

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ**

**Convenience translation into English of
Financial Statements
for the year ended 31 December 2015
and
Independent Auditor's Report
(Originally issued in Turkish)**

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

Financial Statements
for the year ended 31 December 2015

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

**To the Board of Directors of
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.**

We have audited the accompanying statement of financial position of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. (the Company) as of 31 December 2015 and the related statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the independent audit standards published by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the company on 24 February 2016.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities, financial statements for the period 1 January - 31 December 2015 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us with the necessary explanations and requested documents in connection with the audit.

İstanbul,
24 February 2016

BDO Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.
Member, BDO International Network

Erdal Aslan
Partner in charge

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

Statements of Financial Position
as of 31 December 2015 and 31 December 2014
(TL)

	<u>Notes</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
ASSETS			
Current assets		284.873.223	224.548.291
Cash and cash equivalents	3	48.761.157	36.307.042
Financial assets	4	202.452.849	153.999.747
Trade receivables	5	14.574.365	12.906.250
-Trade receivables from related parties		14.484.726	12.828.282
-Trade receivables from unrelated parties		89.639	77.968
Inventories	7	17.328.264	19.798.264
Prepaid expenses		110.579	104.821
Other current assets	13	1.646.009	1.432.167
Non-current assets		305.556.084	239.393.919
Financial assets	4	1.856.415	2.707.926
Other receivables	6	15.165	15.663
-Other receivables from related parties		-	-
-Other receivables from unrelated parties		15.165	15.663
Investment properties (net)	8	303.609.000	236.579.500
Tangible assets (net)	9	60.582	68.309
Intangible assets (net)		14.689	22.521
-Goodwill		-	-
-Other intangible assets	10	14.689	22.521
Prepaid expenses		233	-
TOTAL ASSETS		<u><u>590.429.307</u></u>	<u><u>463.942.210</u></u>

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

Statements of Financial Position
as of 31 December 2015 and 31 December 2014
(TL)

	Notes	31 December 2015	31 December 2014
LIABILITIES			
Short term liabilities		3.416.499	2.994.025
Trade payables	5	1.759.505	1.514.263
- Trade payables to related parties		14.826	32.354
- Trade payables to unrelated parties		1.744.679	1.481.909
Provisions for employee benefits	12	66.380	68.906
Other liabilities	6	30.096	55.535
- Other payables to related parties		-	-
- Other payables to unrelated parties		30.096	55.535
Deferred income		25.878	20.306
Other short term liabilities	13	1.534.640	1.335.015
Long term liabilities		752.384	622.265
Other payables	6	467.455	382.828
- Other payables to related parties		-	-
- Other payables to unrelated parties		467.455	382.828
Long term provisions		284.929	239.437
- Provisions for employee benefits	12	228.555	184.313
- Other long term provisions	12	56.374	55.124
EQUITY		586.260.424	460.325.920
Equity attributable to the parent company			
Paid-in capital	14	10.650.794	10.650.794
Capital adjustment differences	14	54.712.578	54.712.578
Accumulated other comprehensive income/losses not to be reclassified in profit/loss		(9.767)	(10.412)
- Revaluation and remeasurement gains/losses		(9.767)	(10.412)
Accumulated other comprehensive income and expenses to be reclassified in profit/loss		593.621	1.445.132
- Revaluation and reclassification gains/losses	14	593.621	1.445.132
Restricted profit reserves	14	3.585.146	3.137.812
Retained earnings/accumulated losses	14	384.936.809	312.238.288
Net profit/loss for the period	20	131.791.243	78.151.728
TOTAL LIABILITIES AND EQUITY		590.429.307	463.942.210

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

Statements of Profit or Loss and Other Comprehensive Income
for the years ended 31 December 2015 and 31 December 2014
(TL)

	Notes	1 January 2015 31 December 2015	1 January 2014 31 December 2014
<u>CONTINUING OPERATIONS</u>			
Revenue	15	21.002.300	14.919.333
Cost of sales (-)	15	<u>(2.470.000)</u>	<u>-</u>
GROSS PROFIT / (LOSS)		18.532.300	14.919.333
General administration expenses (-)	16,17	(4.959.464)	(4.365.359)
Other operating income	18	126.010.962	79.458.506
Other operating expenses (-)	18	<u>(7.830.122)</u>	<u>(11.902.157)</u>
OPERATING PROFIT / (LOSS)		131.753.676	78.110.323
Income from investing activities	19	37.567	41.405
Expenses related to investing activities (-)		<u>-</u>	<u>-</u>
OPERATING PROFIT/(LOSS) BEFORE FINANCIAL EXPENSES		131.791.243	78.151.728
Financial expenses (-)		<u>-</u>	<u>-</u>
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		131.791.243	78.151.728
- Tax income / (expense) for the period	20	-	-
- Deferred tax income / (expense)	20	<u>-</u>	<u>-</u>
Tax income / (expense) from continuing operations		<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		131.791.243	78.151.728
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/losses not to be reclassified in profit/loss			
- Revaluation gains/losses on defined benefit plans	12	645	5.086
Other comprehensive income/losses to be reclassified in profit/loss			
- Change in financial assets revaluation fund	14	<u>(851.511)</u>	<u>(127.724)</u>
OTHER COMPREHENSIVE INCOME		(850.866)	(122.638)
TOTAL COMPREHENSIVE INCOME		130.940.377	78.029.090
EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS	21	12,3738	7,3376

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

Statements of Changes in Equity
for the years ended 31 December 2015 and 31 December 2014
(TL)

	<u>Notes</u>	<u>Paid-in capital</u>	<u>Equity adjustment differences</u>	<u>Revaluation and measurement gains/losses related to accumulated other comprehensive income and expenses not to be reclassified in profit or loss</u>	<u>Revaluation and reclassification gains/losses from accumulated other comprehensive income and expenses to be reclassified in profit or loss</u>	<u>Restricted profit reserves</u>	<u>Retained earnings/ (Accumulated Losses)</u>	<u>Net Profit (Loss) for the period</u>	<u>Total</u>
Balance as at 1 January 2014 (Opening)		10.650.794	54.712.578	(15.498)	1.572.856	2.765.034	232.486.346	84.385.039	386.557.149
Transfers	14	-	-	-	-	372.778	79.751.942	(80.124.720)	-
Total comprehensive income		-	-	5.086	(127.724)	-	-	78.151.728	78.029.090
Dividends		-	-	-	-	-	-	(4.260.319)	(4.260.319)
Balance as at 31 December 2014 (Closing)		10.650.794	54.712.578	(10.412)	1.445.132	3.137.812	312.238.288	78.151.728	460.325.920
Balance as at 1 January 2015 (Opening)		10.650.794	54.712.578	(10.412)	1.445.132	3.137.812	312.238.288	78.151.728	460.325.920
Transfers	14	-	-	-	-	447.334	72.698.521	(73.145.855)	-
Total comprehensive income		-	-	645	(851.511)	-	-	131.791.243	130.940.377
Dividends	14	-	-	-	-	-	-	(5.005.873)	(5.005.873)
Balance as at 31 December 2015 (Closing)		10.650.794	54.712.578	(9.767)	593.621	3.585.146	384.936.809	131.791.243	586.260.424

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

Statements of Cash Flows
for the years ended 31 December 2015 and 31 December 2014
(TL)

	<u>Notes</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
A. CASH FLOWS FROM OPERATING ACTIVITIES		18.721.704	1.519.644
Profit/loss for the period		131.791.243	78.151.728
Adjustments related to reconciliation of net profit/loss for the period		(114.155.047)	(77.218.037)
- Depreciation and amortization adjustments	9,10	17.389	11.015
- Adjustments related to impairment and reversal of impairment	8	(65.769.614)	(52.550.906)
- Adjustments related to provisions		46.137	28.852
- Adjustments related to other items providing cash flows from investing or financing activities	4	(48.453.102)	(24.706.905)
- Other adjustments related to profit/loss reconciliation	11,12	4.143	(93)
Working capital changes		1.085.508	585.953
- Adjustments related to increase/decrease in inventories	7	2.470.000	-
- Adjustments related to increase/decrease in trade receivables	5	(1.672.982)	337.117
- Adjustments related to increase/decrease in other receivables related to operations	6	498	45.288
- Adjustments related to increase/decrease in trade payables	5	245.966	356.085
- Adjustments related to increase/decrease in other payables related to operations	6	59.188	114.041
- Adjustments related to other increases/decreases in working capital		(17.162)	(266.578)
B. CASH FLOWS FROM INVESTING ACTIVITES		(1.261.716)	(89.346)
Acquisition of tangible and intangible assets, net (-)	9,10	(1.830)	(46.752)
Acquisition of investment properties (-)	8	(1.259.886)	(42.594)
C. CASH FLOWS FROM FINANCING ACTIVITIES		(5.005.873)	(4.260.319)
Dividends paid		(5.005.873)	(4.260.319)
Net increase/(decrease) in cash and cash equivalents		12.454.115	(2.830.021)
Cash and cash equivalents at the beginning of the period	3	36.307.042	39.137.063
Cash and cash equivalents at the end of the period	3	48.761.157	36.307.042

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

Notes to the financial statements
for the year ended 31 December 2015

1. Organization and Principal Activities

The company name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi founded on 6 June 1978 was changed to Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) upon being published in the Turkish Trade Register Gazette dated 6 August 1996 nr 4096. The Company applied to the Capital Markets Board on 31 October 1996 for the registration of a document related to share certificates to be issued for the capital increase in its shareholders; and the document was registered by the CMB certificate Nr GYO 1/1552 dated 31 December 1996 in accordance with the Capital Markets Law.

