



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
Annual Report 2008

March 27, 2009
General Assembly Meeting
2008 Fiscal Year

Registered Capital
TL 20.000.000

Issued Capital
TL 5.490.100

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MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

During the years 2003-2007 the economies of the world attained a high growth rate of 5% while the growth rate of developing economies went as high as 8%. In 2007, world trade increased by 7% and direct foreign capital investments reached a level of US\$ 2 trillion. These positive developments attained in the world started to reverse as of mid-2007 and ensued in a global financial crisis in 2008.

The fact that in the USA market mortgages were issued to a wide range of subprime borrowers and the creation of virtual derivative products by subjecting housing, the collaterals of the loans, to excessive price rises triggered the crisis. Delay in taking precautions due to reasons such as lack of regulations and supervision in this area as well as the weakness of global surveillance mechanisms led to a trust crisis and the financial crisis grew affecting the real economy and turning into an economic crisis.

These negative global developments started to reflect on Turkish economy as of the middle of 2008. The growth rate that dropped to 5 per mille in the third quarter of 2008 is expected to be around 1,5 % for the year as a whole. The direct foreign capital inflow that reached US\$ 21,8 billion in 2007, fell to a level of US\$ 16 billion in 2008. The current accounts deficit was US\$ 41 billion and the rate of unemployment exceeded 12%. The shrinkage in industrial production grew and a shrinkage of 17,6 % was observed in December of 2008 and of 0,9 for the year as a whole. At the same time, the rate of capacity utilization regressed to a rate of 63,8 %. Moreover, the inflation rate in CPI was 10,06 %, well above the targeted rate.

Despite all these adverse developments, a rather successful budget performance was attained in 2008. The budget deficit was approximately TL 17 billion. The primary surplus was TL 33 billion and its ratio to the GNP 3,5 %.

A great shrinkage was observed in the construction sector in 2008 as a natural result of the negative developments in the economy. Important decreases were observed in demand with the increase in the interest rate of loans extended to the real estate sector which ensued in creating large stocks in the market.

Therefore, 2009 will be a year in which stocks will be dissolved rather than one of new projects. We anticipate that an animation in the housing market will be observed and new projects will begin in the second half of 2010.

Thanks to a balanced portfolio distribution and foreign currency position, our company was able to maintain its material asset value despite all the negative developments experienced in 2008. Sales of our project whose construction was started in previous years continued in 2008. Construction of this project has been completed and residence there will start in 2009. New construction projects will be put into effect in the coming period in parallel to animation in the economy.

The construction sector will continue to be the leading sector of the economy. The real estate investment partnerships will continue to develop quality in the construction sector with their institutionalized management and to have a major role in creating resources and employment. Our company will continue to realize new projects in accordance with our high quality standards in 2009 and the following years and evaluate possibilities of collaboration with foreign investors.

We extend our respects and 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>
Mustafa Filiz	Chairman	27.03.2008	27.03.2009
Ahmet Önder Kazazoğlu	Vice Chairman	27.03.2008	27.03.2009
Mehmet Alper Kaptanoğlu	Director	27.03.2008	27.03.2009
Hilmi Önder Şahin	Director	27.03.2008	27.03.2009
Edip İlkbahar	Director	27.03.2008	27.03.2009
Mehmet Kutman	Director	27.03.2008	27.03.2009
Sarper Volkan Özten	Director	27.03.2008	27.03.2009

Board of Auditors

Ümit Nuri Yıldız	27.03.2008	27.03.2009
Aykut Baycan	27.03.2008	27.03.2009
Hami Özçelik Çataloğlu	27.03.2008	27.03.2009

Independent Auditor

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

Authorisation Limit of Board Members and Statutory Auditors

The Chairman and Directors are having the power and responsibility in accordance with the Turkish Commercial Legislations and Company's Articles of Association. Powers and responsibilities of Board Members are set forth in the Company's Articles of Association on 14th article. Powers and responsibilities of Statutory Auditors are set forth in the Company's Articles of Association 16th and 17th article.

AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING OF MARCH 27, 2009

1. □ Moment of silence.
2. □ Deliberations and decision on the election of the Presiding Committee.
3. □ Deliberations and decision to authorize the Presiding Committee to sign the minutes □ of the General Assembly Meeting.
4. □ a) □ Reading of the Annual Report of the Board of Directors of 2008 and Balance Sheet □ and Income Statement of 2008. □
b) □ Reading of the Statutory Auditors' Report. □
c) □ Reading of the Independent Auditors' Report. □
d) □ Approval of the Balance Sheet and Income Statement of 2008. □
e) □ Deliberations and decision to acquit the Members of the Board of Director and the □ Statutory Auditors for the results of the Company in 2008.
5. □ Deliberations and decision on the proposal of the Board of Directors for the profit □ distribution for the year 2008.
6. □ Deliberations and decision on the election of the Board of Directors and determination □ of the salaries and terms of office of the members.
7. □ Deliberations and decision on the election of the Statutory Auditors and determination □ of the salaries and terms of office of the members.
8. □ Deliberations and decision concerning the signing of a contract for the auditing of the □ company's accounts by an independent auditing company selected by the Board of □ Directors in accordance with 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 2008 for your consideration and criticism.

- a) Our annual report covers the period between January 1, 2008 and December 31, 2008.
- b) The Members of the Board and the Statutory Auditors during 2008 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 2008 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 2008 was TL 20.000.000.
- d) Our issued capital is TL 5.490.100 and our net profit for the period TL 25.809.371.
- e) The rate of participation to our Ordinary General Assembly Meeting held on March 27, 2008 was 52,46 %. 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, a dividend of 54,00 % was paid in 2005 in the form of bonus shares. In 2006 a dividend of 18,00 % and in 2007 a dividend of 14,00 % over issued capital was paid in cash.

The proposal for profit distribution for the year 2008 submitted by the Board of Directors to the approval of the General Assembly is at 66th page of the report. At the time this report was written, the nominal value of TL 1 of our share certificate registered with the İstanbul Stock Exchange, where their transaction is carried out, was TL 13,30.

- f) No donation was made to foundations and associations in 2008.
- g) Information concerning the ownership percentage in participation as of December 31, 2008, income for the year 2007 and the dividends obtained in 2007 and 2008 are given in the notes to the Statements of Income and Balance Sheets.

GENERAL INFORMATION REGARDING OUR ACTIVITIES

The serious global financial crisis was felt powerfully in our country as well and led to a serious shrinkage in the economy as of the third quarter of 2008. The growth rate of 2008 is expected to materialize around 1,5 %.

A perceptible stagnation in the market and serious decrease in demand have been observed as a result of the increase in the interest rates of loans extended to the housing sector. Despite all these adverse conditions, our Company was among companies whose material asset value was least affected in 2008 thanks to a balanced portfolio distribution and foreign currency position.

Construction of the Lake Mansions, the 3rd phase of the Alkent 2000 project was continued in 2008. The construction of this project is now completed and home owners who complete the interior decoration of their houses will start living there in early 2009.

The rent income from Fethiye Hillside Beach Club Holiday Village and Shopping Center of Alkent Etiler that we have included in our portfolio in previous year has continued at an increasing rate in 2008.

The net assets of our company which was TL 211.237.705,- at the end of 2007 attained TL 245.124.762,- in 2008 with an increase of 16 %. Our net profit for the period of 2008 was TL 25.809.371.

DATA ABOUT HUMAN RESOURCES

The average employee quantity on the 01.01.2008 - 31.12.2008 term is 10.

As of 31.12.2008, the company has calculated TL 114.163 employment termination indemnities with full provision.

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.

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

FINANCIAL INDEXES

According to the independently audited financial statements prepared as of December 31, 2008.

- a) Net Sales are TL 24.271.573. A total of TL 392.285 of this amount consists of land sales, TL 17.160.260 consists of villa sales, TL 6.287.615 consists of rent income, and TL 431.413 consists of construction permission fee transfer.
- b) Net Profit for the Period is TL 25.809.371. As known, the profit of real estate investment trust companies is exempt from corporation tax.
- c) The real estate portfolio value, net value of assets and net value of assets per share of our Company are as follows:

	(TL)
İstanbul/Büyükçekmece	5.257.000
İstanbul/Büyükçekmece	7.690.000
Maslak/Sarıyer	31.290.000
İstanbul/Beyoğlu	1.350.000
İstanbul/Karaköy	1.125.000
Ankara/Çankaya	2.330.000
İstanbul/Büyükçekmece	41.213.906
Fethiye Hillside Beach Club	59.520.000
Etiler Alkent Shopping Center	6.465.000
Share Certificates	969.476
Government Bonds and Bills	83.675.564
Mutual Funds	560.208
Foreign Currency Time Deposits	21.168.085
TOTAL PORTFOLIO VALUE	262.614.239
Liquid Assets	65.854
Receivables	6.540.971
Liabilities (-)	24.456.642
Other Assets	360.339
NET VALUE OF ASSETS	245.124.762
NUMBER OF SHARES	5.490.100
NET VALUE OF ASSETS PER SHARE	44,65
BASIC RATIOS	
Current Ratio	7,00
Liquidity Ratio	4,60

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 TL 20.000.000.
ISSUED : TL 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: 27.03.2008 - 27.03.2009. He is not a shareholder or a personnel of the Company.)
2. AYKUT BAYCAN (Term of office: 27.03.2008 - 27.03.2009. He is not a shareholder or a personnel of the Company.)
3. HAMI ÖZÇELİK ÇATALOĞLU (Term of office: 27.03.2008 - 27.03.2009. 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 21-22, 2008 for the first six months of the year, and the second on January 29-30, 2009 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 27, 2008, 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, 2008 to December 31, 2008, 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, 2008, 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, 2008 to December 31, 2008 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 YILDIZ

Aykut BAYCAN

Hami Özçelik ÇATALOĞLU

REPORT ON COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

1. Statement of 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 35 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 35 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 52,46 %. 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 2009 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.54 "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 communiqué 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
- 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 the 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. If information requested is not available in our web page, 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 2008, announcements in connection with 7 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

"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 2008.

