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**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**Annual Report 2006**

General Assembly  
**April 10, 2007**

Registered Capital  
TRY 20.000.000

Paid-in Capital  
TRY 5.490.100

## CONTENTS

• Message from the Board of Directors	3
• Board of Directors and Auditors	4
• Meeting Agenda	5
• Annual Report of the Board of Directors	6
• General Information Concerning Our Activities	7
• Financial Indexes	8
• Statutory Auditors' Report	9
• Report on Compliance with Corporate Management Principles	10
• Independent Auditors' Report	20
• Financial Statements	21
- Balance Sheets	22
- Income Statements	24
- Statements of Shareholders' Equity	25
- Statements of Cash Flows	26
- Notes to the Financial Statements	27
• Proposal for Profit Distribution	57

## **MESSAGE FROM THE BOARD OF DIRECTORS**

Dear Shareholders,

The year 2006 has been one in which many positive developments were observed in world economy. Serious growth rates were attained in the economies of the USA and EU countries as well as Japan, China, India in Asia.

The Turkish economy has also shown a positive performance in parallel with world economy in 2006. The high growth rate that has been observed in the last five years continued in 2006. The growth rate for the year 2006 is expected to exceed 5%. Despite the economic fluctuation that affected world economy in May, the inflation rate was 9,6%. The year 2006 was also a successful one from the point of view of the budget deficit which decreased approximately TRY 4 billion. A primary surplus of about TRY 42 billion was attained and the proportion of the primary surplus to the Gross National Income was 7,5%. This rate proves that a good performance was attained. A direct foreign capital of around USD 19,9 billion was brought in 2006.

In addition to these positive economic developments, the current account deficit was USD 31,3 billion. This record deficit is the weakest point of the Turkish economy. However, the fact that 63 % of this deficit was financed with direct foreign capital inflow has decreased this risk. Despite the 1% decrease in unemployment in 2006, this issue remains the second serious economic problem. The high real interest rate prevents investments and employment opportunities cannot be created.

The positive atmosphere in both the world economy and Turkish economy led to a serious increase in demand in the construction sector. A record amount of housing loans were used in 2006. The interest shown by foreign investors to housing and shopping center investments has increased considerably, too. We predict that this interest will continue although 2007 is a year of elections.

The sales of our new project started in 2006 is continuing successfully. The construction of this project will be completed in 2007. New projects will be started in parallel with the positive developments in the economy and the increase in demand. The results of our new projects will reflect in our financial statements in future years.

The construction sector has always been a leader of the Turkish economy and the real estate investment companies fulfill an important function from the point of view of creating resources to this sector with their corporate structures. Our efforts to develop cooperation with foreign investors will continue in 2007 and the future years.

Our best regards to your esteemed assembly.

Board of Directors

## BOARD OF DIRECTORS AND AUDITORS

<u>Board of Directors</u>	<u>Duty</u>	<u>Commencement Date of Duty</u>	<u>Expiry Date of Duty</u>
İzzet Garih	Chairman	28.03.2006	10.04.2007
Vedat Aksel Alaton	Vice Chairman	28.03.2006	10.04.2007
Mustafa Filiz	Director	28.03.2006	10.04.2007
Ahmet Önder Kazazoğlu	Director	28.03.2006	10.04.2007
Hilmi Önder Şahin	Director	28.03.2006	10.04.2007
Mehmet Kutman	Director	28.03.2006	10.04.2007
Murat Goldştayn	Director	28.03.2006	10.04.2007

### Board of Auditors

Ümit Nuri Yıldız	28.03.2006	10.04.2007
Aykut Baycan	28.03.2006	10.04.2007
Hami Özçelik Çataloğlu	28.03.2006	10.04.2007

### Independent Auditor

Denge Bağımsız Denetim  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
(Member of Mazars)

**AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING  
OF APRIL 10, 2007**

1. □ Deliberations and decision for the election of the Presiding Committee.
2. □ Deliberations and decision to authorize the Presiding Committee to sign the minutes □ of the General Assembly Meeting.
3. □ a) □ Reading of the Board of Director's Annual Report and Balance Sheet and Income □  
□ Statement as of 2006. □
  - 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 2006. □
  - e) □ Deliberations and decision to acquit the Members of the Board of Directors and the □  
□ Statutory Auditors' fiduciary responsibilities for the Company's results in 2006.
4. □ Presenting information concerning the profit distribution of 2007 and the following years.
5. □ Deliberations and decision on the proposal of the Board of Directors for the distribution □ of the profit of 2006.
6. □ Election of the Board of Directors, deliberations and decision concerning the members' □ terms of office and of the salaries to be paid to them.
7. □ Election of the Statutory Auditors', deliberations and decision concerning the members' □ terms of office and the salaries to be paid to them.
8. □ Deliberations and decision concerning the signing of a contract for the auditing of the □  
□ Company's account by an independent auditor Company selected by the Board of □  
□ Directors as required by the Capital Market Regulations 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 our Company's activities in 2006 for your consideration and criticism.

- a) Our annual report covers the period between January 1, 2006 and December 31, 2006.
- b) The Members of the Board and the Statutory Auditors during 2006 and their terms in office are presented on page 4.

The financial statements showing the results of the activities of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. in 2006 have been audited independently by Denge Bağımsız Denetim Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Mazars).

- c) The Company's registered capital ceiling in 2006 was TRY 20.000.000.
- d) Our issued capital is TRY 5.490.100 and our net profit for the period TRY 4.916.479.
- e) The rate of participation to our Ordinary General Assembly Meeting held on March 28, 2006 was 51,41 %. The shareholders that hold more than 10 % of our 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 operational periods, no dividends were paid in 2003 and 2004. A dividend of 54,00 % was paid in 2005 in the form of bonus shares.

The proposal for profit distribution for the year 2006 submitted by the Board of Directors to the approval of the General Assembly is at the end of the report. At the time this report was written, the nominal value of TRY 1 of our share certificate registered with the İstanbul Stock Exchange, where their transaction is carried out, was TRY 32,25.

- f) No donation was made to foundations or associations in 2006.
- g) Information concerning the ownership percentage in participation as of December 31, 2006, income for the year 2005 and the dividends obtained in 2005 and 2006 are given in the notes to the Statements of Income and Balance Sheets.



## **GENERAL INFORMATION CONCERNING OUR ACTIVITIES**

A serious activity has been observed in the construction sector in the years 2005 and 2006 as a result of the high growth rate maintained in the Turkish economy in the last five years. Despite the increase in loan interests in the second half of 2006, a record amount of housing loans have been used at this time. The interest of foreign funds in housing and shopping center investments has also increased considerably. We predict that this positive atmosphere in the sector will continue in 2007.

With the important increase in housing demand, we have added impetus to our projects. Construction of the third phase, Lake Houses project, of Alkent Istanbul 2000 was started in 2006. The sales and construction of this phase is continuing successfully.

The development works of our land in Maslak, the business and commerce center of Istanbul, is continuing. Our project consisting of a business and shopping center on this plot is one of our important projects to be realized shortly.

On the other hand, the development permission for our project on our plot in Orhanlı, Tuzla, was obtained on December 15, 2006 and the necessary work for the construction to begin is continuing. We are also looking for plots suitable for housing, shopping center and large supermarket constructions in the city center.

Fethiye Hillside Beach Club Holiday Village, one of the most prestigious holiday villages of our country and Alkent Çarşı in Alkent Etiler, one of the most prestigious housing projects in Istanbul, were bought and added to our portfolio in 2004. Our company has started to earn long term rent income with these large investments. Moreover, the value increase of the said real estates has made positive contributions to our net asset value.

Our company's net assets value which was TRY 183.141.977 at the end of 2005 showed an increase of 9% and reached TRY 198.940.030. The net asset value per share has reached TRY 36,24. Our net profit for the period has been TRY 4.916.479.



## STATUTORY AUDITORS' REPORT TO THE ANNUAL GENERAL ASSEMBLY OF ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### THE COMPANY

**NAME** : ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.  
**HEAD OFFICE** : Muallim Naci Cad. No: 69 34347 Ortaköy-Istanbul/TURKEY  
**CAPITAL** : REGISTERED TRY 20.000.000.  
ISSUED : TRY 5.490.100.  
**SCOPE OF ACTIVITY** : As described in the Articles of Association.

