



## NOTES TO THE BALANCE SHEETS

(All currencies are in (YTL), unless otherwise indicated)

- 1. Operations of the Company:** The name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi, whose main activity was to undertake the production and trading of the electrical, electronic equipment and construction materials, was changed into Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) through the publishment 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 trust in accordance with the statements and regulations of Capital Market Board. On these basis, on October 31, 1996, the Company applied to Capital Market Board (Board) for the registration of share certificates to be issued due to share capital increase and has been registered by the Board through December 13, 1996 dated and G.Y.O. 1/1552 numbered certificate in line with Capital Market Board Law.
- 2. The shareholders, with the ownership percentage of 10 % or more are as follows:**

Shareholders	31.12.2004		31.12.2003	
	Ownership Percentage	Amount	Ownership Percentage	Amount
Alarko Holding A.Ş.	15.54 %	9,056,336	15.54 %	9,056,336
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	34.78 %	20,268,942	35.68 %	20,793,440

Paid-in capital of the Company amounting to YTL 58,277,578 (historic YTL 3,565,000) consists of 3,565,000,000 units; 400,000,000 of which are first sequence shares to the name. 165,000,000 of these shares are Group A shares and represent the portion of share capital paid in cash and 235,000,000 Group B shares represent share capital paid in kind. 110,000,000 units of the remaining 3,165,000,000 units consist of the preemptive right used by Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş., 490,000,000 units consist of public offering second sequence Group C shares to the bearer, 1,000,000,000 units consist of third sequence Group C shares to the bearer, 500,000,000 units consist of fourth sequence Group C shares to the bearer, 625,000,000 units consist of fifth sequence Group C shares to the bearer, 375,000,000 units consist of sixth sequence Group C shares to the bearer and 65,000,000 units consist of sixth sequence Group C shares to the name.

As explained detailed in footnote 33 (d); in line with the decision given by the Board of Directors as of December 2, 2004, the Company has deducted the prior year's losses arising from the inflation adjustment, from the shareholders equity in accordance with the communique Serial Number: XI-20. Accordingly, the Company has no historical cost of legal and extraordinary reserves as of December 31, 2004.

As of December 31, 2003, historical costs of the legal and extraordinary reserves, in the Company's legal books are amounting to YTL 844,983 and YTL 101,532,487 respectively.



**3. The privileges provided to the shares representing the capital (shares separated according to the groups and the type of privileges):**

As of December 31, 2004 and 2003,

- a) Group A shares has the right to feature 4 candidates on the selection of members of Board of Directors.
- b) Group B shares has the right to feature 3 candidates on the selection of members of Board of Directors.

**4. The registered share capital ceiling of the Company:**

As of December 31, 2004 and 2003 the registered share capital of the Company is amounting to YTL 20,000,000.

**5. Capital increases and sources of increase are as follows:**

There is no increase in share capital as of December 31, 2004 and 2003.

**6. Issued securities during the current year (excluding share certificates):**

As of December 31, 2004 and 2003 the Company did not issue marketable securities excluding share certificates.

**7. The matured debt securities during the current year:**

The Company did not have any matured debt securities as of December 31, 2004 and 2003.

**8. The movement of tangible fixed assets during the current year is as follows:**

	<u>31.12.2004</u>	<u>31.12.2003</u>
a) Cost of Tangible Assets Purchased, Produced or Constructed	9,792,496	46,858
b) Cost of Tangible Assets Sold or Disposed	-	-
c) The Provision for the Decrease in the Value of Fixed Assets (*)	14,736	(195,547)

(\*) As of December 31, 2004 the required provision is amounting to YTL 180,811. However, YTL 195,547 had been provided as a provision as of December 31, 2003. Therefore the difference between the two years amounting to YTL 14,736 is added to cost of fixed assets by reducing general and administrative expenses.

**9. The total amount of the investment allowances which will be used in the current year and future years:**

The Company does not have investment allowances which will be used in the current and future periods as of December 31, 2004 and 2003.



**10. The receivable / payable balances of the Company with shareholders, participations, affiliated companies are as follows:**

	31.12.2004				31.12.2003			
	Due From		Due To		Due From		Due To	
	Trade	Non Trade	Trade	Non Trade	Trade	Non Trade	Trade	Non Trade
Alarko Holding A.Ş.	-	63	-	-	-	-	-	-
Alsim Alarko Sanayi Tes. ve Tic. A.Ş.	-	-	-	1,115	-	-	-	286
Attaş Alarko Turistik Tes. A.Ş.	4,030,638	-	-	-	-	-	-	-
	<u>4,030,638</u>	<u>63</u>	<u>-</u>	<u>1,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>286</u>

The Company has dividends payable to shareholders amounting to YTL 139 and YTL 157, who have shares of Publicly owned portion of the Company, as of December 31, 2004 and 2003, respectively.

