



**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**Annual Report 2005**

General Assembly  
**March 28, 2006**

Registered Capital  
TL 20,000,000,000,000 (TRY 20,000,000)

Paid-in Capital  
TL 3,565,000,000,000 (TRY 3,565,000)



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## MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

The stability and atmosphere of confidence attained in the economy in the last years was maintained in 2005. The optimistic atmosphere in the economy has become stronger with the start of the full membership negotiations with the European Union.

The inflation, growth and budgetary targets set for 2005 were attained. The budgetary discipline applied without any concessions and the strict fiscal policy resulted in less inflation with a rate of 8 % and the budget deficit has been eventuated in a lower value than predicted. The ratio of the non-interest surplus to the gross national product has been around 6 %. Despite the serious increase in petrol prices, a growth rate of 5.8 % was attained in 2005. Considerable strides were made in privatization and the foreign capital of approximately 9 billion US dollars was flowed into our country as direct investments. We expect the flow of foreign capital as direct investments to continue increasingly in 2006.

In addition to all of these positive achievements, there has been a deficit of current accounts amounting to 22.9 billion US dollars in 2005. As a result of high real interest rates, a large sum of foreign currency inflow from abroad occurred as portfolio investment and as a result the Turkish currency became overvalued. There has been an explosion of imports by the effect of decrease in exchange rates but the speed of increase in export has slowed down. In addition, no important development was achieved in the rate of employment in 2005. We expect development in the deficit of current accounts and the rate of employment, the two basic issues of economy in 2006.

As a result of this positive atmosphere in the economy, a significant revival was observed in the real estate market. Due to the increase in demand of real estate, demand of housing loans extended by the banks reached to record levels in 2005. With the start of full membership negotiations with the European Union, the interest of international investors in the real estate sector is continuously increasing. We expect this interest to continue in 2006.

In line with the positive developments in the construction sector, we started selling the new project in 2005. The construction of this project, whose sales are going very successfully, will start in 2006. The positive impacts of the new projects will reflect to the balance sheets in the future. Our shares which were quoted at low prices at the stock exchange market for a long time have gained serious value in the light of these positive developments.

Due to their corporate structure, real estate investment trusts as the leading sector of the economy have undertaken a rather important function in creating resources for the construction sector. In 2006, the opportunities of cooperation with foreign investors will be appreciated and there will be made efforts to attract international capital to our country.

We greet you on behalf of our Board of Directors.

Board of Directors



## BOARD OF DIRECTORS AND AUDITORS

<b>Board of Directors</b>	<b>Duty</b>	<b>Commencement Date of Duty</b>	<b>Expiry Date of Duty</b>
İzzet Garih	President of the Board	28.03.2005	28.03.2006
Vedat Aksel Alaton	Vice President of the Board	28.03.2005	28.03.2006
Mesut Zalođlu	Member of the Board	28.03.2005	04.03.2006
Seyit Mehmet Buruk	Member of the Board	28.03.2005	28.03.2006
Hilmi Önder Şahin	Member of the Board	28.03.2005	28.03.2006
Mehmet Kutman	Member of the Board	28.03.2005	28.03.2006
Murat Goldştayn	Member of the Board	28.07.2005	28.03.2006

### **Board of Auditors**

Mustafa Filiz	28.03.2005	28.03.2006
Ümit Nuri Yıldız	28.03.2005	28.03.2006
Hami Özçelik Çatalođlu	28.03.2005	28.03.2006

### **Independent Auditor**

Denge Serbest Muhasebe ve Müşavirlik Hizmetleri A.Ş.  
(The Member of Mazars)



**AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING  
OF MARCH 28, 2006**

1. Deliberation and decision on the election of the Presiding Committee.
2. Deliberation and decision to authorize the Presiding Committee to sign the minutes of the General Assembly Meeting.
3. a) Reading of the Annual Report of the Board of Directors and Balance Sheet and Income Statement as of 2005,  
b) Reading of the Statutory Auditors' Report,  
c) Reading of the Independent Auditors' Report,  
d) Approval of the Balance Sheet and Income Statement as of 2005,  
e) Deliberation and decision to acquit the Members of the Board of Directors and the Statutory Auditors for the results of the Company in 2005.
4. Deliberation and decision on the proposal of the Board of Directors for profit appropriation in 2005.
5. Deliberation and decision on the election of the Board of Directors and determination of wages and terms of office of the members.
6. Deliberation and decision on the election of the Statutory Auditors and determination of wages and terms of office of them.
7. Deliberation and decision on signing of the contract for auditing of the accounts by an independent auditing company selected by the Board of Directors as required by the Capital Market Code and approval of the draft of the contract.

Board of Directors



## ANNUAL REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We hereby present the Balance Sheet and Income Statement together with the other financial statements which reflect the results of the activities of our Company in 2005 for your consideration and criticism.

- a) Our annual report covers the period between January 1, 2005 and December 31, 2005.
- b) The members and the terms of office of the Board of Directors and the Statutory Auditors during 2005 are presented on page 4.

The financial statements showing the results of the activities of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. in 2005 have been audited independently by Denge Serbest Muhasebe ve Müşavirlik Hizmetleri A.Ş. (The Member of Mazars).

- c) Registered capital ceiling of the Company in 2005 was TL 20,000,000,000,000 (TRY 20,000,000).
- d) Paid-in capital of the Company is TL 3,565,000,000,000 (TRY 3,565,000) and net profit for the year is TRY 10,183,740.
- e) The rate of participation to Ordinary General Assembly Meeting held on March 28, 2005 was 51 %. The shareholders that hold more than 10 % of our share capital are; Alarko Holding A.Ş. with 15.54 % of the shares and Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with 34.78 % of the shares.

During the last three-year business period, a dividend of 20 % over the paid-in capital was paid in 2002. No dividend was paid in 2003 and 2004.

The proposal for profit appropriation for the year 2005 which is being represented by the Board of Directors to the approval of the General Assembly is at the end of the report. The nominal value of TRY 1 of our share certificate registered and traded on İstanbul Stock Exchange Market was TRY 63.

- f) No donation was made to foundations or associations in 2005.
- g) Information about the ownership percentage in participations as of December 31, 2005, income for fiscal year 2004 and the dividends obtained for fiscal year 2005 are given in the notes to the Financial Statements.





## GENERAL INFORMATION CONCERNING OUR ACTIVITIES

There has been a remarkable improvement in the economy thanks to the atmosphere of stability and confidence attained in the last years. As a result of the strict fiscal and monetary policies applied, the decreasing trend in inflation and interest rates was maintained in 2005 while the growth rate reached to 5.8 %.

Due to the favorable conditions in the economy, there has been a significant increase in the demand of real estate in 2005, and a record level of housing loans were extended as a result of the increase in demand and the convenient terms of loans.

As a result of this serious increase in demand for real estate, we have given priority to our construction projects whose preparations were completed to a large extent and started the Lake Mansions project which is the third phase of Alkent İstanbul 2000 project. Construction of this project, whose sales are continuing successfully, will be started in 2006. Moreover, our search for appropriate city center plots suitable for building residences, shopping centers, hypermarkets continues. The large shopping centers and hypermarkets to be built will be rented.

Fethiye Hillside Beach Club Holiday Village, one of the most exclusive holiday villages of Turkey, and Alkent Shopping Center, located at Alkent Etiler Housing Estate which is the one of the most prestigious residential projects of İstanbul, were bought and included in our assets portfolio in 2004. With these investments, our Company has started to get long-term rent income and they have made serious contribution to our income. In addition, the increase in value of these real estates has strengthened the assets of our Company.

On the other hand, the reconstruction of our estate in Maslak, the most developed business and trade center of İstanbul, is continuing. The business and shopping center project to be developed on this estate will bring new dynamism to Maslak area.

Net asset value of the Company reached to TRY 183,141,977 with an increase of 13 % at the end of 2005 while it was TRY 162,470,537 at the end of 2004 and the net asset value per share became TRY 51.37 as of December 31, 2005. Net profit for fiscal year 2005 was TRY 10,183,740.



## FINANCIAL INDEXES

According to the independently audited financial statements prepared as of December 31, 2005;

- a) Net Sales are TRY 12,170,157 and comprise of land sales amounting to TRY 6,342,592 and rent income amounting to TRY 5,827,565.
- b) Net Profit for the Period is TRY 10,183,740. It is well-known that the profits of real estate investment trust companies is exempt from the Corporation Tax.
- c) The real estate portfolio value, net value of assets and net value of assets per share of our Company are as follows:

	(TRY)	
İstanbul / Büyükçekmece	Eskice Village Terrain - 1 Parcel	6,024,000
İstanbul / Büyükçekmece	Eskice Village Terrain - 5 Parcel	6,646,500
Maslak / Sarıyer	Terrain	23,700,000
İstanbul / Beyoğlu	Alarko Business Center	1,065,000
İstanbul / Karaköy	Alarko Business Center	860,000
Ankara / Çankaya	Alarko Business Center	2,015,000
İstanbul / Büyükçekmece	Alkent İstanbul 2000 -1 Villa	990,000
İstanbul / Büyükçekmece	Eskice Village Investment Costs	2,575,970
Fethiye Hillside Beach Club	Holiday Village	47,780,000
Etiler Alkent Shopping Center	39 Stores	5,410,400
Share Certificates		2,851,329
Government Bonds & Bills		10,645,231
Mutual Funds		62,285,808
Foreign Currency Time Deposits		11,225,617
TRY Time Deposits		1,515,524
<b>TOTAL PORTFOLIO VALUE</b>		<b>185,590,379</b>
Liquid Assets		12,406
Receivables		8,384,799
Liabilities (-)		11,014,831
Other Assets		169,224
<b>NET VALUE OF ASSETS</b>		<b>183,141,977</b>
<b>NUMBER OF SHARES</b>		<b>3,565,000</b>
<b>NET VALUE OF ASSETS PER SHARE</b>		<b>51.37</b>



## STATUTORY AUDITORS' REPORT

### TO THE GENERAL ASSEMBLY OF ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**COMPANY'S**  
**TRADE NAME** : ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.  
**HEAD OFFICE** : Muallim Naci Cad. No: 69 34347 Ortaköy/İstanbul  
**CAPITAL** : REGISTERED : TL 20,000,000,000,000 (TRY 20,000,000)  
: PAID-IN : TL 3,565,000,000,000 (TRY 3,565,000)  
**SCOPE OF ACTIVITY** : As described in the Articles of Association.

#### NAMES, TERMS OF OFFICE AND COMPANY SHAREHOLDER/EMPLOYEE STATUS OF THE STATUTORY AUDITORS :

1. MUSTAFA FİLİZ (Term of office: 28.03.2005 - 28.03.2006. He is not a shareholder or a personnel of the Company.)
2. ÜMİT NURİ YILDIZ (Term of office: 28.03.2005 - 28.03.2006. He is not a shareholder or a personnel of the Company.)
3. HAMİ ÖZÇELİK ÇATALOĞLU (Term of office: 28.03.2005 - 28.03.2006. He is not a shareholder or personnel of the Company.)

#### NUMBER OF BOARD OF DIRECTORS MEETINGS ATTENDED AND BOARD OF STATUTORY AUDITORS MEETINGS HELD:

The number of Board of Directors Meetings attended was three.  
The number of Board of Statutory Auditors Meetings held was two.

#### SCOPE OF EXAMINATION PERFORMED ON COMPANY ACCOUNTS, BOOKS AND DOCUMENTS, DATES OF EXAMINATION, CONCLUSION REACHED :

The Company's legal books of accounts and documents were audited twice for compliance with the provisions of the Turkish Commercial Code, of laws and regulations, of the Company's Article of Association and of General Assembly and Board of Directors regulations. The first audit was performed on July 25-26, 2005 for the first six months of the year, and the second on January 24-25, 2006 for the second six months. The results of the both audits were satisfactory.

#### NUMBER OF COUNTS MADE AT THE COMPANY'S CASH OFFICE AS REQUIRED BY ARTICLE 353 PARAGRAPH 1, SUBPARAGRAPH 3 OF THE TURKISH COMMERCIAL CODE AND THE CONCLUSION REACHED :

Cash office of the Company was counted four times.

#### DATES OF AUDITS PERFORMED AS REQUIRED BY ARTICLE 353 PARAGRAPH 1, SUBPARAGRAPH 4 OF THE TURKISH COMMERCIAL CODE AND THE CONCLUSIONS REACHED:

The Company's records were checked every month to see whether the instruments referred to in Article 353/1-4 of the Turkish Commercial Code were present. The instruments were found to be in accordance with the records.

#### COMPLAINTS AND IRREGULARITIES REFERRED TO THE STATUTORY AUDITORS AND ACTIONS TAKEN CONCERNING THEM :

No complaints or irregularities were referred to the statutory auditors since March 28, 2005, the date we assumed our duty.