The Company operates as a real estate partnership in accordance with the statements and regulations of the Capital Markets Board. In this context, the Company invests in real estates, real estate projects, and capital market instruments. Accordingly, the Company acts in accordance with the regulations and legislation of the Capital Markets Board in its principal activities, investment portfolio policies, and administrative limits.

As of 31 December 2015 and 31 December 2014, the shareholders and the shareholding structure of the Company at historic values is as follows:

Shareholders	31 December 2015		31 December 2014	
	Shareholding(%)	Share Amount(TL)	Shareholding(%)	Share Amount(TL)
Alarko Holding A.Ş.	16,42	1.748.258	16,42	1.748.258
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78	3.704.641	34,78	3.704.641
Public offering	48,77	5.194.442	48,77	5.194.442
Other (*)	0,03	3.453	0,03	3.453
Total	100,00	10.650.794	100,00	10.650.794

* Represents total shareholdings less than 10%.

As of 31 December 2015 and 31 December 2014, the difference arising from restatement of the nominal value of the share capital amounts to TL 54.712.578 (Note 14 (b)).

The address of the Company's Head Office is as follows:
Muallim Naci Caddesi, No:69 P.K. 34347 Ortaköy - Beşiktaş/ İstanbul

The majority of the Company shares belong to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and 49,00% of the Company shares is traded at the Istanbul Stock Exchange since 1996.

As of 31 December 2015 and 31 December 2014, the average number of the Company personnel is 7 and 7, respectively.

The share certificates constituting the Company's share capital are classified in three groups, namely, Group A, Group B, and Group C. A Group share owners are granted the right to nominate four candidates for the Board of Directors and B Group share owners are granted the right to nominate three candidates for the Board of Directors. There are no other rights granted to the shareholders other than the right to nominate candidates for the Board of Directors.

2. Presentation of the Financial Statements

i. Basis of presentation:

Statement of compliance

The accompanying financial statements are prepared in accordance with the provisions of the “Communiqué Related to the Financial Reporting Principles at the Capital Markets” (Communiqué) Nr. II/14.1 of the Capital Markets Board (CMB) published in the Official Gazette dated 13 June 2013 Nr 28676, taking as basis the Turkish Accounting Standards /Turkish Financial Reporting Standards and the related appendices and interpretations (TAS/TFRS) put into effect by the Public Oversight Accounting and Auditing Standards Authority (POA) as per the Article 5 of the Communiqué.

As required by the TFRS 1, comparative financial statements are prepared on the same basis. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying financial statements in order to comply with the TAS/TFRS (Note 2 (iii)).

The Company’s financial statements dated 31 December 2015 have been submitted to the approval of the Board of Directors by the Management on 24 February 2016.

The Company’s Board of Directors and the CMB retain the power to amend the financials; and the annual financial statements can be amended by the General Assembly and the CMB.

Basis of preparation

The Company maintains its books of account and prepares its statutory financial statements in accordance with the prevailing commercial and financial legislation. The accompanying financial statements are presented in accordance with the principles the application of which is required by the announcement published in the weekly bulletin dated 7 June 2013 nr 2013/19 of the CMB.

Functional and presentation currency

The functional currency of the Company is Turkish Lira (TL) and the accompanying financial statements and related notes are presented in TL.

Basis of measurement

The accompanying financial statements are prepared on historical cost basis with the exception of financial assets stated at fair value.

ii. Adjustment of Financial Statements During Hyper-Inflationary Periods:

TAS 29 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005, hence the financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004. The additions to non-monetary items subsequent to 1 January 2005 are stated at their nominal values.

2. Presentation of the Financial Statements (continued)

iii. Adjustments :

The accompanying financial statements are prepared in accordance with TAS/IFRS with the below mentioned adjustments which are not stated in the statutory records:

- Provision for doubtful receivables
- Calculation of rediscount on customers
- Depreciation adjustment in relation to the useful lives of tangible assets
- Termination indemnity adjustment as per TAS 19
- Valuation of financial assets quoted at the stock exchange by market value
- Provisions for unused leaves
- Valuation of investment properties at fair value
- Valuation of financial assets held to maturity at the cost value amortized as per the effective interest method.

iv. Offsetting:

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

v. Accounting Policies, Changes and Errors in Accounting Estimates:

Significant changes in the accounting policies and significant accounting errors are applied retroactively and the prior period financials are re-adjusted. In the event that the changes in the accounting estimates are related to one period only, they are applied only to the period in which the change has been made; however, if they are related to the future periods, they are applied both to the period in which the change has been made and the future periods.

vi. Comparative Information and Adjustment of Prior Period Financial Statements:

The statements of financial position as of 31 December 2015 and 31 December 2014 and the related notes as well as the statements of comprehensive income, the statements of changes in equity, and cash flows, and the notes to these financial statements for the years then ended are presented comparatively. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary.

vii. The New and Revised Turkish Accounting / Financial Reporting Standards:

The Company has adopted all TAS/IFRS and related interpretations promulgated by POA which are effective as of the reporting period.

The standards, amendments and interpretations which are effective as of 1 January 2015 have no impact on the financial statements for the accounting periods ending 31 December 2015.

Some of the new standards, amendments and interpretations are not yet effective as of 31 December 2015, hence not adopted in the accompanying financial statements. The new standards and interpretations are expected to have no significant impact on the Company's financial statements.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods

(a) Financial Instruments :

Financial instruments consist of the financial assets and liabilities stated below:

i. Cash and cash equivalents

Cash and cash equivalents consist of cash, banks, deposits in other financial institutions, other money market placements, and short term repurchase agreements of 3 months or less.

Bank accounts consist of demand and time deposit accounts and the related interest accrued. Turkish Lira deposit accounts are stated at face values and foreign currency accounts are translated into Turkish Lira at the foreign currency buying rate issued by the Central Bank as at the reporting date.

Cash and cash equivalents are stated at their acquisition costs plus accrued interests.

Fair Value

As the foreign currency cash and cash equivalents are translated into Turkish Lira at the foreign exchange rates valid at the reporting date, it is assumed that the fair values of these assets approximate to their book values.

As the deposit accounts and cash are converted into cash in short terms, and as there is no risk of value decrease, their book values are deemed to approximate their fair values.

ii. Financial Assets Held to Maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity. Held-to-maturity investments are recognized at the acquisition cost amortised according to the effective interest method less impairment value and the related income is calculated using the effective interest method.

iii. Financial Assets Available for Sale

Financial assets available for sale are financial assets not classified either as held to maturity or held for trading.

Any gains or losses arising from changes in the fair value of financial assets available for sale, except those related to impairment and foreign exchange differences accounted for in the income statement, are recognized directly in the owner's equity until the said financial assets are derecognised. During the process of derecognition, the earnings and losses previously recognized under equity are transferred to the statement of income.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(a) Financial Instruments (continued):

iv. Trade Receivables

Trade receivables are financial assets created by the Company through selling goods and services directly to the customers. Trade receivables are subject to rediscount. Provisions for doubtful trade receivables are made by the Company management taking into consideration the amount of the overdue receivables, guarantees received, past experiences and current economic outlook.

Fair Value

Discounted trade receivables for which provisions for doubtful receivables are accrued are assumed to approximate to the fair values of these assets.

v. Trade Payables

Trade payables are financial assets created by the Company through buying goods and services directly to the suppliers. Trade payables are stated at their discounted values.

Fair Value

Discounted cost values of trade payables are assumed to approximate to the fair values of these assets.

vi. Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. In the presence of such objective evidence, the Company determines the related amount of impairment.

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(b) Related Parties:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) (A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. The shareholders of the Company and the companies that they own and their executives and other groups known to be related to them are defined as related parties in the financial statements.

Within the scope of this report, the Company shareholders, Alarko Holding A.Ş. and Alarko Holding Group Companies, their executive staff, and other companies controlled by or related to these companies are defined as related parties.

(c) Inventories :

Inventories are stated at the lower of cost or net realizable value; however, the expertise values creating basis for the fair values of unsold inventories and the contract totals of inventories of which sales contracts are signed during the current period are compared with the restated acquisition costs, and if the expertise value and the contract total are lower than the restated acquisition cost, provision is made for impairment within the frame of conditions stated in the "Impairment of Assets" section. Impairment loss is determined for all inventories separately.

Notes to the financial statements
for the year ended 31 December 2015

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(d) Investment Properties :

Investment properties are properties held to earn rentals or for capital appreciation or both, recognized at fair value. Income or losses arising from change fair value change in investment properties are recognized as profit or loss for the period of change.

(e) Tangible Assets :

Tangible assets are stated at cost value less their accumulated depreciation and impairment loss, if any. Tangible assets have been restated using the measuring unit current at 31 December 2004 from the dates of acquisition. Additions made subsequent to 1 January 2005 are stated at their nominal values. Tangible assets are depreciated over their inflation-adjusted values by straight-line method and the nominal values of additions subsequent to 1 January 2005 as per their useful lives stated below:

Buildings	2% - 2,5%
Land improvements	10%
Machinery, plant, and equipment	20% - 25%
Furniture and fixtures	6% - 25%
Other tangible assets	20%

Repair and maintenance expenses are expensed when realized. In case the repair and maintenance expenses provide an increase or an observable development in tangible assets, they are capitalized.