- Ayhan Yavrucu
- Mustafa Filiz
- Ümit Nuri Yıldız
- Mehmet Ahkemoğlu
- Ahmet Önder Kazazoğlu
- Mehmet Alper Kaptanoğlu
- Hilmi Önder Şahin
- Edip İlkbahar
- Harun Hanne Moreno
- Mehmet Kutman
- Sarper Volkan Özten
- Aykut Baycan
- Hami Özçelik Çataloğlu
- 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

Mustafa Filiz	Chairman
Ahmet Önder Kazazođlu	Vice Chairman
Mehmet Alper Kaptanođlu	Director
Hilmi Önder Şahin	Director
Edip İlkbahar	Director
Mehmet Kutman	Director (independent)
Sarper Volkan Özten	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 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 36 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 12 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

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, 2008

**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, 2008 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, 2008 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 4, 2009

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



Moris Moreno
CPA, Turkey

**FINANCIAL STATEMENTS AUDITED
BY INDEPENDENT AUDITORS**

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007 (TL)

ASSETS	Note Reference	Current Period December 31, 2008	Previous Period December 31, 2007
CURRENT ASSETS		170.468.935	162.987.256
Cash and Cash Equivalents	6	1.794.148	0.524.420
Financial Investments	7	83.675.564	56.232.123
Trade Receivables		6.520.867	8.386.198
Trade Receivables	10	612.119	3.304.734
Trade Receivables From Related Parties	37	5.908.748	5.081.464
Receivables From Finance Sector Operations	12	—	—
Other Receivables	11	18.422	8.452
Inventories	13	58.132.569	74.169.761
Biological Assets	14	—	—
Other Current Assets	26	327.365	3.666.302
Sub-Total		170.468.935	162.987.256
Non-Current Assets Held for Sale and Discontinued Operations	34	—	—
NON-CURRENT ASSETS		36.767.361	39.505.966
Trade Receivables	10	—	—
Receivables from Finance Sector Operations	12	—	—
Other Receivables	11	—	—
Financial Investments	7	971.172	2.152.171
Equity Accounted Investments	16	—	—
Biological Assets	14	—	—
Investment Property	17	35.774.248	37.325.949
Tangible Assets	18	15.744	25.007
Intangible Assets	19	6.197	2.839
Goodwill	20	—	—
Deferred Tax Assets	35	—	—
Other Non-Current Assets	26	—	—
TOTAL ASSETS		207.236.296	202.493.222

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

LIABILITIES	Note Reference	Current Period December 31, 2008	Previous Period December 31, 2007
SHORT-TERM LIABILITIES		24.337.706	43.453.033
Financial Liabilities	8	—	—
Other Financial Liabilities	9	—	—
Trade Payables		2.033.101	5.226.877
Payables to Related Parties	37	1.474.100	4.952.113
Other Trade Payables	10	559.001	274.764
Other Payables	11	1.973.273	1.122.026
Payables From Finance Sector Operations	12	—	—
Government Grants	21	—	—
Allowances For Liabilities	22	666.893	577.402
Other Short Term Liabilities	26	19.664.439	36.526.728
Sub - Total		24.337.706	43.453.033
Liabilities Related To Non-Current Assets Held for Sale	34	—	—
LONG-TERM LIABILITIES		114.163	115.520
Financial Liabilities	8	—	—
Other Financial Liabilities	9	—	—
Trade Payables	10	—	—
Other Payables	11	—	—
Payables From Finance Sector Operations	12	—	—
Government Grants	21	—	—
Allowances For Liabilities	22	—	—
Provision For Retirement Pay Liability	24	114.163	115.520
Deferred Tax Liability	35	—	—
Other Long Term Liabilities	26	—	—
SHAREHOLDERS' EQUITY		182.784.427	158.924.669
Capital and Reserves Attributable to Parent			
Paid-in Capital	27	€1490.100	€1490.100
Inflation Restatement on Capital	1 and 27	54.712.578	54.712.578
Investment-Capital Elimination		—	—
Share Premium	27	1.076.541	1.076.541
Financial Assets Value Increase Fund		(271.318)	909.681
Foreign Currency Translation Differences		—	—
Restricted Reserves on Profit	27	864.630	696.565
Accumulated Profit / Loss	27	95.102.525	92.933.028
Net Profit / (Loss) for the Year		25.809.371	3.106.176
Minority Interest		—	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		207.236.296	202.493.222

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED INCOME STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007 (TL)

	Note Reference	Current Period January 01, 2008 December 31, 2008	Previous Period January 01, 2007 December 31, 2007
CONTINUING OPERATIONS			
Sales	28	24.271.573	30.796.667
Cost of Sales	28 and 31	(17.104.737)	(20.270.084)
Gross Profit From Operations		7.166.836	10.526.583
Interest, Wage, Premium, Commission and Other Income	28	—	—
Interest, Wage, Premium, Commission and Other Expenses (-)	28	—	—
Gross Profit / Loss From Finance Sector Operations		—	—
GROSS PROFIT		7.166.836	10.526.583
Marketing, Selling and Distribution Expenses (-)	29 and 30	—	—
General Administrative Expenses (-)	29 and 30	(9.150.309)	(1.159.337)
Research and Development Expenses (-)	29 and 30	—	—
Income From Other Operations	31	914.889	805.597
Expenses From Other Operations (-)	31	(2.053.533)	(815.957)
OPERATING PROFIT / LOSS		(3.122.117)	9.356.886
Profit / Loss From Equity Accounted Investments	16	—	—
Financial Income (Other than Main Operations)	32	32.592.835	7.953.205
Financial Expense (Other than Main Operations) (-)	33	(3.661.347)	(14.203.915)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS		25.809.371	3.106.176
Tax Income / Loss from Continuing Operations		—	—
Current Tax Income / Expense	35	—	—
Deferred Tax Income / Expense	35	—	—
INCOME FROM CONTINUING OPERATIONS		25.809.371	3.106.176
DISCONTINUING OPERATIONS			
Income / Loss After Tax From Discontinuing Operations	34	—	—
PROFIT FOR THE PERIOD		25.809.371	3.106.176
Attributable to:			
Minority Interest		—	—
Equity Holders of The Company		25.809.371	3.106.176
Basic Earnings Per Share	36	4,701	0,566
Diluted Earnings Per Share	36	4,701	0,566
Basic Earnings Per Share From Continuing Operations	36	4,701	0,566
Diluted Earnings Per Share From Continuing Operations	36	4,701	0,566

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (TL)

	Note Reference	Paid-in Capital	Inflation Restatement on Capital	Share Premium	Restricted Reserves on Profit	Financial Assets Value Increase Fund	Accumulated Profit / (Loss)	Net Profit / (Loss) for the Year	Total
Balances as of January 1, 2007		5.490.100	54.712.578	1.076.541	449.597	767.890	89.251.735	4.916.479	156.664.920
Inflation Restatement on Equity	1 and 27	—	—	—	—	—	—	—	—
Transfers From Accumulated Profit / (Loss)	27	—	—	—	—	—	3.681.293	(3.681.293)	—
Changes in Financial Assets Value Increase Fund	27	—	—	—	—	141.791	—	—	141.791
Transfers to Restricted Reserves on Profit	27	—	—	—	246.968	—	—	(246.968)	—
Dividends Trasferred to Capital	27	—	—	—	—	—	—	—	—
Cash Dividends to Shareholders	27	—	—	—	—	—	—	(988.218)	(988.218)
Profit For the Period	27 and 36	—	—	—	—	—	—	3.106.176	3.106.176
Balances as of December 31, 2007		5.490.100	54.712.578	1.076.541	696.565	909.681	92.933.028	3.106.176	158.924.669
Balances as of January 1, 2008		5.490.100	54.712.578	1.076.541	696.565	909.681	92.933.028	3.106.176	158.924.669
Capital Increase		—	—	—	—	—	—	—	—
Transfers From Accumulated Profit / (Loss)	27	—	—	—	—	—	2.169.497	(2.169.497)	—
Changes in Financial Assets Value Increase Fund	27	—	—	—	—	(1.180.999)	—	—	(1.180.999)
Transfers to Restricted Reserves on Profit	27	—	—	—	168.065	—	—	(168.065)	—
Dividends Trasferred to Capital	27	—	—	—	—	—	—	—	—
Cash Dividends to Shareholders	27	—	—	—	—	—	—	(768.614)	(768.614)
Profit For the Period	27 and 36	—	—	—	—	—	—	25.809.371	25.809.371
Balances as of December 31, 2008		5.490.100	54.712.578	1.076.541	864.630	(271.318)	95.102.525	25.809.371	182.784.427