We have examined the accounts and transactions of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi for the period of 01.01.2005 - 31.12.2005, according to the requirements of the Turkish Commercial Code, the Company's Articles of Association, and other laws and regulations as well as of generally accepted accounting principles and standards.

It is our opinion that the attached Balance Sheet issued as of December 31, 2005, the contents of which we approve, realistically and accurately reflects the financial standing of the Company on that date; that the Income Statement for the period of January 1, 2005 to December 31, 2005 similarly reflects the results of its activities for the same period and that the proposal for profit appropriation is in compliance with laws and the Company's Articles of Association.

We recommend a vote for the approval of the Balance Sheet and the Income Statement and for the acquittal of the Board of Directors of their fiduciary responsibilities.

#### BOARD OF AUDITORS

Mustafa Filiz

Ümit Nuri Yıldız

Hami Özçelik Çataloğlu



## CORPORATE MANAGEMENT PRINCIPLES COMPLIANCE REPORT

### 1. Statement of Compliance with Corporate Management Principles

Our Company takes due care for implementation of the rules mentioned in Corporate Management Principles that has been published by the Capital Market Board. Explanations on this issue are shown below.

#### PART 1 - SHAREHOLDERS

### 2. Unit in Charge of Relations with Shareholders

Duties of the unit in charge of relations with the shareholders are carried out by the Shareholders Department formed within the Alarko Group of Companies.

Director of this Department is Lawyer Aysel Yürür and staff is Emel Ecevit.

**Contact:**

**Tel** : 0212 227 52 00

**Fax** : 0212 236 42 08

**E-mail** : aysel.yurur@alarko.com.tr

During the year, the General Assembly meeting of the Company was held, documents to be referred by the shareholders at the meeting were prepared and outcomes of the meeting were informed to İstanbul Stock Exchange and Capital Market Board for publishing. Questions of about 55 investors have been answered during the year.

### 3. Exercise of Right to Obtain Information by the Shareholders

Questions of the shareholders commonly are generally about the investments, turnover, capital increase and dividend payments of the Company. About 55 questions were asked within the year. Information demanded and answers given to them were informed to the Board of Directors.

Articles of Association of the Company does not include appointment of an independent auditor. No request was made during the year for appointment of an independent auditor.

### 4. Information About General Assembly

The Ordinary Annual General Assembly Meeting of the Company was held with a quorum of 51%. Representatives of media attended to the meeting.

Invitation to the meeting was made by public announcement and İstanbul Stock Exchange was duly notified.

The annual report, auditor's report, financial statements, Articles of Association, meeting agenda and proposal for profit appropriation by the Board of Directors were presented to the shareholders at the head office of the Company prior to the General Assembly Meeting. The proposal of profit appropriation was notified to İstanbul Stock Exchange and Capital Market Board prior to the General Assembly Meeting. At the meetings, the shareholders exercise their right to ask questions and such questions are duly answered. No proposal was made other than by the major shareholders.

Articles of Association of the Company does not include any article regarding the authority for making decisions on splitting, selling, purchasing and leasing of assets in the General Assembly.

Minutes of General Assembly Meeting are maintained at head office of the Company available for shareholders to review.

### 5. Voting Rights and Minority Rights

Voting rights bear no concession. Minority shares are not represented at the management. No cumulative voting is applicable.



**6. Policy and Time of Profit Appropriation**

No concession is granted about the participation in profit of the Company. Profit appropriation is carried out within the periods set forth in applicable laws.

Amount of profit available for appropriation is determined by taking into account the new investments to be made and liquidity status.

In case of abolishing legal obligation of profit appropriation by Capital Market Board in 2006 and succeeding years, it will be decided about profit appropriation by taking into account the new investments to be made and liquidity status.

**7. Transfer of Shares**

Articles of Association of the Company contains no provision restricting transfer of shares.

**PART II - PUBLIC INFORMATION AND TRANSPARENCY**

**8. Informing Policy of the Company**

Annual information and future expectations of the Company are announced to the public by the General Manager through the print and visual media means after the annual Ordinary General Assembly Meeting.

Necessary announcements of special cases are disclosed to the public on time in case of any material occurs during the year.

Directorate of Shareholders Service authorized with the responsibility for observing all of the matters which may require announcement exclusively to the public and answering the questions asked to the Company. Verbal and written questions asked during the year are answered by this department and the Board of Directors is informed about the questions accordingly.

The members of the Board of Directors or managers of the Company have not purchased or sold any capital market instruments issued by the Company within the year.

The staff in charge of implementing informing policy of the Company is Harun Moreno, who is the General Manager and Ahmet Yüksel Varol, who is the Financial and Administrative Manager.

**9. Announcement of Special Cases**

Announcements have been made in connection with 13 special cases during the year.

No additional explanation was demanded.

**10. Website of the Company and Its Contents**

The web site of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. is [www.alarkoyatirim.com.tr](http://www.alarkoyatirim.com.tr).

Visitors may access from the "Investor Relations" link of the web site to "Report on Compliance with Corporate Management Principles of Capital Market Board" which contains a number of links for the following headings.

Information provided in Corporate Management Principles, Part II, Article 1.11.5 as mentioned in Article 10 of this report are accessible via the following links as well.



## LIST OF LINKS :

- 1) Statement of Compliance With Corporate Management Principles

### PART I - SHAREHOLDERS

- 2) Unit In Charge of Relations With Shareholders
- 3) Exercise of Right to Obtain Information by the Shareholders
- 4) Information About General Assembly
- 5) Voting and Minority Rights
- 6) Policy and Time of Profit Appropriation
- 7) Transfer of Shares

### PART II - PUBLIC INFORMATION AND TRANSPARENCY

- 8) Informing Policy of the Company
- 9) Announcement of Special Cases
- 10) Website of the Company and Its Contents
  - Trade register information
  - Recent partnership and management structure
  - Detailed information on privileged stocks
  - Current text of Company's Articles of Association including date and issue number of Trade Register Gazettes where amendments thereto are published
  - Announcement of special cases
  - Annual Reports
  - Periodical financial statements and reports
  - Portfolio Statement
  - Registration statements and public offering circulars
  - Agendas of General Assembly Meetings
  - Lists of Attendance and Minutes of General Assembly Meetings
  - Specimen form for voting by proxy
  - Specimen forms for compulsory information prepared in collection of share certificates or proxy by way of invitation
  - Minutes of Board of Directors Meetings where important decisions are taken which may effect the value of Capital Market Instruments
  - Frequently asked questions (demands for information, questions and denunciations to the Company and their answers)
  - Continuous Information Form
    - Portfolio Information
    - Ratios Against Total Portfolio Value
    - Members of the Board of Directors and General Manager.
    - Purpose/Strategy of Investment
    - Articles of Association
    - Explanations
    - Financial Statements
    - Explanation of Special Cases
    - Real Estate Appraisal (Inspection) Reports
- 11) Announcement of Real Person Plenary Shareholder(s)
- 12) Announcement of Insiders



### **PART III - STAKEHOLDERS**

- 13) Informing the Stakeholders
- 14) Participation of Stakeholders in Management
- 15) Human Resources Policy
- 16) Information About Relations with Customers and Suppliers
- 17) Social Accountability

### **PART IV - BOARD OF DIRECTORS**

- 18) Structure, Composition and Independent Members of the Board of Directors
- 19) Qualifications of Members of the Board of Directors
- 20) Mission, Vision and Strategic Objectives of the Company
- 21) Risk Management and Internal Control Mechanism
- 22) Authorities and Responsibilities of Members of the Board of Directors and Managers
- 23) Operational Principles of Board of Directors
- 24) Restraint of Doing Business and Competition with the Company
- 25) Rules of Ethics
- 26) Number, Composition and Independence of Sub-Committees of Board of Directors.
- 27) Financial Rights Granted to the Board of Directors

#### **11. Announcement of Real Person Plenary Shareholder(s)**

Real person plenary shareholders of the Company are announced by the Company upon request.

#### **12. Announcement of Insiders**

List of insiders has not been announced to public up to date and it is announced firstly in this report. List of insiders is as follows:

- Ayhan Yavrucu
- İzzet Garih
- Vedat Aksel Alaton
- Mesut Zaloğlu
- Hilmi Önder Şahin
- Seyit Mehmet Buruk
- Mehmet Kutman
- Murat Goldştayn
- Mustafa Filiz
- Ümit Nuri Yıldız
- Harun Moreno
- Ömer Çelik
- Ahmet Yüksel Varol
- Aysel Yürür
- Ayhan Arı



### **PART III - STAKEHOLDERS**

#### **13. Informing the Stakeholders**

Stakeholders of the Company are regularly informed on matters they are involved.

Employees of the Company are informed through annual meetings regularly held. In addition, developments within the Company are announced on a continuous basis through our website, e-bulletins, technical publications and books.

#### **14. Participation of Stakeholders in Management**

No particular model is developed regarding participation of stakeholders in the management of the Company.

Rights of stakeholders are protected by virtue of applicable legislation.

#### **15. Human Resources Policy**

Human resources policy of the Company is defined in the manual "Our Policy" issued annually and announced to the employees in annual meetings.

Recruitment criteria is defined in written manual, which should be strictly complied with by the staff during the recruitment process.

The physiological, psychological and intellectual qualifications required by each job are taken into consideration in the recruitment process. These qualifications are measured and evaluated by a written test. Following the initial evaluation made by the Human Resources department, manager of the department to recruit the personnel conducts an interview with the candidate.

All employees are treated fairly and equally in terms of training and promotion opportunities. For this purpose, training plans and policies aiming at improving the knowledge, skills and experience of the employees are developed. The employees receive training regularly during the year.

Job descriptions are developed for every position. Performance and reward criteria are determined on yearly basis and are then implemented upon agreement with the employees. The performance and evaluation system used in measuring and evaluating individual performance is taken into account at wage and career planning.

An independent foreign company is engaged to conduct an "Employee Satisfaction" inquiry once in every two years and necessary adjustments are made according to the results obtained from such inquiries.

On the other hand, a certain number of personnel are granted "Golden Badge" as a reward of their outstanding performance. And employees winning the "Invention Prize" competition are awarded. Thus, the creative personnel are motivated.

The safe working environment provided to the personnel is improved continuously.





**16. Information About Relations with Customers and Suppliers**

Our Company works as customer-focused and measures and evaluates the level of customer satisfaction permanently. Questions asked to our post-sales services department are answered within 48 hours at most.

**17. Social Accountability**

Social contributions are made through the GYO Association and the Education Foundation founded by the group of companies being the major shareholder.

There is no litigation or warning filed against our Company either during the current year or in the past for damages on the environment.

**PART IV - BOARD OF DIRECTORS**

**18. Structure, Composition and Independent Members of the Board of Directors**

**Board of Directors**

İzzet Garih	President
Vedat Aksel Alaton	Vice-President
Mesut Zaloğlu	Member
Hilmi Önder Şahin	Member
Seyit Mehmet Buruk	Member
Mehmet Kutman	Member (independent)
Murat Goldştayn	Member (independent)

**General Manager**

Harun Hanne Moreno

There are two independent members at the Board of Directors.

Assuming positions by the members of the Board of Directors in any other organization or entity other than the Company is not restricted anyway.

**19. Qualifications of Members of the Board of Directors**

Minimum qualifications required in election of members of the Board of Directors do comply with the Corporate Management Principles of Capital Market Board. Articles of Association of the Company requires that the members of the Board of Directors meet the qualifications set forth in the Turkish Commercial Code and Capital Market Board legislation relating to the election of members of the Board of Directors.

**20. Mission, Vision and Strategic Objectives of the Company**

Our trust is the first real estate investment trust established in Turkey and publicly held by 49% with the objective of using 55 years of experience and knowledge of the Alarko Group of Companies in the land development sector more efficiently.

The main purpose of our land development projects dating back to 35 years is to provide people construction that;

- Have perfectly designed infrastructures,
- Meet all requirements of modern life-style,
- Integrate and preserve all particulars of the natural environment,
- Maintain the character of being a profitable investment.



At the same time, our publicly held Investment Trust offers the opportunity of investing in securities which are of similar risk character but more liquid instruments, instead of investing directly in such residences.

**21. Risk Management and Internal Control Mechanism**

A risk management and internal control mechanism is set by the Board of Directors. Managerial risks are reviewed periodically by the Auditing Committee, which is constituted by the Board Members. The Committee has decided to have an internal control mechanism established, audited and updated. In compliance with this decision, the Auditing Group is assigned to see the establishment and operation of this control mechanism. The Auditors Group inspects the internal control mechanism regularly against the approved annual audit plans and expresses its opinions and findings to top management.