In case the book value of a tangible asset is higher than the recoverable value, the book value is decreased to the recoverable amount.

The profit or loss arising from the sale of a tangible asset is determined by comparing the restated amount of the assets sold and the amount collected and reflected to the income or loss for the current period.

(f) Intangible Assets :

Intangible assets are stated at cost value less accumulated amortisation and impairment loss, if any. The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. Intangible assets are amortized over their inflation-adjusted values and the nominal values of additions subsequent to 1 January 2005 over the rates stated below :

Leasehold improvements	3% - 50%
Rights	3,125% - 33,33%

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(g) Assets and Liabilities in Foreign Currency:

Foreign currency assets and liabilities recognized in the statement of financial position are translated into Turkish Lira at the foreign exchange rates announced by the Turkish Central Bank at the reporting dates. Transactions in foreign currencies during the period are translated into Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses resulting from such translations are included in the statements of comprehensive income.

(h) Impairment of Assets:

In case the book value of an asset exceeds its recoverable value, a provision for impairment loss is made so as to bring the book value of the asset down to the level of its fair value and the provision is recorded in the statement of comprehensive income as expense.

On the other hand, the recoverable value of cash generating assets is the higher of the value computed by subtracting the sales value of the asset from its fair value compared to the value in use of the asset. The value in use of the said assets is the present value of the cash flows expected to be obtained from the assets. For the calculation of the value in use, the future cash flow estimates are discounted to their present value by using the time value of money and the discount rate before tax which reflects risks attributable to the asset.

(i) Deferred Taxes :

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The main temporary differences arise from the income and expense items recognised in different periods with respect to the TAS/TFRS and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Company will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(j) Income Taxes:

Under the Turkish Tax Code, a company that has its head office or place of business in Turkey is subject to a corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

Corporate earnings are subject to corporation tax at a rate of 20%. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 15%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19,8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the financial statements of the tax payers whose earnings are determined on balance sheet basis are not subject to inflation adjustment because the inflation adjustment application which started in 2004 has ended as the increase in the Producers Price Index for the last 36 months and the last 12 months are below 100% and 10%, respectively at March 2005. In the 2015 and 2014 accounting periods, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

The earnings of companies that are granted the Real Estate Investment Trust (REIT) status is exempt from Corporate Tax and provisional corporate tax as per the article 5, section 1, paragraph d/4 of the Corporate Tax Law nr 5520. On the other hand, as per the article 15, paragraph 3 of the Corporate Tax Law, the percentage of the income tax withholding required to be made over the earnings of these partnerships that are subject to exemption is currently zero in accordance with the Ministerial Council Decision nr 2010/14594 (nr 2003/6577 for 2008). For that reason, no tax calculation has been made in relation to the 31 December 2015 and 31 December 2014 accounting periods (Note 20).

(k) Provision for Termination Indemnity:

Under Turkish Labour Law Article 25/II, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TL 3.828,37 in respect of each year of service as of 31 December 2015 (31 December 2014- TL 3.438,22).

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(k) Provision for Termination Indemnity (continued):

The Company has determined the termination indemnity liability stated in the accompanying financial statements as per the recognition and valuation principles stated in “Employee Benefits” TAS 19. As the characteristics of the termination indemnity liabilities are similar to the “Post Employment Benefit Plans” stated in this standard, these liabilities are calculated and stated in the financial statements on the basis of below mentioned “Proposed Unit Loan Method” and other various assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the current social security laws with consideration to their past employment durations.
- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or, if higher than the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2015, the termination indemnity upper limit, to remain constant for restatement purposes, and this value is reduced by the actual discount rate of 3,74% (31 December 2014- 3,30%) calculated based upon the assumption that the expected annual inflation rate will be 7,00 % (31 December 2014 - 6,00%) and the expected discount rate will be 11% (31 December 2014 - 9,50%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

(l) Revenues and Expenses :

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits are matched with costs, expenses and losses belonging to the same period.

Revenue

Sales consist of sales revenue generated from real estate sold and rents received from property held for investment purposes. Sales are accounted for by the accrual principle, calculated over the fair value of prospect or realized income upon services provided, reliable determination of the income amount, and potential economic benefits to flow to the Company in relation to the subject transaction.

Rent income from investment properties

Rental income from investment properties are recognized on accrual basis. Income is recognized when it is probable that the economic benefits associated with the transaction shall flow to the entity and the amount of income can be measured reliably. Income is measure at the fair value of consideration received or to be received. Income acquired through reflecting to lessees the expenses related to investment properties is recognized in the period that the service is rendered.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(l) Revenues and Expenses (continued):

Revenue from real estate sales

Revenue from real estate sales is recognized when (provided that) all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction shall flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In the event that the contract terms related to projects sold by the Company fulfill the abovementioned conditions, the sales revenue and cost are reflected in the financial statements.

If there is a significant amount of financial cost involved with the sales, the fair value of the sale is determined by discounting the receivables. The interest rate used in determining the current value of receivables is the rate at which the nominal value of the sales total is discounted to the cash price of the service. The difference between the nominal value of the sales consideration and the fair value calculated accordingly is accounted for as interest income in the related periods.

Cost of sales mainly consists of the cost of real estate sold and the expenses made in relation to these properties.

(m) Earnings/(Loss) per Share:

Earnings/(loss) per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Companies in Turkey can increase their share capital through distributing shares (bonus shares) from retained earnings and differences arising from inflation adjustment of equity to their current shareholders. When calculating profit/(loss) per share, these bonus shares are recognized as issued shares. Therefore, the weighted average of shares used in the calculation of profit/(loss) per share is derived through retroactive application with respect to bonus shares.

(n) Accounting Estimates:

During the preparation of financial statements in accordance with the TAS/TFRS, the Management may make assumptions and estimates that might affect the book value of the assets and liabilities stated in the financial statements as of the reporting period, explanations regarding unrecognized liabilities, and income and expense totals related to the period. However, actual results may vary from these results.

(o) Borrowing Costs :

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(p) Events After the Reporting Period:

The Company updates disclosures that are related to the conditions existing at the end of the reporting period so as to reflect any relevant information received after the reporting period. Non-adjusting events shall be disclosed if they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions.

(r) Conditional Assets and Liabilities:

Assets and liabilities that originate from past incidents and whose presence is not fully under the company management control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are classified as conditional liabilities and assets.

(s) Statement of Cash Flows

In the statement of cash flows, current period cash flows are classified as principal activities, investing activities, and financing activities, and reported accordingly.

Cash flows arising from principal activities are those that are related to the Company operations.

Cash flows from investing activities are those used by/provided from the Company's investments (i.e. fixed asset investments and financial investments).

Cash flows from financing activities represent the financial sources used in the Company's finance operations and their repayments.

Cash and cash equivalents in the statement of cash flows comprise cash, banks and short term investments of short term (up to 3 months) and high liquidity which are easily convertible to specific amounts of cash and maturing in a maximum of 3 months.

(t) Supplementary note: Control of Compliance to Portfolio Limitations

The information provided in the said note (Note 27) is summarized information derived from financial statements as per the article 16 of the Capital Markets Board Communiqué II-14.1 "Principles Regarding Financial Reporting on Capital Markets" and prepared within the frame of provisions related to compliance to portfolio limitations stated in the CMB Communiqué Serial III No 48.1 "Principles Regarding Real Estate Investment Trusts".

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3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following (TL):

	<u>31 December 2015</u>	<u>31 December 2014</u>
Banks	48.049.142	35.799.394
- TL demand deposit	38.171	27.089
- Foreign currency demand deposit	-	-
- TL time deposit	-	-
- Foreign currency time deposit *	48.010.971	35.772.305
Type B liquid fund	<u>712.015</u>	<u>507.648</u>
Total (Note 23(i))	<u>48.761.157</u>	<u>36.307.042</u>

* As of 31 December 2015, the interest rate on USD time deposits at banks varies between %1,85- %2,75 and the accrued interest amounts to TL 23.784; the interest rate on Euro time deposits at banks varies between %1,70- %1,75 and the accrued interest amounts to TL 6.596 (31 December 2014 - USD deposits: 2,05% - 2,20%, TL 17.754, Euro deposits: 1,80% - 1,95%, TL 31.387).

The Company has no blocked deposits at banks as of 31 December 2015 and 31 December 2014.

4. Financial Assets

As of 31 December 2015 and 31 December 2014, detail of the Company's financial assets is as follows:

Financial assets held to maturity;

	<u>31 December 2015</u>			<u>31 December 2014</u>		
<u>Currency</u>	<u>Book value (TL)</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>Book value (TL)</u>	<u>Interest rate</u>	<u>Maturity</u>
USD	189.816.705	3,50%	26.09.2016	132.835.423	3,63%	15.03.2015
USD	6.131.014	3,50%	26.09.2016	10.989.268	3,63%	15.03.2015
USD	6.505.130	3,50%	26.09.2016	4.935.054	3,63%	15.03.2015
USD	-	-		5.240.002	3,63%	15.03.2015
Total	<u>202.452.849</u>			<u>153.999.747</u>		

As of 31 December 2015, financial assets held to maturity consist of Eurobonds of which coupon payment date is 26 September 2016 (31 December 2014 - 15 March 2015).