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

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007(TL)

	Note Reference	Current Period January 01, 2008 December 31, 2008	Previous Period January 01, 2007 December 31, 2007
A. CASH FLOWS FROM MAIN OPERATIONS			
Net Income Before Tax (+)		25.809.371	3.106.176
Adjustments			
Change in Retirement Pay Liability (-) / (+)	24	(1.357)	17.512
Depreciation (+)	17,18 and 19	1.565.245	1.572.558
Rediscount Interest Expenses (+)	33	12.026	73.130
Rediscount Interest Income (-)	32	(19.028)	(75.725)
Accrued Expenses (+) / (-)	22	89.491	(730.726)
Operating Income Before Working Capital Changes (+)			
		27.455.748	3.962.925
Decrease (+) / Increase (-) in Trade and Other Receivables	10,11 and 37	1.862.363	(1.894.344)
Decrease (+) / Increase (-) in Inventories	13	16.037.192	(14.356.314)
Decrease (+) in Other Current Assets	26	3.338.937	32.222
Decrease (+) in Other Non-Current Assets	26	-	2.692
Decrease (-) / Increase (+) in Trade Payables	10 and 37	(3.193.776)	5.206.463
Decrease (-) / Increase (+) in Other Liabilities	11 and 26	(16.011.042)	13.067.831
Net Cash Provided by (+) Operating Activities		29.489.422	6.021.475
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Tangible and Intangible Assets (-)	18 and 19	(7.639)	(2.380)
Increase (-) / Decrease (+) in Financial Investments	7 and 31	(27.443.441)	3.022.359
Net Cash Used in (-) / Provided by (+) Investing Activities		(27.451.080)	3.019.979
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend Payments (-)	27	(768.614)	(988.218)
Net Cash Used in (-) Financing Activities		(768.614)	(988.218)
Net Decrease in Cash		1.269.728	8.053.236
Cash and Cash Equivalents at January 1	6	20.524.420	12.471.184
Cash and Cash Equivalents at December 31	6	21.794.148	20.524.420

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

(Turkish Lira (TL) 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 Capital Market Board. On these basis, on October 31, 1996, the Company applied to the Capital Market Board (Board) for the registration of share certificates to be issued due to share capital increase and has been registered by the Board through December 13, 1996 dated and G.Y.O. 1/1552 numbered certificate in line with Capital Market Board Law.

The Company operates as a real estate investment partnership in accordance with the statements and regulations of the Board. In this context, the Company invests real estates, real estate projects and capital market instruments. According to this, with regard to the activity principles portfolio investment policies and management limitations, the Company complies with regulations of the Capital Market Board and relevant legislation.

The shareholder structure of the Company as of December 31, 2008 and December 31, 2007 are as follows:

Name of the shareholders	31 December 2008		31 December 2007	
	Ownership Percentage (%)	Amount (TL)	Ownership Percentage (%)	Amount (TL)
Alarko Holding A.Ş.	15,94 %	875.206	15,94 %	875.206
Alsım Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78 %	1.909.609	34,78 %	1.909.609
Publicly Traded	49,00 %	2.690.149	49,00 %	2.690.149
Other (*)	0,28 %	15.136	0,28 %	15.136
	100,00 %	5.490.100	100,00 %	5.490.100

(*) 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, 2008 and December 31, 2007 amounts to TL 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 Alsım 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, 2008 and December 31, 2007 are 10 and 14, respectively.

2-BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a) Basis of Presentation

Basis of Preparation of Financial Statements

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

Communique XI-25 of CMB, that was prepared in line with International Accounting/Financial Reporting Standards, namely “Accounting Standards in Capital Markets” was published in the reiterated Official Gazette on November 15, 2003 and became valid for first interim financial statements that is to be prepared after 01.01.2005.

After publishing Communique XI-25 of CMB on November 15, 2003, in the context of worldwide adaptation of International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS) significant changes were applied and new IFRS’s were issued. Considering these changes to IAS/IFRS’s, with the amendment dated December 12, 2004 made by Communique XI-27 “ Changes to Accounting Standards in Capital Markets” to Communique XI-25, the application of IAS/IFRS’s including financial statements together with explanatory notes said to be served as redeeming the obligations set by the Communiques of Capital Market Board.

Communique XI-29 of Capital Market Board (CMB) “ Principles of Financial Reporting in Capital Markets” that was published in Official Gazette numbered 26842 on April 9, 2008 that supersede Communique XI-29 is prepared by considering the regulations of European Union regarding financial reporting, studies by Turkish Accounting Standards Board (TMSK) and new Turkish Trade Law.

In the implementation of Communique XI-29 of CMB “ Principles of Financial Reporting” original form of IAS/IFRS’s shall be applied until the differences between IAS/IFRS’s that were adopted by the European Union and IAS/IFRS’s that were issued by IASB are declared by TMSK. It should be stated in the explanatory notes that the financial statements were prepared in line with original form of IAS/IFRS’s. In this context, the adoption does not violate TMS / TFRS 's were released by TMSK shall prevail.

In order the accompanying financial statements to be inconfirmtly with IFRS, they are prepared with adjustments and reclassifications to local statutory books regarding fair value measurement and presentation.

Restatement of Financial Statements in Hyperinflationary Periods

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. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power.□
- the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency.□
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.□
- interest rates, wages and prices are linked to a price index.□
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.□

As a result, the Company's financial statements are prepared in accordance with this section of the communique to reflect the effect of the changes of current purchasing power as of December 31, 2004.□

Notwithstanding, with the announcement of CMB, dated March 18, 2005 it is declared that 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 starting from January 1, 2005.□

Presentation and Reporting Currency□

According to the Law on the Currency Unit of the Republic of Turkey, effective from January 1, 2009, the prefix "New" from the "New Turkish Lira" and the "New Kuruş" has been removed with respect to the decision of the Council of Ministers dated April 4, 2007 and numbered 2007/11963. Within the context of the decision, there will not be any change in the value of the currency that, in the conversion; 1 New Turkish Lira (YTL) equals to 1 Turkish Lira (TL) and 1 New Kuruş (YKr) is equal to 1 Kuruş (Kr) in which 1 TL equals to 100 Kr. The accompanying financial statements as at December 31, 2008 and the comparative financial statements as at December 31, 2007 were prepared in TL.□

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

Balance sheets have been presented comparatively with December 31, 2008 and 2007; statement of income, cash flow statement and statement of changes in equity have been presented comparatively with 1 January – 31 December 2007. Accounting principles are constantly applied by the Company in consistency with prior periods. If the presentation or the classification of the financial statements has changed, the Company changes the presentation of its financial statements so that comparability is not impaired. When making such changes in presentation, the Company reclassifies its comparative information.□

Offsetting□

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

b) Changes in Accounting Policies□

Significant changes in accounting policies were applied retrospectively and prior period's financial statements are re-issued.

b) Changes in Accounting Estimates and Errors

Errors are corrected retrospectively and the comparative amounts for the prior periods are restated. The effect of a change in an accounting estimate is recognised prospectively if the change affects that period only; or the period of the change and future periods, if the change affects both.

As at December 31, 2007, the Company estimated that the project costs related to Orhanlı Land, that was sold at September 5, 2007, could be used in other projects and therefore cost of the project was included in balance sheet. However, as at December 31, 2008, there are no existing or planned projects that the project developed on Orhanlı Project could be utilized. Therefore, the project cost this land is expensed in the current period (Note 13).

d) New Standards and Interpretations not yet adopted as of December 31, 2008

The Company has applied new and revised standards those were issued by UMSK and UFRYK (International Financial Reporting Interpretation Committee) and valid since January 1, 2008, during the current period.

Some new standards, changes in or interpretations to them are not yet in effect as of December 31, 2008 and were not applied in the preparation of these financial statements. Those standards are;

IFRS 8 "Operating Segments". The Standard provides that the segment report is to be made in accordance with the "management approach", that is, in accordance with the internal reporting format used by the entity's decision makers. The Standard will apply to annual periods beginning on and after January 1, 2009. No change is expected in the Company's financial statements.

Revised IAS 23, "Borrowing Costs". The Standard eliminates the possibility of recording borrowing costs as expenses in the statement of income and requires the entity to capitalize to the cost of the asset borrowing costs that can be directly allocated to the acquisition, construction or development of a qualifying asset. The Standard will apply to annual periods beginning on and after January 1, 2009 and no change is expected in the Company's financial statements.

Revised IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements". The main changes in the new standards that are relevant to the Company are: a certain change in the definitions of a business and a business combination, a change in the way of measuring items transferred in a business combination, provision of two alternatives for measuring rights that do not provide control, a change in the treatment of transaction costs, treatment of an acquisition in stages, allocation of the overall revenue among all the shareholders, treatment as capital transactions for acquisitions or sales of rights where control is maintained, treatment according to the full fair values in transactions leading to loss of control or acquisition of control, so that the holdings remaining after the loss of control will be recorded based on fair value against recording the difference between the fair value and the book value to the statement of income while the initial investment in gaining control is also valued according to fair value through the statement of income, and expansion of the disclosure requirements. No change is expected in the Company's financial statements.

