments recognized as an expense

	31 December 2016	31 December 2015
Lease expenses	3,082,607	2,875,412
	3,082,607	**2,875,412**

As of 31 December 2016 and 31 December 2015, the Company's minimum amount of estimated rental expenses to be paid for operating lease in total is given below by taking into account terms of existing contracts:

	31 December 2016	31 December 2015
Less than 1 year	2,143,509	1,611,989
1 - 5 years	8,561,784	7,839,548
5 years and longer	79,316,660	82,040,640
	90,021,953	**91,492,177**

14. COMMITMENT AND CONTINGENCIES (Continued)

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

	31 December 2016	31 December 2015
Accrued rent expense		
Current (Note 17)	1,557,016	1,276,726
Non-current (Note 17)	3,503,563	3,600,534
	5,060,579	**4,877,260**

14.2. The Company as lessor

Operating lease arrangements

As at 31 December 2016, the Company has undergone 13 operating lease arrangements as;

- The Company signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Company signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Company signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Company signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Company signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- The Company signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Company signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Company signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Company signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Company signed a rent agreement with ACCOR S.A. on 28 March 2013 to lease a hotel which was completed and starts its operations in 2014 in Ankara.
- The Company signed a rent agreement with ACCOR S.A. on 1 March 2014 to lease a hotel which is planned to complete and starts its operations in 1st quarter of 2017 in Tuzla.

All of the eleven agreements have similar clauses described below;

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

14. COMMITMENT AND CONTINGENCIES (Continued)

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

According to memorandum of understanding signed in December 2012, yearly rent amount to be paid by lessee to lessor:

Valid starting from 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 Ibis Otel Ankara Airport and 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 the Gross Operating Profit ("GOP") corresponds to operational costs borne by ACCOR S.A. and costs corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP.

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

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 Company has additional two operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The Company signed rent agreement with 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 Company signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TRY 3,000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI. VAT included monthly rent amount for the year 2016 is TRY6,550.

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 that the Company is lessor are based on MoU.
According to MoU:

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

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

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

15. EMPLOYEE TERMINATION BENEFITS

	31 December 2016	**31 December 2015**
Provision for vacation pay liability-short term	137,119	328,404
Provision for employee termination benefits-long term	109,136	80,773
	246,255	**409,177**

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

15. EMPLOYEE TERMINATION BENEFITS (Continued)

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

As at 31 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**

Movement of vacation pay liability is as follows:

	31 December 2016	**31 December 2015**
1 January	328,404	230,904
Payment during the period	(169,260)	-
(Decrease)/increase during the period	(22,025)	97,500
31 December	**137,119**	**328,404**

16. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	31 December 2016	31 December 2015
Prepaid expenses	204,007	469,596
Advances given to suppliers	48,189	35,263
Job advances	37,658	10,900
	289,854	**515,759**

b) Long term prepaid expenses

	31 December 2016	31 December 2015
Prepaid expenses	910,948	2,847,707
Advances given [1]	-	1,477,116
	910,948	**4,324,823**

[1] As at 31 December 2015, advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of Ibis Hotel Tuzla project.

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2016	31 December 2015
VAT carried forward	4,755,829	1,304,213
Prepaid taxes and funds	83,169	67,423
Other	369	163,781-
	4,839,367	**1,535,417**

b) Other non-current assets

	31 December 2016	31 December 2015
VAT carried forward	14,829,439	19,585,265
	14,829,439	**19,585,265**

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)	3,503,563	3,600,534
	3,503,563	**3,600,534**

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

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 TRY 3,338,783 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 Company is TRY 184,000,000 (31 December 2015: TRY 184,000,000). As at 31 December 2016, the issued capital of the Company 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. Share Premiums

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

18. EQUITY (Continued)

18.3. Restricted reserves allocated from profit

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

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

18.4 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 TRY 3,338,783 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	19,631,113	23,980,607
Total revenue	**19,631,113**	**23,980,607**
Operating lease expenses [1]	(2,533,996)	(2,361,457)
Insurance expenses	(647,590)	(593,098)
Taxes and duties expenses	(269,673)	(193,221)
Outsourced service expenses	(231)	(1,015)
Other	(1,854)	(3,307)
Total cost of sales	**(3,453,344)**	**(3,152,098)**

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

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

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	1,910,282	1,941,334
Operating lease expenses	548,611	513,955
Donations and grants (*)	500,000	-
Outsourced service expenses	351,184	582,277
Consultancy expenses	148,023	189,500
Travel and hosting expenses	107,177	118,549
Tax and duties expenses	23,227	30,691
Depreciation expense	15,168	14,814
Amortization expense	5,371	2,451
Advertising expenses	-	9,841
Other	91,639	157,444
Total	**3,700,682**	**3,560,856**

(*)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).