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

1. ÜMIT NURİ YILDIZ (Term of office: 28.03.2006 - 10.04.2007. He is not a shareholder or a personnel of the Company.)
2. AYKUT BAYCAN (Term of office: 28.03.2006 - 10.04.2007. He is not a shareholder or a personnel of the Company.)
3. HAMİ ÖZÇELİK ÇATALOĞLU (Term of office: 28.03.2006 - 10.04.2007. 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 inspected twice for compliance with the provisions of the Turkish Commercial Code, of laws and regulations, of the Company's Article of Incorporation and of General Assembly and Board of Directors regulations. The first inspection was performed on July 24-25, 2006 for the first six months of the year, and the second on January 30-31, 2007 for the second six months. The results of the both inspections 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 :

The Company's cash office was inspected and counted four times.

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

The Company's records were checked every month to see whether the instruments referred to in Article 353/I-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 ACTION TAKEN CONCERNING THEM :

No complaints or irregularities were referred to the statutory auditors since March 28, 2006, the date we assumed our duty.

We have examined the accounts and transactions of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi for the period of January 1, 2006 to December 31, 2006, 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, 2006, 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, 2006 to December 31, 2006 similarly reflects the results of its activities for the same period and that the proposal 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

Ümit Nuri Yıldız

Aykut Baycan

Hami Özçelik Çataloğlu

## REPORT ON COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

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

Our Company takes due care for implementation of the rules mentioned in Corporate Management Principles published by the Capital Markets Board. Explanations on this issue are here below.

## PART I - 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 Shareholder's Department formed within the Alarko Group of Companies.

Director and staff of the department are Lawyer Aysel Yürür and Emel Ecevit.

#### For communication:

Phone +90 212 310 33 00 - 227 52 00 pbx

Fax : +90 212 236 42 08

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

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 Istanbul Stock Exchange and Capital Markets Board for publishing. Questions of about 45 investors have been answered during the year.

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

Questions of the shareholders commonly relate to investments, turnover, capital increase and dividend payments of the Company. Some 45 questions were asked within the year. Questions and answers given were communicated to the Board of Directors.

The Company's articles of association contain no provision regarding appointment of an independent auditor. No request was made during the year for appointment of an independent auditor.

### 4. Information About General Assembly

Ordinary annual general assembly meeting of the company was held with a quorum of 51,41%. The meeting was attended by representatives of the media.

Invitation to the meeting was made by way of public announcement and the Istanbul Stock Exchange was duly notified.

The activity report, auditor's report, financial statements, articles of association, meeting agenda and profit distribution proposal by the Board of Directors were presented to the shareholders at the company's headquarters prior to the general assembly meeting. The Istanbul Stock Exchange and Capital Markets Board were notified of the profit distribution proposal prior to the general assembly meeting. At the general assembly 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.

The Company's articles of association contain no provision regarding vesting the authority for making decisions on splitting, sale, purchasing and letting of assets in the general assembly.

Minutes of general assembly meetings are maintained at the Company's headquarters open to the shareholders for 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 Distribution**

No concession is granted in connection with participation in company's profits. Profit distribution is carried out within the periods set forth in applicable laws.

The amount of profit available for distribution will be determined taking into account the new investments to be made and liquidity status if the Capital Markets Board terminates profit distribution obligation in 2007 and the following years.

**7. Transfer of Shares**

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

**PART II - PUBLIC INFORMATION AND TRANSPARENCY**

**8. Company's Informing Policy**

Below you will find our company's Informing Policy developed within the scope of the Corporate Management Principles and in Article 43 of the Capital Markets Board's communiqué Series VI, No.11 "Principles Concerning Real Estate Investment Companies".

**1. Main Framework of our Informing Policy**

Our Public Information and Clarification Policy has been developed based on the principles explained in our Corporate Management Principles Report and our company's rules of ethics. Our Informing Policy is based on principals of transparency and our shareholders and stakeholders are informed fairly, equally and correctly. All technical infrastructure necessary for the information to reach the public, shareholders, stakeholders and other interested parties is ready.

**2. Scope of Information to be Presented to the Public**

Information will be given on subjects and in the way determined by communiqué Series IV, No. 1 "Principles to be Observed by Corporations Amenable to the Capital Markets Law", communiqué Series VI, No.11 "Principles Concerning Real Estate Investment Companies", communiqué Series VIII, No.39 "Principles Concerning Informing the Public About Special Cases".

**3. Ways to Inform the Public**

The necessary Special Case Declaration is made if there are developments important enough to be made public during the year.

In addition to informing the Istanbul Stock Exchange and Capital Markets Board, the manner in which Special Case Declarations made within the scope of the Capital Markets Board communiqués mentioned above are made public is given below.

#### **a. Web Page:**

- i. All information concerning our company is given in detail in our web page [www.alarkoyatirim.com.tr](http://www.alarkoyatirim.com.tr)
- ii. Information on our real estate portfolio is given in our portfolio table as well in the "General Information on our Portfolio" link with photographs attached.
- iii. The list showing the information included in our web page is given in Part II article 10 of the "Report on Compliance with Corporate Management Principles".
- iv. The continuous information form can be found in the links section of our web page.
- v. Changes excluding information made public periodically is updated weekly.

#### **b. Annual Report**

Our annual reports are prepared in Turkish and English and are offered to the inspection of investors at our company headquarters and web page 21 days prior to the General Assembly. If they so wish, the Report is sent to those who cannot come to headquarters electronically or by mail.

#### **c. Press Bulletins**

Information offered to the public in the form of press bulletins are prepared by Investors Relations Department of the company and is distributed in accordance with the informing policy principles.

#### **d. Interviews and Press Conferences**

- i. Following the Annual Ordinary General Assembly information regarding the year and expectations for the coming year are made public by the General Manager through the printed and visual media.
- ii. Declarations through interviews and press conferences are made by the Investors Relations Department. The interview must be in the form of a written text approved by us.
- iii. Media meetings are held when necessary to give information on projects started by the company, continuing projects, long and short term strategies and other similar issues.
- iv. The meeting agenda and summary in the form of a press bulletin is distributed before the meeting.
- v. All the press is treated equally on the issue of invitation to interviews or press conferences.

#### **e. Informing Investors and Brokerage House Analysts**

- i. In such requests, a meeting time is set and information is given at this meeting.
- ii. If a meeting is requested by a group, or if there is more than one meeting request, the meeting is set as a group.
- iii. Presentations to be made at the meetings are prepared by our company and also made available on internet to everybody.

#### **Requests made by Telephone**

- i. If information requested by telephone is available in our web page, the party/parties concerned are directed to the internet address.
- ii. Small information requests should be given by e-mail and are answered in the same way within one week. If the request is not made by e-mail, the answer is given in writing.

#### **4. Staff Responsible of Executing the Informing Policy**

The Shareholders' Service Management is in charge of everything concerning enlightening the public and answering questions directed to the company. Questions asked to the company during the year verbally or in writing are answered by this department and the Board of Directors is informed accordingly.

The staff in charge of implementing the Company's informing policy are;

1. Harun H. Moreno : General Manager
2. Ahmet Y. Varol : Assistant General Manager
3. Aysel Yürür : Shareholders' Service Manager

#### **9. Announcement of Special Cases**

During the year 2006, announcements in connection with 15 special cases were made. No additional explanation was requested.

#### **10. Company's Web page and Its Content**

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

"Report on Compliance with Corporate Management Principles of the Capital Markets Board" which contains a number of links for the following headings may accessed from the "Investor Relations" link of the web page.

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

#### **LIST OF LINKS :**

- 1) Statement Of Compliance With Corporate Management Principles

#### **PART I - SHAREHOLDERS**

- 2) Shareholders Relations Department
- 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 Distribution
- 7) Transfer of Shares

## **PART II - PUBLIC INFORMATION AND TRANSPARENCY**

- 8) Company's Informing Policy
- 9) Announcement of Special Cases
- 10) Company's Web page and Its Contents
  - Trade register information
  - Recent partnership and management structure
  - Detailed information on preference 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 table
  - 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 Meetings where important decisions are taken which may effect the value of Capital Market Tools
  - Frequently asked questions (demands for information, questions and denunciations to the Company and their answers)
  - Continuous Information Form
    - Portfolio Data
    - Ratios According to the 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) Publication of Insiders

## **PART III - OWNERS OF INTEREST**

- 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 of Board of Directors and Independent Members of 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 Audit Mechanism
- 22) Powers and Responsibilities of Board Members and Managers
- 23) Operational Principles of Board of Directors
- 24) Restraint on Doing Business and Competition with the Company
- 25) Rules of Ethics
- 26) Number, Composition and Independence of Board of Director's sub-committees
- 27) Financial Rights Granted to 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 been announced to public firstly in the annual report of 2004, and the names of insiders are as follows at the end of year 2006.