**11. The valuation methods in stocks and in other balance sheet items, depreciation policies, the changes in the accounting policies according to the prior years and monetary effects of those changes and assumptions which would effect the continuity of the operations are as follows:**

**Accounting Principles Applied:**

The Company prepared its financial statements as of December 31, 2004 and 2003 according to Capital Market Board's (CMB) Communique Serial Number: XI-1 "The Communique on Principles Regarding The Financial Statements and Reports In Capital Market" published in Official Gazette at January 29, 1989; additional communiques which include the changes and additions made to the said communique; and the communique Serial Number: XI-20 "The Communique on Principles Regarding The Restatement of The Financial Statements During The High Inflationary Periods" published in Official Gazette at November 28, 2001.

In respect to the Law numbered 5024 issued in the Official Gazette dated December 30, 2003 which is effective from January 01, 2004, inflation adjustment application has been covered by tax legislation and posting inflation adjustments to statutory records has become compulsory. In this respect, for the companies whose inflation adjustments related to the balance sheets as of December 31, 2003 have been posted to statutory records and those should have post these adjustments latest on until August 25, 2004, it is not possible to prepare their financial statements in historic basis. Therefore, in respect to the declaration of CMB dated April 27, 2004 and numbered MSD 10/303-9009, starting from the financial statements as of March 31, 2004 for the companies which are liable to prepare their financial statements in accordance with the communique Serial Number XI-20, it is not subject to prepare financial statements in historic basis in accordance with the communique Serial Number XI-1. In accordance with the Law numbered 5024, the application of revaluation of fixed assets and leasehold improvements has been terminated as of January 1, 2004.



The Law numbered 5083 about the local currency of the State of Republic of Turkey has been issued in the Official Gazette dated January 31, 2004 and numbered 25363. In accordance to the related Law effective from January 01, 2005 the currency of the State of Republic of Turkey is determined as New Turkish Lira (YTL) and the sub-currency of New Turkish Lira is determined as New Kuruş (YKr). In respect to this, by the declaration of CMB dated December 01, 2004 and numbered MSD-A0/832-43399 regarding " The Financial Statements To Be Issued By The Listed Companies and Capital Market Institutions During The Transition To YTL", it was stated that the financial statements as of December 31, 2004 and the financial statements ending as of prior periods including the comparative financial statements and financial data to be issued during 2005 should be prepared and provided to public in YTL. In this respect, the accompanying financial statements as of December 31, 2004 and related disclosures and the financial statements as of December 31, 2003 including the disclosures provided for comparative purposes have been prepared in YTL.

The basic accounting principles regarding the preparation of the accompanying financial statements:

**a) Accounting Records:**

Inflation Accounting;

The accompanying financial statements are based on the statutory records, which are maintained under the historical cost convention (except for the revaluation of property, plant and equipment and leasehold improvements in accordance with Turkish Tax Legislation before January 1, 2004) with adjustments and reclassifications, and restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with Communique Serial Number: X1-20. The restatement for the changes in the general purchasing power of Turkish Lira as of December 31, 2003 is based on Communique Serial Number: X1-20. The Communique Serial Number: X1-20 requires that financial statements prepared in the currency of a high inflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of the said Communique is a cumulative three year inflation rate exceeding 100 % and inflation rate for the current year approaching or exceeding 10 %, which has been valid in Turkey in the year covered by the accompanying financial statements. The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such cumulative rates in Turkey have been realized as 69.72 % for the three years ended December 31, 2004, based on the countrywide wholesale price index.

The Communique Serial Number: XI-20 requires that the financial statements in high inflationary periods, be stated in terms of the purchasing power of the measuring unit current at the balance sheet date and the previous year's balance sheet be restated in the same terms (except for the footnote 30) in accordance with the same Communique. In that context, the accompanying footnotes of the prior year's balance sheet and profit and loss statement have been expressed in the purchasing power of YTL at December 31, 2004.



In accordance with the said Communiqué, the main principles regarding the restatement of the financial statements according to the inflation are as follows:

Monetary items reported in the balance sheet are not restated since they are already expressed in terms of the monetary unit current at the balance sheet date.