Furthermore, the Auditing Committee reviews related matters and advises the Board of Directors accordingly. The Committee and the Board determine the precautions to be taken and the General Manager gives the necessary instructions to the managers.

**22. Authorities and Responsibilities of Members of the Board of Directors and Managers**

Authorities and responsibilities of managers and the members of the Board are set forth in the Articles of Association of the Company.

**23. Operational Principles of Board of Directors**

The Board has convened 11 times within the year. The Agenda of the Board of Directors Meetings is determined by the President. Personal attendance at the meetings is ensured.

Decisions of the Board of Directors are taken unanimously. No weighed voting right is granted to the members.

**24. Restraint of Doing Business and Competition with the Company**

The members of the Board of Directors are banned to do business or compete with the Company within the year.

**25. Rules of Ethics**

Rules of ethics approved by the Board of Directors of the Company, agreed by all of the personnel and managers of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. and defined in the philosophy of Alarko Group of Companies that is summarized below.

These rules are integrated to the policies, objectives, procedures and principles of Alarko.

- Act honestly in all business activities towards the government, clients, stockholders, personnel, partners and sub- and related industries,
- Protect the environment and maintain the intercompany social balance,
- Orient the customers without forcing and give priority to their needs,
- Maintain high-quality; try to supply the best at the lowest price even when the customers are satisfied and contented with what is given already,
- Achieve the profits that is deserved by the stockholders under the current conditions,
- Give priority to teamwork as a corporation performing systematically on the basis of pre-defined procedures; share profit and loss and success and failure.



Our policies are shaped by this philosophy. And the written philosophy is displayed in visible points in various places of our Company. In addition, all employees are informed through annual Policy Meetings and our Policy Book published. Our existing and newly hired personnel are trained on this philosophy and related rules regularly.

Our philosophy including the rules of ethics is accessible via the intranet and our web site [www.alarkoyatirim.com.tr](http://www.alarkoyatirim.com.tr).

All of the personnel in the Company are obliged to act in compliance with these rules.

Rules of ethics are followed-up by the superiors of all employees in the hierarchical order.

The Management should be immediately informed of any act or behavior contrary to the rules of ethics by the employees.

Any infraction of rules that is noticed, notified or suspected by the Board of Auditors, General Manager or other managers are reviewed by the Board of Directors or instructed to be reviewed by the Board of Auditors to ensure compliance therewith.

Disciplinary sanctions are applied in proven infractions by the General Manager authorized by the Board of Directors.

**26. Number, Composition and Independence of Sub-Committees of Board of Directors**

The Auditing Committee is established within the legal term and performs the duties set forth in the Communique of Capital Market Board. The members of the committee are Mesut Zalođlu and Seyit Mehmet Buruk.

**27. Financial Rights Granted to the Board of Directors**

There is no any right or interest is granted and no remuneration is paid to the members of the Board of Directors in accordance with the decision of General Assembly.

No money is lent, no credit utilized and no guarantees such as surety ship are given to any of the manager or member of the Board of Directors.



## INDEPENDENT AUDITORS' REPORT

### ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

#### AUDITOR'S REPORT FOR THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005

##### To the Board of Directors of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

We have audited the accompanying balance sheet of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (hereinafter referred to as "the Company") as of December 31, 2005 and the related statements of income of changes in shareholders' equity and of cash flows for the year then ended in accordance with generally accepted auditing standards in Turkey issued by Turkish Capital Market Board ("TCMB") and, accordingly, in connection with the accounts and transactions, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi at December 31, 2005 and the results of its operations for the year then ended in accordance with the accounting standards (Note 2) issued by TCMB.

Without qualifying our opinion, we would like to draw your attention to the following matter;

Communique numbered XI-25 ("the Communique") issued by TCMB has become effective starting from the first interim financial statements of 2005 and with respect to article 717 of this Communique, balance sheets, statement of income and of cash flows and of changes in shareholders' equity for the year then ended as of December 31, 2005 have not been presented comparatively with those of the year ending as of December 31, 2004. For the purpose of comparative information and in accordance with the article 717 of the Communique, the Company has presented the balance sheet and related disclosures for the year ending December 31, 2004 which represents the opening figures of the financial statements as of December 31, 2005 .

İstanbul, February 27, 2006

Denge Serbest Muhasebe ve Müşavirlik Hizmetleri A.Ş.  
Member of MAZARS

Moris Moreno  
CPA, Turkey

# FINANCIAL STATEMENTS



**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED BALANCE SHEETS AS OF DECEMBER 31, 2005 AND 2004 (TRY)**

<b>ASSETS</b>	<b>Footnote Reference</b>	<b>Current Period December 31, 2005</b>	<b>Previous Period December 31, 2004</b>
<b>CURRENT ASSETS</b>		<b>121,858,234</b>	<b>98,625,312</b>
Cash and Cash Equivalents	4	12,753,547	13,147,948
Marketable Securities (net)	5	72,931,038	52,468,823
Trade Receivables (net)	7	2,470,585	116,086
Financial Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	5,832,593	4,030,701
Other Receivables (net)	10	-	-
Biological Assets (net)	11	-	-
Inventories (net)	12	27,811,187	28,791,310
Receivables From Construction Contracts In Progress (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	59,284	70,444
<b>NON-CURRENT ASSETS</b>		<b>43,277,011</b>	<b>43,926,231</b>
Trade Receivables (net)	7	-	-
Financial Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	2,852,525	2,016,113
Positive / Negative Goodwill (net)	17	-	-
Investment Property (net)	18	40,344,379	41,750,693
Tangible Assets (net)	19	72,810	146,452
Intangible Assets (net)	20	7,297	12,825
Deferred Tax Assets	14	-	-
Other Non-Current Assets	15	-	148
<b>TOTAL ASSETS</b>		<b>165,135,245</b>	<b>142,551,543</b>

Accompanying footnotes are an integral part of these financial statements.



<b>LIABILITIES</b>	<b>Footnote Reference</b>	<b>Current Period December 31, 2005</b>	<b>Previous Period December 31, 2004</b>
<b>SHORT-TERM LIABILITIES</b>		<b>12,431,516</b>	<b>894,455</b>
Financial Liabilities (net)	6	-	-
Short-term Maturity of Long-Term Liabilities (net)	6	-	-
Financial Leasing Payables (net)	8	-	-
Trade Payables (net)	7	406,735	50,601
Due to Related Parties (net)	9	1,299	1,254
Advances Received	21	8,530,716	34,782
Liabilities From Construction Contracts in Progress (net)	13	-	-
Allowances For Liabilities	23	1,968,241	435,716
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	15	1,524,525	372,102
<b>LONG-TERM LIABILITIES</b>		<b>80,208</b>	<b>53,680</b>
Financial Liabilities (net)	6	-	-
Financial Leasing Payables (net)	8	-	-
Trade Payables (net)	7	-	-
Due to Related Parties (net)	9	-	-
Advances Received	21	-	-
Allowances for Liabilities	23	80,208	53,680
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	15	-	-
<b>SHAREHOLDERS' EQUITY</b>		<b>152,623,521</b>	<b>141,603,408</b>
<b>Share Capital</b>	25	<b>3,565,000</b>	<b>3,565,000</b>
<b>Investment Capital Net-off</b>	25	-	-
<b>Capital Reserves</b>	26	<b>142,238,951</b>	<b>141,402,578</b>
Emission Premium		-	-
Share Certificate Cancellation Income		-	-
Revaluation Fund		-	-
Value Increase Fund of Financial Assets	26	1,642,970	806,597
Inflation Restatement Fund of Equity	26	140,595,981	140,595,981
<b>Profit Reserves</b>	27	-	-
Legal Reserves		-	-
Statutory Reserves		-	-
Extra-ordinary Reserves		-	-
Special Reserves		-	-
Sale Income of Investment and Real Estate to be Transferred to Share Capital		-	-
Foreign Currency Translation Differences		-	-
<b>Net Profit / Loss for the year</b>		<b>10,183,740</b>	<b>(3,364,170)</b>
<b>Retained Earnings / Accumulated Losses</b>	28	<b>(3,364,170)</b>	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>165,135,245</b>	<b>142,551,543</b>



**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005 (TRY)**

	Footnote Reference	January 1, 2005 - December 31, 2005	October 1, 2005 - December 31, 2005
<b>INCOME FROM MAIN OPERATIONS</b>			
Sales Income (net)	36	12,170,157	7,194,951
Cost of Sales (-)	36	(4,746,506)	(3,583,943)
Service Income (net)	36	-	-
Other Income From Main Operations/interest + dividend + rent (net)	36	-	-
<b>GROSS PROFIT/(LOSS)</b>		<b>7,423,651</b>	<b>3,611,008</b>
Operating Expenses (-)	37	(1,597,168)	(421,128)
<b>NET OPERATING PROFIT/(LOSS)</b>		<b>5,826,483</b>	<b>3,189,880</b>
Income and Profit From Other Operations	38	11,569,124	2,170,363
Expense and Loss From Other Operations (-)	38	(7,211,867)	(2,268,115)
Financial Expenses (-)	39	-	-
<b>OPERATING PROFIT/(LOSS)</b>		<b>10,183,740</b>	<b>3,092,128</b>
Net Monetary Position Gain / Loss	40	-	-
<b>MINORITY INTEREST/MINORITY INTEREST PROFIT/(LOSS)</b>	24	-	-
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>10,183,740</b>	<b>3,092,128</b>
Taxes	41	-	-
<b>NET PROFIT/(LOSS)</b>		<b>10,183,740</b>	<b>3,092,128</b>
<b>PROFIT/(LOSS) PER SHARE</b>	42	<b>2.857</b>	-

Accompanying footnotes are an integral part of these financial statements.



**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (TRY)**

	Share Capital	Emission Premium	Legal Reserves	Special Reserves	Extraordinary Reserves	Value Increase Fund of Financial Assets	Inflation Restatement Fund of Equity	Accumulated Losses	Net Income / (Loss) for the Period	Total
Balance at January 1, 2005	3,565,000	-	-	-	-	806,597	140,595,981	-	(3,364,170)	141,603,408
Increase in Share Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Accumulated Losses	-	-	-	-	-	-	-	(3,364,170)	3,364,170	-
Financial Assets Revaluation Fund	-	-	-	-	-	.836	-	-	-	836,373
Net Income for the Period	-	-	-	-	-	-	-	-	10,183,740	10,183,740
<b>Balance at December 31, 2005</b>	<b>3,565,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,642,970</b>	<b>140,595,981</b>	<b>(3,364,170)</b>	<b>10,183,740</b>	<b>152,623,521</b>

Accompanying footnotes are an integral part of these financial statements.





**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED STATEMENT OF CASH FLOW AS OF DECEMBER 31, 2005 (TRY)**

	Footnote Reference	Current Period December 31, 2005
<b>A. CASH FLOWS FROM MAIN OPERATIONS</b>		
Net Income for the Period (+)		10,183,740
<b>Adjustments for</b>		
Change in Retirement Pay Liability (+)	23	26,528
Depreciation (+)	18, 19 and 20	1,664,037
Rediscount Interest Expenses (+)	38	88,970
Accrued Expenses (+)	23	1,968,240
Impairment of Assets (-)	12, 18	(254,393)
Marketable Securities Income (-)	5, 38	(7,098,355)
<b>Operating Income Before Working Capital Changes (+)</b>		<b>6,578,767</b>
Increase in Trade and Other Receivables (-)	7, 9	(4,245,361)
Decrease in Inventories (+)	12	1,127,123
Decrease in Other Current Assets (+)	15	11,160
Decrease in Other Long-term Assets (+)	15	148
Increase in Trade Payables (+)	7, 9	356,179
Increase in Other Liabilities (+)	15	9,212,601
<b>Net Cash Provided by Operating Activities</b>		<b>13,040,617</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Tangible and Intangible Assets (-)	19, 20	(34,558)
Purchase of Investment Property (-)	18	(36,600)
Marketable Securities Income (+)	5, 38	6,884,443
Increase in Marketable Securities (-)	5, 38	(20,248,303)
<b>Net Cash Used in Investing Activities</b>		<b>(13,435,018)</b>
<b>Net Decrease in Cash</b>		<b>(394,401)</b>
<b>Cash at January 1, 2005</b>	4	<b>13,147,948</b>
<b>Cash at December 31, 2005</b>	4	<b>12,753,547</b>

Accompanying footnotes are an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

(New Turkish Lira (TRY) and foreign currencies in full unless otherwise indicated)

### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

The name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi, whose main activity was to undertake the production and trading of the electrical, electronic equipment and construction materials, was changed into Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) through the publication in Turkish Trade Register Gazette numbered 4096 and dated August 06, 1996. Within the framework of this change, the essentials of the main activity were completely restructured in order to let the Company to activate as a real estate investment partnership in accordance with the statements and regulations of Capital Market Board. On these basis, on October 31, 1996, the Company applied to Capital Market Board (Board) for the registration of share certificates to be issued due to share capital increase and has been registered by the Board through December 13, 1996 dated and G.Y.O. 1/1552 numbered certificate in line with Capital Market Board Law.