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4. Financial Assets (continued)

Financial assets available for sale;

	31 December 2015		31 December 2014	
	Participation Rate (%)	Amount (TL)	Participation Rate (%)	Amount (TL)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. (*)	-	1.196	-	1.196
Alarko Konut Projeleri Geliştirme A.Ş. (*) (**)	-	143	-	143
Alarko Holding A.Ş.*	-	1.855.076	-	2.706.587
Total	-	1.856.415	-	2.707.926

(*) Participation rate is lower than 1%.

(**) Alarko Deyaar Gayrimenkul Geliştirme A.Ş. company name was changed as Alarko Konut Projeleri Geliştirme A.Ş. in 14 March 2014.

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange expected to approach its fair value as of 31 December 2015 and 31 December 2014. The Company monitors the increases and decreases related to fair value recognition in the Shareholder's Equity account under "Accumulated other comprehensive income and expenses to be reclassified in profit and loss" account in the financial statements. Accordingly, a total of TL 593.621 is recorded as Value Increase under the "Accumulated other comprehensive income or expenses to be reclassified in profit and loss" account as a result of the value increase of TL 1.445.132 arising from valuation at fair value as of 31 December 2014, the value decrease of TL 851.511 as of 31 December 2015 (Note 14 (c)).

The participation totals in Alarko Deyaar Gayrimenkul Geliştirme A.Ş. and Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. have been valued at their restated cost values as they have no quoted value in the organized markets and their fair values cannot be determined reliably.

5. Trade Receivables and Payables

Trade receivables consist of the following (TL) :

	31 December 2015	31 December 2014
Trade receivables, net	89.639	77.968
Doubtful trade receivables	54.839	167.523
Provision for doubtful trade receivables (-)	(54.839)	(167.523)
Total (Note 23(i))	89.639	77.968
Due from related parties, net (Notes 22(a) and 23(i))	14.484.726	12.828.282
Grand Total	14.574.365	12.906.250

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5. Trade Receivables and Payables (continued)

As of 31 December 2015 and 31 December 2014, the changes in provision for doubtful trade receivables during the period consist of the following (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Provision for doubtful trade receivables at the beginning of the period	167.523	166.359
Provisions made during the period (Note 18)	-	35.693
Provisions no longer required (Note 18)	<u>(112.684)</u>	<u>(34.529)</u>
Provision for doubtful trade receivables at the end of the period (Note 23(i))	<u>54.839</u>	<u>167.523</u>

Trade payables consist of the following (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Suppliers, net	1.744.679	1.481.909
Due to related parties (Notes 22(b) and 23(ii))	<u>14.826</u>	<u>32.354</u>
Total	<u>1.759.505</u>	<u>1.514.263</u>

6. Other Receivables and Payables

Other long term receivables consist of the following (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Deposits and guarantees given	<u>15.165</u>	<u>15.663</u>
Total (Note 23 (i))	<u>15.165</u>	<u>15.663</u>

Short term other payables consist of the following (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Balances due to Alarko Central Administration	892	1.459
Other miscellaneous debts	<u>29.204</u>	<u>54.076</u>
Total (Note 23 (ii))	<u>30.096</u>	<u>55.535</u>

Long term other payables consist of the following (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Deposits and guarantees received (Note 23 (ii))	<u>467.455</u>	<u>382.828</u>

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7. Inventories

Inventories consist of real estate held for trading. As of 31 December 2015 and 31 December 2014, breakdown of inventories is as follows (TL):

	31 December 2015				31 December 2014			
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
<u>Real Estate Project</u>								
Land share (1 parcel lot) and project cost								
Projects unsold	14.056.529	-	19.154.000	28.12.2015	16.526.529	-	19.530.000	29.12.2014
Total	14.056.529	-	19.154.000		16.526.529	-	19.530.000	
<u>Land in Büyükçekmece</u>								
Land cost (3 parcel lots)	3.271.735	-	48.200.000	28.12.2015	3.271.735	-	47.543.000	29.12.2014
Total	17.328.264	-	67.354.000		19.798.264	-	67.073.000	

Real Estate Construction Project: The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m² on section 106, parcel 18 in Büyükçekmece Eskice District included in the investment properties portfolio is received on 21 October 2005 and the sales transactions have started. As of 31 December 2015, sales contracts have been made for 51 villas (31 December 2014 - 50 villas). As per the valuation report dated 28 December 2015, the expertise value of the company is stated at the average of two methods, namely, sales comparison approach and income capitalization approach.

Land in Büyükçekmece: There are 3 parcels of land with a total area of 622.651 m². As per the valuation report dated 28 December 2015, the expertise value of the company is stated by using sales comparison approach and development approach, the first of which is taken as basis in the study.

As of 31 December 2015 and 31 December 2014, the All Risk on Construction and Employer's Liability Insurance totals for the Real Estate Project amount to TL 41.144.480 and TL 37.388.142, respectively (Note 26).

As of 31 December 2015, the Company's real estate held for trading have been valued by the valuation company A Artıbir Gayrimenkul Değerleme A.Ş. (31 December 2014 - Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.)

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8. Investment Properties

Investment properties consist of the following (TL):

<u>Fair Value</u>	<u>Investment Properties</u>
As of 1 January 2014	183.986.000
Additions	42.594
Increase arising from changes in fair value	52.550.906
Disposals	-
As of 31 December 2014	<u>236.579.500</u>
Additions	1.259.886
Increase arising from changes in fair value	65.769.614
Disposals	-
As of 31 December 2015	<u><u>303.609.000</u></u>

As of 31 December 2015 and 31 December 2014, the total insurance on investment properties are TL 96.076.970 and TL 86.683.954, respectively (Note 26).

31 December 2015 and 31 December 2014, the market values of investment properties are as follows (TL):

<u>Name of Real Estate</u>	31 December 2015	
	<u>Date of Expertise Report</u>	<u>Market Value (TL)</u>
Hillside Beach Club Tatil Köyü	28.12.2015	170.000.000
Etiler Alkent Sitesi - Shops	28.12.2015	14.800.000
Büyükçekmece Alkent 2000- Shops	28.12.2015	7.000.000
Eyüp Topçular- Factory	28.12.2015	39.681.000
Ankara Çankaya İş merkezi	28.12.2015	5.025.000
İstanbul Karaköy İş merkezi	28.12.2015	6.675.000
İstanbul Şişhane İş merkezi	28.12.2015	6.221.000
Land in Maslak (*)	28.12.2015	<u>54.207.000</u>
Total		<u><u>303.609.000</u></u>

<u>Name of Real Estate</u>	<u>Valuation methods used</u>	<u>Valuation method taken as basis</u>
Hillside Beach Club Tatil Köyü	Income Capitalization, Cost analysis	Cost Analysis
Etiler Alkent Sitesi - Shops	Sales Comparison, Income Capitalization	Average
Büyükçekmece Alkent 2000- Shops	Sales Comparison, Income Capitalization	Average
Eyüp Topçular- Factory	Sales Comparison, Cost Analysis	Average
Ankara Çankaya İş merkezi	Sales Comparison, Income Capitalization	Average
İstanbul Karaköy İş merkezi	Sales Comparison, Income Capitalization	Average
İstanbul Şişhane İş merkezi	Sales Comparison, Income Capitalization	Average
Land in Maslak	Sales Comparison, Development	Average

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8. Investment Properties (continued)

31 December 2015 and 31 December 2014, the market values of investment properties are as follows (TL) (continued):

<u>Name of Real Estate</u>	31 December 2014	
	<u>Date of Expertise Report</u>	<u>Market Value (TL)</u>
Hillside Beach Club Holiday Village	29.12.2014	127.500.000
Etiler Alkent Sitesi - Shops	29.12.2014	11.500.000
Büyükçekmece Alkent 2000- Shops	29.12.2014	6.007.500
Eyüp Topçular- Factory	29.12.2014	33.000.000
Ankara Çankaya Business Center	29.12.2014	3.886.000
İstanbul Karaköy Business Center	29.12.2014	4.325.000
İstanbul Şişhane Business Center	29.12.2014	2.955.000
Land in Maslak (*)	29.12.2014	47.406.000
Total		<u>236.579.500</u>

<u>Name of Real Estate</u>	<u>Valuation methods used</u>	<u>Valuation method taken as basis</u>
Hillside Beach Club Holiday Village	Income Capitalization, Cost analysis	Cost Analysis
Etiler Alkent Sitesi - Shops	Sales Comparison, Income Capitalization	Sales Comparison
Büyükçekmece Alkent 2000- Shops	Sales Comparison, Income Capitalization	Sales Comparison
Eyüp Topçular- Factory	Cost Analysis, Income Capitalization	Cost Analysis
Ankara Çankaya Business Center	Sales Comparison, Income Capitalization	Sales Comparison
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalization	Sales Comparison
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalization	Sales Comparison
Land in Maslak (*)	Sales Comparison, Income Capitalization	Sales Comparison

As of 31 December 2015, the investment properties of the Company are valued by A Artıbir Gayrimenkul Değerleme A.Ş. (31 December 2014 - Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.)