Non monetary assets, liabilities and shareholders' equity items (except for the revaluation fund that is omitted), which are not expressed in purchasing power of measuring unit current according to said Communiqué, are restated by using relevant conversion factors in order to be expressed in terms of purchasing power of measuring unit current regarding as of balance sheet date. The funds which are permitted due to inflation such as revaluation, which was permitted before January 1, 2004, are not taken into consideration in the restatement of shareholders' equity items. Capital increases by cash payment, from reserves and from undistributed profits are restated on the basis of the registration date of the Capital increase, or the collection date of the amounts paid against the capital increase.

In the income statement, except for the depreciation and amortization, cost of sales and non-monetary items which are directly related to income statement as an income or expense, all other items are restated by applying the relevant conversion factors of the transaction date of each item. Amortization and depreciation is re-calculated over the restated values of the related assets. Non-monetary items related directly with the income statement as an income or expense are re-calculated by considering the difference between the restated net value of the asset subjected to sale and the restated value of the sales amount. Cost of sales are re-calculated by considering the restated amounts of the inventories and other cost elements.

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

As a first time application the Company prepared its financial statements according to the CMB Communiqué Serial Number: XI-1 and Serial Number: XI-20 as of December 31, 2003. In accordance with the Communiqué Serial Number: XI-20 the difference between the restated amounts of assets, and the sum of liabilities and shareholders' equity occurred till the beginning of the current year is classified within the equity accounts "Prior Years' Losses". In line with the decision given by the Board of Directors as of December 2, 2004, the Company has deducted the prior years' losses arising from the inflation adjustment, from the shareholders' equity in accordance with the Communiqué Serial Number: XI-20.

As of December 31, 2004, the indices and conversion factors published by Government Institute of Statistics in Turkey, used to restate the accompanying financial statements during the current year and prior years' are as follows :



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

- b) Marketable Securities:** Marketable securities are stated at cost plus interest accrued for the period between the acquisition and balance sheet dates.
- c) Inventories:** Inventories are valued at cost of acquisition. Inventories are stated by restating the acquisition cost and other cost elements by considering the acquisition dates and initial recognition for other cost elements by using relevant conversion factors.
- d) Financial Fixed Assets:** Financial fixed assets are stated by restating the acquisition cost by reducing the amounts obtained from revaluation fund reserves.
- e) Tangible Fixed Assets:** Tangible fixed assets, subjected to depreciation, are stated by restating the cost amounts by using conversion factors, considering the acquisition date and initial recognition date of other cost elements. All of the tangible fixed assets are depreciated over the restated amounts by using the straight-line method on pro-rata basis. The depreciation rates considering the useful life of tangible fixed assets are as follows:

	2004	2003
Building	5.0 %	5.0 %
Land Improvements	12.5 %	12.5 %
Machinery and Equipment	25.0 %	25.0 %
Furniture and Fixtures	25.0 %	25.0 %

The Company has depreciated the tangible fixed assets according to Turkish Tax Legislation over the rates between 2 % and 20 % annually by using straight-line method in its statutory records.

- f) Intangible Fixed Assets:** Intangible fixed assets are comprised of leasehold improvements and rights. As of December 31, 2004 and 2003, leasehold improvements amortized over their restated costs with the rate of 25 % and rights with the rate of 3.125 % by using straight-line method on pro-rata basis.

The Company has depreciated the intangible fixed assets according to Turkish Tax Legislation by using straight-line method for leasehold improvements at the rate of 20 % and for the rights 3.125 % annually in its statutory records.

- g) Balance Sheet Items Denominated in Foreign Currencies:** Assets denominated in foreign currency are translated into YTL with Turkish Central Bank buying rates prevailing at the balance sheet date. Liabilities, which are denominated in foreign currency are translated into YTL with Turkish Central Bank selling rates prevailing at the balance sheet date. The currency differences of income or expenses arised from that operations are included in income statement.



**h) Other Balance Sheet Items:** Other balance sheet items are stated with the booked values.

**12. Information on the subsequent events which have been explained in the appendix 1 of the Communiqué:**

Ceiling of the retirement pay liability has been raised to YTL 1,649 starting by January 1, 2005.

Ceiling of the retirement pay liability has been raised to YTL 1,691 (historic YTL 1,485) starting by January 1, 2004.

**13. Information on the income & loss depend on any kind of condition (the contents of the legal disputes which may effect the financial statements) which have been explained in the appendix 2 of the Communiqué:**

There are no such cases as of December 31, 2004 and 2003.

**14. Changes in the accounting estimates, which would materially effect the Company's gross margin rates:**

There is no change on the accounting estimates, which have material effect on the gross margin rates of the Company as of December 31, 2004 and 2003.