The Company operates as a real estate investment partnership in accordance with the statements and regulations of Capital Market Board.

The shareholder structure of the Company as of December 31, 2005 and 2004 is as follows:

Name of the shareholders	31.12.2005		31.12.2004	
	Ownership Percentage (%)	Amount (TRY)	Ownership Percentage (%)	Amount (TRY)
Alarko Holding A.Ş.	15.54 %	554,001	15.54 %	554,001
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34.78 %	1,239,907	34.78 %	1,239,907
Publicly traded	49.00 %	1,746,850	49.00 %	1,746,850
Other (*)	0.68 %	24,242	0.68 %	24,242
	<b>100.00 %</b>	<b>3,565,000</b>	<b>100.00 %</b>	<b>3,565,000</b>

(\*) Represents the shareholders with ownership percentage of less than 10 %.

The difference resulted from the restatement of the nominal value of the share capital as at December 31, 2005 and 2004 amounts to TRY 54,712,578.

The address of the Company's head office is Muallim Naci Caddesi, No:69 P.K. 34347 Ortaköy Beşiktaş/ İstanbul. The majority of the shares are owned by Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. The 49% of the shares of the Company are publicly quoted on İstanbul Stock Exchange Market ("İSEM") since 1996.

The average number of personnel of the Company within 2005 and 2004 are 10 and 9, respectively.



## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### **Applied Accounting Standards**

The Company maintains its books of account in accordance with the Uniform Chart of Accounts Turkish Commercial Code, Turkish Tax Legislations and the generally accepted accounting principles issued by the Turkish Capital Market Board ("TCMB") that are effective for the companies quoted to ISEM and prepares its TRY based statutory financial statements in line with these principles.

The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention, with adjustments and reclassifications including restatement for changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with the Communiqué Serial Number: XI-25 of TCMB published in the reiterated Official Gazette dated November 15, 2003 and numbered 25290.

In that context, the Company has prepared its financial statements in accordance with the Communiqué for the year as of March 31, 2005 for the first time and these financial statements have been presented comparatively with the balance sheet and footnotes to balance sheet of prior period (December 31, 2004). The Company has not comparatively prepared the accompanying statement of income, statement of cash flow and statement of changes in shareholders' equity and related footnotes since the year 2005 is the first application year of the mentioned Communiqué.

### **Restatement of Financial Statements in Hyperinflationary Periods**

15th section of this Communiqué requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic of this section that necessitates the application is a cumulative three year inflation rate exceeding 100 % and inflation rate for the current year approaching or exceeding 10 %, which indicates the start of a high inflationary period in the current period. In addition to this, other reasons which necessitate the implementation of this communiqué include high inflation indicators such as holding of savings in foreign currency by public, the determination of the service and goods prices over foreign currency, determination of the prices by adding due date differences to prices in order to compensate the losses in the purchasing power including the short term transactions. As a result, the Company's financial statements are prepared in accordance with this section of the communiqué to reflect the effect of the changes of current purchasing power as of December 31, 2004.

Based on this announcement, while the high inflationary period is over, restated figures of financial statements dated December 31, 2004 are prepared in accordance with numbered 404 of 15<sup>th</sup> part of the communiqué and they also constitute the beginning balances of the financial statements as of December 31, 2005 and inflation accounting is not applied in preparation of the financial statements as of December 31, 2005.



As of December 31, 2004, the indices and conversion factors published by Government Institute of Statistics in Turkey, used to restate the financial statements.

The index and conversion factors used in the restatement of the accompanying financial statements as of December 31, 2004 are given below:

	<u>Indices</u>	<u>Conversion Factor</u>
December 31, 2001	4,951.7	1.6972
December 31, 2002	6,478.8	1.2971
December 31, 2003	7,382.1	1.1384
December 31, 2004	8,403.8	1.0000

The main guidelines for the restatement of the financial statements as of December 31, 2004 that forms beginning balances of December 31, 2005 are as follows:

Monetary assets and liabilities reported are not restated since they are already expressed in terms of the monetary unit current at the balance sheet date and prevailed their nominal values against the changes in monetary values whereas the purchasing power of these items are decreased.

Non-monetary assets and liabilities are restated by applying the general indices as of balance sheet date.

The restatement of the share capital is based on the registration date of the capital increase, whereas the restatement of the share premiums is based on the collection date. The capital increases from reserves and undistributed profits are restated on the basis of the registration date of the capital increase. According to the TCMB's Communique Serial Number: XI-25, the differences arising from the restatement of the shareholders' equity items which are stated with the historical values in the accompanying financial statements are presented totally in the "Shareholders' Equity Restatement Differences" account.

All income and expense items in the statement of income are restated by applying the relevant conversion factors except depreciation and amortization and cost of sales which were directly related with the statement of income.

Losses arising from holding monetary assets and gains arising from holding monetary liabilities are accounted for entirely within the net monetary gain account.



## **Comparative Information and Corrections on the Prior Year's Financial Statements**

Communique Serial Number: XI-25 of TCMB has become effective for the first interim financial statements of the period ending after the date of January 1, 2005. The Company has prepared its financial statements in accordance with this Communique for the interim period as of March 31, 2005 for the first time and these financial statements have been presented comparatively with the balance sheet and footnotes to balance sheet of prior period (December 31, 2004). The Company has not comparatively prepared the accompanying statement of income, statement of cash flow and statement of changes in shareholders' equity while the year 2005 is the first application year of the mentioned Communique.

The Law numbered 5083 regarding the local currency of the State of Republic of Turkey has been issued in the Official Gazette dated January 31, 2004 and numbered 25363. In accordance to the related Law effective from January 01, 2005 the currency of the State of Republic of Turkey is determined as New Turkish Lira (TRY) and the sub-currency of New Turkish Lira is determined as New Kuruş (YKr). In respect to that, by the declaration of TCMB dated December 01, 2004 and numbered MSD-10/832-43399 regarding "The financial statements to be issued by the companies which are subject to the arrangements of the Board and capital market institutions during the transition to TRY", declaring that the financial statements as of December 31, 2004 and the financial statements ending as of prior periods including the comparative financial statements and financial data to be issued during 2005 should be prepared and provided to public in TRY. In this respect, the accompanying financial statements as of December 31, 2004 including footnotes have been prepared in TRY.

Article 141 of the Communique Serial Number: XI-25 of TCMB states that for the ordinary business cycle inventories are made up items held for sale or items acquired during the production process, it is also stated in Article 587 of the Communique that items acquired for sale or real estates constructed or improved in condition for sale; real estates acquired exclusively for the purpose of resale in near-future or real estates constructed and improved for third parties as in the case of real estates improved in condition for sale should be considered as inventory in the normal business cycle. In addition, Article 159 of the Communique contains the clause "Assets constructed by the company are subject to the same regulations as assets acquired by the company. If the company, in its natural business cycle, produces constructs- assets such as these under "Inventories" part of the Communique, the acquisition cost of these items will generally be the same as the production construction- costs of these items".

Also, according to TCMB's Article numbered B.02.1.SP.K.0.15-49 dated 01.02.2006, if real estates projects are included in the portfolio for the purpose of resale these should be considered as inventory items and be accounted for as "Real Estates for the Purpose of Resale" under "Long Term\Fixed Assets". In line with this, the real estates and real estate projects presented in "Real Estates for the Purpose of Resale" account under "Long Term\Fixed Assets" group for 2005 interim periods and accounting period ending December 31, 2004 given for comparison by the Company were reclassified in "Inventories" account under "Short Term/ Current Assets" for the financial statements and related foot notes for the periods of December 31, 2005 and December 31, 2004 given for comparison.



In this respect, real estates and real estate projects held for sale will be accounted for in “Inventories” and items subject to reclassification were revalued according to the “Inventories” article of the Communiqué.

Accordingly, inventories were revalued by the acquisition cost adjusted for inflation. However, expertise value that creates the real basis for inventory valuation is compared with the adjusted acquisition costs and in the case that the expertise value is lower, impairment is calculated in accordance with the principles in “Impairment in Assets” article.

In respect of the explanations above, as the revaluation of items classified under the “Real Estates for the Purpose of Sale” were carried out by the same principles, the valuation of items reclassified under “Inventories” did not create any differences in principle or monetary balances.

#### **Net-off**

Financial assets and liabilities are stated with their net value in the balance sheet in cases of where the net off right exists legally, paying the net value or collection is possible or acquisition of the asset and the obligation realizes at the same time.



### 3. VALUATION PRINCIPLES/ACCOUNTING POLICIES

#### Revenue

Sales are mainly constituted of rents from property held for investment purposes and the sale of İzmir Güzelbahçe building plot. Sales are accounted for by the accrual principle calculated over the services provided, reliable determination of the income amount and income from possible economical benefits acquired by the Company over the transaction. If cash and cash equivalents are obtained from the sale, the income is the balance of these cash and cash equivalents. If there is a large amount of financial cost involved with the sales the relevant value of the sale is determined by discounting the receivables. To discount receivables, the interest rate that discounts the nominal sale value to the cash price of the service. The difference from this discounting is accounted for as interest income for related periods (Note 36).

If the balances recorded as income become doubtful balances, the provision for these accounts are not deducted from income accounts, these are accounted for as expenses in financial statements.

Net sales are constituted of the invoiced sale balances after discounts and returns are deducted.

#### Cost of Sales

Cost of Sales are mainly made up of the depreciation and relevant expenses of the rent generating real estates held for investment and the cost of the İzmir Güzelbahçe building lot.

#### Inventories

As throughly stated in the footnote number 2, the real estates and real estate projects presented in "Real Estates for the Purpose of Resale" account under "Long Term\Fixed Assets" group for 2005 sub-accounting periods and accounting period ending December 31,2004 given for comparison by the Company were reclassified in "Inventories" account under "Short Term/Current Assets" for the financial statements and related foot notes for the periods of December 31, 2005 and December 31, 2004 given for comparison.

In this respect, real estates and real estate projects held for sale will be accounted for in "Inventories" and items subject to reclassification were revalued according to the "Inventories" article of the Communique.

Accordingly, inventories were revalued by the acquisition cost adjusted for inflation. However, expertise value that creates the real basis for inventory valuation is compared with the adjusted acquisition costs and in the case that the expertise value is lower, impairment is calculated in accordance with the principles in "Impairment in Assets" article.

In respect to the explanations above, as the revaluation of items classified under the "Real Estates for the Purpose of Sale" were carried out by the same principles, the valuation of items reclassified under "Inventories" did not create any differences in principle or monetary balances.





### **Tangible Assets**

Tangible assets are expressed with their beginning values restated to equivalent purchasing power of TRY as of December 31, 2004 and current year acquisitions after the deduction of accumulated depreciation and permanent losses in values, if any. Depreciation is calculated with respect to estimated economic useful lives of the tangible assets and using straight-line depreciation method on pro-rata basis. The depreciation rates applied considering the useful lives of tangible assets is as follows:

	<u>31.12.2005</u>	<u>31.12.2004</u>
Buildings	10.0 %	10.0 %
Land Improvements	12.5 %	12.5 %
Machinery and Equipment	25.0 %	25.0 %
Furnitures and Fixtures	10.0 - 33.33 %	20.0 - 25.0 %
Other Tangible Assets	25.0 %	25.0 %

Repair and maintenance expenses are expensed when realized. In case repair and maintenance expenses increase the useful lives of tangible assets, they are capitalized (Note 19).

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

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

### **Intangible Assets**

Intangible assets are comprised of rights and leasehold improvements.

Intangible assets are expressed with their beginning values restated to equivalent purchasing power of TRY as of December 31, 2004 and current year acquisitions after the deduction of accumulated depreciation and permanent losses in values, if any. Depreciation is calculated with respect to estimated economic useful lives of the intangible assets and using straight-line depreciation method on pro-rata basis. The depreciation rate used for leasehold improvements is 25%, while it is 20% - 33.33% for rights (Not 20).



### **Impairment of Assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that the assets may be impaired. If such evidence exists, the recoverable amounts of assets are estimated. Impairment exists if the carrying amount of the concerned asset or a cash-generating unit related to this asset is higher than the recoverable amount to be obtained through its use or sale. Recoverable amount is determined as the higher of the net sales price of the asset and the value in use of the asset. Value in use is the estimated net present value of the cash flows through the continuous use or sale of the asset at the end of its economic useful life. Impairment losses are accounted in the income statement.

A reversal of impairment loss on receivables shall be recognized if the subsequent increase in the recoverable amount of the asset is reconciled with an event occurred in the following periods of impairment loss has been accounted.