* Article 24/c of the Capital Markets Board Communiqué Serial III-48.1 “Communiqué regarding the change in the communiqué on principles regarding Real Estate Investment Trusts” published in the Official Gazette dated 28 May 2013 number 28660 promulgates that the rate of lands and registered lands which are in the portfolio, but which in spite of a period of 5 years having elapsed from their acquisition, have not been administered for any project development cannot exceed 20% of the portfolio value. The project development practices related to the land in Maslak continue and the land does not exceed 20% of the total assets of the Company.

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9. Tangible Assets

As of 31 December 2015, tangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2015	Additions	Disposals	Closing 31 December 2015
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	114.960	1.830	-	116.790
Other tangible assets	27.373	-	-	27.373
Sub total	270.225	1.830	-	272.055
Accumulated depreciation;				
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	46.651	9.557	-	56.208
Other tangible assets	27.373	-	-	27.373
Sub total (Note 17)	201.916	9.557	-	211.473
Net Book Value	68.309	-	-	60.582

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9. Tangible Assets (continued)

As of 31 December 2014, tangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2014	Additions	Disposals	Closing 31 December 2014
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	92.937	22.023	-	114.960
Other tangible assets	27.373	-	-	27.373
Sub total	248.202	22.023	-	270.225
 Accumulated depreciation;				
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	38.076	8.575	-	46.651
Other tangible assets	27.373	-	-	27.373
Sub total (Note 17)	193.341	8.575	-	201.916
Net Book Value	54.861	-	-	68.309

As of 31 December 2015 and 31 December 2014, the total insurance on tangible assets amounts to TL 82.140 and TL 63.770, respectively (Note 26).

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10. Intangible Assets

As of 31 December 2015, intangible assets consist of the following (TL) :

Cost;	Opening			Closing 31 December 2015
	1 January 2015	Additions	Disposals	
Rights	33.334	-	-	33.334
Other intangible assets	<u>126.845</u>	<u>-</u>	<u>-</u>	<u>126.845</u>
Sub total	<u>160.179</u>	<u>-</u>	<u>-</u>	<u>160.179</u>
Accumulated amortisation;				
Rights	12.928	7.336	-	20.264
Other intangible assets	<u>124.730</u>	<u>496</u>	<u>-</u>	<u>125.226</u>
Sub total (Note 17)	<u>137.658</u>	<u>7.832</u>	<u>-</u>	<u>145.490</u>
Net Defter Değeri	<u>22.521</u>	<u>-</u>	<u>-</u>	<u>14.689</u>

As of 31 December 2014, intangible assets consist of the following (TL) :

Cost;	Opening			Closing 31 December 2014
	1 January 2014	Additions	Disposals	
Rights	11.094	22.240	-	33.334
Other intangible assets	<u>124.355</u>	<u>2.490</u>	<u>-</u>	<u>126.845</u>
Sub total	<u>135.449</u>	<u>24.730</u>	<u>-</u>	<u>160.179</u>
Accumulated amortisation;				
Rights	10.864	2.064	-	12.928
Other intangible assets	<u>124.354</u>	<u>376</u>	<u>-</u>	<u>124.730</u>
Sub total (Note 17)	<u>135.218</u>	<u>2.440</u>	<u>-</u>	<u>137.658</u>
Net Book Value	<u>231</u>	<u>-</u>	<u>-</u>	<u>22.521</u>

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11. Provisions, Conditional Assets and Liabilities

- a) As stated among the Company's inventories, investment properties and fixed asset accounts as of 31 December 2015 and 31 December 2014;

There is a right of easement in relation to the stores in Etiler Alkent Sitesi in Beşiktaş District dated 14 October 1987 nr. 6430 to be utilized on behalf of the Company property on section 1411, parcel 1 and against that on section 1408, parcel 1 to benefit from central heating facilities; and there is a right of easement for a period of 49 years at a fee of TL 7,72 to construct 1,5 m wide channels in some parts of the heating installations.

Furthermore, there is a personal right of easement for the owners of the property on section 1410 parcel 1 to benefit from the unused parking lot as stated in the project against the same parcel by voucher dated 26 February 1992 nr 784.

- b) The guarantees, sureties, and mortgages given by the Company in the name of its own corporate body are as follows (TL) :

Guarantees, sureties, and mortgages given by the Company	<u>31 December 2015</u>	<u>31 December 2014</u>
A. Total amount of guarantees, sureties, and mortgages given by the Company in the name of its own corporate body	947.141	1.970.750
B. Total amount of guarantees given in favor of entities included in full consolidation	-	-
C. Total amount of guarantees, sureties, and mortgages given as collateral for third parties' liabilities to ensure continuity of ordinary trade operations	-	-
D. Total amount of other guarantees, sureties, and mortgages given		
i. Total amount of guarantees, sureties, and mortgages given in the name of the Parent Company	-	-
ii. Total amount of guarantees, sureties, and mortgages given in the name of other group companies not covered by articles B and C above	-	-
iii. The total amount of the guarantees, sureties and mortgages given in the name of third parties not covered by article C above	-	-
Total	<u>947.141</u>	<u>1.970.750</u>

As of 31 December 2015 and 31 December 2014, there are no other guarantees, sureties and mortgages given by the Company.

- c) The total amount of guarantee letters and notes received by the Company in each period are set out in the table below (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Guarantee notes received	963.905	815.312
Guarantee letters received	<u>1.340.885</u>	<u>301.312</u>
Total	<u>2.304.790</u>	<u>1.116.624</u>

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11. Provisions, Conditional Assets and Liabilities (continued)

d) The Company's overdue receivables which are deemed uncollectible and the related provisions consist of the following (TL) :

	<u>Uncollectible Receivables</u>	<u>Provisions</u>
31 December 2015	54.839	54.839
31 December 2014	167.523	167.523

12. Employee Benefits

Short term provisions consist of the following (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Employee benefit obligations	<u>66.380</u>	<u>68.906</u>

Long term provisions consist of the following (TL) :

Provisions for employee benefits:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Provision for termination indemnity at the beginning of the period	184.313	152.677
Interest expense	20.274	14.504
Service expense	24.613	22.218
Payments made during the period	-	-
Actuarial loss/(gain)	<u>(645)</u>	<u>(5.086)</u>
Provision for termination indemnity at the end of the period	<u>228.555</u>	<u>184.313</u>

Provision for unused leaves:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Provision for unused leaves at the beginning of the period	55.124	62.994
Increase/(decrease) during the period	<u>1.250</u>	<u>(7.870)</u>
Provision for unused leaves at the end of the period	<u>56.374</u>	<u>55.124</u>

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13. Other Assets and Liabilities

Other current assets consist of the following (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Contractual income accruals	1.481.481	1.267.004
Prepaid taxes and funds	<u>164.528</u>	<u>165.163</u>
Total	<u>1.646.009</u>	<u>1.432.167</u>

Other short term liabilities consist of the following (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
VAT payable	1.386.338	1.335.015
Other taxes payable	<u>148.302</u>	<u>-</u>
Total (Note 23 (ii))	<u>1.534.640</u>	<u>1.335.015</u>

14. Equity

a) Paid-in capital

As of 31 December 2015 and 31 December 2014, the Company's registered share capital amounts to TL 20.000.000 while the issued and paid-in capital amounts to TL 10.650.794. The issued capital consists of 1.065.079.400 shares of Kr 1 nominal value each. The Company's shareholding structure is elaborated in Note 1.

b) Capital adjustment differences

As of 31 December 2015 and 31 December 2014, the difference arising from restatement of nominal capital amounts to TL 54.712.578 (Note 1).

c) Financial assets value increase fund

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2015 and 31 December 2014. The Company monitors the increases and decreases which arise from fair value recognition under "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" in the Shareholder's Equity account in the financial statements. Accordingly, there is a value decrease of TL 851.511 as of 31 December 2015 and a value decrease of TL 127.724 as of 31 December 2014 both of which is stated in the "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" account (Note 4).

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14. Equity (continued)

d) Restricted profit reserves

As of 31 December 2015, the restricted profit reserves consist of legal reserves amounting to TL 3.585.146 (31 December 2014 - TL 3.137.812).

Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

- a) First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
- b) Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

e) Retained Earnings/(Accumulated Losses) :

Breakdown of retained earnings / (accumulated losses) is as follows (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
Extraordinary reserves	312.238.288	232.486.346
Retained earnings	<u>72.698.521</u>	<u>79.751.942</u>
Total	<u>384.936.809</u>	<u>312.238.288</u>

15. Sales and Cost of Sales

Sales revenues consist of the following (TL) :

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
Income from real estate sales	2.703.390	-
Rental income	<u>18.298.910</u>	<u>14.919.333</u>
Total	<u>21.002.300</u>	<u>14.919.333</u>

Cost of sales consist of the following (TL) :

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
Cost of real estate sold	<u>2.470.000</u>	-
Total	<u>2.470.000</u>	-

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16. General Administration Expenses

General administration expenses consist of the following (TL) :

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
General administration expenses	4.959.464	4.365.359
Total	<u>4.959.464</u>	<u>4.365.359</u>

17. Expenses by Nature

General administration expenses consist of the following (TL) :

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
Outsourced repair work and services	1.430.829	1.113.348
Personnel expenses	1.516.718	1.392.201
Lawsuits, execution, and notary expenses	13.785	19.764
Taxes, duties, and fees	1.133.704	957.796
Rental expenses	294.743	365.917
Bank expenses	50.090	42.721
Other consultancy expenses	13.340	37.800
Legal consultancy expenses	41.295	38.535
Financial consultancy and audit expenses	55.148	43.148
Publishing expenses	13.668	15.794
Depreciation and amortisation	17.389	11.015
Communication expenses	7.832	11.720
Other	<u>370.923</u>	<u>315.600</u>
Total	<u>4.959.464</u>	<u>4.365.359</u>

Depreciation and amortisation expenses consist of the following (TL) :

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
General administration expenses	<u>17.389</u>	<u>11.015</u>
Total	<u>17.389</u>	<u>11.015</u>

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
Tangible assets (Note 9)	9.557	8.575
Tangible assets (Note 10)	<u>7.832</u>	<u>2.440</u>
Total	<u>17.389</u>	<u>11.015</u>

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17. Expenses by Nature (continued)

Expenses related to employee benefits consist of the following (TL) :

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
General administration expenses	1.516.718	1.392.201
Total	<u>1.516.718</u>	<u>1.392.201</u>

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
Wages and salaries	1.309.413	1.210.735
Personnel transportation expenses	35.470	31.636
Personnel catering expenses	22.142	13.738
Personnel health expenses	6.081	5.290
Other personnel expenses	<u>143.612</u>	<u>130.802</u>
Total	<u>1.516.718</u>	<u>1.392.201</u>

18. Other Operating Income / (Expenses)

Other operating income consists of the following :

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
Increase due to change in fair value (Note 8)	65.769.614	52.550.906
Turkish Ministry of Environment and Forestry	1.481.480	
- Rent		1.267.004
Turkish Ministry of Environment and Forestry	274.529	
- Land appropriation		249.323
Income from real estate other than rental income	60.002	52.292
Provisions no longer required (Note 5)	112.684	34.529
Electricity, water, transmission line	10.041	9.119
Foreign exchange gains	52.966.414	16.318.533
Interest income	5.155.990	8.762.974
Gain on sale of other marketable securities	141.130	172.445
Income from maturity differences	11.331	14.589
Rediscount interest income	982	828
Other	<u>26.765</u>	<u>25.964</u>
Total	<u>126.010.962</u>	<u>79.458.506</u>

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18. Other Operating Income / (Expenses) (continued)

Other operating expenses consist of the following (TL) :

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
Foreign exchange losses	5.504.196	3.999.347
Rediscount interest expenses	2.760	982
Loss on sale of marketable securities	-	5.834.451
Provision for doubtful receivables (Note 5)	-	35.693
Turkish Ministry of Environment and Forestry - Rental provision	1.734.154	1.475.837
Turkish Ministry of Environment and Forestry - Land appropriation	274.529	249.323
Turkish Ministry of Environment and Forestry -damages for unlawful occupation	196.497	-
Electricity, water, transmission line	10.041	9.119
Other	<u>107.945</u>	<u>297.405</u>
Total	<u>7.830.122</u>	<u>11.902.157</u>

19. Income from Investing Operations

Income from investing operations consists of the following (TL):

	<u>1 January 2015</u> <u>31 December 2015</u>	<u>1 January 2014</u> <u>31 December 2014</u>
Dividend income	<u>37.567</u>	<u>41.405</u>
	<u>37.567</u>	<u>41.405</u>

20. Tax Assets and Liabilities

In Turkey, the corporation tax rate for 2015 is 20% (31 December 2014 - 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Calculation of current period corporation tax is as follows (TL) :

	<u>31 December 2015</u>	<u>31 December 2014</u>
As per statutory books	131.791.243	78.151.728
Other deductions	(131.791.243)*	(78.151.728)*
Sub total	_____ -	_____ -
Tax rate (%)	20	20
Tax provision	===== -	===== -

* Due to the Company's REIT status, the income for the current period is stated as other deductions (Note 2 (viii) (j)).

Deferred Tax Assets and Liabilities

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2015 and 31 December 2014 (Note 2 (viii) (j)).

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21. Earnings per Share

Calculation of earnings/(loss) per share is made as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Profit/(loss) for the period	131.791.243	78.151.728
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	10.650.794	10.650.794
Earnings/(loss) per share (TL)	12,3738	7,3376

22. Related Party Disclosures

a) Balances due from related parties consist of the following (TL) :

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Attaş Alarko Turistik Tesisler A.Ş.	14.487.486	-	12.829.264	-
Less: Deferred income	<u>(2.760)</u>	-	<u>(982)</u>	-
Total (Note 5)	<u>14.484.726</u>	<u>-</u>	<u>12.828.282</u>	<u>-</u>

b) Balances due to related parties consist of the following (TL) :

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Alarko Holding A.Ş.	13.581	-	31.767	-
Alarko Carrier San. ve Tic A.Ş.	<u>1.245</u>	-	<u>587</u>	-
Total (Note 5)	<u>14.826</u>	<u>-</u>	<u>32.354</u>	<u>-</u>

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22. Related Party Disclosures (continued)

c) Purchases made from and sales made to related parties consist of the following (TL):

The Company has generated income and incurred expenses as a result of the below mentioned transactions realized with related parties.

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Expenses</u>		
Foreign exchange losses	130.323	2.164
Rental expenses	294.743	365.917
Services received	920.701	658.928
Rediscount expenses	2.779	982
Other expenses	<u>18.012</u>	<u>21.353</u>
Total	<u>1.366.558</u>	<u>1.049.344</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Income</u>		
Rental income	14.453.257	11.928.885
Turkish Ministry of Environment and Forestry - Land appropriation	274.529	249.323
Turkish Ministry of Environment and Forestry - Rent (2%)	1.481.480	1.267.004
Other	<u>10.041</u>	<u>9.119</u>
Total	<u>16.219.307</u>	<u>13.454.331</u>

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22. Related Party Disclosures (continued)

c) Purchases made from and sales made to related parties consist of the following (TL) (continued):

Breakdown of transactions with related parties on company basis is as follows (TL):

<u>Purchases</u>	31 December 2015			31 December 2014		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tes. A.Ş.	1.259.886	-	867.877	42.594	-	530.173
Alarko Carrier San. ve Tic. A.Ş.	-	-	1.661	-	-	1.117
Altek Alarko Elekt. Sant. Tes Tic. A.Ş.	-	-	-	-	-	296
Alarko Holding A.Ş.	-	185.927	311.094	14.237	117.614	325.420
Total	1.259.886	185.927	1.180.632	56.831	117.614	857.006

<u>Sales</u>	31 December 2015			31 December 2014		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tes. A.Ş.	-	-	15.718.684	-	-	13.041.439
Alarko Carrier San. ve Tic. A.Ş.	-	-	500.623	-	-	397.352
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.	-	-	-	-	-	15.540
Total	-	-	16.219.307	-	-	13.454.331

As of 31 December 2015 and 31 December 2014, there are no doubtful receivables arising from related parties.

As of 31 December 2015 and 31 December 2014, the salaries and similar remuneration provided to top management amounts to TL 1.004.424 and TL 933.952, gross, respectively.

23. Nature and Level of Risks Arising from Financial Instruments

Financial instruments and financial risk management

Due to the nature of its operations, the Company is exposed to various financial risks including the effects of changes in foreign exchange rates and interest rates on debt and capital market prices. The Company's total risk management program focuses on the unpredictability of financial markets, and aims to minimize its potential negative impact on the Company's financial performance.

Risk management is implemented within the frame of the following policies:

i. Credit Risk

The collection risk of the Company is basically attributed to its trade receivables. Trade receivables are valued by the Company management taking into account the past experiences and the current economic outlook; and they are recognized in the statement of financial position, net, after provisions for doubtful receivables are made when necessary.

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

As of 31 December 2015, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following (TL) :

	Receivables				Bank Deposits	Cash and Cash Equivalents
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Third parties		
31 December 2015						
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (1) (Notes 3,5,6)	14.484.726	89.639	-	15.165	48.049.142	712.015
- Maximum risk secured by guarantee	-	89.639	-	-	-	-
A- Net book value of financial assets neither overdue nor						
impaired (2) (Notes 3,5,6)	14.484.726	89.639	-	15.165	48.049.142	712.015
B- Net book value of financial assets of which conditions are						
negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C- Net book value of assets overdue but not impaired (3)	-	-	-	-	-	-
Portion secured by guarantee	-	-	-	-	-	-
D- Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value) (Note 5)	-	54.839	-	-	-	-
- Impairment (-) (Note 5)	-	(54.839)	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E- Off-balance sheet items having credit risk	-	-	-	-	-	-

- (1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.
 (2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired.
 (3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

As of 31 December 2014, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following (TL) :

	Receivables				Bank Deposits	Cash and Cash Equivalents
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Third parties		
31 December 2014						
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (1) (Notes 3,5,6)	12.828.282	77.968	-	15.663	35.799.394	507.648
- Maximum risk secured by guarantee	-	77.968	-	-	-	-
A- Net book value of financial assets neither overdue nor impaired (2) (Notes 3,5,6)	12.828.282	77.968	-	15.663	35.799.394	507.648
B- Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C- Net book value of assets overdue but not impaired (3)	-	-	-	-	-	-
Portion secured by guarantee	-	-	-	-	-	-
D- Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value) (Note 5)	-	167.523	-	-	-	-
- Impairment (-) (Note 5)	-	(167.523)	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E- Off-balance sheet items having credit risk	-	-	-	-	-	-

- (1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.
 (2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired.
 (3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

As of 31 December 2015 and 31 December 2014, the aging of assets past due but not impaired is as follows (TL):

31 December 2015	Related Parties	Trade Receivables
1-30 days past due	-	-
1-3 months past due	-	-
3-12 months past due	-	-
1-5 years past due	-	-
- Portion secured with guarantee	-	-

31 December 2014	Related Parties	Trade Receivables
1-30 days past due	-	-
1-3 months past due	-	-
3-12 months past due	-	-
1-5 years past due	-	-
- Portion secured with guarantee	-	-

ii. Liquidity Risk

Liquidity risk arises during funding of the Company operations and management of the open position. Liquidity risk comprises the risk of not funding the operations at an appropriate maturity and rate and also the risk of not liquidating an asset at a reasonable price in an appropriate time frame.