- Ayhan Yavrucu
- İzzet Garih
- Vedat Aksel Alaton
- Mustafa Filiz
- Ümit Nuri Yıldız
- Mehmet Ahkemoğlu
- Ahmet Önder Kazazoğlu
- Hilmi Önder Şahin
- Harun Hanne Moreno
- Mehmet Kutman
- Murat Goldştayn
- Aykut Baycan
- Ömer Çelik
- Ahmet Yüksel Varol
- Aysel Yürür
- Fatma Acar

## **PART III - OWNERS OF INTEREST**

### **13. Informing Owners of Interest**

Owners of interest of the Company are regularly informed on matters of interest to them.

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 web page, e-bulletins, technical publications and books.

#### **14. Participation of Owners of Interest in Management**

No particular model has been developed regarding participation of stakeholders in the Company's management.

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, which should be strictly complied with by the staff in charge of recruitment, are defined in writing.

The physiological, psychological and intellectual characteristics required by each job are taken into consideration in the recruitment process. These characteristics are measured and evaluated by a written test. Following the initial evaluation by the human resources department, the candidate is interviewed by the manager of the particular unit to employ him/her.

All employees are treated fairly and equally in terms of training and promotion opportunities, 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 a 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.

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 also awarded. Thus, the creative personnel are motivated.

A safe working environment is provided to the personnel and it is improved continuously.

#### **16. Information on Relations with Customers and Suppliers**

Our company works as customer focused and measures and evaluates the level of customer satisfaction on a regular basis. 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 (Real Estate Investment) 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 Board of Directors

#### Board of Directors

İzzet Garih	Chairman
Vedat Aksel Alaton	Vice Chairman
Mustafa Filiz	Director
Ahmet Önder Kazazođlu	Director
Hilmi Önder Şahin	Director
Mehmet Kutman	Director (independent)
Murat Goldştayn	Director (independent)

#### General Manager

Harun Hanne Moreno

There are 2 independent members at the Board of Directors.

Board members are in no way restricted in assuming positions in other organizations or entities other than the company.

### 19. Qualifications of Board Members

Minimum qualifications required in election of Board members comply with the Corporate Management Principles of Capital Markets Board. Articles of Association of the Company contains no such principles as due care is taken in the election of Board members in accordance with the said principles.

### 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 35 years is to provide people construction that;

- Have perfectly designed infrastructures,
- Meet all requirements of contemporary 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 Audit Mechanism**

A risk management and internal audit mechanism is set by the Board of Directors. Managerial risks are reviewed periodically by the Auditing Committee constituted by the Board members. The Committee has decided to establish, audit and update an internal control mechanism and this duty is assigned to an Auditing Group. The Auditing Group inspects the internal control mechanism regularly through the approved annual audit plans and communicates its opinions and findings to top management.

Furthermore, the established Auditing Committee reviews related matters and advises the Board of Directors accordingly. The Committee and the Board determine the measures to be taken and instruct the company's managers through the General Manager.

## **22. Powers and Responsibilities of Board Members and Managers**

Powers and responsibilities of Board members and managers are set forth in the company's articles of association.

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

The Board has convened 17 times within the year. The agenda of the Board meetings is determined by the President. Personal attendance at the meetings is ensured.

Board decisions are taken unanimously. No weighed voting right is granted to the Board members.

## **24. No Business or Competition with the Company**

Board members are banned to do business or compete with the company within the year.

## **25. Rules of Ethics**

Rules of ethics approved by the Company's Board of Directors, agreed by all Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. personnel and managers and defined in the Alarko Group of Companies Philosophy are summarized here below.

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

- Act honestly in all business activities towards the government, clients, shareholders, personnel, partners and sub- and by- industries,
- Protect the environment and maintain the inter-company 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 deserved by the shareholders under the current conditions,
- Give priority to teamwork as a corporation performing systematically on the basis of pre-defined procedures; share profit, loss and success and failure.

Our policies are shaped by this philosophy. And this philosophy is affixed at easily visible points in various units of our Company. In addition, all employees are informed through annual Policy Meetings and Our Policy Book published. Our existing and newly recruited 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 page [www.alarkoyatirim.com.tr](http://www.alarkoyatirim.com.tr)

All Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. personnel 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 must be immediately notified of any act or behavior contrary to the rules of ethics.

Any infraction of rules 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 to doers of actually proven infractions by the General Manager authorized by the Board of Directors.

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

- The Auditing Committee is established within the legal term and performs the duties set forth in the communiqué of Capital Markets Board. This committee is constituted by Mustafa Filiz and Ahmet Önder Kazazoğlu.

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

No right or interests are granted to the Board members including remuneration as per the decision of general assembly.

No money is lent to the Company's Board Members or Managers including credit utilization or suretyship.

## INDEPENDENT AUDITORS' REPORT

### ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

#### AUDITOR'S REPORT FOR THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

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

We have audited the accompanying financial statements of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") which comprise the balance sheet at December 31, 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and the fair presentation of the financial statements in accordance with the financial reporting standards issued by Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. as of December 31, 2006 and its financial performance and cash flows for the year then ended, in accordance with the financial reporting standards issued by Capital Market Board.

Istanbul, March 7, 2007

DENGE BAĞIMSIZ DENETİM  
SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of MAZARS

  
Moris Moreno  
CPA, Turkey

# **FINANCIAL STATEMENTS**

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005 (TRY)**

ASSETS	Note Reference	Current Period December 31, 2006	Previous Period December 31, 2005
<b>CURRENT ASSETS</b>		<b>141,017,509</b>	<b>121,858,234</b>
Cash and Cash Equivalents	4	₺2,471,185	₺2,753,547
Marketable Securities (net)	5	59,287,418	72,931,038
Trade Receivables (net)	7	679,290	2,470,585
Financial Leasing Receivables (net)	8	—	—
Due From Related Parties (net)	9	5,818,421	5,832,593
Other Receivables (net)	10	—	—
Biological Assets (net)	11	—	—
Inventories (net)	12	59,705,131	27,811,187
Receivables From Construction			
Contracts In Progress (net)	13	—	—
Deferred Tax Assets	14	—	—
Other Current Assets	15	3,056,064	59,284
<b>NON-CURRENT ASSETS</b>		<b>40,904,108</b>	<b>43,277,011</b>
Trade Receivables (net)	7	—	—
Financial Leasing Receivables (net)	8	—	—
Due From Related Parties (net)	9	—	—
Other Receivables (net)	10	—	—
Financial Assets (net)	16	1,977,444	2,852,525
Positive / Negative Goodwill (net)	17	—	—
Investment Property (net)	18	38,877,651	40,344,379
Tangible Assets (net)	19	41,323	72,810
Intangible Assets (net)	20	4,998	7,297
Deferred Tax Assets	14	—	—
Other Non-Current Assets	15	2,692	—
<b>TOTAL ASSETS</b>		<b>181,921,617</b>	<b>165,135,245</b>

Accompanying explanatory notes are an integral part of these financial statements.