Impairment losses of other assets shall be reversed if any change exists in the assumptions used in the determination of its recoverable amount. The increase in asset's carrying value resulting from the reversal of impairment should not exceed the carrying value that is going to be determined in case of no impairment loss has been recorded (net value after depreciation) in the balance sheets in previous years.

### **Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale shall be capitalized as part of the cost of that 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. Borrowing costs with exclusion of these accounted for as an expense in the financial statements in related period.

### **Financial Instruments**

#### *Classification*

The Company's financial instruments are composed of cash and cash equivalents, trade receivables marketable securities held for trading and held to maturity, receivables from related parties, financial assets available for sale and financial assets valued by fair value. The Company's financial liabilities include trade payables and payables to related parties. The receivables of Company originated include trade receivables and receivables from related parties.

#### *Booking*

Financial assets are booked at the day of transfer to the Company whereas debts are booked at the day of transfer from the Company.



### *Valuation*

A financial asset or financial liability is valued with its acquisition cost in balance sheets for the first time. This cost is the fair value of price given (if it is an asset) or acquired (if it is a liability). Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. Acquisition or transaction costs, which could be directly related with the issuance, are included in the first valuation of the financial instrument or financial liabilities.

All trading financial instruments and shares classified as financial assets with fair value are valued with their fair values in the subsequent periods following their initial valuation. The changes in fair value of the shares traded in İstanbul Stock Exchange Market are charged to the income statement. However the financial instruments whose fair values could not be determined in a secure way and do not have a price determined in a regular market, are valued by setting a provision for the impairment in case of existence of an impairment and adding transaction costs.

Trading financial assets and liabilities, which do not have a fixed maturity date, are valued over their acquisition costs. Trading financial assets which have a fixed maturity date, receivables of company originated and assets that will be held until the maturity are valued through discounted costs by effective interest method after deducting the provision set for the impairment in its value. Premiums and discounts including the first processing costs are subject to effective interest ratio discount.

Following the setting of a provision for a doubtful receivable in case of a total or partial collection of a doubtful receivable amount, the collected amount is deducted from the provision of doubtful receivable and recorded as other income.

### *Principles of Valuation with Fair Value*

Financial assets and liabilities are valued with their fair values without taking into consideration the transaction costs in the situations where sale or similar disposals occur in the following periods after initial recognition. However, if there is not a market price quoted to an active market, fair value is computed by using pricing models of valuation with fair value or discounted cash flow techniques.

In cases of using discounted cash flow techniques, estimated cash flows depend on best estimations of the company and discount rate used depends on the market rate of a financial instrument existing with similar conditions and maturities. Market data at the date of balance sheet is used as measurement in pricing models.



#### *Write-off*

Financial assets are written-off when the contractual rights to from the financial assets have been lost. This event occurs when the financial assets are sold, expired or the Company disclaims its rights. The Company transfers some of its receivables to banks as irrevocable.

Financial liabilities and obligations are written-off from the financial statements as they are fulfilled, cancelled or expired.

#### **Business Combinations**

As of December 31, 2005 and 2004, the Company has no merging activities.

#### **Effects of Foreign Currency Changes**

Transactions in foreign currencies are translated into New Turkish Lira by using the exchange rates prevailing at the date of transaction. Foreign currency denominated assets and liabilities are translated into TRY with exchange rates prevailing at the balance sheet date. Foreign exchange income or losses arising from foreign currency denominated transactions are included in income statement.

#### **Earnings Per Share**

Earnings per share disclosed in the accompanying statement of income are determined by dividing net profit by the average number of shares outstanding.

#### **Events After the Balance Sheet Date**

The Company is obliged to revise the amounts in the financial statements with respect to events occur after the balance sheet date. Events which occur after the balance sheet date and do not require adjustments are explained in the footnotes to the financial statements in case that they have effect on the economic decisions of third parties using financial statements.

#### **Provisions, Contingent Assets and Liabilities**

Provisions are recognized if and only if the Company has a present liability (legal or constructive), as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made off the amount of obligation. Where the effect of time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation computed by a discount rate representing pre-tax rate. When the present value is used, the increase resulting from time difference in the provisions is recorded as interest expense.



The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision at each balance sheet date.

Contingent liabilities and contingent assets are not recognized in the financial statements, and disclosed in the notes to the financial statements. The Company recognizes a provision for the obligation for which an outflow of resources embodying economic benefits is probable, except in the circumstances where no reliable estimate can be made, when the change in estimations occurs.

### **Accounting Policies, Changes in Accounting Estimates and Errors**

The Company has prepared its financial statements in accordance with the Communiqué Serial Number: XI-25 for the period ended March 31, 2005 for the first time and the opening balances which is December 31, 2004 has also been prepared in accordance with the same principles. In that context, there are no changes in accounting policies and estimates or errors.

When an accounting policy is changed, the total difference amount regarding to previous periods is adjusted to retained earnings. The data relating to previous periods are also re-arranged. In case of existence of an effect of the accounting policy change to current period, previous periods or operating result of the consequent periods; the cause of the difference, the adjustment amount related to the current period and previous periods, and the re-arrangement of the comparative data is disclosed or if estimating the adjustment is impracticable, that fact is disclosed.

The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit and loss in the period of the change, if the change effects that period only or in the period of the change and future periods if the change affects both.

Prior period errors are corrected retrospectively. An error is corrected by restating the comparative amounts for the prior periods in which the error occurred or if the error occurred before the earliest prior period by restating the opening balances of retained earnings.

If the re-arrangement of the data causes excessive cost, the comparative data related to the previous periods are not re-arranged; retained earnings account for the next period is adjusted with the cumulative impact of the error (misstatement) at the beginning of the corresponding period.

### **Leasing Transactions**

The Company does not have any leasing transaction as of December 31, 2005 and 2004.

### **Related Parties**

In the context of the report, the Company's shareholders, Alarko Holding and Alarko Holding Group companies, their executives and the companies controlled by these companies or other companies related to them are accepted as related parties. Transactions between related parties are described in the notes to the financial statement (Note 9).



### **Segment Reporting**

Since the Company has only one operation and operates in one geographic location, no segment reporting is made.

### **Construction Contracts**

The Company has no transaction within the context of construction contracts.

### **Discontinuing Operations**

With respect to a discontinuing operation, a public declaration is submitted when the Company has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation or the Company's Board of Directors or similar governing body has both approved a detailed plan, formal plan for the discontinuance and made an announcement of the plan. For the recognition and valuation of discontinuing operations, the principles set in the standards of impairment losses, provisions, contingent assets and liabilities, plant property and equipment, and employee benefits are taken into consideration.

### **Accounting for Government Grants and Disclosure of Government**

All government grants including non-monetary grants at fair value are recognized to the extent that the Company will comply with the conditions attaching to them and if the grants will be received. A forgivable loan from government is treated as a government grant when there is a reasonable assurance that the Company will meet the terms for forgiveness of the loan.

### **Investment Properties**

Investment property is recognized at cost when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost of the investment property can be measured reliably. After initial recognition, investment property is accounted in line with cost model and the principles of plant, property and equipment standard.

Depreciation is calculated with respect to estimated economic useful lives of investment properties and using straight-line depreciation method on pro-rata basis. The depreciation rates applied considering the useful lives of investment properties are as follows:

	<u>31.12.2005</u>	<u>31.12.2004</u>
Land	-	-
Buildings	2.0 - 5.0 %	2.0 - 5.0 %
Rights	3.125 %	3.125 %



### **Income Taxes**

Since the Company is registered as Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as of July 31, 1996 as published in the Trade Registry Gazette dated August 6, 1996 and numbered 4096, as of this date the Company is exempt from corporate income tax and withholding tax with respect to Corporate Tax Law article 8 code 4-d and Income Tax Law article 94 code 6-a. Consequently, the Company does not have any income tax liability or deferred tax asset or deferred tax liability as of December 31, 2005 and 2004.

### **Employee Benefits / Employment Termination Benefits**

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Corresponding amounts are paid based on the ceiling of the retirement payment at the balance sheet date. Provision for retirement payment is recognized as the net present value of the cumulative retirement pay liability payable in the future.

### **Retirement Benefit Plans**

The Company has no retirement benefit plans.

### **Agriculture**

The Company has no transactions in the scope of agricultural operations.

### **Cash Flow Statement**

In the statement of cash flow, current period cash flows are classified as main operations, investment activities and financing activities and accordingly reported. Cash and cash equivalents include cash amounts, bank deposits, due dated checks and marketable securities.

## **4. LIQUID ASSETS**

Cash and cash equivalents as of December 31, 2005 and 2004 are as follows:

	31.12.2005	31.12.2004
Banks	12,753,461	13,147,496
Time deposits	12,741,141	13,147,047
Demand deposits	12,320	449
Cash	86	219
Other	-	233
<b>Total</b>	<b>12,753,547</b>	<b>13,147,948</b>



Demand deposits consist of TRY, USD and Euro bank deposits and net interest rate on these deposits varies between 2.89% and 18% (for the year 2004 : 2.5% and 18%).

The Company does not have any blocked deposit as of December 31, 2005 and 2004 .

## 5- MARKETABLE SECURITIES

As of December 31, 2005 and 2004 breakdown of marketable securities of the Company is as follows:

Marketable Securities Held for Trading	31.12.2005		31.12.2004		
	Book Value	Interest Rate	Book Value	Interest Rate	
B Type Variable Funds	61,982,512		45,283,929		
B Type Liquid Funds	303,296		103,471		
Marketable Securities Held to Maturity	Currency Type	Book Value	Interest Rate	Book Value	Interest Rate
Government Securities	USD	2,675,549	3.55 %	6,666,882	4.39 %
	USD	1,432,331	4.25 %	-	-
	Euro	6,470,650	2.13 %	-	-
Accrued Income		66,700		414,541	
<b>Total</b>		<b>72,931,038</b>		<b>52,468,823</b>	

## 6. FINANCIAL LIABILITIES

The Company has no short-term and long-term financial liabilities as of December 31, 2005 and 2004.

## 7. TRADE RECEIVABLES AND PAYABLES

Breakdown of trade receivables is as follows:

	31.12.2005	31.12.2004
Trade Receivables	30,493	59
Notes Receivable	2,431,815	113,099
Deposits and Guarantees Given	8,277	2,928
<b>Total</b>	<b>2,470,585</b>	<b>116,086</b>





The nature and the amounts of the guarantees received as allowance to the receivables are as follows:

	31.12.2005	31.12.2004
Notes Received	295,830	515,490
Guarantee Letters Received	304,589	2,375
<b>Total</b>	<b>600,419</b>	<b>517,865</b>

The Company has no doubtful receivables as of December 31, 2005 and 2004.

Breakdown of trade payables is as follows:

	31.12.2005	31.12.2004
Suppliers, net	333,024	16,364
Deposits and Guarantees Received	73,711	34,237
<b>Total</b>	<b>406,735</b>	<b>50,601</b>

## 8. FINANCIAL LEASING RECEIVABLES AND PAYABLES

The Company does not have any financial leasing receivables or payables as of December 31, 2005 and 2004.

## 9. DUE FROM / TO RELATED PARTIES

Breakdown of receivable and payable balances of related parties of the Company is as follows:

	31.12.2005		31.12.2004	
<b>Due from Shareholders</b>	Trade	Non-Trade	Trade	Non-Trade
Alarko Holding	-	-	-	63
Attaş Alarko Turistik Tes. A.Ş.	5,840,574	-	4,030,638	-
Garanti Koza A.Ş. Alsim Alarko A.Ş. Adi Ortaklığı	1,912	-	-	-
Minus: Deferred Income	(9,893)	-	-	-
<b>Total</b>	<b>5,832,593</b>	<b>-</b>	<b>4,030,638</b>	<b>63</b>

	31.12.2005		31.12.2004	
<b>Due to Shareholders</b>	Trade	Non-Trade	Trade	Non-Trade
Alarko Holding	282	-	-	-
Alarko Carrier San. ve Tic. A.Ş.	862	-	-	-
Alsim Alarko San. Tes. ve Tic. A.Ş.	16	-	-	1,115
<b>Total</b>	<b>1,160</b>	<b>-</b>	<b>-</b>	<b>1,115</b>



The Company has dividends payable amounting to TRY 139 to shareholders, who have shares of publicly traded portion, as of December 31, 2005 and 2004, respectively.

The Company has no balances with the other related parties as of December 31, 2005 and 2004.