The following table shows the maturity breakdown of the Company's non-derivative short term financial liabilities as of 31 December 2015 and 31 December 2014 (TL):

31 December 2015	Book Value	Total Cash Outflows	Less than 3 months	3-12 months	1-5 years
Trade payables to related parties (Note 5)	14.826	14.826	14.826	-	-
Other trade payables (Note 5)	1.744.679	1.744.679	1.744.679	-	-
Other payables (Notes 6 and 13)	2.032.191	2.032.191	1.564.736	-	467.455

31 December 2014	Book Value	Total Cash Outflows	Less than 3 months	3-12 months	1-5 years
Trade payables to related parties (Note 5)	32.354	32.354	32.354	-	-
Other trade payables (Note 5)	1.481.909	1.481.909	1.481.909	-	-
Other payables (Note 6 ve 13)	1.773.378	1.773.378	1.390.550	-	382.828

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

ii. Liquidity Risk (continued)

The maturity structure of the assets and liabilities prepared according to their remaining terms as of 31 December 2015 is set out in the table below (TL):

Monetary Assets	31 December 2015					Total
	0-1 month	1-3 months	3-6 months	6-12 months	More than 1 year	
Cash and cash equivalents	750.186	-	-	-	-	750.186
Inventories	-	-	2.260.000	-	15.068.264	17.328.264
Other assets	31.902	59.777	1.494.768	170.141	-	1.756.588
Trade and other receivables, net	89.639	-	-	-	15.165	104.804
Due from related parties, net	-	-	-	-	-	-
Total Assets in TL	871.727	59.777	3.754.768	170.141	15.083.429	19.939.842
Cash and cash equivalents	32.300.258	15.710.713	-	-	-	48.010.971
Financial assets	-	-	-	202.452.849	-	202.452.849
Trade receivables, net	-	-	-	-	-	-
Due from related parties, net	14.484.726	-	-	-	-	14.484.726
Total Assets in Foreign Currency	46.784.984	15.710.713	-	202.452.849	-	264.948.546
Total Monetary Assets	47.656.711	15.770.490	3.754.768	202.622.990	15.083.429	284.888.388
Monetary Liabilities						
Trade payables	1.744.679	-	-	-	-	1.744.679
Due to related parties	14.826	-	-	-	-	14.826
Provision for termination indemnity	-	-	-	-	228.555	228.555
Deposits and guarantees received	-	-	-	-	20.039	20.039
Advances received	8.816	17.062	-	-	-	25.878
Employee Benefits	66.380	-	-	-	-	66.380
Provisions For Other Short Term Debts and Expenses	1.564.736	-	-	-	56.374	1.621.110
Total Liabilities in TL	3.399.437	17.062	-	-	304.968	3.721.467
Total Liabilities in Foreign Currency	-	-	-	-	447.416	447.416
Total Monetary Liabilities	3.399.437	17.062	-	-	752.384	4.168.883

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

ii. Liquidity Risk (continued)

The maturity structure of the assets and liabilities prepared according to their remaining terms as of 31 December 2014 is set out in the table below (TL):

	31 December 2014					Total
	0-1 month	1-3 months	3-6 months	6-12 months	More than 1 year	
Monetary Assets						
Cash and cash equivalents	534.737	-	-	-	-	534.737
Inventories	-	-	4.730.000	-	15.068.264	19.798.264
Other assets	30.707	54.544	1.280.076	171.661	-	1.536.988
Trade and other receivables, net	77.968	-	-	-	15.663	93.631
Due from related parties, net	-	-	-	-	-	-
Total Assets in TL	643.412	54.544	6.010.076	171.661	15.083.927	21.963.620
Cash and cash equivalents	18.963.567	16.808.738	-	-	-	35.772.305
Financial assets	-	-	-	153.999.747	-	153.999.747
Trade receivables, net	-	-	-	-	-	-
Due from related parties, net	12.828.282	-	-	-	-	12.828.282
Total Assets in Foreign Currency	31.791.849	16.808.738	-	153.999.747	-	202.600.334
Total Monetary Assets	32.435.261	16.863.282	6.010.076	154.171.408	15.083.927	224.563.954
Monetary Liabilities						
Trade payables	1.481.909	-	-	-	-	1.481.909
Due to related parties	32.354	-	-	-	-	32.354
Provision for termination indemnity	-	-	-	-	184.313	184.313
Deposits and guarantees received	-	-	-	-	20.648	20.648
Advances received	6.769	13.537	-	-	-	20.306
Employee Benefits	68.906	-	-	-	-	68.906
Provisions For Other Short Term Debts and Expenses	1.390.550	-	-	-	55.124	1.445.674
Total Liabilities in TL	2.980.488	13.537	-	-	260.085	3.254.110
Total Liabilities in Foreign Currency	-	-	-	-	362.180	362.180
Total Monetary Liabilities	2.980.488	13.537	-	-	622.265	3.616.290

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

iii. Market Risk

Market risk is the risk of encountering a fluctuation in the fair value of a financial asset or in future cash flows arising from changes in market prices which may lead to a negative impact on the entity. The standard market risk factors are foreign exchange rates, interest rates, and commodity prices.

iv. Foreign Currency Risk

Foreign currency risk stems from the change in the value of a financial instrument depending on a change in foreign exchange rate. The Company may face foreign currency risk because of its foreign currency denominated receivables and payables. The Company continuously monitors the said risk and takes the necessary precautions. The main foreign currencies constituting the said risk are USD and EURO.

As of 31 December 2015, the Company's net foreign currency position is TL 264.501.130 (31 December 2014 - TL 202.238.154). An increase/decrease of 10% in the foreign exchange rates will increase/decrease the Company's profit by a total of TL 26.450.113, respectively.

Foreign currency position

On "total" basis;

	<u>31 December 2015</u>	<u>31 December 2014</u>
A. Foreign currency assets	264.948.546	202.600.334
B. Foreign currency liabilities	447.416	362.180
Net foreign currency position (A-B)	<u>264.501.130</u>	<u>202.238.154</u>

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

iv. Foreign Currency Risk (continued)

Foreign Currency Position

Detail on foreign currency basis;

	31 December 2015			31 December 2014		
	TL Equivalent (Functional Currency)	Foreign Currency Amount	Foreign Exchange Rate (Full)	TL Equivalent (Functional Currency)	Foreign Currency Amount	Foreign Exchange Rate (Full)
1.Banks						
USD	26.623.123	9.156.391	2,9076	14.360.767	6.192.922	2,3189
Euro	21.387.848	6.730.818	3,1776	21.411.538	7.590.860	2,8207
2.Financial assets						
USD	202.452.849	69.628.852	2,9076	153.999.747	66.410.689	2,3189
3.Due fro related parties						
USD	14.484.726	4.981.678	2,9076	12.828.282	5.532.055	2,3189
TOTAL ASSETS IN FOREIGN CURRENCY	264.948.546			202.600.334		
Deposits and guarantees received (long term)						
USD	447.416	153.878	2,9076	362.180	156.186	2,3189
TOTAL LIABILITIES IN FOREIGN CURRENCY	447.416			362.180		
NET FOREIGN CURRENCY POSITION	264.501.130			202.238.154		

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

iv. Currency Risk (continued)

Foreign currency position sensitivity analysis as of 31 December 2015 is as follows(TL):

Table of Foreign Currency Position Sensitivity Analysis				
31 December 2015				
	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	When USD changes by 10% against TL:		When USD changes by 10% against TL:	
1- USD net asset/liability	24.311.328	(24.311.328)	-	-
2- Amount hedged from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	24.311.328	(24.311.328)	-	-
	When Euro changes by 10% against TL:		When Euro changes by 10% against TL:	
4- Euro net asset/liability	2.138.785	(2.138.785)	-	-
5- Amount hedged from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	2.138.785	(2.138.785)	-	-
Total (3+6)	26.450.113	(26.450.113)	-	-

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

iv. Currency Risk (continued)

Foreign currency position sensitivity analysis as of 31 December 2014 is as follows (TL):

Table of Foreign Currency Position Sensitivity Analysis				
31 December 2014				
	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	When USD changes by 10% against TL:		When USD changes by 10% against TL:	
1- USD net asset/liability	18.082.661	(18.082.661)	-	-
2- Amount hedged from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	18.082.661	(18.082.661)	-	-
	When Euro changes by 10% against TL:			
4- Euro net asset/liability	2.141.154	(2.141.154)	-	-
5- Amount hedged from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	2.141.154	(2.141.154)	-	-
Total (3+6)	20.223.815	(20.223.815)	-	-

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

v. Interest Risk

The Company's activities are exposed to interest rate risk due to the differences in payment date and payment amounts or restructuring of interest sensitive assets and liabilities. Corresponding interest rate risk is managed by natural measures aimed to balance assets and liabilities having interest rate sensitivity.