Revised IAS 27 “Consolidated and Separate-Company Financial Statements” has changed the accounting indicators of the derecognition of investments in subsidiaries, jointly-controlled companies and associated companies. The new Standards apply to periods beginning on or after July 1, 2009. Early implementation is permitted. No change is expected in the Company’s financial statements.

IFRS 2 “Share-Based Payments”. The Standard provides a number of changes in the definition of the investing conditions of share-based payments and regarding the manner of measuring share-based payments. The Standard will be applied retroactively for annual periods after January 1, 2009. Early implementation is permitted along with disclosure thereof. No change is expected in the Company’s financial statements.

IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements”. The Standards provide a number of changes with respect to classification of certain financial instruments as equity or debt and they expand the disclosure requirements regarding such instruments. In addition, proper disclosure is required for realizable instruments classified as equity. The new Standards apply to annual periods beginning on or after January 1, 2009. Early implementation is permitted. No change is expected in the Company’s financial statements.

Revised IAS 1, “Presentation of Financial Statements”. The Standard requires collection of information in the financial statements on the basis of common characteristics and presentation of a comprehensive statement of income. The Standard will apply to annual periods beginning on and after January 1, 2009. Early adoption is possible.

IFRS 1 “First time adoption of International Financial Reporting Standards” this revised standard brings changes in investment costs in first time adoption of IFRS. The Standard will apply to annual periods beginning on and after January 1, 2009. No change is expected in the Company’s financial statements.

Revised IAS 28 “Investments in Associates” this revised standard brings changes in accounting of investments. The Standard will apply to annual periods beginning on and after July 1, 2009. No change is expected in the Company’s financial statements.

Revised IAS 31 “Interests in Joint Ventures” this revised standard brings major changes in application of method of purchasing. The Standard will apply to annual periods beginning on and after July 1, 2009. No change is expected in the Company’s financial statements.

Revised IAS 39 “Financial Instruments: Recognition and Measurement” this revised standard brings changes to items subject to hedging activity. The Standard will apply to annual periods beginning on and after January 1, 2009. No change is expected in the Company’s financial statements.

UFYK 13 "Customer Loyalty Programs". The interpretation provides that sales of goods and services with respect to which the Company grants award credits to its customers are to be accounted for as multiple element transactions, and the payment received from the customer is to be allocated between its various elements based on the fair value of the award credits.

UFYK 15, Agreements regarding Construction of Real Estate Properties. The Clarification provides guidelines for examining whether transactions involving construction of real estate properties are within the scope of IAS 18, Revenues, whereby the revenue from construction of real estate properties is recognized at the time and in the manner similar to revenue from sale of a product or service, covered by IAS 11, Construction Contracts, whereby the revenue is recognized based on the stage of construction of the real estate property. The Clarification applies to annual periods commencing on and after January 1, 2009.

e) Summary of Significant Accounting Policies

Revenue

Sales are mainly constituted of income derived from real estates that were delivered and rents from investment properties. 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. Revenue from the sale of real estates are included in the financial statements when the delivery has made and rent income has been accounted on accrual basis. 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.

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 derived from the cost of real estates that were delivered and the depreciation and relevant expenses of the rent generating investment properties.

Inventories

Inventories were revaluated by the acquisition cost adjusted for inflation. However, expertise value that constitute a basis for the fair value of the inventory for the inventories contractually not sold and contract value of the inventories that are sold but not delivered, are compared with the adjusted acquisition costs and in the case that the expertise value or the sales contract value are lower than the adjusted acquisition costs, impairment is calculated in accordance with the principles in "Impairment in Assets" article. Such impairment is determined and applied for all inventories separately.

Investment Properties

Investment properties are held either to generate rent income and / or capital gain, are recognized after the deduction of accumulated depreciation and permanent losses in values, if any.

The expertise values which constitutes a 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 2008</u>	<u>31 December 2007</u>
Buildings	2,0 - 5,0 %	2,0 - 5,0 %
Rights	3,125 %	3,125 %

Rights represent usage right over Hillside Beach Club Holiday Village.

Tangible Assets

Tangible assets are expressed with their beginning values restated to equivalent purchasing power of TL 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:

	<u>31 December 2008</u>	<u>31 December 2007</u>
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.

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 TL 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.

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

Financial instruments are comprised of cash and cash equivalents, held to maturity investments, available for sale financial assets, trade receivables and trade payables.

Cash and Cash Equivalents

Cash and cash equivalents represents cash on hand, cash deposited at banks or other financial institutions and fund utilized in the context of repurchasing agreements with short maturity of three months or less from the date of acquisition.

Foreign currency denominated cash and cash equivalents are measured by translating into Turkish Lira at the exchange rates prevailing at the balance sheet date.

Cash and cash equivalents are measured with their acquisition cost plus their accrued interests.

Held-To-Maturity Investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less impairment, if any.

Available-For-Sale Financial Assets

Available-For-Sale Financial Assets are financial assets that are not classified as held-to-maturity investments or financial assets held for trading.

A gain or loss derived from the changes in fair value of available-for-sale financial assets are recognised directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss.

Trade Receivables and Trade Payables

Trade receivables and trade payables are measured at amortised cost using the effective interest method.

If there are no interest rate indicated for those short term receivables and payables and in event that the interest accrual is not material, those short term receivables and payables are measured with the invoice values.

Impairment of Financial Assets

The Company assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired . If any such evidence exists, the Company determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Business Combinations

As of December 31, 2008 and December 31, 2007, the Company has no merging activities.

Effects of Foreign Currency Changes

Transactions in foreign currencies are translated into Turkish Lira by using the exchange rates prevailing at the date of transaction. Foreign currency denominated assets and liabilities are translated into TL 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, 2008 and December 31, 2007.

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.

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

The Company has no discontinuing operations.

Biological Assets

The Company has no transaction within the context of biological assets.

Equity Accounted Investments

The Company has no transaction within the context of equity accounted investments.

Goodwill

The Company has no transaction regarding goodwill.

Accounting for Government Grants and Disclosure of Government

The Company has no government grants and disclosure of government.

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 for the periods January 1 – December 31, 2008 and January 1 – December 31, 2007.

Employee Benefits / Employment Termination Benefits

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

Retirement Benefit Plans

The Company has no retirement benefit plans.

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.

The amount of cash flows arising from operating activities is a key indicator of the operations of the Company.

Cash flows arising from investing activities represent the expenditures have been made for resources intended to generate future income and cash flows.

Cash flows arising from financing activities represent future cash flows used in financing activities and repayments.

Cash and cash equivalents represents cash on hand, cash deposited at banks or other financial institutions and fund utilized in the context of repurchasing agreements with short maturity of three months or less from the date of acquisition.

f) Significant Accounting Judgement, Estimations and Assumptions

In preparation of the financial statements in compliance with IAS, the Company management has to make assumptions and estimations with regards to factors affecting current period income expenses, liabilities and contingencies likely to occur and reported asset and liability amounts as at balance sheet date. Accordingly, actual results may differ than those estimated. Estimates and judgements are continually evaluated, corrections are made if necessary and classified in income statement when realized. Accounting estimates are mainly related to impairment of assets, useful lives of tangible and intangible assets and provisions.

3-BUSINESS COMBINATIONS

As of December 31, 2008 and December 31, 2007, the Company has no merging activities.

4-INTERESTS IN JOINT VENTURES

As of December 31, 2008 and December 31, 2007, the Company has no transaction within the context of interests in joint ventures.

5-SEGMENT REPORTING

The Company has only one type of operation and operates in one geographic location.

6-CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2008 and December 31, 2007 are as follows:

	31 December 2008	31 December 2007
Banks	21.193.337	18.760.061
Time Deposits	21.168.086	18.494.684
Demand deposits	25.251	265.377
B type liquid funds	560.208	43.132
Cheques	40.603	—
Repurchasing agreements	—	1.721.227
Total	21.794.148	20.524.420

Demand deposits consist of TL, USD and Euro bank deposits, and net interest rate on these deposits varies between 5,10 % and 17,21 % (for the year 2007: 3,83 % and 14,25 %) with maturities up to one month.

The Company does not have any blocked deposits as of December 31, 2008 and 2007.

7- FINANCIAL INVESTMENTS

As of December 31, 2008 and December 31, 2007 breakdown of short term financial investments of the Company is as follows:

Financial assets held to maturity;

Currency Type	31 December 2008			31 December 2007		
	Book Value	Interest Rate	Maturity Date	Book Value	Interest Rate	Maturity Date
USD	34.818.653	3,90 %	01.04.2009	39.271.263	4,75 %	28.05.2008
USD	34.818.653	3,90 %	01.04.2009	7.667.151	5,52 %	28.05.2008
USD	14.038.258	3,90 %	01.04.2009	9.057.954	5,58 %	28.05.2008
USD	—	—	—	235.755	5,69 %	28.05.2008
Total	83.675.564			56.232.123		

As of December 31, 2008 and December 31, 2007 breakdown of long term financial investments of the Company is as follows:

Available for Sale Financial Assets;	31 December 2008		31 December 2007	
	Participation Rate %	Amount	Participation Rate %	Amount
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	0,00	1.196	0,00	1.196
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.	0,00	500	0,00	500
Alarko Holding A.Ş.	0,00	969.476	0,00	2.150.475
Total	0,00	971.172	0,00	2.152.171

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, 2008 and 2007. 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 TL 909.681 as of December 31, 2007 and as a result of the loss generated as of December 31, 2008 amounted to TL 1.180.999, TL 271.318 have been accounted under "Financial Assets Value Increase Fund" account.