The Company has revenues and expenses arising from related party transactions. These transactions are summarized as follows:

	31.12.2005	31.12.2004
<b>Expenses</b>		
Rent Expenses	172,101	147,544
Foreign Currency Difference Expenses	93,295	190,977
Services Rendered	59,105	50,159
Other	5,594	3,654
<b>Total</b>	<b>330,095</b>	<b>392,334</b>

	31.12.2005	31.12.2004
<b>Income</b>		
Rent Income	5,040,630	3,521,135
T.C. Ministry of Environment Land Patent Income	153,513	110,240
Interest Income	66,241	-
T.C. Ministry of Environment Land Rent Income	466,328	435,716
Foreign Currency Difference Income	64,259	18,399
Other	9,039	294
<b>Total</b>	<b>5,800,010</b>	<b>4,085,784</b>

Transactions with related parties are as follows:

	31.12.2005			31.12.2004		
<b>Purchases</b>	<u>Goods</u>	<u>Service</u>	<u>Other</u>	<u>Goods</u>	<u>Service</u>	<u>Other</u>
<u>Shareholders</u>						
Attaş Alarko Turistik Tes. A.Ş.	-	-	93,295	-	-	190,977
Alarko Carrier San. ve Tic. A.Ş.	-	972	-	-	60	-
Alarko Holding A.Ş.	-	234,651	-	-	219,003	-
Alsim Alarko San. Tes. ve Tic. A.Ş.	-	1,139	-	-	11,869	-
<u>Related Parties</u>						
Alfarm Alarko Su Ür. San. ve Tic. A.Ş.	-	38	-	-	99	-
<b>Total</b>	-	<b>236,800</b>	<b>93,295</b>	-	<b>231,031</b>	<b>190,977</b>



	31.12.2005			31.12.2004		
	<u>Goods</u>	<u>Service</u>	<u>Other</u>	<u>Goods</u>	<u>Service</u>	<u>Other</u>
<b>Sales</b>						
<b>Shareholders</b>						
Attaş Alarko Turistik Tes. A.Ş.	- 4,831,910	750,844		- 3,313,925	531,124	
Alsim Alarko San. Tes. ve Tic. A.Ş.	-	-	6,916	-	-	33,525
Alarko Carrier San. ve Tic. A.Ş.	- 158,594			- 152,453		
Garanti Koza A.Ş. Alsim Alarko A.Ş. Adi Ortaklığı	-	-	1,620	-	-	-
<b>Related parties</b>						
Altek Alarko Elek. Sant. Tes. İşl. ve Tic. A.Ş.	- 50,126			- 54,757		
<b>Total</b>	<b>- 5,040,630</b>	<b>759,380</b>		<b>- 3,521,135</b>	<b>564,649</b>	

There are no doubtful receivables due from related parties as of December 31, 2005 and 2004.

## 10. OTHER RECEIVABLES AND PAYABLES

The Company does not have any other receivables or payables as of December 31, 2005 and 2004.

## 11. BIOLOGICAL ASSETS

Biological assets are not within the operations of the Company.

## 12. INVENTORIES

Inventories consist of real estates held for trading. Breakdown of inventories of the Company as of December 31, 2005 and 2004 is as follows:

	31.12.2005			31.12.2004		
	<u>Restated Book Value</u>	<u>Expertise Amount</u>	<u>Expertise Date</u>	<u>Restated Book Value</u>	<u>Expertise Amount</u>	<u>Expertise Date</u>
<b>Domicile Project</b>						
Land (1 Parcel)	1,167,215	6,024,000	19.10.2005	1,263,167	5,508,000	11.01.2005
Project Cost	6,226,525	53,245,000	19.10.2005	4,355,361	27,712,000	11.01.2005
Total	7,393,740	59,269,000		5,618,528	33,220,000	
<b>Büyükçekmece Land</b>						
Land Cost (5 Parcel)	4,321,594	6,646,500	15.12.2005	4,321,594	5,802,505	11.01.2005
<b>İzmir Güzelbahçe Land</b>						
Land Cost	-	-		3,040,856	4,220,000	11.01.2005
<b>Alkent İstanbul 2000 - 1 Villa</b>						
Cost	1,342,861	990,000	15.12.2005	1,339,861	840,000	11.01.2005
Impairment Losses (-)	(352,861)	-		(499,861)	-	
Total	990,000	990,000		840,000	840,000	
<b>Maslak Land</b>						
Land Cost	15,105,853	23,700,000	15.12.2005	14,970,332	23,040,000	11.01.2005
<b>Total</b>	<b>27,811,187</b>	<b>90,605,500</b>		<b>28,791,310</b>	<b>67,122,505</b>	



**Domicile Project:** The Company has received the construction permit on October 21, 2005 for 63 villas and 1 social club to be constructed on 239,466 m<sup>2</sup> land located in Büyükçekmece-Eskice location with block no. 106, parcel no. 18 and started on selling activities. As of December 31, 2005, sales agreements have been made for 7 villas.

**Büyükçekmece Land:** There are 5 parcels with a total area of 819,272 m<sup>2</sup>.

**Maslak Land:** The Company plans to build a shopping center on the land with a total area of 18,962 m<sup>2</sup> in İstanbul Maslak.

The land in İzmir Güzelbahçe has been sold on December 22, 2005 with an amount of TRY 5,205,972 excluding VAT.

The total insurance amount on inventories as of December 31, 2005 and 2004 is TRY 769,318 and TRY 671,050, respectively.

### 13. RECEIVABLES FROM CONSTRUCTION CONTRACTS IN PROGRESS

The Company has no transaction within the scope of construction contracts.

### 14. DEFERRED TAX ASSETS AND LIABILITIES

Since the Company is registered as Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as of July 31, 1996 as published in Trade Registry Gazette dated August 6, 1996 and numbered 4096, as of this date the Company is exempt from corporate income tax and withholding tax with respect to Corporate Tax Law article 8 code 4-d and Income Tax Law article 94 code 6-a. Consequently, the Company does not have any or deferred tax asset or deferred tax liability as of December 31, 2005 and 2004.

### 15. OTHER CURRENT / NON-CURRENT ASSETS AND SHORT / LONG-TERM LIABILITIES

Breakdown of other current assets is as follows:

	31.12.2005	31.12.2004
Short-Term Prepaid Expenses	49,284	46,054
Other Miscellaneous Current Assets	10,000	24,390
<b>Total</b>	<b>59,284</b>	<b>70,444</b>



As of December 31, 2005 the Company has no other non-current assets. Other non-current assets consist of extraordinary reserve withholding tax as of December 31, 2004 amounting to TRY 148.

Breakdown of other short-term liabilities is as follows:

	31.12.2005	31.12.2004
Taxes, Fees and Other Deductions Payable	1,472,109	366,428
Income Accruals	44,780	-
Other	7,636	5,674
<b>Total</b>	<b>1,524,525</b>	<b>372,102</b>

The Company has no other long-term liabilities as of December 31, 2005 and 2004.

## 16. FINANCIAL ASSETS

Breakdown of financial assets as of December 31, 2005 and 2004 is as follows:

	31.12.2005		31.12.2004	
	Participation Rate %	Amount	Participation Rate %	Amount
<u>Financial Assets for Sale</u>				
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	0.00	1,196	0.00	1,157
Alarko Holding A.Ş.	0.00	2,851,329	0.00	2,014,956
<b>Total</b>	<b>0.00</b>	<b>2,852,525</b>	<b>0.00</b>	<b>2,016,113</b>

Investment in Alarko Holding A.Ş. as of December 31, 2005 and 2004 is valued with the stock exchange price which is considered to be the fair value of the investment. The Company accounts for the positive and negative differences arising from fair value recognition in shareholders equity account in the accompanying financial statements. Accordingly, fair value recognition differences amounting to TRY 806,597 and TRY 1,642,970 as of December 31, 2005 and 2004 have been accounted under "Financial Assets Revaluation Fund" account.

Since Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. is not publicly quoted and also the fair value of this company can not be accurately determined, as the participation amount in this company, the restated cost amount has been presented in the accompanying financial statements.

The details regarding the fair value information and management of liquidity risk and interest rate risk is given below. The details of the foreign currency risk have been given in footnote 29.



### **Liquidity risk:**

The liquidity risk arises during the funding of the operations of the Company and the management of the open position. The risk of not funding the operations with an appropriate maturity and rate and also the risk of not liquidating an asset in an appropriate time frame with a fair value are within the scope of liquidity risk.

As of December 31, 2005 and 2004 maturity table for assets and liabilities is as follows:

<b>31.12.2005</b>						
	<b>0-1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1 Year or more</b>	<b>Total</b>
<b>Monetary Assets</b>						
Cash and Cash Equivalents	1,523,570	-	-	-	62,285,808	63,809,378
Inventories	-	-	-	-	27,811,187	27,811,187
Other Current Assets	16,922	40,461	831	806	264	59,284
Trade Receivables, net	30,493	-	-	-	8,277	38,770
Due from Related Parties, net	1,911	-	-	-	-	1,911
<b>Total TRY Assets</b>	<b>1,572,896</b>	<b>40,461</b>	<b>831</b>	<b>806</b>	<b>90,105,536</b>	<b>91,720,530</b>
Cash and Cash Equivalents	11,229,977	9,211,232	1,433,998	-	-	21,875,207
Other Current Assets	-	-	-	-	-	-
Trade Receivables, net	10,775	2,161,108	30,945	228,987	-	2,431,815
Due from Related Parties, net	5,830,682	-	-	-	-	5,830,682
<b>Total Foreign Currency Assets</b>	<b>17,071,434</b>	<b>11,372,340</b>	<b>1,464,943</b>	<b>228,987</b>	<b>-</b>	<b>30,137,704</b>
<b>Total Monetary Assets</b>	<b>18,644,330</b>	<b>11,412,801</b>	<b>1,465,774</b>	<b>229,793</b>	<b>90,105,536</b>	<b>121,858,234</b>
<b>Monetary Liabilities</b>						
Trade Payables	333,024	-	-	-	-	333,024
Due to Related Parties	1,160	-	-	-	139	1,299
Employment Termination Benefit	-	-	-	-	80,208	80,208
Deposits and Guarantees Received	-	-	-	-	20,574	20,574
Advances Received	2,696	-	-	-	8,528,020	8,530,716
Other Short-Term Liabilities and Provisions for Expenses	1,489,651	818,007	1,173,160	11,948	-	3,492,766
<b>Total TRY Liabilities</b>	<b>1,826,531</b>	<b>818,007</b>	<b>1,173,160</b>	<b>11,948</b>	<b>8,628,941</b>	<b>12,458,587</b>
<b>Total Foreign Currency Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,137</b>	<b>53,137</b>
<b>Total Monetary Liabilities</b>	<b>1,826,531</b>	<b>818,007</b>	<b>1,173,160</b>	<b>11,948</b>	<b>8,682,078</b>	<b>12,511,724</b>



31.12.2004

	0-1 month	1-3 months	3-6 months	6-12 months	1 Year or more	Total
<b>Monetary Assets</b>						
Cash and Cash Equivalents	1,190,626	414,541	-	-	45,387,400	46,992,567
Inventories	-	-	-	-	28,791,310	28,791,310
Other Current Assets	15,469	28,324	992	1,269	24,390	70,444
Trade Receivables, net	59	-	-	-	116,027	116,086
<b>Total TRY Assets</b>	<b>1,206,154</b>	<b>442,865</b>	<b>992</b>	<b>1,269</b>	<b>74,319,127</b>	<b>75,970,407</b>
Cash and Cash Equivalents	11,957,322	6,666,882	-	-	-	18,624,204
Trade Receivables, net	4,030,701	-	-	-	-	4,030,701
<b>Total Foreign Currency Assets</b>	<b>15,988,023</b>	<b>6,666,882</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,654,905</b>
<b>Total Monetary Assets</b>	<b>17,194,177</b>	<b>7,109,747</b>	<b>992</b>	<b>1,269</b>	<b>74,319,127</b>	<b>98,625,312</b>
<b>Monetary Liabilities</b>						
Trade Payables	16,364	-	-	-	5,798	22,162
Advances Received	-	-	-	-	34,782	34,782
Employment Termination Benefit	-	-	-	-	53,680	53,680
Other Short-term Liabilities and Provisions for Expenses	367,682	-	435,716	-	5,674	809,072
<b>Total TRY Liabilities</b>	<b>384,046</b>	<b>-</b>	<b>435,716</b>	<b>-</b>	<b>99,934</b>	<b>919,696</b>
<b>Total Foreign Currency Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,439</b>	<b>28,439</b>
<b>Total Monetary Liabilities</b>	<b>384,046</b>	<b>-</b>	<b>435,716</b>	<b>-</b>	<b>128,373</b>	<b>948,135</b>

*Interest rate 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.

**Fair Value of Financial Instruments**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or settlement, and is the best evidence by a quoted market price, if one exists.

The Company has determined the fair values 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:

### ***Monetary Assets***

Foreign currency denominated balances 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 respective 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.

It has been assumed that the fair value of financial assets approximate their carrying values.