<b>LIABILITIES</b>	<b>Note Reference</b>	<b>Current Period December 31, 2006</b>	<b>Previous Period December 31, 2005</b>
<b>SHORT-TERM LIABILITIES</b>		<b>25,158,689</b>	<b>12,431,516</b>
Financial Liabilities (net)	6	—	—
Short-Term Maturity of Long-Term Liabilities (net)	6	—	—
Financial Leasing Payables (net)	8	—	—
Trade Payables (net)	7	142,195	406,735
Due to Related Parties (net)	9	5,578	1,299
Advances Received	21	24,329,930	8,530,716
Liabilities From Construction Contracts in Progress (net)	13	—	—
Allowances for Liabilities	23	557,352	1,968,241
Deferred Tax Liabilities	14	—	—
Other Liabilities (net)	15	123,634	1,524,525
<b>LONG-TERM LIABILITIES</b>		<b>98,008</b>	<b>80,208</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	98,008	80,208
Deferred Tax Liabilities	14	—	—
Other Liabilities (net)	15	—	—
Minority Interest	24	—	—
<b>SHAREHOLDERS' EQUITY</b>		<b>156,664,920</b>	<b>152,623,521</b>
<b>Share Capital</b>	25	<b>₪,490,100</b>	<b>₪,565,000</b>
<b>Investment Capital Net - off</b>	25	<b>—</b>	<b>—</b>
<b>Capital Reserves</b>	26	<b>141,363,871</b>	<b>142,238,951</b>
Emission Premium		—	—
Share Certificate Cancellation Income		—	—
Revaluation Fund		—	—
Value Increase Fund of Financial Assets	26	767,890	1,642,970
Inflation Restatement Fund of Equity	26	140,595,981	140,595,981
<b>Profit Reserves</b>	27	<b>4,894,470</b>	<b>—</b>
Legal Reserves	28	449,597	—
Statutory Reserves		—	—
Extra- ordinary Reserves	28	4,444,873	—
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>4,916,479</b>	<b>10,183,740</b>
<b>Retained Earnings / (Accumulated Losses)</b>	28	<b>—</b>	<b>(3,364,170)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>181,921,617</b>	<b>165,135,245</b>

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED INCOME STATEMENTS FOR THE YEARS ENDED**  
**DECEMBER 31, 2006 AND 2005 (TRY)**

	Note Reference	Current Period January 01, 2006 December 31, 2006	Previous Period January 01, 2005 December 31, 2005
<b>INCOME FROM MAIN OPERATIONS</b>			
Sales Income (net)	36	6,312,457	12,170,157
Cost of Sales (-)	36	(1,804,492)	(4,746,506)
Service Income (net)	36	—	—
Other Income From Main Operations / interest + dividend + rent (net)	36	—	—
<b>GROSS PROFIT / (LOSS)</b>		<b>4,507,965</b>	<b>7,423,651</b>
Operating Expenses (-)	37	(1,157,383)	(1,597,168)
<b>NET OPERATING PROFIT / (LOSS)</b>		<b>3,350,582</b>	<b>5,826,483</b>
Income and Profit From Other Operations	38	17,479,174	11,569,124
Expense and Loss From Other Operations (-)	38	(15,913,277)	(7,211,867)
Financial Expenses (-)	39	—	—
<b>OPERATING PROFIT / (LOSS)</b>		<b>4,916,479</b>	<b>10,183,740</b>
Net Monetary Position Profit / Loss	40	—	—
<b>MINORITY INTEREST</b>	24	—	—
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>4,916,479</b>	<b>10,183,740</b>
Taxes	41	—	—
<b>NET PROFIT / (LOSS)</b>		<b>4,916,479</b>	<b>10,183,740</b>
<b>EARNING PER SHARE</b>	<b>42</b>	<b>0.896</b>	<b>2.857</b>

Accompanying explanatory are an integral part of these financial statements.

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**DECEMBER 31, 2006 AND DECEMBER 31, 2005 (TRY)**

	Share Capital	Emission Premiums	Legal Reserves	Special Reserves	Extra-ordinary Reserves	Value Increase Fund of Financial Assets	Inflation Restatement Fund of Equity	Accumulated Losses	Net Income / (Loss) For The Year	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	—
Value Increase Fund of Financial Assets	—	—	—	—	—	836,373	—	—	—	836,373
Net Income For the Year	—	—	—	—	—	—	—	—	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>
Balance at January 1, 2006	3,565,000	—	—	—	—	1,642,970	140,595,981	(3,364,170)	10,183,740	152,623,521
Increase in Share Capital	—	—	—	—	—	—	—	—	—	—
Transfer to Accumulated Losses	—	—	—	—	—	—	—	3,364,170	(3,364,170)	—
Value Increase Fund of Financial Assets	—	—	—	—	—	(875,080)	—	—	—	(875,080)
Transfers to Legal Reserves	—	—	449,597	—	—	—	—	—	(449,597)	—
Transfers to Extra-Ordinary Reserves	—	—	—	—	4,444,873	—	—	—	(4,444,873)	—
Dividends	1,925,100	—	—	—	—	—	—	—	(1,925,100)	—
Net Income for the Year	—	—	—	—	—	—	—	—	4,916,479	4,916,479
<b>Balance at December 31, 2006</b>	<b>5,490,100</b>	<b>—</b>	<b>449,597</b>	<b>—</b>	<b>4,444,873</b>	<b>767,890</b>	<b>140,595,981</b>	<b>—</b>	<b>4,916,479</b>	<b>156,664,920</b>

Accompanying explanatory are an integral part of these financial statements.

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**  
**AUDITED STATEMENTS OF CASH FLOWS AS OF**  
**DECEMBER 31, 2006 AND 2005(TRY)**

	Note Reference	Current Period January 01, 2006 December 31, 2006	Previous Period January 01, 2005 December 31, 2005
<b>A. CASH FLOWS FROM MAIN OPERATIONS</b>			
Net Income Before Tax (+)		4,916,479	10,183,740
<b>Adjustments</b>			
Change in Retirement Pay Liability (+)	23	17,800	26,528
Depreciation (+)	18, 19 and 20	1,591,033	1,664,037
Rediscount Interest Expenses (+)	38	66,151	88,970
Rediscount Interest Income(-)	38	(143,500)	(67,616)
Accrued Expenses (-) / (+)	23	(1,410,889)	1,968,240
Reversal of Impairment of Assets (-)	12 and 18	(152,018)	(254,393)
Marketable Securities Income (-)	5 and 38	(2,656,111)	(7,098,355)
<b>Operating Income Before Working Capital Changes (+)</b>		<b>2,228,945</b>	<b>6,511,151</b>
Decrease (+) / Increase (-) in Trade And Other Receivables	7 and 9	1,739,316	(4,245,361)
Increase (-) / Decrease (+) in Inventories	12	(31,815,344)	1,127,123
Increase (-) / Decrease (+) in Other Current Assets	15	(2,996,780)	11,160
Increase (-) / Decrease (+) in Other Long Term Assets	15	(2,692)	148
Decrease (-) / Increase (+) in Trade Payables	7 and 9	(260,261)	356,179
Increase in Other Liabilities (+)	15	14,541,825	9,280,217
<b>Net Cash Used in (-) / Provided by (+) Operating Activities</b>		<b>(16,564,991)</b>	<b>13,040,617</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Tangible And Intangible Assets (-)	19 and 20	(5,618)	(34,558)
Purchase of Investment Property (-)	18	(11,483)	(36,600)
Profit on Marketable Securities (+)	5 and 38	2,269,859	6,884,443
Decrease (+) / Increase (-) in Marketable Securities	5 and 38	14,029,871	(20,248,303)
<b>Net Cash Provided by (+) / Used in (-) Investing Activities</b>		<b>16,282,629</b>	<b>(13,435,018)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(282,362)</b>	<b>(394,401)</b>
<b>Cash and Cash Equivalents at January 1</b>	4	<b>12,753,547</b>	<b>13,147,948</b>
<b>Cash and Cash Equivalents at December 31</b>	4	<b>12,471,185</b>	<b>12,753,547</b>

Accompanying explanatory are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 AND 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, founded in June 6, 1978, 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 the Capital Markets Board. On these basis, on October 31, 1996, the Company applied to the Capital Markets 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 Markets Board Law.

The Company operates as a real estate investment partnership in accordance with the statements and regulations of the Board. In this context, the Company invests real estates, real estate projects and capital market instruments.

The shareholder structure of the Company as of December 31, 2006 and 2005 are as follows :

Name of the shareholders	31 December 2006		31 December 2005	
	Ownership Percentage (%)	Amount (TRY)	Ownership Percentage (%)	Amount (TRY)
Alarko Holding A.Ş.	15.54 %	852,972	15.54 %	554,001
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34.78 %	1,909,609	34.78 %	1,239,907
Publicly traded	49.00 %	2,690,149	49.00 %	1,746,850
Other (*)	0.68 %	37,370	0.68 %	24,242
	<b>100.00 %</b>	<b>5,490,100</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 inflation restatement of the nominal value of the share capital as at December 31, 2006 and December 31, 2005 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 December 31, 2006 and December 31, 2005 are 15 and 10, 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 Markets Board ("CMB") that are effective for the companies quoted to ISE 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 XI-25 of CMB published in the reiterated Official Gazette dated November 15, 2003 and numbered 25290.

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

15th section of the Communiqué XI-25 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.

Notwithstanding, with the announcement of CMB's decision dated March 18, 2005 it is declared that in line with the Communiqué XI-20, paragraph 6 and the Communiqué XI-25 paragraph 375 the high inflationary period is over furthermore, the other indicators of continuation of high inflationary period is almost disappeared and therefore the application of restatement of financial statements is terminated for the year 2005. Accordingly, inflation accounting has not been applied to the financial statements for the year-ended December 31, 2006.