As of 31 December 2015 and 31 December 2014, the Company does not have significant financial assets with interest sensitivity.

vi. Share Price Risk

The Company is exposed to stock price risk which is the risk of encountering price changes in securities included in the Company portfolio. As of 31 December 2014, if there is a 10% increase/decrease in the best bid among current orders pending at the Istanbul Stock Exchange which are used in valuation of these securities with other variables remaining constant, the Company's equity will be higher/lower by a total of TL 185.508, net, without any effect in profit/loss (31 December 2014 - TL 270.659) (Note 4).

vii. Capital Risk Management

For proper management of capital risk, the Company aims

- to maintain continuity of operations so as to provide earnings to partners and benefits to other shareholders, and
- to increase profitability through determining a product and service pricing policy that is commensurate with the level of risks inherent in the market.

The Company determines the amount of share capital in proportion to the risk level. The equity structure of the Company is arranged in accordance with the economic outlook and the risk attributes of assets.

The Company monitors capital management by using the debt/equity ratio. This ratio is calculated by dividing the debt, net, by the total share capital. The net debt is calculated by deducting the value of cash and cash equivalents from the total debt (the sum of short and long term liabilities stated in the statement of financial position). The total share capital is the sum of all equity items stated in the statement of financial position.

	<u>31 December 2015</u>	<u>31 December 2014</u>
Total debt	4.168.883	3.616.290
Less: cash and cash equivalents	<u>(48.761.157)</u>	<u>(36.307.042)</u>
Net debt	<u>(44.592.274)</u>	<u>(32.690.752)</u>
Total equity	586.260.424	460.325.920
Debt/Equity ratio	(8)%	(7)%

24. Instruments (Disclosures related to fair value and hedge activities)

Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial instruments may create/affect/decrease liquidity risk, credit risk and stock market risk in the financial statements of the Company. All financial assets are reviewed to prevent impairment risk.

Fair value is the value of an asset or liability in an arms length transaction between knowledgeable and willing parties.

The Company has determined the fair value of its financial instruments by using current market information at present and by using appropriate valuation methods. However, assessing market information and forecasting actual values requires judgment. The forecasts presented as a conclusion may not always represent the values that are acquired by the Company in current market transactions.

Methods and assumptions used to estimate the fair value of financial instruments are as follows:

Financial Assets

Balances denominated in foreign currency are translated by using the exchange rates valid at the balance sheet date. It is foreseen that these balances are close to their carrying values. The fair values of certain financial assets, which also include cash and cash equivalents, are considered to approximate their carrying values due to their short term nature.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to represent their fair values.

The fair values of investments held to maturity are calculated by deducting impairment losses, if any, from the cost values amortized by the effective interest method.

The fair values of financial assets which are available for sale and traded in active markets correspond to the best bid among current orders pending at the balance sheet date. The fair values of financial assets available for sale which are not traded in active markets cannot be determined reliably; hence, they are assumed to be equivalent to their restated cost values.

Financial Liabilities

Trade payables have been presented at their fair values.

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

Level 1: Fair value of financial assets and liabilities is measured at quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value of financial assets and liabilities is measured at prices other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value of financial asset and liabilities is measured using inputs that are not based on observable inputs of the active markets.

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24. Financial Instruments (Disclosures related to fair value and hedge activities) (continued)

The hierarchical levels of the assets and liabilities stated at fair value are as follows:

Fair value level as of the reporting date

<u>31.12.2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets			
Financial assets held for trading	1.855.076	-	-
Investment properties	-	303.609.000	-
TOTAL	1.855.076	303.609.000	
<u>31.12.2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level</u>
Financial assets			
Financial assets held for trading	2.706.587	-	-
Investment properties	-	236.579.500	-
TOTAL	2.706.587	236.579.500	

25. Events After the Reporting Period

The termination indemnity upper limit which stood at TL 3.828,37 as of 31 December 2015 has been increased to TL 4.092,53 with effect from 1 January 2016 (31 December 2014 - TL 3.438,22).

26. Other Issues Materially Affecting the Financial Statements or Requiring Disclosure for a Proper Interpretation and Understanding of the Financial Statements

Insurance totals of assets for the respective periods are as follows (Notes 7,8 and 9);

31 December 2015	TL 137.303.590
31 December 2014	TL 124.135.866

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27. Supplementary Notes: Monitoring Compliance with Portfolio Restrictions

As of 31 December 2015 and 31 December 2014, compliance with portfolio restrictions is monitored as follows:

	Main Account Items of Unconsolidated /Separate Financial Statements	Related Regulation	Current Period (TL) 31 December 2015	Prior Period (TL) 31 December 2014
A	Money Market and Capital Market Instruments	Art. 24/(b)	253.069.082	193.013.376
B	Real estates, real estate projects and rights supported by real estates	Art. 24/(a)	320.937.264	256.377.764
C	Affiliates	Art. 24/(b)	1.339	1.339
	Due from Related Parties (Non-Trade)	Art. 23/(f)	-	-
	Other Assets		16.421.622	14.549.731
D	Total Assets	Art. 3/(p)	590.429.307	463.942.210
E	Financial Liabilities	Art. 31	-	-
F	Other Financial Liabilities	Art. 31	-	-
G	Lease Obligations	Art. 31	-	-
H	Due to Related Parties (Non-Trade)	Art. 23/(f)	-	-
i	Equity	Art. 31	586.260.424	460.325.920
	Other Liabilities		4.168.883	3.616.290
D	Total Liabilities and Equity	Art. 3/(p)	590.429.307	463.942.210
	Other Financial Informations Related with Unconsolidated Financial Statements	Related Regulation	Current Period (TL) 31 December 2015	Prior Period (TL) 31 December 2014
A1	Part of Money Market Instruments and Capital Market Instruments Held for Real Estates (3 Years)	Art. 24/(b)	-	-
A2	Time and Demand Deposits in TL/Foreign Currency	Art. 24/(b)	48.049.142	35.799.394
A3	Foreign Capital Market Instruments	Art. 24/(d)	-	-
B1	Real estates, real estate projects and rights supported by real estates	Art. 24/(d)	-	-
B2	Lands Held Idle	Art. 24/(c)	57.478.735	50.677.735
C1	Foreign Investments	Art. 24/(d)	-	-
C2	Participation in the Operating Company	Art. 28/1(a)	1.339	1.339
J	Non-cash Loans	Art. 31	947.141	1.970.750
K	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	-	-
L	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	1.855.076	2.706.587

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27. Supplementary Notes: Monitoring Compliance with Portfolio Restrictions (continued)

As of 31 December 2015 and 31 December 2014, compliance with portfolio restrictions is monitored as follows (continued):

	Portfolio Limitations	Related Regulation	Current Period 31 December 2015	Prior Period 31 December 2014	Ratio of Minimum/ Maximum
1	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	% 0,00	% 0,00	≤ % 10
2	Real estates, real estate projects and rights supported by real estates	Art. 24/(a), (b)	% 54,36	% 55,26	≥ % 51
3	Money Market and Capital Market Instruments and Subsidiaries	Art. 24/(b)	% 42,86	% 41,60	≤ % 49
4	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Art. 24/(d)	% 0,00	% 0,00	≤ % 49
5	Lands Held Idle	Art. 24/(c)	% 9,74	% 10,92	≤ % 20
6	Participation in the Operating Company	Art. 28/1 (a)	% 0,00	% 0,00	≤ % 10
7	Borrowing Limit	Art. 31	% 0,16	% 0,43	≤ % 500
8	Time and Demand Deposits in TL/Foreign Currency	Art. 24/(b)	% 8,14	% 7,72	≤ % 10
9	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	% 0,31	% 0,58	≤ % 10

As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Gazette dated 28.05.2013, the Article 27(c) of the “Communiqué on Principles Regarding Real Estate Investment Trusts” states that “The rate of lands and registered lands which are in the portfolio but which, in spite of a period of five years having elapsed from their acquisition, have not been administrated for any project development cannot exceed 20% of the total assets.” As per the financial statements as of 31 December 2015, the ratio of the Company’s plots of land to the total assets is %9,74 which is a rate that falls within the limit stated in the Communiqué.

Further to the above, the Article 24(a) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs are required to invest in real estate, rights supported by real estate, and real estate projects at a minimum rate of 51% of their portfolio values”. As per the financial statements of 31 December 2015, this rate is 54,36 % and stays within the limits introduced by the Communiqué.

Further, the Article 24(b) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs can invest in the assets stated in Article 22.1(k) and the investments stated in Article 28 of the Communiqué up to a maximum of 49% of the portfolio value.” As per the financial statements of 31 December 2015, this rate is 42,86% and stays within the limits introduced by the Communiqué.

The article 24 (b) of the said communiqué promulgates that “The companies can invest in time deposit and demand deposits in Turkish Liras or any foreign currency for investment purposes at a maximum rate of 10% of their total assets”. In the 31 December 2015 financial statements, this rate is 8,14% and stays within the limits introduced by the Communiqué.

The borrowing limit and the rates of participation in the operating company are also contained within the said limits. There are no other portfolio limitations.