Since Alarko Deyaar Gayrimenkul Geliştirme A.Ş. and Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. are not quoted companies and the fair value of these companies can not be accurately determined, the participation amounts of these companies are presented based on the restated acquisition costs in the accompanying financial statements.

8- FINANCIAL LIABILITIES

The Company does not have any short term and long term financial liabilities as of December 31, 2008 and 2007.

9- OTHER FINANCIAL LIABILITIES

The Company does not have any other financial liabilities as of December 31, 2008 and 2007.

10- TRADE RECEIVABLES AND PAYABLES

Breakdown of short term trade receivables is as follows:

	31 December 2008	31 December 2007
Notes Receivable	512.062	3.292.304
Trade Receivables, net	100.057	12.430
Total	612.119	3.304.734

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

	31 December 2008	31 December 2007
Notes received	1.338.661	1.176.295
Guarentee chegues	72.000	72.000
Guarantee letters received	70.129	5.707
Total	1.480.790	1.254.002

Doubtful receivables as of December 31, 2008 and 2007 are TL 719 and TL 13.942 respectively.

Breakdown of short term trade payables are as follows:

	31 December 2008	31 December 2007
Suppliers, net	559.001	274.764
Total	559.001	274.764

The Company does not have any long term trade receivables or trade payables as of December 31, 2008 and 2007.

11- OTHER RECEIVABLES AND PAYABLES

Other short term receivables comprised of deposits and gurantees and amounted to TL 18.422 and 8.452 as of December 31, 2008 and 2007, respectively.

The Company's other short term liabilities as of December 31, 2008 and 2007 are as follows:

	31 December 2008	31 December 2007
Advances received	1.312.260	—
Partially collected notes	398.042	989.652
Deposits and guarantees received	257.365	127.158
Due to central management	3.905	—
Other	1.701	5.216
Total	1.973.273	1.122.026

The Company does not have any long term other trade receivables or other trade payables as of December 31, 2008 and 2007.

12-RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

The Company does not have any receivables or payables from finance sector operations as of December 31, 2008 and 2007.

13-**INVENTORIES**

Inventories consist of real estates held for trading. Breakdown of inventories as of December 31, 2008 and 2007 is as follows:

	31 December 2008			31 December 2007		
	Restated Book Value	Sales Amount	Expertise Amount	Restated Book Value	Sales Amount	Expertise Amount
						Expertise Date
Domicile Project						
Land share (1 Parcel) and Project cost	—	—	—	—	—	—
Projects not yet sold	24.235.697	—	20.750.000	27.297.557	—	30.350.000 12.12.2007
Projects that are contracted	19.846.568	18.046.406	—	24.758.037	30.764.415	—
Decrease in the value (-)	(5.377.143)	—	—	—	—	—
Total	38.705.122	18.046.406	20.750.000	52.055.594	30.764.415	30.350.000
Büyükçekmece Land						
Land cost (5 Parcel)	4.321.594	—	7.690.000	4.321.594	—	7.690.000 12.12.2007
Orhanlı Land						
Land cost	—	—	—	—	—	—
Project cost	—	—	—	2.686.720	—	—
Total	—	—	—	2.686.720	—	—
Maslak Land						
Land cost	15.105.853	—	31.290.000	15.105.853	—	29.390.000 12.12.2007
Total	58.132.569	18.046.406	59.730.000	74.169.761	30.764.415	67.430.000

Orhanlı Land: The Company has sold Orhanlı land which is located in the city of İstanbul, in Tuzla district, in Orhanlı village, on September 5, 2007 at an amount of TL 16.610.000. As at December 31, 2007, project costs related to this land was included in balance sheet since the management was of the opinion that those project cost could be used in other projects. However, as at December 31, 2008, there are no existing or planned projects that the project developed on Orhanlı Project could be utilized. Therefore, a part of the project is invoiced to related party Alarko Deyaar Gayrimenkul Geliştirme A.Ş. amounted to TL 431.413 and the remaining portion is expensed in the current period.

Domicile Project: The Company has received the construction permit on October 21, 2005 for 63 villas and 1 social club to be constructed on 239,466 m² land located in Büyükçekmece - Eskice block no. 106, parcel no. 18 and started on sales activities. As of December 31, 2008, sales agreements have been made for 39 villas.

Büyükçekmece Land: There are 5 parcels with a total area of 819.272 m².

Maslak Land: The Company plans to build a shopping center on the 18.962 m² land in İstanbul Maslak.

The total insurance amount on inventories as of December 31, 2008 and December 31, 2007 is TL 235.000 and TL 300.000 respectively. Furthermore, for domicile project the Company has construction all risk and employer's liability insurance amounting to TL 58.937.452 ve TL 32.678.400 respectively.

14- BIOLOGICAL ASSETS

Biological assets are not within the operations of the Company.

15- RECEIVABLES FROM CONSTRUCTION CONTRACTS IN PROGRESS

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

16- EQUITY ACCOUNTED INVESTMENTS

The Company has no transaction within the context of equity accounted investments.

17- INVESTMENT PROPERTIES

As of December 31, 2008 and December 31, 2007 ,the movement of investment properties is as follows:

	31 December 2008	31 December 2007
January 1	43.500.590	43.500.590
Additions	—	—
Accumulated depreciation	(7.726.342)	(6.174.641)
Before impairment, net	35.774.248	37.325.949
Impairment	—	—
After impairment, net	35.774.248	37.325.949

As of December 31, 2008 and 2007 , total insurance coverage on investment properties of the Company is amounting to TL 48.303.959 and TL 37.325.037.

As of December 31, 2008, the comparison of restated amounts with fair values is as follows:

31 December 2008

Definition of the Property	Expertise Date	Market Value	Cost Value, Net
Hillside Beach Club Holiday Village	04.12.2008	59.520.000	30.493.738
Etiler Alkent Sitesi – Stores	02.12.2008	6.465.000	3.342.500
Ankara Çankaya Trade Center	03.12.2008	2.330.000	1.202.972
İstanbul Karaköy Trade Center	04.12.2008	1.125.000	733.815
İstanbul Şişhane Trade Center	04.12.2008	1.350.000	1.223
Total		70.790.000	35.774.248

As of December 31, 2007, the comparison of restated amounts with fair values is as follows:

31 December 2007

Definition of the Property	Expertise Date	Market Value	Cost Value, Net
Hillside Beach Club Holiday Village	17.12.2007	58.900.000	31.735.002
Etiler Alkent Sitesi – Stores	06.12.2007	6.150.000	3.552.500
Ankara Çankaya Trade Center	11.12.2007	2.330.000	1.232.984
İstanbul Karaköy Trade Center	06.12.2007	1.040.000	804.201
İstanbul Şişhane Trade Center	06.12.2007	1.210.000	1.262
Total		69.630.000	37.325.949

18-TANGIBLE ASSETS

As of December 31, 2008;

COST

	Balance at January 1, 2008	Additions	Disposals	Allowances (-)	Balance at December 31, 2008
Land Improvements	123.365	—	—	—	123.365
Buildings	311	—	—	—	311
Machinery, Installations and Equipment	4.216	—	—	—	4.216
Furniture and Fixture	154.204	2.536	(9.691)	—	147.049
Other Tangible Assets	342.604	—	—	—	342.604
Total	624.700	2.536	(9.691)	—	617.545

ACCUMULATED DEPRECIATION

	Balance at January 1, 2008	Additions	Disposals	Transfer	Balance at December 31, 2008
Land Improvements	119.986	3.379	—	—	123.365
Buildings	311	—	—	—	311
Machinery, Installations and Equipment	4.141	75	—	—	4.216
Furniture and Fixture	132.649	7.344	(8.690)	—	131.303
Other Tangible Assets	342.606	—	—	—	342.606
Total	599.693	10.798	(8.690)	—	601.801
Net Book Value	25.007				15.744

As of December 31, 2007;

COST

	Balance at January 1, 2007	Additions	Disposals	Allowances (-)	Balance at December 31, 2007
Land Improvements	123.365	—	—	—	123.365
Buildings	311	—	—	—	311
Machinery, Installations and Equipment	4.216	—	—	—	4.216
Furniture and Fixture	152.373	1.831	—	—	154.204
Other Tangible Assets	342.604	—	—	—	342.604
Total	622.869	1.831	—	—	624.700

ACCUMULATED DEPRECIATION

	Balance at January 1, 2007	Additions	Disposals	Transfer	Balance at December 31, 2007
Land Improvements	109.414	10.572	—	—	119.986
Buildings	311	—	—	—	311
Machinery, Installations and Equipment	4.059	82	—	—	4.141
Furniture and Fixture	125.156	7.493	—	—	132.649
Other Tangible Assets	342.606	—	—	—	342.606
Total	581.546	18.147	—	—	599.693
Net Book Value	41.323				25.007

As of December 31, 2008 and 2007, the total insurance coverage on tangible fixed assets are TL 44.326 and TL 32.029, respectively.