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 this section of the communique 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, 2006.

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

Balance sheets have been presented comparatively with December 31, 2006 and 2005; statement of income, cash flow statement and statement of changes in equity have been presented comparatively with 1 January – 31 December 2005. Accounting principles are constantly applied by the Company in consistency with prior periods.

#### **Net off / Deduction**

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**

The Company's major valuation principles and accounting policies are as follows:

#### **Revenue**

Sales are mainly constituted of rents from property held for investment purposes. 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.

### Inventories

Inventories were revaluated 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. Such impairment is determined and applied for all inventories separately.

### Tangible Assets

Tangible assets are expressed with their beginning values restated to equivalent purchasing power of TRY as of December 31, 2004 and subsequent period 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 :

	31 December 2006	31 December 2005
Buildings	10.0 %	10.0 %
Land Improvements	12.5 %	12.5 %
Machinery and Equipment	25.0 %	25.0 %
Furniture and Fixtures	10.0 % - 33.33 %	10.0 % - 33.33 %
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 for the year 2005 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 6.66 % - 33.33 % for rights. (Note 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.

## Financial Instruments

### *Classification*

The Company's financial instruments are composed of cash and cash equivalents, marketable securities held for trading and held to maturity, trade receivables and 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 interest bearing payables. The receivables of Company 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 Istanbul 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.

In cases of a total or partial collection of a doubtful receivable amount, following the setting of a provision for a doubtful receivable, 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 the transaction costs into consideration in the situations where sale or similar disposals occurs in the following periods after initial recognition. However, if there is not a price quoted to an active market, fair value is computed by using pricing models or discounted cash flows 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 similar conditions and maturities of a financial instruments existing. Market data at the date of balance sheet is used as measurement in pricing models.

### **Write-off**

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset 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. In case of not reimbursing the entire or the partial amount related to the transferred receivables due to any reason, the banks have not the right to recourse to the Company for the related amount. Accordingly, the amount of transferred receivables have not been included in trade receivables in the accompanying financial statements due to the collection of related receivables is realized 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, 2006 and 2005, 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 foreign currency 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 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**

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 affects 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, 2006 and December 31, 2005.

### **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 financial statement's notes (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 after the accumulated depreciation and value decrease are deducted from the adjusted acquisition cost. The expertise values taken as the basis for the fair value of investment properties are compared with the adjusted acquisition costs and in the event that the expertise value is lower than the adjusted acquisition cost, provision is made as per the conditions stated in the section on impairment. Such impairment is determined and applied separately for each investment property.

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 is as follows:

	<u>31 December 2006</u>	<u>31 December 2005</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 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 5 code 4-d and Provisional Article 1 code 4. Consequently, the Company does not have any income tax liability or deferred tax asset or deferred tax liability as of December 31, 2006 and 2005.

## Employee Benefits / Employment Termination Benefits

In accordance with existing social security 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 (Note 23).

### 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, due from banks, due dated cheques and marketable securities.

### 4-LIQUID ASSETS

Cash and cash equivalents as at December 31, 2006 and 2005 are as follows :

	31 December 2006	31 December 2005
Banks	12,471,185	12,753,461
Time deposits	12,462,597	12,741,141
Demand deposits	8,588	12,320
Cash	—	86
<b>Total</b>	<b>12,471,185</b>	<b>12,753,547</b>

Demand deposits consist of TRY, USD and Euro bank deposits, and net interest rate on these deposits varies between 3.75 % and 18 % (for the year 2005; 2.89 % and 18 %) with maturities up to 2 months.

The Company does not have any blocked deposits as of December 31, 2006 and 2005.

## 5-MARKETABLE SECURITIES

As of December 31, 2006 and 2005 breakdown of marketable securities of the Company is as follows :

	31 December 2006			31 December 2005			
Held for Trading Marketable Securities		Book Value		Book Value			
Type B Variable Fund		—		61,982,512			
Type B Liquid Fund		1,478,621		303,296			
Overnight		3,840,158		—			
Held to Maturity Marketable Securities	Currency Type	Book Value	Interest Rate	Maturity Date	Book Value	Interest Rate	Maturity Date
Government Securities	USD	4,563,332	4.90 %	19.03.2007	2,702,082	3.55 %	25.01.2006
	USD	27,716,952	5.70 %	04.04.2007	1,433,997	4.25 %	26.04.2006
	USD	13,848,925	6.01 %	04.04.2007	—	—	—
	Euro	7,839,430	2.75 %	19.03.2007	6,509,151	2.13 %	25.01.2006
<b>Total</b>		<b>59,287,418</b>		<b>72,931,038</b>			

## 6-FINANCIAL LIABILITIES

The Company does not have any short term and long term financial liabilities as of December 31, 2006 and 2005.

## 7-TRADE RECEIVABLES AND PAYABLES

Breakdown of trade receivables is as follows :

	31 December 2006	31 December 2005
Notes Receivable	668,317	2,431,815
Trade Receivables, net	2,521	30,493
Deposits and Guarantees Given	8,452	8,277
<b>Total</b>	<b>679,290</b>	<b>2,470,585</b>

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

	31 December 2006	31 December 2005
Notes received	603,049	295,830
Guarantee letters received	5,707	304,589
<b>Total</b>	<b>608,756</b>	<b>600,419</b>

The Company has TRY 13,942 doubtful receivables as of December 31, 2006. The Company has no doubtful receivables as of December 31, 2005.



Breakdown of trade payables are as follows :

	31 December 2006	31 December 2005
Suppliers, net	34,584	333,024
Deposits and Guarantees Received	107,611	73,711
<b>Total</b>	<b>142,195</b>	<b>406,735</b>

#### 8-FINANCIAL LEASING PAYABLES AND RECEIVABLES

The Company does not have any financial leasing payables or receivables as of December 31, 2006 and 2005.

#### 9-DUE FROM / TO RELATED PARTIES

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

	31 December 2006		31 December 2005	
	Trade	Non-Trade	Trade	Non-Trade
<b>Due from Related Parties</b>				
Alsim Alarko San. Tes. ve Tic. A.Ş.	4,212	—	—	—
Attaş Alarko Turistik Tes. A.Ş.	5,825,470	—	5,840,574	—
Garanti Koza A.Ş. Alsim Alarko A.Ş. Adi Ortaklığı	—	—	1,912	—
Minus: Deferred Income	(11,261)	—	(9,893)	—
<b>Total</b>	<b>5,818,421</b>	<b>—</b>	<b>5,832,593</b>	<b>—</b>

	31 December 2006		31 December 2005	
	Trade	Non-Trade	Trade	Non-Trade
<b>Due to related parties</b>				
Alsim Alarko San. Tes. ve Tic. A.Ş.	914	—	16	—
Alarko Holding A.Ş.	156	—	282	—
Attaş Alarko Tur. Tesisler A.Ş.	3,434	—	—	—
Alarko Carrier San. ve Tic. A.Ş.	944	—	862	—
Alarko Fenni Mlz. Satış ve İm. A.Ş.	—	—	—	—
<b>Total</b>	<b>5,448</b>	<b>—</b>	<b>1,160</b>	<b>—</b>

The Company has dividends payable amounting to TRY 130 and 139 TRY to shareholders, who have shares of publicly traded portion, as of December 31, 2006 and 2005, respectively.

The Company has no balances with the other related parties as of December 31, 2006 and 2005.