Personnel expenses

	31 December 2016	31 December 2015
Wages and salaries	1,645,837	1,610,988
Social security premiums	151,224	130,544
Change in employment termination benefit	76,772	49,741
Other	36,449	150,061
Total	**1,910,282**	**1,941,334**

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
Fair value gain on investment property, net	-	15,305,078
Foreign exchange gain	16,956	93,206
Other	41,906	76,258
Total	**58,862**	**15,474,542**

21. OTHER OPERATING INCOME/EXPENSES (Continued)

b) Other operating expenses

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

	31 December 2016	31 December 2015
Fair value loss on investment property, net	142,128,699	-
Foreign exchange loss	86,733	78,020
Other	15,201	63
Total	**142,230,633**	**78,083**

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	417,372	26,653,885
Interest income	156,064	610,139
Total	**573,436**	**27,264,024**

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	64,946,642	66,046,150
Interest expenses	22,796,263	19,092,604
Commission expenses (1)	340,970	3,487,192
Expenses for letter of guarantees	30,836	25,124
Other	164,259	88,036
Total	**88,278,970**	**88,739,106**

(1) As at 31 December 2015, commission expenses are related to early payment commissions paid for the loans closed as a result of refinancing of Akfen GYO made in 2015.

For the period ended 31 December 2016, the Company has capitalized interest expenses amounting to TRY 2,934,387 on investment properties under development (31 December 2015: TRY 2,278,271).

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

24. DEFERRED TAX ASSETS AND LIABILITIES

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

25. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income For the years ended by the weighted average number of shares of the Company during the year. For the 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	(217,400,218)	(28,810,970)
Loss per share	(1.18)	(0.16)

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 Company 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 Company 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:

Financial Assets

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.

Financial Liabilities

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.

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

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 Company 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	**851,716**	**-**	**851,716**	**851,716**	**-**
Trade receivables from non-related parties	**4,744,216**	**-**	**4,744,216**	**4,744,216**	**-**
Trade receivables from the related parties	**-**	**-**	**-**	**-**	**-**
Financial Liabilities					
Financial liabilities	**452,976,482**	**-**	**452,976,482**	**452,976,482**	**-**
Trade payables to non-related parties	**545,797**	**-**	**545,797**	**545,797**	**-**
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	10,149,201	-	10,149,201	10,149,201	-
Trade receivables from non-related parties	5,689,764	-	5,689,764	5,689,764	-
Trade receivables from the related parties	-	-	-	-	-
Financial Liabilities					
Financial liabilities	371,970,288	-	371,970,288	371,970,288	-
Trade payables to non-related parties	3,457,574	-	3,457,574	3,457,574	-
Trade payables to the related parties	2,811,915	-	2,811,915	2,811,915	-

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	**-**	**-**	**574,394,000**
Investment properties under development	**-**	**-**	**49,770,000**

31 December 2015			**Fair Value Level**
	1. Level TRY	**2. Level TRY**	**3. Level TRY**
Operating investment properties	-	-	709,057,000
Investment properties under development	-	-	42,794,000

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

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
	31 December 2016	31 December 2015	**Valuation method**	**Unobservable significant inputs**	**Weighted average amount**	Weighted average amount
Hotel	**624,164,000**	751,851,000	Discounted cash flow	* Room price (per day) – Euro	**81**	97
Level 3				* Occupancy rate	**78%**	77%

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.

Discount rate:

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:

- Rentable area (m2) (Office)
- Discount rate
- Yearly room price increase rate Oda ücreti yıllık artış oranı
- Occupancy rate (annual)

26. THE FAIR VALUE EXPLANATIONS (Continued)

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%**	**(27,415,500)**	**30,416,000**
Room price ramping rate	**1%**	**7,082,007**	**(7,972,000)**
Occupancy rate	**1%**	**10,092,638**	**(9,354,285)**

27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of Akfen GYO's risk management framework.
Board of Directors states the risk options and ensures performing of the risk management implementations. Akfen GYO's BOD has the ultimate responsibility for Corporate Risk Management.

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

(ii) Credit risk

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

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

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

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

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

(iii) Market risk

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

Currency risk

The Company is exposed to currency risk on various foreign currency denominated income and expenses and resulting receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of Company entities.
In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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

As at 31 December 2016, the companies in the Company have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the financial statements.

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

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

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)

(iv) Liquidity risk

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

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

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

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.
The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

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

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

Capital management

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

The Company's goals for capital management are to provide return to its members and benefit to other stakeholders besides to have the Company to protect its ability for conducting its activity for preserving the most suitable capital structure to reduce the cost of capital.
For preserving its capital structure or reorganizing it, the Company determines dividend amounts to be paid to members, may issue new shares and may sell assets to restrict borrowings.