19-INTANGIBLE ASSETS

As of December 31; 2008 the movement of the intangible assets is as follows:

Cost	January 1, 2008	Additions	Transfer	Disposals	December 31, 2008
Rights	11.094	—	—	—	11.094
Other intangible Assets	79.659	6.104	—	—	85.763
Total	90.753	6.104	—	—	96.857

Accumulated Depreciation	January 1, 2008	Current Year Charge	Transfer	Disposals	December 31, 2008
Rights	8.255	2.339	—	—	10.594
Other intangible Assets	79.659	407	—	—	80.066
Total	87.914	2.746	—	—	90.660
Net book value	2.839				6.197

As of December 31, 2007 the movement of the intangible assets is as follows:

Cost	January 1, 2007	Additions	Transfer	Disposals	December 31, 2007
Rights	10.545	549	—	—	11.094
Other intangible Assets	79.659	—	—	—	79.659
Total	90.204	549	—	—	90.753

Accumulated Depreciation	January 1, 2007	Current Year Charge	Transfer	Disposals	December 31, 2007
Rights	5.547	2.708	—	—	8.255
Other intangible Assets	79.659	—	—	—	79.659
Total	85.206	2.708	—	—	87.914
Net book value	4.998				2.839

20-**GOODWILL**

The Company has no positive or negative goodwill as of December 31, 2008 and 2007.

21-**GOVERNMENT GRANTS**

The Company does not benefit from any government grants or incentives as of December 31, 2008 and 2007.

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

As of December 31, 2008 and 2007, details of other provisions for liabilities are as follows;

	31 December 2008	31 December 2007
Rent fee Payable to T.C.		
Ministry of Forestry	662.963	571.137
Other	3.930	6.265
Total	666.893	577.402

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 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 TL 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.

23-**COMMITMENTS**

There are no commitments as of December 31, 2008.

As of December 31, 2007;

The Company has signed a forward contract on December 24, 2007 with Türkiye Sınai Kalkınma Bankası A.Ş. and the details of the contract is as follows:

Due on	28.05.2008
Amount purchased	13.866.241,43 Euro
Parity on maturity	1.44 TL
Amount to be sold	19.967.388,66 USD

The Company has committed to purchase of Euro 13.866.241,43 against the sale of USD 19.967.388,66 at maturity.

The Company has accrued total income of TL 2.391.195, TL 476.515 portion at December 31, 2007 and TL 1.914.680 portion at March 31, 2008. At maturity, May 28, 2008, realized income of USD 1.840.050 (2.285.710 TL) was included in income statement.

24-EMPLOYEE BENEFITS

In accordance with existing social legislation, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service within the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay in historical terms to a maximum of TL 2.173 as of December 31, 2008 (2007 – TL 2.030) per year of employment at the rate of pay applicable at the date of retirement or termination. The limit is generally increased in line with inflation rate every six months.

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

According to the 20th part named as "Employee Benefits" of the CMB's Communiqué 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:

	31 December 2008	31 December 2007
Inflation rate	5,4 %	5 %
Interest rate	12 %	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 2008	31 December 2007
Beginning Period as of January 1	115.520	98.008
Provision for the Year	(1.357)	17.512
End of period	114.163	115.520

25-RETIREMENT BENEFIT PLANS

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

26- OTHER ASSETS AND LIABILITIES

Breakdown of other current assets are as follows:

	31 December 2008	31 December 2007
Prepaid Taxes and Funds	193.267	196.820
Short-Term Prepaid Expenses	128.459	111.016
Advances	5.639	165.945
Deferred VAT	—	2.716.006
Forward Contract Income Accruals	—	476.515
Total	327.365	3.666.302

As of December 31, 2008 and 2007, the Company does not have any other non current assets.

Breakdown of other short-term liabilities is as follows:

	31 December 2008	31 December 2007
Advances Received	19.425.233	36.302.568
Taxes and Funds Payable	229.454	178.850
Income Accruals	9.752	45.310
Total	19.664.439	36.526.728

Advances received represents the amounts received from customers for advance payments of Domicile Project.

The Company does not have any other long term liabilities as of December 31, 2008 and 2007.

27- EQUITY

Paid-in Capital

As of December 31, 2008 and 2007, the Company's historical authorized share capital is comprised of 5.490.100.000 shares per value Kr 0,10 each and a total of 5.490.100.000 shares, respectively. Breakdown of the Shareholders' Equity structure is expressed in Note 1.

Inflation Restatement on Capital

The difference resulted from the inflation restatement of the nominal value of the share capital as at December 31, 2008 and December 31, 2007 amounts to TL 54.712.578.

Share Premium

The difference resulted from the inflation restatement of the share premium as at December 31, 2008 and December 31, 2007 amounts to TL 1.076.541.

Financial Assets Value Increase Fund

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, 2008 and 2007. 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 TL 909.681 as of December 31, 2007 and as a result of the loss generated as of December 31, 2008 amounted to TL 1.180.999, TL 271.318 have been accounted under "Financial Assets Value Increase Fund" account.

Restricted Reserves on Profit

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.

Restricted reserves on profit is comprised of legal reserves and amounted to TL 864.630 and TL 696.565 as of December 31, 2008 and 2007 respectively.

Accumulated Profit / Loss

The details of accumulated profit and loss is as follows;

	31 December 2008	31 December 2007
Extraordinary reserves	91.043.545	88.874.048
Accumulated profit	4.058.980	4.058.980
Total	95.102.525	92.933.028

28- SALES AND COST OF SALES

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

	01.01.2008 31.12.2008	01.01.2007 31.12.2007
Main Sales Group		
Villa Sales	17.160.260	8.288.013
Rent Income	6.287.615	5.480.769
Project Sales	431.413	—
Land Sales	392.285	17.027.885
Total	24.271.573	30.796.667

	01.01.2008	01.01.2007
	31.12.2008	31.12.2007
Cost of Sales	17.104.737	20.270.084
Total	17.104.737	20.270.084

Cost of sales mainly consist of selling costs of lands and cost of construction of villas and depreciation charge of investment properties.

29- RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	01.01.2008	01.01.2007
	31.12.2008	31.12.2007
Research and Development Expenses (-)	—	—
General Administrative Expenses (-)	(9.150.309)	(1.159.337)
Research and Development Expenses (-)	—	—
Total	(9.150.309)	(1.159.337)

30- OPERATING EXPENSES AS TO THEIR NATURES

General administrative expenses as to their natures are as follows:

	01.01.2008	01.01.2007
	31.12.2008	31.12.2007
Decrease in the value of inventories	5.377.143	(274.261)
Tax, Stamp and Other Duties	1.893.308	170.529
Study, Project, Translation Expenses	795.392	13.990
Wages and Salary Expenses	515.184	499.873
Rent Expenses	245.059	218.050
Services Rendered From Other Parties	112.285	173.563
Financial Consultancy and Audit Expenses	37.835	14.399
Juridical Consultancy Expenses	33.550	36.600
Transportation Cost	24.431	19.781
Other Consultancy Expenses	3.050	163.000
Other	113.072	123.813
Total	9.150.309	1.159.337

Depreciation and amortization expenses are as follows: (TL)

	01.01.2008 31.12.2008	01.01.2007 31.12.2007
Project Cost	2.446	18.873
Cost of Sales (Note 28)	1.551.701	1.551.701
General Administrative Expenses (Note 29)	2.408	1.982
Total	1.556.555	1.572.556
Investment Properties (Note 17)	1.551.701	1.551.701
Tangible Fixed Assets (Note 18)	2.108	18.147
Intangible Fixed Assets (Note 19)	2.746	2.708
Total	1.556.555	1.572.556

The detail of wages and other benefits to employees are as follows; (TL)

	01.01.2008 31.12.2008	01.01.2007 31.12.2007
General Administrative Expenses	515.184	499.873
Project Cost	884.566	866.130
Total	1.399.750	1.366.003
Personel Wages	1.148.670	1.106.165
Personel Transportation	93.831	106.686
Termination Benefits	37.410	19.434
Food and Beverage	27.680	33.168
Aids	0	990
Personel Health	3.337	82
Other	88.822	99.478
Total	1.399.750	1.366.003

31- OTHER OPERATING INCOME / EXPENSE

Detail of other operating income is as follows: (TL)

	01.01.2008 31.12.2008	01.01.2007 31.12.2007
Rent Fee -T.C. Ministry of Forestry	662.963	571.137
Land Reservation Fee - T.C. Ministry of Forestry	161.009	151.781
Income From Properties Other Than Rent	58.739	30.972
Services to Related Parties	10.896	19.264
Other	21.282	32.443
Total	914.889	805.597

Detail of other operating expenses is as follows: [] [] [] [] []

	01.01.2008 [] 31.12.2008 []	01.01.2007 [] [] [] [] 31.12.2007 []
Construction Costs of Villas Sold []	795.316 []	— []
Rent Fee -T.C. Ministry of Forestry []	662.963 []	571.137 []
Due Date Differences []	362.632 []	18.783 []
Land Reservation Fee - []		
T.C. Ministry of Forestry []	161.009 []	151.781 []
Other []	71.613 []	74.256 []
Total []	2.053.533 []	815.957 []

32-FINANCIAL INCOME []

The details of financial income as of December 31, 2008 and December 31, 2007 is as follows; [] [] [] [] []

	01.01.2008 [] 31.12.2008 []	01.01.2007 [] [] [] [] 31.12.2007 []
Exchange Rate Income []	25.337.294 []	2.707.002 []
Interest Income []	5.051.805 []	3.787.152 []
Income on Forward Contract []	1.809.195 []	476.515 []
Income on Marketable Securities []	272.830 []	746.148 []
Due Date Differences []	96.443 []	123.473 []
Rediscount Income []	19.028 []	75.725 []
Other Income []	6.240 []	37.190 []
Total []	32.592.835 []	7.953.205 []

33-FINANCIAL EXPENSES []

The details of financial expense as of December 31, 2008 and December 31, 2007 is as follows; [] [] [] [] []

	01.01.2008 [] 31.12.2008 []	01.01.2007 [] [] [] [] 31.12.2007 []
Exchange Rate Losses []	2.955.320 []	13.491.794 []
Loss on Marketable Securities []	693.716 []	637.880 []
Rediscount Expense []	12.026 []	73.130 []
Other Expense []	285 []	1.111 []
Total []	3.661.347 []	14.203.915 []

34-DISCONTINUED OPERATIONS AND NON CURRENT ASSETS HELD FOR SALE []

As of December 31, 2008 and 2007, the Company has no plans or intention in the context of discontinued operations.