**15. The total amount of mortgages and guarantee letters on assets are:**

Regarding the inventories and fixed assets of the Company as of December 31, 2004 and 2003;

On the two 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 the land located in İstanbul, Sarıyer Region was mortgaged from the first degree amounting to YTL 1.50 on behalf of Mobil Oil Türk A.Ş. at June 9, 1971 with journal number 1497,

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

Related to stores which were purchased in Beşiktaş, Etiler Alkent, according to the title-deed registry dated October 14, 1987 and numbered 6430; there are usage rights in favor of the patch numbered 1411-1 and against the patch numbered 1408-1 in order to use the central heating systems and in some parts in order to construct 1.5 meters width channels in the heating systems for 49 years period and with an amount of YTL 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 patch numbered 1410-1 which enables them to use the parking space that had been projected.

**16. The total insurance coverage on assets:**

The total insurance coverage on assets of the Company is amounting to YTL 33,979,920 and YTL 3,531,959 as of December 31, 2004 and 2003 respectively.





**17. The total amount of mortgages and other guarantees received by the Company for its receivables are:**

The total amount of the guarantee letters, notes of guarantee and mortgages are YTL 517,865 and YTL 1,134,137 as of December 31, 2004 and 2003 respectively, and the related breakdown is as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
Notes of Guarantee	515,490	961,242
Letters of Guarantee	2,375	2,704
Mortgages Received	-	170,191
	<u>517,865</u>	<u>1,134,137</u>

**18. The total amount of the commitments, which are not included in the liabilities:**

The total amount of the commitments, which consist of guarantee letters are amounting to YTL 627,753 and YTL 13,210,463 as of December 31, 2004 and 2003 respectively.

**19. The amount of blocked deposits in the bank accounts:**

The Company does not have blocked deposit at its bank accounts as of December 31, 2004 and 2003. The Company has time deposits in the bank accounts amounting to YTL 81,846,606 and YTL 13,147,047 respectively as of December 31, 2004 and 2003.

**20. Value of marketable securities and financial fixed assets, which are quoted to the stock exchange market in accordance with nominal values and value of financial fixed assets in accordance with market values:**

The Company's Alarko Holding A.Ş. stocks' cost value is amounting to YTL 1,208,359 and the market value is YTL 1,966,811. The stocks' price, average of, weighted average prices of the Company in İstanbul Stock Exchange Market for the last five days prior to December 31, 2004 is amounting to YTL 38.97.

The Company's Alarko Holding A.Ş. stocks' cost value is amounting to YTL 1,208,359 and the market value is YTL 2,041,198. The stocks' price, average of, weighted average prices of the Company in İstanbul Stock Exchange Market for the last five days prior to December 31, 2003 is amounting to YTL 40.45.

**21. The amount of the marketable securities issued by the participations, affiliates and shareholders:**

The Company has no marketable security issued by the participations, affiliates and shareholders as of December 31, 2004 and 2003.





**22. The breakdown of the accounts having the classification of "Others" and total amount exceeding either 20 % of the main group of accounts or 5 % of the total assets in the financial statements are as follows:**

- a) **Other Marketable Securities:** As of December 31, 2004, Other Marketable Securities consists of variable funds Type-B amounting to YTL 41,601,381, public sector bonds and funds Type-B amounting to YTL 3,682,548 and liquid funds Type-B amounting to YTL 103,471.

As of December 31, 2003 this account consists of variable funds Type-B amounting to YTL 19,515,486, public sector bonds and funds Type-B amounting to YTL 9,987,098 and liquid funds Type-B amounting to YTL 102,522.

- b) **Other Sales:** As of December 31, 2004, total amount of other sales was YTL 3,529,864. YTL 152,453 of the total amount represents the rent charges to Alarko Carrier Sanayi ve Ticaret A.Ş. for the building in Ankara / Çankaya, YTL 54,757 represents rent charges to Altek Alarko Elektrik Santralleri Tesis ve İşletme A.Ş. for Şişhane building, YTL 3,313,925 represents rent charges to Attaş Turistik Tesisleri ve Ticaret A.Ş. for Hillside Beach Club 1. Class Holiday Village and YTL 8,729 of the total amount represents rent charges to other customers.

As of December 31, 2003, total amount of other sales was YTL 335,475. YTL 241,622 of the total amount represents the rent charges to Alarko Carrier Sanayi ve Ticaret A.Ş. for the building in Ankara / Çankaya, and to Altek Alarko Elektrik Santralleri Tesis ve İşletme A.Ş. for Şişhane building and YTL 93,852 of the total amount represents due date charges to customers.

- c) **Other Allowances:** As of December 31, 2004, Other Allowances amounting to YTL 435,716 represents the rent fee payable to Ministry of Environment and Forestry of the Republic of Turkey (T.C.) by the landlord (the Company) for Hillside Beach Club 1. Class Holiday Village which was leased to Attaş Alarko Turistik Tesisleri A.Ş.