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

	31 December 2016	**31 December 2015**
Total liabilities	478,470,272	397,790,892
Cash and cash equivalents	(851,716)	(10,149,201)
Net liabilities	477,618,556	387,641,691
Equity	359,938,656	580,677,657
Total capital	**837,557,212**	**968,319,348**
Net liabilities/total sources rate	**57%**	**40%**

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)	**-**	**4,744,216**	**-**	**162,623**	**837,969**	**-**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A.Net carrying value of financial assets which are neither impaired nor overdue	-	4,744,216	-	162,623	837,969	-
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)	**-**	**5,689,764**	**-**	**195,186**	**10,133,075**	**-**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A.Net carrying value of financial assets which are neither impaired nor overdue	-	5,689,764	-	195,186	10,133,075	-
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 Company 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 Company 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	452,976,482	624,521,474	17,161,528	52,699,589	201,856,719	352,803,638
Trade payables	545,797	545,797	545,797	-	-	-
Other payables (other liabilities included)	24,701,738	24,701,738	2,416,279	1,376,846	9,630,867	11,277,746

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	371,970,288	538,664,849	6,708,549	20,199,368	168,638,727	343,118,205
Trade payables	3,457,574	3,457,574	3,457,574	-	-	-
Other payables (other liabilities included)	21,953,853	21,953,853	2,483,705	1,214,251	8,726,805	9,529,092

The Company 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	-	-	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	9,659	887	1,710	45	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	3,929	-	1,059	-	-
4	**Current assets (1+2+3)**	**13,588**	**887**	**2,769**	**45**	**-**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**	**-**
9	**Total assets (4+8)**	**13,588**	**887**	**2,769**	**45**	**-**
10	Trade payables	-	-	-	-	-
11	Financial liabilities	62,239,488		16,776,595		
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	225,710	-	60,840	-	-
13	**Short-term liabilities (10+11+12)**	**62,465,198**	**-**	**16,837,435**	**-**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	385,562,664		103,928,048		
16a	Other monetary financial liabilities	3,939,696	1,119,486	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**389,502,360**	**1,119,486**	**103,928,048**	**-**	**-**
18	**Total liabilities (13+17)**	**451,967,558**	**1,119,486**	**120,765,483**	**-**	**-**
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)**	**(451,953,970)**	**(1,118,599)**	**(120,762,714)**	**45**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(451,732,189)**	**(1,118,599)**	**(120,702,933)**	**45**	**-**
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	-	-	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	8,019,772	818	2,523,023	45	1,092
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	5,144	10	1,610	-	-
4	**Current assets (1+2+3)**	**8,024,916**	**828**	**2,524,633**	**45**	**1,092**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	1,477,116	-	464,853	-	-
8	**Non-current assets (5+6+7)**	**1,477,116**	**-**	**464,853**	**-**	**-**
9	**Total assets (4+8)**	**9,502,032**	**828**	**2,989,486**	**45**	**1,092**
10	Trade payables	-	-	-	-	-
11	Financial liabilities	25,820,555	-	8,125,804	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	264,107	-	83,115	-	-
13	**Short-term liabilities (10+11+12)**	**26,084,662**	**-**	**8,208,919**	**-**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	346,149,733	-	108,934,332		-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	3,516,538	1,209,430	-	-	-
17	**Long-term liabilities (14+15+16)**	**349,666,271**	**1,209,430**	**108,934,332**	**-**	**-**
18	**Total liabilities (13+17)**	**375,750,933**	**1,209,430**	**117,143,251**	**-**	**-**
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)**	**(366,248,901)**	**(1,208,602)**	**(114,153,765)**	**45**	**1,092**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(363,950,516)**	**818**	**(114,537,113)**	**45**	**1,092**
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)	
	Appreciation of foreign currency	**Devaluation of foreign currency**
10% change of the USD against TRY		
1- Net USD denominated asset/liability	(393,657)	393,657
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(393,657)**	**393,657**
4- Net Euro denominated asset/liability	(44,779,581)	44,779,581
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(44,779,581)**	**44,779,581**
10% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	19	(19)
8- Hedged portion of TRY against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	**19**	**(19)**
TOTAL(3+6+9)	**(45,173,219)**	**45,173,219**

31 December 2015:

	Profit or (loss)	
	Appreciation of foreign currency	**Devaluation of foreign currency**
10% change of the USD against TRY		
1- Net USD denominated asset/liability	(351,413)	351,413
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(351,413)**	**351,413**
4- Net Euro denominated asset/liability	(36,273,501)	36,273,501
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(36,273,501)**	**36,273,501**
10% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	24	(24)
8- Hedged portion of TRY against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	**24**	**(24)**
TOTAL(3+6+9)	**(36,624,890)**	**36,624,890**

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

	31 December 2016	31 December 2015
Fixed rate instruments		
Financial assets	600,000	9,866,896
Financial liabilities	452,976,482	371,970,288

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

The floating interest loans which are classified by the Company as the financial liabilities in the individual 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%)	33,695
	0.01%	(33,697)

28. FINANCIAL INSTRUMENTS

28.1. Fair value risk

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

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

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

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets

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

Financial liabilities

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

28. SUBSEQUENT EVENTS

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.