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

	31 December 2006	31 December 2005
<b>Expenses</b>		
Rent Expenses	188,181	172,101
Exchange Rate Expenses	435,592	93,295
Rediscount Expenses	11,261	—
Services Rendered	107,921	59,105
Other	17,295	5,594
<b>Total</b>	<b>760,250</b>	<b>330,095</b>

	31 December 2006	31 December 2005
<b>Income</b>		
Rent Income	5,125,876	5,040,630
T.C. Ministry of Environment and Forestry Land Patent Income	137,682	153,513
Interest Income	96,683	66,241
T.C. Ministry of Environment and Forestry Land Rent Income	555,515	466,328
Exchange Rate Income	239,097	64,259
Other	64,585	9,039
<b>Total</b>	<b>6,219,438</b>	<b>5,800,010</b>

Transactions with related parties are as follows :

	31 December 2006			31 December 2005		
<b>Purchases</b>	Goods	Service	Other	Goods	Service	Other
Attaş Alarko Turistik Tes. A.Ş.	—	—	438,273	—	—	93,295
Alarko Carrier San. ve Tic. A.Ş.	—	—	4,309	—	972	—
Alarko Holding A.Ş.	11,420,260	191,098	104,606	—	234,651	—
Alsim Alarko San. ve Tic. A.Ş.	269	14,919,515	14,927	—	1,139	—
Alfarm Alarko Leröy Su Ür. San. ve Tic. A.Ş.	—	—	—	—	38	—
<b>Total</b>	<b>11,420,529</b>	<b>15,110,613</b>	<b>562,115</b>	<b>—</b>	<b>236,800</b>	<b>93,295</b>

	31 December 2006			31 December 2005		
<b>Sales</b>	Goods	Service	Other	Goods	Service	Other
Alarko Holding A.Ş.	—	4,801	—	—	—	—
Attaş Alarko Turistik Tes. A.Ş.	—	4,886,018	1,067,037	—	4,831,910	750,844
Alsim Alarko San. Tes. ve Tic. A.Ş.	—	—	16,716	—	—	6,916
Alarko Carrier San. ve Tic. A.Ş.	—	186,567	—	—	158,594	—
Garanti Koza A.Ş. Alsim Alarko A.Ş. Adi Ortaklığı	—	—	5,009	—	—	1,620
Altek Alarko Elektrik Sant. Tes. İşletme ve Tic. A.Ş.	—	53,290	—	—	50,126	—
<b>Total</b>	—	<b>5,130,676</b>	<b>1,088,762</b>	—	<b>5,040,630</b>	<b>759,380</b>

There are no doubtful receivables due from related parties as of December 31, 2006 and 2005.

#### 10- OTHER RECEIVABLES AND PAYABLES

The Company does not have any other receivables or payables as of December 31, 2006 and 2005.

#### 11- BIOLOGICAL ASSETS

Biological assets are not within the operations of the Company.

#### 12- INVENTORIES

Inventories consist of real estates held for trading and service advances. Breakdown of inventories of the Company as of December 31, 2006 and 2005 is as follows:

	31 December 2006			31 December 2005		
	Restated Book Value	Expertise Amount	Expertise Date	Restated Book Value	Expertise Amount	Expertise Date
<b>Konut Project</b>						
Land Share (1 Parcel)	914,353	5,119,000	15.12.2006	1,167,215	6,024,000	19.10.2005
Project Cost	24,281,037	56,496,000	15.12.2006	6,226,525	53,245,000	19.10.2005
Total	25,195,390	61,615,000		7,393,740	59,269,000	
<b>Büyükçekmece Land</b>						
Land Cost (5 Parcel)	4,321,594	7,100,000	15.12.2006	4,321,594	6,646,500	15.12.2005
<b>Orhanlı Land</b>						
Land Cost	11,420,260	13,500,000	28.12.2006	—	—	—
Project Cost	2,317,546	19,500,000	28.12.2006	—	—	—
Total	13,737,806	33,000,000		—	—	—
<b>Alkent İstanbul 2000 1 Villa</b>						
Cost	1,344,261	1,070,000	15.12.2006	1,342,861	990,000	15.12.2005
Impairment Losses (-)	(274,261)	—		(352,861)	—	
Total	1,070,000	1,070,000		990,000	990,000	
<b>Maslak Land</b>						
Land Cost	15,105,853	28,445,000	15.12.2006	15,105,853	23,700,000	15.12.2005
<b>Total</b>	<b>59,430,643</b>	<b>131,230,000</b>		<b>27,811,187</b>	<b>90,605,500</b>	

The Company has service advances amounting to TRY 274,788 as of December 31, 2006.

**Orhanlı Land:** The Company has purchased Orhanlı land on 14 June 2006 for the projects which is located in the city of Istanbul, in Tuzla district, in Orhanlı village.

**Konut 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 block no. 106, parcel no. 18 and started on sales activities. As of December 31, 2006, sales agreements have been made for 18 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 18,962 m<sup>2</sup> land in Istanbul Maslak.

The total insurance amount on inventories as of December 31, 2006 and 2005 is TRY 898,856 and TRY 769,318, respectively. Furthermore, for domicile project the Company has construction all risk and employer's liability insurance amounting to TRY 35,983,360.

### 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 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 5 code 4-d and Provisional Article 1. Consequently, the Company does not have any income tax liability or deferred tax asset or deferred tax liability as of December 31, 2006 and 2005.

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

Breakdown of other current assets are as follows:

	31 December 2006	31 December 2005
Short-Term Prepaid Expenses	165,226	49,284
Deferred VAT	2,407,219	—
Prepaid Taxes	483,619	—
Other Current Assets, net	—	10,000
<b>Total</b>	<b>3,056,064</b>	<b>59,284</b>

As of December 31, 2006 the Company has other long term non current assets amounting to TRY 2,692.

The Company does not have any other long term non current assets as of December 31, 2005.

Breakdown of other short-term liabilities is as follows :

	31 December 2006	31 December 2005
Taxes, Fees And Other Deductions Payable	68,363	1,472,109
Income Accruals	51,234	44,780
Other	4,037	7,636
<b>Total</b>	<b>123,634</b>	<b>1,524,525</b>

The Company does not have any other long term liabilities as of December 31, 2006 and 2005.

#### 16-FINANCIAL ASSETS

Breakdown of financial assets as of December 31, 2006 and 2005 is as follows :

	31 December 2006		31 December 2005	
	Participation Rate %	Amount	Participation Rate %	Amount
<b>Financial Assets Held for Sale</b>				
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	0.00	1,196	0.00	1,196
Alarko Holding A.Ş.	0.00	1,976,248	0.00	2,851,329
<b>Total</b>	<b>0.00</b>	<b>1,977,944</b>	<b>0.00</b>	<b>2,852,525</b>

Alarko Holding A.Ş. is a quoted company on İstanbul Stock Exchange Market (ISEM). Investment in Alarko Holding A.Ş. is valued based on the stock price which is the current best bid as of December 31, 2006 and 2005. The company accounts for the positive and negative differences arising from fair value recognition in shareholders' equity account under "Financial Assets Value Increase Fund" account in the accompanying financial statements. Accordingly, fair value recognition differences amounting to TRY 1,642,970 as of December 31, 2005 and TRY 875,080 as of December 31, 2006 have been accounted under "Financial Assets Value Increase Fund" account.

Since Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. is not a quoted company 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 detail regarding the fair value information and management of liquidity risk and interest rate risk is given below. The detail of the foreign currency risk has 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, 2006 and 2005 maturity table for assets and liabilities is as follows:

31 December 2006						
	0-1	0-3	3-6	6-12	1	Total
	months	months	months	months	year or more	
<b>Monetary Assets</b>						
Cash and Cash Equivalents	3,844,108	—	—	—	1,478,621	5,322,729
Inventories	—	—	—	—	59,705,131	59,705,131
Other Current Assets	30,480	57,506	34,604	42,636	—	165,226
Trade Receivables, net	9,814	262,950	27,257	370,816	8,453	679,290
Due from Related Parties, net	4,212	—	—	—	—	4,212
<b>Total TRY Assets</b>	<b>3,888,614</b>	<b>320,456</b>	<b>61,861</b>	<b>413,452</b>	<b>61,192,205</b>	<b>65,876,588</b>
Cash and Cash Equivalents	12,467,236	12,727,847	41,240,791	—	—	66,435,874
Other Current Assets	—	—	—	—	—	—
Trade Receivables, net	—	—	—	—	—	—
Due from Related Parties, net	5,814,209	—	—	—	—	5,814,209
<b>Total Foreign Currency Assets</b>	<b>18,281,445</b>	<b>12,727,847</b>	<b>41,240,791</b>	<b>—</b>	<b>—</b>	<b>72,250,083</b>
<b>Total Monetary Assets</b>	<b>22,170,059</b>	<b>13,048,303</b>	<b>41,302,652</b>	<b>413,452</b>	<b>61,192,205</b>	<b>138,126,671</b>
<b>Monetary Liabilities</b>						
Trade Payables	34,584	—	—	—	—	34,584
Due to Related Parties	5,448	—	—	—	130	5,578
Employee Termination Benefit	—	—	—	—	98,008	98,008
Deposits and Guarantees Received	—	—	—	—	33,446	33,446
Advances Received	—	—	—	—	24,329,930	24,329,930
Other Short-Term Liabilities and Provisions for Expenses	80,152	15,502	569,505	15,827	—	680,986
<b>Total TRY Liabilities</b>	<b>120,184</b>	<b>15,502</b>	<b>569,505</b>	<b>15,827</b>	<b>24,461,514</b>	<b>25,182,532</b>
<b>Total Foreign Currency Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>74,165</b>	<b>74,165</b>
<b>Total Monetary Liabilities</b>	<b>120,184</b>	<b>15,502</b>	<b>569,505</b>	<b>15,827</b>	<b>24,535,679</b>	<b>25,256,697</b>

31 December 2005

	0-1	0-3	3-6	6-12	1	Total
	months	months	months	months	year or more	
<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
Employee 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>

**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 have been presented at their fair values.

### 17- □ **POSITIVE / NEGATIVE GOODWILL** □

The Company has no positive or negative goodwill as of December 31, 2006 and □ 2005.