- d) **Other Operating Income and Profits:** The breakdown of the Other Operating Income and Profits are as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
Foreign Exchange Income	13,096,223	25,967,361
Gain on Sale of Marketable Securities	7,853,944	2,478,234
Rediscount Interest Income	-	29,050
Land Reservation Fee Income	110,240	-
Rent Fee to T.C. Ministry of Environment and Forestry	435,716	-
Other	474	43,335
	<u>21,496,597</u>	<u>28,517,980</u>



e) **Other Operating Expenses and Losses:** The breakdown of the Other Operating Expenses and Losses are as follows:

	<u>31.12.2004</u>	<u>31.12.2003</u>
Foreign Exchange Losses	11,230,352	27,282,824
Construction Costs (Completed)	247,824	1,451,744
Income Tax and Fund Expenses on Marketable Securities (Footnote 33-b)	664,084	1,047,149
Land Reservation Fee Expense	110,240	-
Rent fee to T.C. Ministry of Environment and Forestry	435,716	-
Commission Expenses	-	1,269
Other	838	46,121
	<u>12,689,054</u>	<u>29,829,107</u>

**23. The summation of payables to and receivables from the personnel exceeding 1 % of the assets in the balance sheet and shown as other receivables and other short-term and long-term liabilities:**

Receivables from the personnel and payables to personnel does not exist as of December 31, 2004 and 2003.

**24. The reserve for doubtful receivables arising from the receivables from the shareholders, participations and affiliated companies:**

There is no reserve for doubtful receivables from the shareholders, participations and affiliated companies as of December 31, 2004 and 2003.

**25. The reserve for doubtful receivables for the receivables that are due or not collected (Totals are shown separately):**

There is no allowance for doubtful receivables that are due or not collected as of December 31, 2004 and 2003.

**26. The details of related parties and participations which the Company has relations with, the names and the ownership percentages and amounts of the participation in affiliated companies, the net profit or loss of the period in the last financial statements prepared by affiliated companies, whether they have been prepared according to the standards of Capital Market Board, whether they are subject to the independent audit and type of the independent audit report:**

The name, ownership percentage and the amount of the participation:

Participation	Ownership Percentage	Amount	
		<u>31.12.2004</u>	<u>31.12.2003</u>
Alarko Holding A.Ş.	0.00	1,208,359	1,208,359
Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş.	0.00	1,158	1,552
		<u>1,209,517</u>	<u>1,209,911</u>



According to the consolidated financial statements that are expressed in purchasing power of New Turkish Lira, the current period profit of Alarko Holding A.Ş. is amounting to YTL 10,943,979 as of September 30, 2004. These financial statements were prepared in accordance with the accounting standards of the CMB and were not subject to the independent audit.

The current year loss of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. for the year ended December 31, 2004 is amounting to YTL 13,876,814. These financial statements are expressed in purchasing power of New Turkish Lira, are not prepared in accordance with the accounting standards of the CMB and are not subject to the independent audit.

According to the financial statements that are not expressed in purchasing power of Turkish Lira , the current period profit of Alarko Holding A.Ş. is amounting to YTL 10,545,174 as of September 30, 2003. These financial statements were prepared in accordance with the accounting standards of the CMB and were not subject to the independent audit.

The current year loss of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. for the year ended December 31, 2003 is amounting to YTL 5,689,693. These financial statements are not expressed in purchasing power of Turkish Lira, are not prepared in accordance with the accounting standards of the CMB and are not subject to the independent audit.

**27. The amount of free shares obtained from participations arising from increase in their share capital by using internal sources:**

There are no free shares obtained as of December 31, 2004 from participations arising from increase in their share capital by using internal sources.

Free shares amounting to YTL 113 have been obtained from Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. as at December 31, 2003 arising from increase in share capital by using internal sources.

**28. The ownership rights and their values on tangible fixed assets:**

There are no ownership rights on tangible fixed assets as of December 31, 2004 and 2003.

**29. Revaluation increase on tangible assets in the last three years are as follows:**

According to the CMB Communiqué Serial Number: XI-20 revaluation fund reserve amounts are reduced from the cost of the related assets while restating the related assets.