35-**TAX ASSETS AND LIABILITIES (INCLUDING 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, 2008 and 2007.

36-**EARNINGS PER SHARE**

Earnings per share is as follows:

	31 December 2008	31 December 2007
Current year income	25.809.371 A	3.106.176 A
Weighted Average Number of Shares (Unit – Lot)		
Weighted average of shares lot amount	5.490.100 B	5.490.100 B
Earnings per share – lot (in TL)	4,701 A/B	0,566 A/B

37-**EXPLANATIONS REGARDING RELATED PARTIES**

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

	31 December 2008		31 December 2007	
	Trade	Non	Trade	Non
Due from related parties				
Attaş Alarko Turistik Tes. A.Ş.	5.909.724	—	5.090.348	—
Minus: Deferred income	(976)	—	(8.884)	—
Total	5.908.748	—	5.081.464	—

	31 December 2008		31 December 2007	
	Trade	Non	Trade	Non
Due to related parties				
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	1.471.152	—	4.931.979	—
Alarko-Makyol Adi Ortaklığı	2.138	—	—	—
Alarko Carrier San. ve Tic. A.Ş.	715	—	2.091	—
Alarko Holding A.Ş.	95	—	18.043	—
Total	1.474.100	—	4.952.113	—

The Company does not have any balances with the other related parties as of December 31, 2008 and 2007.

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

	31 December 2008	31 December 2007
Expenses		
Due Date Differences	362.632	—
Exchange Rate Expenses	262.672	279.115
Services Rendered	258.045	152.214
Rent Expenses	248.512	222.850
Rediscount Expenses	976	93.550
Other	92.256	7.279
Total	1.225.093	755.008

	31 December 2008	31 December 2007
Income		
Rent Income	4.476.339	4.433.962
Exchange Rate Income	678.826	114.309
T.C. Ministry of Forestry Land Rent Income (2%)	662.963	571.137
T.C. Ministry of Forestry Land Patent Income	161.009	151.781
Interest Income	72.311	115.427
Disposal Land	—	16.610.000
Other	493.771	73.094
Total	6.545.219	22.069.710

Transactions with related parties are as follows:

	31 December 2008			31 December 2007		
Purchases	Goods	Service	Other	Goods	Service	Other
Attaş Alarko Turistik Tes. A.Ş.	—	192.734	263.416	—	—	279.115
Alarko Carrier San. ve Tic. A.Ş.	—	—	1.088	—	—	1.834
Alarko Holding A.Ş.	6.104	136.569	251.626	549	225.769	141.046
Alsım Alarko San. Tes. ve Tic. A.Ş.	267	2.449.858	1.446.892	—	26.248.334	21.413
Alarko-Makyol Adi Ortaklığı	—	—	2.138	—	—	—
Alfarm Alarko Leröy Su Ür. San. ve Tic. A.Ş.	—	—	—	—	—	4.404
Total	6.371	2.779.161	1.965.160	549	26.474.103	447.812

	31 December 2008			31 December 2007		
Sales	Goods	Service	Other	Goods	Service	Other
Attaş Alarko Turistik Tesis. A.Ş.	—	—	5.814.906	—	—	5.189.745
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.	—	431.413	—	—	—	—
Alarko Carrier San. ve Tic.A.Ş.	—	—	210.179	—	—	179.939
Alsim Alarko San. Tes. ve Tic. A.Ş.	—	41.235	—	16.610.000	19.264	7.839
Altek Alarko Elektrik Sant. Tes. İşletme ve Tic. A.Ş.	—	—	47.486	—	—	49.009
Alarko Holding A.Ş.	—	—	—	—	3.914	—
Total	—	472.648	6.072.571	16.610.000	23.178	5.426.532

There are no doubtful receivables due from related parties as of December 31, 2008 and 2007.

Wages and salaries and other fringed benefits provided to top management as of December 31, 2008 and 2007 is TL 734.835 and TL 696.831, respectively.

38-FINANCIAL RISK FACTORS

Financial Instruments and Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out under the policies described below;

Credit risk

Credit risk mainly arises from the collection of the trade receivables. Trade receivables are evaluated based on past experiences and current economic situation and presented on net basis in the balance sheet after deducting provision for doubtful receivables, if any.

Exposed Credit Risks As to Nature of Financial Instruments

	Receivables				
	Trade Receivables		Other Receivables		Cash and Cash Equivalent
	Related Party	Other	Related Party	Other	Bank Deposits
31 December 2008	5,908,748	612,119	—	18,422	21,753,545
Maximum Credit Risk exposed as of Reporting Date (A+B+C+D+E) (1)	—	6,049	—	—	—
-Maximum risk guaranteed by warranties and etc.	5,908,748	—	—	—	40,603
A- Net book value of financial assets that are not impaired nor over due (2)	5,908,748	576,171	—	18,422	21,753,545
B- Net book value of financial assets rescheduled, or otherwise accepted as impaired or over due	—	—	—	—	—
C- Net book value of financial assets not impaired but over due (3)	—	35,948	—	—	—
Guaranteed by warranties and etc.	—	6,049	—	—	—
D- Net book value of financial assets impaired	—	—	—	—	—
E- Off balance sheet credit risk factors	—	—	—	—	—
Receivables					
	Trade Receivables		Other Receivables		Cash and Cash Equivalent
	Related Party	Other	Related Party	Other	Bank Deposits
31 December 2007	5,081,464	3,304,734	—	8,452	20,524,420
Maximum Credit Risk exposed as of Reporting Date (A+B+C+D+E) (1)	—	—	—	—	—
-Maximum risk guaranteed by warranties and etc.	5,081,464	3,304,734	—	8,452	20,524,420
A- Net book value of financial assets that are not impaired nor past due (2)	—	—	—	—	—
B- Net book value of financial assets rescheduled, or otherwise accepted as impaired or past due	—	—	—	—	—
C- Net book value of financial assets not impaired but past due (3)	—	—	—	—	—
Guaranteed by warranties and etc.	—	—	—	—	—
D- Net book value of financial assets impaired	—	—	—	—	—
E- Off balance sheet credit risk factors	—	—	—	—	—

- (1) Factor increasing credit trustibility, like warranties received, are not considered in determination of the amounts.
- (2) Financial assets, that are not impaired nor past due, are not likely to be impaired in the future and no credit risk is expected.
- (3) Since maturity of financial assets not impaired but past due is short term, impairment in the future is not expected.

Aging of financial assets past due but not impaired is as below;

31 December 2008	Trade Receivables
Past due 1-30 days	5.135
Past due 1-3 months	10.271
Past due 3-12 months	20.542
Past due 1-5 years	—
-Secured by warranties	6.049

The Company does not have any financial assets past due but not impaired as of December 31, 2007.

Liquidity risk

Liquidity risk arises through funding of operations and closing out market positions. Risk covers the inability of not funding the assets in suitable due dates, and rates and risk of not liquidating the assets at fair price and in suitable time frame.