### 18- □ **INVESTMENT PROPERTIES** □

As of December 31, 2006 and December 31, 2005, the movement of investment properties □ is as follows: □

	31 December 2006 □	31 December 2005 □
January 1 □	43,415,689 □	43,271,696 □
Additions □	11,483 □	36,600 □
Accumulated depreciation □	(4,622,939) □	(3,071,310) □
<b>Before impairment, net □</b>	<b>38,804,233 □</b>	<b>40,236,986 □</b>
Impairment □	73,418 □	107,393 □
Monetary effect of impairment □	— □	— □
<b>After impairment, net □</b>	<b>38,877,651 □</b>	<b>40,344,379 □</b>

As of December 31, 2006 and December 31, 2005 , total insurance coverage on □ investment properties of the Company is amounting to TRY 44,489,776 and TRY □ 36,353,345. □

As of December 31, 2006, the comparison of restated amounts with fair values is as □ follows : □

	31 December 2006 □		
Definition of the Property	Expertise □ Date □	Market Value □	Cost Value, Net □
İstanbul Şişhane Trade Center □	15.12.2006 □	1,135,000 □	1,303 □
İstanbul Karaköy Trade Center □	15.12.2006 □	935,000 □	874,587 □
Ankara Çankaya Trade Center □	15.12.2006 □	2,175,000 □	1,262,995 □
Hillside Beach Club Holiday Village □	15.12.2006 □	52,205,000 □	32,976,266 □
Etiler Alkent Sitesi – Stores □	15.12.2006 □	5,925,000 □	3,762,500 □
<b>Total □</b>		<b>62,375,000 □</b>	<b>38,877,651 □</b>



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

31 December 2005

Definition of the Property	Expertise Date	Market Value	Cost Value, Net
İstanbul Şişhane Trade Center	15.12.2005	1,065,000	1,341
İstanbul Karaköy Trade Center	15.12.2005	860,000	860,000
Ankara Çankaya Trade 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, 2006, there is no provision amount that should be set for the decrease in the value of İstanbul Karaköy Trade Center. As of December 31, 2005, since provision for decrease in value amounting to TRY 73,418 has been deducted from the cost of this property, the provision for decrease in value amounting to TRY 73,418 has been reversed by deducting from general administrative expenses.

#### 19-TANGIBLE ASSETS

As of December 31, 2006;

#### COST

	Balance at January 1, 2006	Additions	Disposals	Allowances (-)	Balance at December 31, 2006
Land Improvements	123,365	—	—	—	123,365
Buildings	311	—	—	—	311
Machinery, Installations and Equipments	4,216	—	—	—	4,216
Furniture and Fixture	147,024	5,349	—	—	152,373
Other Tangible Assets	342,604	—	—	—	342,604
<b>Total</b>	<b>617,520</b>	<b>5,349</b>	<b>—</b>	<b>—</b>	<b>622,869</b>

#### ACCUMULATED DEPRECIATION

	Balance at January 1, 2006	Additions	Disposals	Transfer	Balance at December 31, 2006
Land Improvements	93,993	15,421	—	—	109,414
Buildings	285	26	—	—	311
Machinery, Installations and Equipments	3,923	136	—	—	4,059
Furniture and Fixture	103,904	21,252	—	—	125,156
Other Tangible Assets	342,605	—	—	—	342,605
<b>Total</b>	<b>544,710</b>	<b>36,836</b>	<b>—</b>	<b>—</b>	<b>581,546</b>
<b>Net Book Value</b>	<b>72,810</b>				<b>41,323</b>
Advances Given	—				—

As of December 31, 2005;

**COST**

	Balance at January 1, 2005	Additions	Disposals	Allowances (-)	Balance at December 31, 2005
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 January 1, 2005	Additions	Disposals	Transfer	Balance at Bakiyesi
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>

**Net Book Value** **146,452** **—** **—** **—** **72,810**

Advances Given **—** **—** **—** **—** **—**

As of December 31, 2006 the total insurance coverage on tangible fixed assets are TRY 36,026, and TRY 8,185 as of December 31, 2005.

## 20-INTANGIBLE ASSETS

As of December 31, 2006 the movement of the intangible assets is as follows :

<b>Cost</b>	<b>January 1, 2006</b>	<b>Additions</b>	<b>Transfer</b>	<b>Disposals</b>	<b>December 31, 2006</b>
Rights	10,276	269	—	—	10,545
Other Intangible Assets	79,659	—	—	—	79,659
<b>Total</b>	<b>89,935</b>	<b>269</b>	<b>—</b>	<b>—</b>	<b>90,204</b>

<b>Accumulated</b>	<b>Current</b>				
<b>Depreciation</b>	<b>Year</b>				
<b>January 1, 2006</b>	<b>Charge</b>	<b>Transfer</b>	<b>Disposals</b>	<b>December 31, 2006</b>	
Rights	2,979	2,568	—	—	5,547
Other Intangible Assets	79,659	—	—	—	79,659
<b>Total</b>	<b>82,638</b>	<b>2,568</b>	<b>—</b>	<b>—</b>	<b>85,206</b>
<b>Net book value</b>	<b>7,297</b>				<b>4,998</b>

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

<b>Cost</b>	<b>January 1, 2005</b>	<b>Additions</b>	<b>Transfer</b>	<b>Disposals</b>	<b>December 31, 2005</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</b>	<b>Current</b>				
<b>Depreciation</b>	<b>Year</b>				
<b>January 1, 2005</b>	<b>Charge</b>	<b>Transfer</b>	<b>Disposals</b>	<b>December 31, 2005</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>

## 21-ADVANCES RECEIVED

Advances received consists of advances received from customers based on sales of real estates within the context of Konut Project. As of December 31, 2006 and 2005 advances received amounts to TRY 24,329,930 and TRY 8,530,716, respectively.

## 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 security 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 1,857 as of December 31, 2006 (2005 – TRY 1,727) 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 20<sup>th</sup> Part named as "Employee Benefits" of the CMB'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	5 %
Interest rate	11 %
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 December 2006	31 December 2005
Beginning period as of January 1	80,208	53,680
Provision for the year	17,800	26,528
End of period	98,008	80,208

Breakdown of allowances for other liabilities is as follows :

	31 December 2006	31 December 2005
Rent fee Allowance to T.C. Ministry of Environment and Forestry	555,515	466,328
Allowance for Date to Maturity Trade Agreement	—	1,498,968
Other	1,837	2,945
<b>Total</b>	<b>557,352</b>	<b>1,968,241</b>

## 24- MINORITY INTEREST

Since the Company does not prepare consolidated financial statements , there is no minority interest.

## 25- SHARE CAPITAL

As of December 31, 2006 and 2005, The Company's historical authorized share capital is comprised of 5,490,100,000 shares per value YKr 0.10 each and a total of 3,565,000,000 shares, respectively. Breakdown of the Shareholders' Equity structure is expressed in Note 1.

## 26- CAPITAL RESERVES

Investment in Alarko Holding A.Ş. as of December 31, 2006 and 2005 is publicly quoted on ISEM and valued based on the stock price which is the current best bid as of December 31, 2006 and 2005 which is considered to be the fair value of the investment. The Company records increases or decreases resulting from fair value valuation in "Financial Assets Value Increase Fund" in shareholders' equity. As of December 31, 2006 and December 31, 2005, "Financial Assets Value Increase Fund" amounts to TRY 767,890 and TRY 1,642,970, respectively.