**30. The breakdown of the foreign currency denominated receivables, payables of the Company in terms of foreign currency amounts and their corresponding Turkish Lira equivalents are as follows:**

	Foreign Currency	31.12.2004			31.12.2003		
		Foreign Currency Amount	Foreign Currency Rate	Amount In YTL	Foreign Currency	Foreign Currency Rate	Amount In YTL (*)
<u>Banks</u>	USD	436,661	1.3421	586,043	454,303	1.3958	634,132
	EURO	6,224,698	1.8268	11,371,279	39,982,329	1.7451	69,772,042
<u>Marketable Securities</u>	USD	4,967,500	1.3421	6,666,882	-	-	-
<u>Short-Term Trade Receivables</u>							
Notes Receivables	USD	84,270	1.3421	113,099	84,270	1.3958	117,627
<u>Trade Receivables</u>							
Receivables	USD	3,003,232	1.3421	4,030,638	-	-	-
<u>Trade Payables</u>							
Deposits and Guarantees Received	USD	21,190	1.3421	28,439	10,190	1.3958	14,224

(\*) YTL figures are expressed in the purchasing power of YTL at December 31, 2003 for presentation purposes. The total amount of these figures expressed in purchasing power of YTL at December 31, 2004 is amounting to YTL 80,300,654.

**31. The amount of the guarantee letters, warranties, advances, endorsements given in favor of the shareholders, participations and affiliated companies:**

The Company has no obligation in the form of guarantees, endorsements, commitments or advances given to third parties on behalf of the shareholders and participations as of December 31, 2004 and 2003.

**32. The average number of personnel in the year in terms of different categories are as follows:**

	31.12.2004	31.12.2003
Manager	3	3
Administrative Personnel	6	13
	<u>9</u>	<u>16</u>



**33. Other matters which might have significant effect on financial statements or which should be disclosed for the financial statements to be clear, interpretable and understandable are as follows:**

**As of December 31, 2004**

- a) As the name of the Company was changed into Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi on July 31, 1996 through the publishment in Turkish Trade Register Gazette numbered 4096 and dated August 06, 1996, the Company is exempt from Corporation Tax in accordance with Article 8, Code 4-d and Income Tax stoppage rate is zero in accordance with Article 94, Code 6-a of the Income Tax Law, regarding the financial results after that date.
- b) The Company is not able to deduct the withholding and fund amounts related with time deposits and marketable securities due to the exemption stated above. In this respect, interest income and gain on the sale of marketable securities are disclosed with their gross values in the income statements for the year ended December 31, 2004 and 2003 whereas, withholding and fund amounts are reclassified as other operating expenses and losses.
- c) The value of real estates of the Company according to the expertise reports which are prepared by Elit Gayrimenkul Değerlendirme A.Ş., as of December 31, 2004 is as follows:

Definition of the Property	Nature	Expertise Amount	Expertise Date
<b>Lands</b>			
İzmir Güzelbahçe Terrain	120,540 m <sup>2</sup>	4,220,000	11.01.2005
Büyükçekmece Eskice Terrain (*)	239,466 m <sup>2</sup>	5,508,000	11.01.2005
Büyükçekmece Eskice Terrain (*)	819,272 m <sup>2</sup>	5,802,505	11.01.2005
Maslak Terrain	19,200 m <sup>2</sup>	23,040,000	11.01.2005
<b>Buildings and Domiciles</b>			
İstanbul Şişhane Business Center	730 m <sup>2</sup>	850,000	11.01.2005
İstanbul Karaköy Business Center	1,730 m <sup>2</sup>	785,000	11.01.2005
Ankara Çankaya Business Center	1,887 m <sup>2</sup>	1,800,000	11.01.2005
Alkent İstanbul 2000 Büyükçekmece Houses	1 villa	840,000	11.01.2005
Hillside Beach Club Holiday Village	100,000 m <sup>2</sup>	43,810,000	19.01.2005
Etiler Alkent Shopping Center	4,125 m <sup>2</sup>	4,515,000	29.12.2004

(\*) The project to construct 45 villas which was stated as Real Estate Project as of December 31, 2003 would be placed on 239,466 m<sup>2</sup> of the related land. Therefore, 239,466 m<sup>2</sup> of the land which was projected and the remaining 819,272 m<sup>2</sup> of the land which was not projected are shown separately as of December 31, 2004.



According to expertise reports the expertise amounts of İstanbul Karaköy Business Center and the villa in Alkent İstanbul 2000 Büyükçekmece are amounting to YTL 785,000 and YTL 840,000 respectively. Since the restated costs of these assets in financial statements are YTL 965,811 and YTL 1,339,861 respectively, the provision for decrease in value of İstanbul Karaköy Business Center amounting to YTL 180,811 is reduced from its restated cost and the provision for the villa in Alkent İstanbul 2000 Büyükçekmece amounting to YTL 499,861 is recorded to provision for decrease in value of inventories. YTL 675,914 of the total provision amounting to YTL 680,672 is recorded to prior year's general and administrative expenses. In current year YTL 4,758 is recorded in general and administrative expenses which is the net amount of the decrease amounting YTL 14,736 in general and administrative expenses for İstanbul Karaköy Business Center and increase amounting to YTL 19,494 in general and administrative expenses for Alkent İstanbul 2000 Büyükçekmece.