### ***Monetary Liabilities***

Trade liabilities are disclosed with fair value.

## **17. POSITIVE / NEGATIVE GOODWILL**

The Company has no positive or negative goodwill as of December 31, 2005 and 2004.

## **18. INVESTMENT PROPERTIES**

As of December 31, 2005 and 2004, the movement of investment properties is as follows:

	31.12.2005	31.12.2004
January 1,	43,271,696	2,625,842
Additions	36,600	40,631,118
Accumulated depreciation	(3,071,310)	(1,521,003)
Before impairment, net	40,236,986	41,735,957
Impairment	107,393	14,736
Monetary effect of impairment	-	-
<b>After impairment, net</b>	<b>40,344,379</b>	<b>41,750,693</b>

As of December 31, 2005 and 2004, total insurance coverage on investment properties of the Company is amounting to TRY 36,353,345 and TRY 33,308,870.





As of December 31, 2005, the comparison of restated amounts with fair values is as follows:

31.12.2005			
<u>Definition of the Property</u>	<u>Expertise Date</u>	<u>Market Value</u>	<u>Cost Value, Net</u>
İstanbul/Şişhane-Business Center	15.12.2005	1,065,000	1,341
İstanbul/Karaköy-Business Center	15.12.2005	860,000	860,000
Ankara/Çankaya-Business Center	15.12.2005	2,015,000	1,293,008
Hillside Beach Club Holiday Village	15.12.2005	47,780,000	34,217,530
Etiler Alkent Sitesi-Stores	15.12.2005	5,410,000	3,972,500
<b>Total</b>		<b>57,130,000</b>	<b>40,344,379</b>

As of December 31, 2004, the comparison of restated amounts with fair values is as follows:

31.12.2004			
<u>Definition of the Property</u>	<u>Expertise Date</u>	<u>Market Value</u>	<u>Cost Value, Net</u>
İstanbul/Şişhane-Business Center	11.01.2005	850,000	1,381
İstanbul/Karaköy-Business Center	11.01.2005	785,000	785,000
Ankara/Çankaya-Business Center	11.01.2005	1,800,000	1,323,018
Hillside Beach Club Holiday Village	19.01.2005	43,810,000	35,458,794
Etiler Alkent Sitesi-Stores	29.12.2004	4,515,000	4,182,500
<b>Total</b>		<b>51,760,000</b>	<b>41,750,693</b>

As of December 31, 2005, the provision that should be set for the decrease in the value of İstanbul Business Center amounts to TRY 73,418. As of December 31, 2004, since the provision for decrease in value amounting to TRY 180,811 has been deducted from the cost of this property, decrease in value of the provision amounting to TRY 107,393 has been reversed by deducting from general administrative expenses.



## 19. TANGIBLE ASSETS

As of December 31, 2005;

	COST				Balance at December 31, 2005
	Balance at January 1, 2005	Additions	Disposal	Allowances (-)	
Land Improvements	123,365	-	-	-	123,365
Buildings	311	-	-	-	311
Machinery, Installations and Equipments	4,216	-	-	-	4,216
Furniture and Fixture	120,395	26,883	(254)	-	147,024
Other Tangible Assets	342,604	-	-	-	342,604
<b>Total</b>	<b>590,891</b>	<b>26,883</b>	<b>(254)</b>	<b>-</b>	<b>617,520</b>

	ACCUMULATED DEPRECIATION				Balance at December 31, 2005
	Balance at January 1, 2005	Additions	Disposal	Transfer	
Land Improvements	78,573	15,420	-	-	93,993
Buildings	254	31	-	-	285
Machinery, Installations and Equipments	3,441	482	-	-	3,923
Furniture and Fixture	76,667	27,491	(254)	-	103,904
Other Tangible Assets	285,504	57,101	-	-	342,605
<b>Total</b>	<b>444,439</b>	<b>100,525</b>	<b>(254)</b>	<b>-</b>	<b>544,710</b>
<b>Net Book Value</b>	<b>146,452</b>				<b>72,810</b>
Advances Given	-				-



As of December 31, 2004;

	<b>COST</b>				Balance at December 31, 2004
	Balance at January 1, 2004	Additions	Disposal	Allowances (-)	
Land Improvements	123,365	-	-	-	123,365
Buildings	311	-	-	-	311
Machinery, Installations and Equipments	3,889	327	-	-	4,216
Furniture and Fixture	118,230	2,165	-	-	120,395
Other Tangible Assets	342,604	-	-	-	342,604
<b>Total</b>	<b>588,399</b>	<b>2,492</b>	<b>-</b>	<b>-</b>	<b>590,891</b>

	<b>ACCUMULATED DEPRECIATION</b>				Balance at December 31, 2004
	Balance at January 1, 2004	Additions	Disposal	Transfer	
Land Improvements	63,152	15,421	-	-	78,573
Buildings	223	31	-	-	254
Machinery, Installations and Equipments	2,886	555	-	-	3,441
Furniture and Fixture	51,034	25,633	-	-	76,667
Other Tangible Assets	199,852	85,652	-	-	285,504
<b>Total</b>	<b>317,147</b>	<b>127,292</b>	<b>-</b>	<b>-</b>	<b>444,439</b>
<b>Net Book Value</b>	<b>271,252</b>				<b>146,452</b>
Advances Given	-				-

As of December 31, 2005 the total insurance coverage on tangible fixed assets are TRY 8,185 (No insurance as of December 31, 2004).



## 20. INTANGIBLE ASSETS

As of December 31, 2005 the movement of the intangible assets is as follows:

<b>Cost</b>	<b>January 1, 2005 TRY</b>	<b>Additions TRY</b>	<b>Transfers TRY</b>	<b>Disposals TRY</b>	<b>December 31, 2005 TRY</b>
Rights	2,601	7,675	-	-	10,276
Other Intangible Assets	79,659	-	-	-	79,659
<b>Total</b>	<b>82,260</b>	<b>7,675</b>	<b>-</b>	<b>-</b>	<b>89,935</b>

<b>Accumulated Depreciation</b>	<b>January 1, 2005 TRY</b>	<b>Current Year Charge TRY</b>	<b>Transfers TRY</b>	<b>Disposals TRY</b>	<b>December 31, 2005 TRY</b>
Rights	(2,601)	(378)	-	-	(2,979)
Other Intangible Assets	(66,834)	(12,825)	-	-	(79,659)
<b>Total</b>	<b>(69,435)</b>	<b>(13,203)</b>	<b>-</b>	<b>-</b>	<b>(82,638)</b>
<b>Net Book Value</b>	<b>12,825</b>				<b>7,297</b>

As of December 31, 2004 the movement of the intangible assets is as follows:

<b>Cost</b>	<b>January 1, 2004 TRY</b>	<b>Additions TRY</b>	<b>Transfers TRY</b>	<b>Disposals TRY</b>	<b>December 31, 2004 TRY</b>
Rights	2,601	-	-	-	2,601
Other Intangible Assets	79,659	-	-	-	79,659
<b>Total</b>	<b>82,260</b>				<b>82,260</b>

<b>Accumulated Depreciation</b>	<b>January 1, 2004 TRY</b>	<b>Current Year Charge TRY</b>	<b>Transfers TRY</b>	<b>Disposals TRY</b>	<b>December 31, 2004 TRY</b>
Rights	(2,601)	-	-	-	(2,601)
Other Intangible Assets	(47,624)	(19,210)	-	-	(66,834)
<b>Total</b>	<b>(50,225)</b>	<b>(19,210)</b>	<b>-</b>	<b>-</b>	<b>(69,435)</b>
<b>Net Book Value</b>	<b>32,035</b>				<b>12,825</b>



## 21. ADVANCES RECEIVED

Detail of the advances received is as follows:

	31.12.2005	31.12.2004
Advances Received from Customers	8,530,716	34,782
<b>Total</b>	<b>8,530,716</b>	<b>34,782</b>

## 22. RETIREMENT BENEFIT PLANS

The Company has no retirement benefit plans within the scope of the related standard.

## 23. ALLOWANCES FOR LIABILITIES

In accordance with existing social legislation, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service within the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay in historical terms to a maximum of TRY 1,727 as of December 31, 2005 (2004 - TRY 1,575) per year of employment at the rate of pay applicable at the date of retirement or termination. The limit is generally increased effective January 1<sup>st</sup> and July 1<sup>st</sup> of each year by the government.

The liability is not funded, as there is no funding requirement.

According to the 29<sup>th</sup> Part named as "Employee Benefits" of the TCMB's Communique Serial Number: XI-25, the Company has used the actuarial assumption in calculating the reserve for employment termination benefits. Provision for retirement payment is recognized in the accompanying consolidated financial statements as the net present value of the cumulative retirement pay liability in the future. The principal actuarial assumptions used in calculating of the liability are as follows:

Inflation rate	10 %
Discount rate	16 %
Rate for the probability of retirement	-

Basic assumption is proportional increase of the ceiling liability determined for the each year in proportion to inflation. Accordingly, discount rate applied represents the actual rate without the effect of inflation.

Movements in the retirement pay liability recognized in the accompanying consolidated balance sheet are as follows:

	31.12.2005
Beginning period as of January 1	53,680
Provision for the year	26,528
<b>End of period</b>	<b>80,208</b>



Breakdown of allowances for other liabilities is as follows:

	31.12.2005	31.12.2004
Rent fee Allowance to T.C. Ministry of Environment and Forestry	466,328	435,716
Allowance for Date to Maturity Trade Agreement	1,498,968	-
Other	2,945	-
<b>Total</b>	<b>1,968,241</b>	<b>435,716</b>

#### 24. MINORITY INTEREST / MINORITY INTEREST PROFIT - (LOSS)

As the Company prepares unconsolidated financial statements, there is no minority interest share.

#### 25. SHARE CAPITAL

As of December 31, 2005 and 2004, The Company's historical authorized share capital is comprised of 3,565,000,000 shares per value YKr 0.10 each. Breakdown of the Shareholders' Equity structure is expressed in Note 1.

#### 26. CAPITAL RESERVES

Shareholders' Equity accounts have been deducted from the accumulated losses with respect to equivalent purchasing power of TRY as of December 31, 2004. The restatement effect arising from the shareholders' equity items is shown within the "Inflation Restatement Fund of Equity" account in the accompanying financial statements and the breakdown as of December 31, 2005 and 2004 is as follows:

	31.12.2005	31.12.2004
Share Capital	54,712,578	54,712,578
Emission Premium	1,076,541	1,076,541
Legal Reserves	4,058,980	4,058,980
Extraordinary Reserves	80,747,882	80,747,882
<b>Total</b>	<b>140.595.981</b>	<b>140.595.981</b>

As of December 31, 2005 and 2004, the participation amount in Alarko Holding A.Ş. is valued with the stock market price which is estimated to approximate the fair value. The Company records increases or decreases resulting from fair value valuation in "Financial Assets Value Increase Fund" in shareholders' equity. As of December 31, 2005 and 2004, "Financial Assets Value Increase Fund" amounts to TRY 1,642,970 and TRY 806,597, respectively.

#### 27. LEGAL RESERVES

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5 % per annum until the total reserve reaches 20 % of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10 % per annum of all cash distributions in excess of 5 % of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 % of paid-in share capital. As of December 31, 2005 and 2004 the total amount of legal reserves of the Company is amounting to TRY 4,058,980. The Company also has extraordinary reserves amounting to TRY 80,747,882.



## 28. ACCUMULATED PROFIT / LOSS

In accordance with Part 15, article 399 of the Communiqué Serial Number: XI-25, the accumulated losses computed as a result first time application of hyperinflation accounting should be deducted from the distributable income while determining the amount of dividend payment. Additionally, the concerned accumulated losses are permitted to deduct from firstly, net income for the period and undistributed prior year profits if exists; and the remaining part from extraordinary legal reserves, legal reserves and inflation restatement fund of equity, respectively.

To prepare the first financial statements as of March 31, 2005 within the framework of 718<sup>th</sup> number of Communiqué Serial Number: XI-25 corresponding transaction and events are booked in the beginning balance sheet as of December 31, 2004. As a result of first time application of Communiqué Serial Number: XI-25, accumulated losses have been realized as TRY 3,364,170 in the financial statements as of December 31, 2005.