The detail of "Inflation Restatement Fund of Equity" as of December 31, 2006 and 2005 is as follows :

	31 December 2006	31 December 2005
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>

## 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, 2006 the total amount of legal reserves and extraordinary reserves of the Company is amounting to TRY 4,508,577 and TRY 85,192,755, respectively. As of December 31, 2005 the total amount of legal reserves of the Company is amounting to TRY 4,058,980 and extraordinary reserves of the Company amounting to TRY 80,747,882.

## 28-ACCUMULATED PROFIT / LOSS

In accordance with Part 15, article 399 of the Communiqué Series XI No: 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 with in 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 profit distribution in accordance with the CMB standards dated February 25, 2005 and numbered 7/242, accumulated losses amounting to TRY 3,364,170 which had recorded in "Retained Earnings / Accumulated Losses" account as of December 31, 2005 have been deducted from the current year profit of December 31, 2005. First degree legal reserve amounting to TRY 449,597 has been allocated and dividends distributed as bonus shares amounting to TRY 1,925,100 have been added to capital. The remaining amount TRY 4,444,873 has been added to extra ordinary reserves.

## 29-FOREIGN CURRENCY POSITION

	31 December 2006			31 December 2005		
	Foreign Currency (Full)	Exchange Rate (Full)	TRY Equivalent	Foreign Currency (Full)	Exchange Rate (Full)	TRY Equivalent
<b>Banks</b>						
USD	1,314,664	1.4056	1,847,892	641,129	1.3418	860,266
Euro	5,735,535	1.8515	10,619,343	6,532,102	1.5875	10,369,712
<b>Marketable Securities</b>						
USD	32,818,162	1.4056	46,129,209	3,082,486	1.3418	4,136,080
Euro	4,234,097	1.8515	7,839,430	4,100,252	1.5875	6,509,150
<b>Due From Related Parties</b>						
USD	4,136,460	1.4056	5,814,209	4,345,417	1.3418	5,830,681
<b>TOTAL FOREIGN CURRENCY ASSETS</b>			<b>72,250,083</b>			<b>27,705,889</b>
<b>Deposits and Guarantees Received (Short Term)</b>						
USD	52,510	1.4056	73,808	39,410	1.3418	52,880
<b>Allowances For Liabilities</b>						
USD	395,216	1.4056	555,515	347,539	1.3418	466,328
<b>TOTAL FOREIGN CURRENCY LIABILITIES</b>			<b>629,323</b>			<b>519,208</b>
<b>NET FOREIGN CURRENCY POSITION</b>			<b>71,620,760</b>			<b>27,186,681</b>

As of December 31, 2006, the Company has notes receivable amounting to TRY 722,710 corresponding to USD 485,000 related with the sales from Konut 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, 2006 and 2005.

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

Regarding the inventories and fixed assets of the Company as of December 31, 2006 and 2005;

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 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 these patches which enables them to use the parking space that had been projected.

**32- BUSINESS COMBINATIONS**

As of December 31, 2006 and 2005, 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, 2006 and 2005, 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 :

	01.01.2006	01.01.2005
	31.12.2006	31.12.2005
<b>Main Sales Group</b>		
Rent Income	5,889,799	5,827,565
Land Sales	422,658	6,342,592
<b>Total</b>	<b>6,312,457</b>	<b>12,170,157</b>

For the periods 01.01 – 31.12.2006 and 01.01. – 31.12.2005, cost of sales amounts are TRY 1,804,492 and TRY 4,746,506 respectively. Cost of sales amounts mainly consist of selling cost of lands and depreciation charge of investment properties.

### 37-**OPERATING EXPENSES**

General Administrative Expenses are as follows:

	01.01.2006	01.01.2005
	31.12.2006	31.12.2005
Wages and Salary Expenses	451,662	828,944
Tax, Stamp and Other Duties	177,363	183,333
Services Rendered from Other Parties	162,372	265,863
Rent Expenses	155,024	172,455
Banks Expenses	91,730	6,598
Juridical Consultancy Expenses	42,539	37,539
Damages for Unlawful Occupation	33,115	—
Depreciation and Amortization Expenses	21,842	96,859
Termination Indemnity	20,028	37,686
Transportation Cost	19,988	15,827
Study, Project, Translation Expenses	14,938	43,898
Financial Consultancy and Audit Expenses	12,978	18,687
Pressing and Publication Expenses	10,171	7,732
Communication Expenses	5,341	13,791
The Provision Impairment of Assets (*)	(152,018)	(254,393)
Other	90,310	122,349
<b>Total</b>	<b>1,157,383</b>	<b>1,597,168</b>

(\*) With respect to Part 9, Article 227 of the Communique Series XI No: 25, the reversal of the provision for the decrease in the value of fixed assets has been recorded as income to period by deducting from general administrative expenses.



### 38- OTHER OPERATING INCOME/EXPENSE

Detail of Other Operating Income is as follows :

	01.01.2006 31.12.2006	01.01.2005 31.12.2005
Foreign Exchange Income	11,838,505	2.768.455
Gain on Sale of Other Marketable Securities	2,656,111	7.098.355
Interest Income	1,944,683	916.015
Land Reservation Fee to T.C. Ministry of Environment and Forestry	555,515	466.328
Rediscount Interest Income	143,500	67.616
Rent Fee to T.C. Ministry of Environment and Forestry	137,682	153.513
Due Date Differences	97,873	—
Other	105,305	98.842
<b>Total</b>	<b>17,479,174</b>	<b>11,569,124</b>

	01.01.2006 31.12.2006	01.01.2005 31.12.2005
Foreign Exchange Losses	13,892,757	6,341,485
Loss on Sale of Marketable Securities	1,178,064	—
Land Reservation Fee to T.C. Ministry of Environment and Forestry	555,515	466,328
Rent Fee to T.C. Ministry of Environment and Forestry	137,682	153,513
Rediscount Interest Expense	66,151	88,970
Other	83,108	161,571
<b>Total</b>	<b>15,913,277</b>	<b>7,211,867</b>

### 39- FINANCIAL EXPENSES

The Company does not have any financial expenses as of December 31, 2006 and 2005.

### 40- NET MONETARY POSITION GAIN / LOSS

With respect to CMB's announcement dated March 18, 2005 and numbered B.02.1.SP.K.D.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, 2006 and 2005.

### 41- INCOME TAXES

As specified in note 3, the Company is exempt from corporate income tax and withholding tax. Consequently, the Company does not have any income tax liability or deferred tax asset or deferred tax liability for the periods 01.01.-31.12.2006 and 01.01.-31.12.2005.

#### 42- EARNINGS PER SHARE

Earning per share is as follows:

	31 December 2006	31 December 2005
Current year income	4,916,479 A	10,183,740 A
<b>Weighted Average Number of Shares</b> (Unit-Lot)		
Weighted Average of Shares Lot Amount	5,490,100 B	3,565,000 B
Earnings Per Share – Lot (in TRY)	0.896 A/B	2.857 A/B

#### 43- CASH FLOW STATEMENT

Cash and cash equivalents are mentioned in note 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, 2006 and 2005.

## PROPOSAL FOR PROFIT DISTRIBUTION

We propose to be distributed TRY 4.740.882 the amount representing the distributable profit to remain after setting aside TRY 175.597 as first order legal reserves as pursuant to the Capital Market Legislation, Company's Articles of Association and other applicable laws out of TRY 4.916.479 representing the net profit for the year 2006 in the financial statements and presented to the General Assembly for approval as follows: □

- Distributing TRY 988.218 (net) which is 20,84% of net distributable profit for the □□□ period to the shareholders in cash as dividend as of May 31, 2007, □
- Setting aside TRY 71.371 out of the dividend to be distributed as second order legal□□□ reserve,□
- Remaining balance of TRY 3.681.293 to be transferred to the extraordinary reserves.

### Board of Directors

According to this and in accordance with the Capital Market Legislation, the Company's Articles of Association and other relevant laws, profit distribution would be as follows.

-□ Profit Before Tax .....	□	TRY□4.916.479
-□ First Order Legal Reserve .....	□	TRY□ 175.597
-□ Net Distributable Profit for the Period .....	□	TRY□4.740.882
-□ Dividends to Shareholders (Net) .....	□	TRY□ 988.218
-□ Second Order Legal Reserve .....	□	TRY□ 71.371
-□ Balance to be Transferred to the Extraordinary Reserves .....	□	TRY□3.681.293
-□ Rate of Dividends to Total Issued Capital.....	□□	18,00 %
-□ Rate of Dividends to Net Distributable Profit for the Period .....	□□	20,84 %