- d) According to the Board of Directors decision as of December 2, 2004, the Company has deducted the prior year's losses arising from the inflation adjustment from the shareholders' equity in accordance with the declaration of CMB dated December 31, 2003 and numbered MSD-10/694-19161. The breakdown of the deduction realized as of December 31, 2004 is as follows:

	Balances as of December 31, 2004	Amount Deducted	Remaining Balances	Balances as of December 31, 2004
Net Loss for the Year 2003 (*)	(9,365,773)	9,365,773	-	-
Nominal Extraordinary Reserves	101,532,487	(101,532,487)	-	-
Nominal Legal Reserves	844,983	(844,983)	-	-
Nominal Share Premiums	948,740	(948,740)	-	-
Nominal Share Capital	3,565,000	-	3,565,000	3,565,000
Shareholders' Equity				
Restatement Difference (*)	237,564,519 (*)	(96,968,538)	140,595,981	140,595,981
Prior Years' Losses (*)	(190,928,974) (*)	190,928,974	-	-

(\*) Expressed in equivalent purchasing power of YTL at December 31, 2004.



- e) The breakdown of the foreign exchange gains/losses which are subjected to restatement and reclassified in the Income Statement is as follows:

	<u>31.12.2004</u>
Other Operating Income and Profit	13,096,223
Other Operating Expenses and Losses (-)	<u>11,230,352</u>
Net Foreign Exchange Gain	<u><u>1,865,871</u></u>

As the above foreign exchange income and losses are included in "Net Monetary Position" in the financial statements, net monetary loss would be YTL 13,833,515.

- f) As of December 31, 2004 the Company has entered into forward contract which enables the Company to exchange USD 5,000,000 with Euro 4,127,115 on February 16, 2005, in order to hedge the risk of bearing USD position in its financial statements.
- g) The lawsuit opened against the Company related with 15,250 m<sup>2</sup> land located in Muğla, Fethiye region, Kaya Village has resulted in favor of General Directorate of Forest. Due to decision of civil court, 5,146.77 m<sup>2</sup> of the land registry has been canceled and the Company has been disqualified to intervention and sentenced to the expenses of the trial. However the decision has not been announced to the Company's lawyer and General Directorate of Forest as of December 31, 2004, after the announcement has been realized the Company will apply for the superior courts' decision.
- h) As of December 31, 2003, the Company had capitalized the project expenses related to Emlak Bankası Ataşehir East and West Region adjudication. However, since the adjudication was lost and resulted in 2004, the Company expensed the total amount of project expenses which amounts to YTL 216,419 in the current year.
- i) Explanation provided in accordance with the decision of CMB numbered 7/242 and dated February 25, 2005; Since the Company has loss for the current period in its financial statements prepared in accordance with the Communiques Serial Number: XI-20 and Serial Number: XI-I issued by CMB, no profit could be distributed. There is no decision given by the Board of Directors as of the reporting date regarding the profit appropriation.





### **As of December 31, 2003**

- a) As the name of the Company was changed into Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi on July 31, 1996 through the publication in Turkish Trade Register Gazette numbered 4096 and dated August 06, 1996, the Company is exempt from Corporation Tax in accordance with Article 8, Code 4-d, and Income Tax stoppage rate is zero in accordance with Article 94, Code 6-a of the Income Tax Law, regarding the financial results after that date.
- b) The Company is not able to deduct the withholding and fund amounts related with time deposits and marketable securities due to the exemption stated above. In this respect, Interest Income and Gain on the Sale of Marketable Securities are disclosed with their gross values in the income statements for the year ended December 31, 2003 whereas, withholding and fund amounts are reclassified as Other Operating Expenses and Losses.
- c) The value of real estates of the Company according to the expertise reports which are prepared by the Gayrimenkul Ekspertiz ve Değerlendirme A.Ş., as of December 31, 2003 is as follows:

Definition of the Property	Nature	Expertise Amount	Expertise Date
<b>Land</b>			
İzmir Güzelbahçe Terrain	120,540 m <sup>2</sup>	4,183,629	20.01.2004
Büyükçekmece Eskice Terrain	1,058,738 m <sup>2</sup>	11,583,244	07.01.2004
Maslak Terrain	19,200 m <sup>2</sup>	24,043,058	06.01.2004
<b>Binalar-Konutlar</b>			
İstanbul Şişhane Business Center	730 m <sup>2</sup>	967,642	06.01.2004
İstanbul Karaköy Business Center	1,730 m <sup>2</sup>	796,881	06.01.2004
Ankara Çankaya Business Center	1,887 m <sup>2</sup>	1,730,372	08.01.2004
Alkent İstanbul 2000 Büyükçekmece Houses	1 villa	859,494	07.01.2004
<b>Real Estate Projects</b>			
Büyükçekmece Eskice Village(*)	45 adet villa	29,325,245	07.01.2004

(\*) During the previous period this real estate project was projected of 90 villas on a land of 861,147 m<sup>2</sup> by the Company and the expertise value of this project was stated amounting to YTL 73,341,572. In the current year, this project was revised of 45 villas on a land of 239,466 m<sup>2</sup> and the expertise value is stated amounting to YTL 29,325,245 as of December 31, 2003.

In the Company's records the restated net book values of İstanbul Karaköy Business Center and the villa in Alkent İstanbul 2000 Büyükçekmece are amounting to YTL 992,428 and YTL 1,339,861, and the values according to the expertise reports are amounting to YTL 796,881 and YTL 859,494 respectively. Accordingly, the provision for decrease in value of inventories for İstanbul Karaköy Business Center amounting to YTL 195,547 is reduced from its restated cost and the provision for the villa in Alkent İstanbul 2000 Büyükçekmece amounting to YTL 480,367 is recorded to provision for decrease in value of inventories. Total provision amounting to YTL 675,914 is recorded to general and administrative expenses.



- d) According to the requirement of Capital Market Board Regulations Serial Number: VI-11 item 30, Real Estate Investment Trusts should contain at least 3 real estate projects apart from the capital market tools and their ratio to total portfolio should not be less than 10 %. The Company's portfolio as at December 31, 2003 regarding the real estate projects is as follows:

Type	December 31, 2003 Portfolio Value	Ratio to Total
Lands	42,155,039	89.36 %
Buildings and Domiciles	4,251,933	9.01 %
Real Estate Projects	767,680	1.63 %
	<u>47,174,652</u>	<u>100.00 %</u>

As a result of the realization of the deliveries of 98 villas within "The Alkent İstanbul 2000 Büyükçekmece Project", purchase of the Land in Maslak, Sarıyer and the increase in expertise values of other lands, the value of the real estate projects and the buildings in total portfolio is decreased. In line with recovery of market conditions, by purchasing new real estates and by starting the new real estate projects which are under preparation, the value of real estate projects and the buildings in the portfolio will increase.

- e) The Company has signed an agreement with Alsim at September 17, 2003 in order to buy Hillside Beach Club 1. Class Holiday Village by transferring the whole establishing, including building, fixed assets, furniture, cash registers and all the other related parts. In addition, Alsim has owned the continuous rights of Hillside Beach Club which had the Operating Certificate from The Ministry of Tourism as of December 10, 1986 and No: 2761. The process has not been finalized as of reporting date.
- f) Shareholders' Equity Accounts are carried to the balance sheet date by restating these items with the general price index as of balance sheet date. The inflation effect derived from the shareholders' equity items which are stated at nominal values in the accompanying financial statements is shown under the "Reserves" Account within the "Shareholders' Equity Restatement Differences" Account. The breakdown of "Shareholders' Equity Restatement Differences" Account as of December 31, 2003 is as follows:

Account Name	December 31, 2003
Share Capital	54,219,174
Emission Premium	945,233
Legal Reserves	3,942,032
Extraordinary Reserves	163,664,084
	<u>222,770,523</u>



According to the accompanying restated financial statements expressed in equivalent purchasing power of Turkish Lira as of December 31, 2003, prepared in line with CMB's Communique Serial Number: XI-20, the restatement difference for the above shareholders' equity items is amounting to YTL 222,770,523. The total difference due to restatement in financial statements as of December 31, 2003, is amounting to YTL 190,928,974 and classified as "Prior Years' Losses" Account. If these two accounts are evaluated together, "Shareholders' Equity Restatement Difference" Account balance is amounting to YTL 31,841,549.

- g) The breakdown of the foreign exchange gains/losses which are subjected to restatement and reclassified in the Income Statement is as follows:

	<u>31.12.2003</u>
Other Operating Income and Profit	25,967,361
Other Operating Expenses and Losses (-)	<u>27,282,824</u>
Net Foreign Exchange Losses	<u><u>1,315,463</u></u>

As the above foreign exchange income and losses are included in "Net Monetary Position" in the financial statements, net monetary loss would be YTL 17,588,712.