## 29. FOREIGN CURRENCY POSITION

	31.12.2005			31.12.2004		
	Foreign Currency (Full)	Exchange Rate (Full)	TRY Equivalent	Foreign Currency (Full)	Exchange Rate (Full)	TRY Equivalent
<b>Banks</b>						
USD	641,129	1.3418	860,266	436,661	1.3421	586,043
Euro	6,532,102	1.5875	10,369,712	6,224,698	1.8268	11,371,279
<b>Marketable Securities</b>						
USD	3,082,486	1.3418	4,136,080	4,967,500	1.3421	6,666,882
Euro	4,100,252	1.5875	6,509,150	-	-	-
<b>Due from Related Parties</b>						
USD	4,345,417	1.3418	5,830,681	3,003,232	1.3421	4,030,638
<b>Notes Receivables</b>						
USD	-	-	-	84,270	1.3421	113,099
<b>TOTAL FOREIGN CURRENCY ASSETS</b>			<b>27,705,889</b>			<b>22,767,941</b>
<b>Deposits and Guarantees Received (Short-Term)</b>						
USD	39,410	1.3418	52,880	21,190	1.3421	28,439
<b>TOTAL FOREIGN CURRENCY LIABILITIES</b>			<b>52,880</b>			<b>28,439</b>
<b>NET FOREIGN CURRENCY POSITION</b>			<b>27,653,009</b>			<b>22,739,502</b>



As of December 31, 2005, the Company has notes receivable amounting to TRY 2,431,815 corresponding to USD 1,855,000 related with the sales from residence project. Although the said sales agreement have been made in TRY, the collections related to these sales have been indexed to foreign currency.

***Foreign Currency Risk:***

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

**30. ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT**

The Company does not benefit from any government grants or incentives as of December 31, 2005 and 2004.

**31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

- a) Regarding the inventories and fixed assets of the Company as of December 31, 2005 and 2004;

On the 2 parcels of the land located in Büyükçekmece Eskice Region, there exists a right on behalf of İSKİ to take over the related land for the protection of the water sources existing on that land.

Related with the ½ shares of Karaköy Business Center there is an annuity agreement on behalf of Nelly Rose.

Related to stores which were purchased in Beşiktaş, Etiler Alkent, according to the title-deed registry dated October 14, 1987 and numbered 6430; there are usage rights in favor of the patch numbered 1411-1 and against the patch numbered 1408-1 in order to use the central heating systems and in some parts in order to construct 1.5 meters width channels in the heating systems for 49 years period and with an amount of TRY 7.72.

Apart from aforementioned usage right, with title deed registry dated February 26, 1992 and numbered 784, there is a personal usage right in favor of the owners on the patch numbered 1410-1 which enables them to use the parking space that had been projected.

- b) On October 21, 2005, the Company has entered into two forward contracts amounting to USD 20,000,000 and USD 18,000,000 with maturities of March 30, 2006 and April 28, 2006, respectively. The agreement consists of the maturity date, spot rate at this maturity date, foreign currency type, foreign currency amount and corresponding TRY amount. According to the clauses of the agreement, in case the transaction rate of USD is lower than the spot rate applicable on the maturity date, the Company is liable the compensate for the difference between the USD transaction rate and spot rate on the maturity date. In the reverse condition, the bank is liable to compensate for the above-mentioned difference.





The detail of the forward contracts as of December 31, 2005 is as follows:

Name of the Bank	Agreement Date	Sold - Purchased in Forward		Maturity Date	Forward Rate (USD/TRY)
		F/C Type	F/C Amount		
Türkiye İş Bankası A.Ş.	21.10.2005	USD	18,000,000	28.04.2006	1.4339
Türkiye İş Bankası A.Ş.	21.10.2005	USD	20,000,000	30.03.2006	1.4250

The amount recorded as expense within 2005 related to forward contracts is TRY 1,498,968.

### 32. BUSINESS COMBINATIONS

As of December 31, 2005 and 2004, the Company has no merging activities.

### 33. SEGMENT REPORTING

Since the Company has only one operation and operates in one geographic location, no segment reporting is made.

### 34. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of this report, there is no significant event after the balance sheet date that requires to be reported.

### 35. DISCONTINUED OPERATIONS

As of December 31, 2005 and 2004, the Company has no discontinued operations.

### 36. INCOME FROM MAIN OPERATIONS

The changes in the sales of services and goods realized in the current year for each main sales group separately are as follows:

<u>Main Sales Group</u>	<u>01.01.2005- 31.12.2005</u>	<u>01.10.2005- 31.12.2005</u>
Land Sales	6,342,592	6,342,592
Rent Income	5,827,565	852,359
<b>Total</b>	<b>12,170,157</b>	<b>7,194,951</b>



As of December 31, 2005, cost of sales amounts to TRY 4,746,506 (TRY 3,583,943, 01.10.2005-31.12.2005), and mainly consist of selling cost of İzmir Güzelbahçe land and depreciation charge of investment properties.

### 37- OPERATING EXPENSES

General Administrative Expenses are as follows:

	01.01.2005- 31.12.2005	01.10.2005- 31.12.2005
Wages and Salary Expenses	828,944	236,405
Rent Expenses	172,455	44,243
Services Rendered from Other Parties	265,863	168,056
Amortization Expenses	96,859	6,747
Tax, Stamp and Other Duties	183,333	122,800
Study, Project, Translation Expenses	43,898	11,000
Juridical Consultancy Expenses	37,539	9,385
Termination Indemnity	37,686	9,908
Financial Consultancy and Audit Expenses	18,687	4,074
Communication Expenses	13,791	2,800
Transportation Cost	15,827	5,532
Press and Publication Expenses	7,732	201
The Provision Impairment of Assets (*)	(254,393)	(230,672)
Other	128,947	30,649
<b>Total</b>	<b>1,597,168</b>	<b>421,128</b>

(\*) With respect to Part 9, Article 227 of the Communiqué Serial Number: XI-25, the reversal of the provision for impairment of assets has been recorded as income to year 2005 by deducting from general administrative expenses.



### 38. OTHER OPERATING INCOME / EXPENSE

Detail of other operating income is as follows:

	01.01.2005- 31.12.2005	01.10.2005- 31.12.2005
Gain on Sale of Marketable Securities	7,098,355	1,570,215
Foreign Exchange Difference Income	2,768,455	309,905
Interest Income	916,015	181,130
Land Reservation Fee to T.C. Ministry of Environment and Forestry	466,328	46,476
Rent Fee to T.C. Ministry of Environment and Forestry	153,513	-
Rediscount Interest Income	67,616	8,351
Other	98,842	54,286
<b>Total</b>	<b>11,569,124</b>	<b>2,170,363</b>

Detail of other operating expenses is as follows:

	01.01.2005- 31.12.2005	01.10.2005- 31.12.2005
Foreign Exchange Difference Losses	6,341,485	2,111,507
Land Reservation Fee to T.C. Ministry of Environment and Forestry	466,328	46,476
Rent Fee to T.C. Ministry of Environment and Forestry	153,513	-
Interest, Marketable Security Withholding Tax	106,472	27,031
Rediscount Interest Expense	88,970	57,213
Other	55,099	25,888
<b>Total</b>	<b>7,211,867</b>	<b>2,268,115</b>

### 39. FINANCIAL EXPENSES

The Company has no financial expenses as of December 31, 2005.

### 40. NET MONETARY POSITION GAIN / LOSS

With respect to TCMB's announcement dated March 18, 2005 and numbered B.02.1.SP.K.0.17/152-7642, no inflation restatement has been done in 2005 and consequently the Company does not have any monetary gain / (loss) as of December 31, 2005.

### 41. INCOME TAXES

As specified in footnote 3, the Company is exempt from corporate income tax and withholding tax. Consequently, the Company does not have any income tax liability deferred tax asset or deferred tax liability for the periods ended December 31, 2005 and 2004.



## 42. EARNINGS PER SHARE

Earnings per share disclosed in the accompanying statements of income is determined by dividing net profit amounting TRY 10,183,740 by the weighted average number of shares. Computation is as follows:

### **Net Profit Per Share**

	<u>31.12.2005</u>	
Current Period Profit	10,183,740	<b>A</b>

### **Weighted Average Number of Shares**

*(Unit - Lot)*

Weighted Average of Shares Lot Amount	3,565,000	<b>B</b>
Earnings Per Share - Lot (in TRY)	2.857	<b>A/B</b>

In accordance with the Communique Serial Number: XI-25, as first degree legal reserve is anticipated in financial statements of the Company, and the related legal reserve ceiling is calculated according to Turkish Commercial Code article 466; both the paid-in capital and the share capital should be taken into consideration.

Regarding the determination of dividends that publicly-quoted companies distribute according to the directives of TCMB; as the profits resulting from concerned company's 2005 operations to be taken into consideration, which are calculated on the basis of financial statements prepared in accordance with the Communique Serial Number: XI-25, it is obligatory for those companies to determine an amount of at least 30% (2004 - 30%) of their distributable earnings. The so called distribution could be either in form of cash, either in the form of bonus share (which means free-of-charge) not to be less than 30% of distributable earnings, or both, all of which depending on the decision of General Assembly of those companies.

Concerning the distribution of earnings, even though it is obligatory that the amount of dividend should be calculated on the basis of net distributable earnings according to the TCMB decree numbered 7/242 and dated February 25, 2005 on distribution of earnings; on the condition that legal reserves are anticipated from accounting records according to Turkish Commercial Code, it is possible that all the dividend to be distributed if the net distributable earnings anticipated in legal records meet the amount of net distributable earnings calculated according to TCMB's directives on distribution of earnings; if not, all the amount of net distributable earnings anticipated in legal records to be distributed. On the other hand, if the Company faces a period loss either in the financial statements prepared according to TCMB's directives or in any of its legal records, it should not perform a distribution of earnings.



Profit/(loss) for the period and accumulated profit/(loss) for the period ended December, 2005 calculated according to TCMB Legislation and Tax Procedure Law ("TPL") are as follows:

<b>Current Year Income/(Loss) with respect to TCMB Legislation TRY</b>	<b>Accumulated Profit/(Loss) with respect to TCMB Legislation TRY</b>	<b>Current Year Income/(Loss) with respect to Tax Procedure Law TRY</b>	<b>Accumulated Profit/(Loss) with respect to Tax Procedure Law TRY</b>
10,183,740	(3,364,170)	12,036,026	(3,044,080)

The Company executes its operations about the distribution of earnings in accordance with the TCMB decree dated December 30, 2004 and numbered 51/1747 and dated another decree February 25, 2005 and numbered 7/242. The Company's profit according to the Tax Procedure Law is TRY 12,036,026, according to the TCMB Communique Serial Number: XI-25 is TRY 10,183,740. The calculation of distributable earnings of the Company is as follows:

	TRY
1 - Current Year Income	10,183,740
2 - Taxes and Funds Payable	-
- Deferred Tax	-
- Corporate Income Tax	-
<b>NET CURRENT YEAR INCOME</b>	<b>10,183,740</b>
Accumulated Loss (-)	(3,364,170)
3 - First Degree Legal Reserves (-)	(449,597)
(Distributable Earnings with respect to TPL: ((8,991,946) x 5 %)	
<b>DISTRIBUTABLE CURRENT YEAR INCOME</b>	<b>6,369,973</b>

The dividend amount for the year 2005 to be approved in General Assembly has not been determined as of the date of this report.

#### **43. CASH FLOW STATEMENT**

Cash and cash equivalents are mentioned in footnote 4. Cash flow statement regarding cash flows and resources within the period is presented in accompanying financial statements.

#### **44. OTHER MATTERS REQUIRED TO BE EXPLAINED TO ACHIEVE COMPREHENSIBILITY, CLEARNESS AND INTERPRETABILITY OF FINANCIAL STATEMENTS OR OTHER MATTERS REQUIRED TO BE EXPLAINED WHICH EFFECTS FINANCIAL STATEMENTS SIGNIFICANTLY**

There is no other matter that requires to be reported as of December 31, 2005 and 2004 .



## PROPOSAL FOR PROFIT APPROPRIATION

We propose to be distributed TRY 6,369,973, the amount representing the distributable profit to remain after setting aside TRY 3,364,170 as accumulated losses and TRY 449,597 as first order legal reserves pursuant to the Capital Market Code, the Articles of Association and other related regulations out of TRY 10,183,740 representing the net profit for the year 2005 in the financial statements and presented to the General Assembly for approval as follows:

Distributing TRY 1,925,100 which is 30.22 % of distributable profit to shareholders as non-paid-up share by adding to the share capital,

Balance to be transferred to extraordinary reserves which amounts to TRY 4,444,873.

### Board of Directors

Profit appropriation according to the Capital Market Code, the Articles of Association and other related regulations is as follows:

- Net Profit for the Year	TRY 10,183,740
- Accumulated Losses	TRY 3,364,170
- First Order Legal Reserve	TRY 449,597
- Net Distributable Profit for the Year	TRY 6,369,973
- Dividend to be Distributed to Shareholders as Non-paid-up Share	TRY 1,925,100
- Balance to be Transferred to the Extraordinary Reserves	TRY 4,444,873
- Ratio of the Dividends to be Distributed to Paid-in Capital	54.00 %
- Ratio of the Dividends to Distributable Profit for the Year	30.22 %



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