Table below presents the maturity of financial liabilities that are not derivatives;

31 December 2008	Book Value	Total Cash Out Flow	Less than 3 months
Trade payables to related parties	1.474.100	1.474.100	1.474.100
Other trade payables	559.291	559.291	559.291
Other payables	2.622.007	901.695	238.732
31 December 2007	Book Value	Total Cash Out Flow	Less than 3 months
Trade payables to related parties	4.952.313	4.952.313	4.952.313
Other trade payables	274.998	274.998	274.998
Other payables	1.796.229	806.577	205.532

As of December 31, 2008 and December 31, 2007 maturity table for assets and liabilities is as follows:

	31 December 2008					
	0-1	1-3	3-6	6-12	1	Total
	month	months	months	months	year or more	
Monetary Assets						
Cash and Cash Equivalents	1.385.075	27.103	—	—	560.208	1.972.386
Inventories	—	—	—	44.082.436	14.050.133	58.132.569
Other Current Assets	227.905	62.382	30.413	1.026	5.639	327.365
Trade Receivables, net	611.619	500	—	—	18.422	630.541
Due from Related Parties, net	—	—	—	—	—	—
Total TL Assets	2.224.599	89.985	30.413	44.083.462	14.634.402	61.062.861
Cash and Cash Equivalents	19.821.762	—	—	—	—	19.821.762
Financial Investments	—	83.675.564	—	—	—	83.675.564
Trade Receivables, net	—	—	—	—	—	—
Due from Related Parties, net	5.908.748	—	—	—	—	5.908.748
Total Foreign Currency Assets	25.730.510	83.675.564	—	—	—	109.406.074
Total Monetary Assets	27.955.109	83.765.549	30.413	44.083.462	14.634.402	170.468.935
Monetary Liabilities						
Trade Payables	559.001	—	—	—	—	559.001
Due to Related Parties	1.474.100	—	—	—	—	1.474.100
Employee Termination Benefit	—	—	—	—	114.163	114.163
Deposits and Guarantees Received	—	—	—	—	147.179	147.179
Advances Received	—	19.378.020	46.695	—	518	19.425.233
Other Short-term Liabilities and Provisions for Expenses	1.681.238	6.502	9.752	666.893	257.622	2.622.007
Total TL Liabilities	3.714.339	19.384.522	56.447	666.893	519.482	24.341.683
Total Foreign Currency Liabilities	—	—	—	—	110.186	110.186
Total Monetary Liabilities	3.714.339	19.384.522	56.447	666.893	629.668	24.451.869

31 December 2007

	0-1	1-3	3-6	6-12	1	Total
	month	months	months	months	year or more	
Monetary Assets						
Cash and Cash Equivalents	1.986.604	—	—	—	43.132	2.029.736
Inventories	—	—	—	52.055.593	22.280.113	74.335.706
Other Current Assets	228.625	54.375	499.282	2.068	2.716.007	3.500.357
Trade Receivables, net	3.304.733	—	—	—	8.453	3.313.186
Due from Related Parties, net	—	—	—	—	—	—
Total TL Assets	5.519.962	54.375	499.282	52.057.661	25.047.705	83.178.985
Cash and Cash Equivalents	18.494.684	—	—	—	—	18.494.684
Financial Investments	—	—	56.232.123	—	—	56.232.123
Other Current Assets	—	—	—	—	—	—
Trade Receivables, net	—	—	—	—	—	—
Due from Related Parties, net	5.081.464	—	—	—	—	5.081.464
Total Foreign Currency Assets	23.576.148	—	56.232.123	—	—	79.808.271
Total Monetary Assets	29.096.110	54.375	56.731.405	52.057.661	25.047.705	162.987.256
Monetary Liabilities						
Trade Payables	274.764	—	—	—	—	274.764
Due to Related Parties	4.952.113	—	—	—	201	4.952.314
Employee Termination Benefit	—	—	—	—	115.520	115.520
Deposits and Guarantees Received	—	—	—	—	58.197	58.197
Advances Received	—	—	—	36.302.240	328	36.302.568
Other Short-term Liabilities and Provisions for Expenses	1.180.826	14.358	582.894	18.151	—	1.796.229
Total TL Liabilities	6.407.703	14.358	582.894	36.320.391	174.246	43.499.592
Total Foreign Currency Liabilities	—	—	—	—	68.961	68.961
Total Monetary Liabilities	6.407.703	14.358	582.894	36.320.391	243.207	43.568.553

Market Risk

Market risk is the risk arises due to change in the market prices which effects the fair value of a financial asset or fluctuations in future cash flows that may have reverse impact on the Company. Main market risks are, foreign exchange risk, interest rate risk and price risk.

Foreign exchange 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.

The Company has net foreign currency assets amounted to TL 109.295.888 as of December 31, 2008. If the currency had weakened / strengthened by 10% against the TL with all other variables held constant, post-tax profit for the year would have been higher / lower TL 10.929.589.

Foreign Currency Position

Total;		31 December 2008	31 December 2007
A. Foreign Currency Assets		109.406.074	79.808.271
B. Foreign Currency Liabilities		110.186	640.098
Net Foreign Currency Position (A-B)		109.295.888	79.168.173

In Details;

	31 December 2008			31 December 2007		
	TL Equivalent	Foreign Currency (Full)	Exchange Rate (Full)	TL Equivalent	Foreign Currency (Full)	Exchange Rate (Full)
1. Banks						
US Dollars	6.474.706	4.281.363	1,5123	8.245.283	7.079.319	1,1647
Euro	13.347.056	6.234.611	2,1408	10.249.401	5.993.101	1,7102
2. Financial Investments						
US Dollars	83.675.564	55.330.003	1,5123	56.232.123	48.280.348	1,1647
3. Due from Related Parties						
US Dollars	5.908.748	3.907.127	1,5123	5.081.464	4.362.895	1,1647
TOTAL FOREIGN CURRENCY DENOMINATED ASSETS	109.406.074			79.808.271		

Deposits and Guarantees Received (Short Term)

US Dollars	110.186	72.860	1,5123	68.961	59.210	1,1647
Allowances For Liabilities						
US Dollars	—	—	—	571.137	490.373	1,1647
TOTAL FOREIGN CURRENCY DENOMINATED LIABILITIES	110.186			640.098		
NET FOREIGN CURRENCY POSITION	109.295.888			79.168.173		

As of December 31, 2008, the Company has notes receivable amounting to TL 511.562 corresponding to USD 380.000 related with the sales from Domicile Project. Although the said sales agreement have been made in TL, the collections related to these sales have been indexed to foreign currency.

Foreign Currency Sensitivity Analysis Table

31 December 2008

	Profit/Loss		Equity	
	Strengthened of foreign currency	Weakened of foreign currency	Strengthened of foreign currency	Weakened of foreign currency
	10% change of USD against TL		10% change of USD against TL	
1- USD net asset/liability	9.594.883	(9.594.883)	—	—
2- Hedged portion (-)	—	—	—	—
3- USD net Effect (1+2)	9.594.883	(9.594.883)	—	—
	10% change of Euro against TL		10% change of Euro against TL	
4- Euro net asset/liability	1.334.706	(1.334.706)	—	—
5- Hedged portion (-)	—	—	—	—
6- Euro Net Effect (4+5)	1.334.706	(1.334.706)	—	—

Foreign Currency Sensitivity Analysis Table

31 December 2007

	Profit/Loss		Equity	
	Strengthened of foreign currency	Weakened of foreign currency	Strengthened of foreign currency	Weakened of foreign currency
	10% change of USD against TL		10% change of USD against TL	
1- USD net asset/liability	6.891.877	(6.891.877)	—	—
2- Hedged portion (-)	—	—	—	—
3- USD net Effect (1+2)	6.891.877	(6.891.877)	—	—
	10% change of Euro against TL		10% change of Euro against TL	
4- Euro net asset/liability	1.024.940	(1.024.940)	—	—
5- Hedged portion (-)	—	—	—	—
6- Euro Net Effect (4+5)	1.024.940	(1.024.940)	—	—

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. The Company does not have material financial assets that are interest rate sensitive as of December 31, 2008 and 2007.

Price risk

The Company is exposed to price risk due to changes in prices of common stock portfolio. If the stock price which is the current best bid as of December 31, 2008 in Istanbul Stock Exchange Market (ISEM) had increased/decreased by 10% with all other variables held constant, the equity of the Company would be higher/lower by TL 96.948 (31.12.2007: 215.048 TL).

39-FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING EXPLANATIONS)

Financial instruments

Financial instruments are comprised of financial assets and liabilities. The Company is exposed to variety of market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk depending on its financial instruments. Financial instruments are reviewed regularly for impairment.

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:

Financial 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.

The fair value of held-to-maturity investments is based on amortised cost using the effective interest method less impairment, if any.

The fair value of available-for-sale financial assets traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of available-for-sale financial assets not traded in active markets is the cost.

Financial Liabilities

The carrying value of trade payables are assumed to approximate their fair values.

40-EVENTS AFTER THE BALANCE SHEET DATE

Effective from January 1, 2009, the ceiling for employee termination benefits has increased to TL 2.260,05.

The Company's financial statements were authorised by the Board of Directors on 4 March 2009.

41-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, 2008 and December 31, 2007.

PROPOSAL FOR PROFIT DISTRIBUTION

We propose to be distributed TL 25.455.199 the amount representing the distributable profit to remain after setting aside TL 354.172 as first order legal reserves as pursuant to the Capital Market Legislation, Company's Articles of Association and other applicable laws out of TL 25.809.371 representing the net profit for the year 2008 in the financial statements and presented to the General Assembly for approval as follows:

- Distributing TL 5.160.694 which is 20,27 % of distributable profit for the period to the shareholders as non-paid-up share by adding to the share capital,
- Remaining balance of TL 20.294.505 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 for the Period.....	TL 25.809.371
- First Order Legal Reserve	TL 354.172
- Net Distributable Profit for the Period	TL 25.455.199
- Dividends to be Distributed to Shareholders as Non-paid-up Share ..	TL 5.160.694
- Balance to be Transferred to the Extraordinary Reserves	TL 20.294.505
- Rate of Dividends to Total Issued Capital	94,00 %
- Rate of Dividends to Net Distributable Profit for the Period.....	20,27 %

A large rectangular frame containing 25 horizontal dotted lines, intended for writing or drawing.

A blank sheet of lined paper with a solid top border and a solid left border. The main writing area is filled with horizontal dotted lines, providing a guide for handwriting practice. The lines are evenly spaced and extend across the width of the page.

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