

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Notes to the Financial Statements  
for the years ended 31 December 2010 and 2009

1. Organization and Principal Activities

The name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi founded on 6 June 1978 whose main activity was to undertake the production and trading of all types of electrical, electronic, construction, and sanitary installation materials was changed into Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) through the publication of Turkish Trade Register Gazette dated 6 August 1996 nr 4096. On 31 October 1996, the Company applied to the Capital Markets Board for the registration of share certificates to be issued due to share capital increase and has been registered by the Board through the certificate dated 13 December 1996 Nr GYO 1/1552 in line with the Capital Markets Law.

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

As of 31 December 2010 and 2009, the shareholding structure of the Company is as follows:

Shareholder	31 December 2010		31 December 2009	
	Shareholding(%)	Book Value (TL)	Shareholding(%)	Book Value (TL)
Alarko Holding A.Ş.	15,94	1.697.899	15,94	1.697.899
Alsim Alarko Sanayi				
Tesisleri ve Tic. A.Ş.	34,78	3.704.641	34,78	3.704.641
Public offering	49,00	5.218.889	49,00	5.218.889
Other (*)	0,28	29.365	0,28	29.365
Total	100,00	10.650.794	100,00	10.650.794

\* Represents total of shareholdings less than 10%.

As of 31 December 2010 and 2009, the difference arising from restatement of the nominal value of the share capital amounts to TL 54.712.578 (Note 14 (b)).

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

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

As of 31 December 2010 and 2009, the average number of personnel for the year is 7 and 9, respectively.

2. Presentation of the Financial Statements

i. Basis of Presentation:

The Company maintains its books of account and prepares its statutory financial statements in accordance with the prevailing commercial and financial legislation. The accompanying financial statements are prepared in accordance with the Capital Markets Board (CMB) Communiqué Nr. XI/29 “Communiqué Related to the Financial Reporting Principles at the Capital Markets”. This Communiqué has come into force starting with the first interim financial statements subsequent to 1 January 2008 and bears in its Article 5 the provision stating that the enterprises subject to CMB apply the International Accounting / Financial Reporting Standards as accepted by the European Union (EU) which is compliant with the Turkish Accounting / Financial Reporting Standards (TAS/TFRS), issued by the Turkish Accounting Standards Board (TASB). Furthermore, in the provisional Article 2 of the same Communiqué it is stated that the IAS/IFRS are to be applied until the differences between the IAS/IFRS accepted by the European Union and those issued by the International Accounting Standards Board (IASB) are published by the TASB and as a consequence of this, it is promulgated that TAS/TFRS which are in full compliance with IFRS will be the basis of all financial statements.

However, the Turkish Accounting Standards Board (“TASB”) has not issued to date the differences between the IAS/IFRS that are accepted by the EU and the actual IAS/IFRS issued by the International Accounting Standards Board (“IASB”); and therefore the accompanying financial statements are prepared in accordance with the IAS/IFRS which are in full compliance with the TAS/TFRS issued by the TASB. As required by the TFRS, comparative financial statements are prepared on the same basis. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying financial statements in order to comply with the TAS/TFRS.

The accompanying financial statements and notes are presented in accordance with the mandatory formats and principles announced by CMB in its Weekly Bulletin dated 14-18 April 2008 Nr. 2008/16. In order to comply with the amendments to TAS 1 which are valid for the financial periods starting at or subsequent to 1 January 2009, the balance sheet has been presented under the name of “the Statement of Financial Position” and the profit/loss sections have been presented in a single statement of comprehensive income.

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

The Company’s financial statements prepared as of 31 December 2010 in accordance with the Communiqué Nr. XI/29 have been approved by the Company Management on 2 March 2011 to be submitted to the Board of Directors.

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

2. Presentation of the Financial Statements (continued)

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

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

iii. Adjustments:

The accompanying financial statements are prepared in accordance with the Turkish Accounting/Financial Reporting Standards (TAS/IFRS) with the below mentioned adjustments which are not stated in the statutory records:

- Provision for doubtful receivables
- Inventory provision
- Calculation of rediscount on customers
- Depreciation adjustment in relation to the useful lives of tangible assets
- Termination indemnity adjustment as per TAS 19
- Valuation of financial assets quoted at the stock exchange by market value

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

The statements of financial position as of 31 December 2010 and 2009 and the related notes as well as the statements of comprehensive income, the statements of changes in equity, and cash flows, and the notes to these financial statements for the years then ended are presented comparatively. In order to comply with the presentation of the current period financial statements, the comparative information is reclassified when deemed necessary.

v. Offsetting:

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

vi. Changes and Errors in Accounting Policies and Accounting Estimates:

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

2. Presentation of the Financial Statements (continued)

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

During the current period, TASB has issued the new and revised standards with effect from 1 January 2010, and the Company has applied those that relate to its own field of activity.

Standards valid after 31 December 2010 as well as the amendments and comments brought to the prior standards are as follows:

- TAS 24 (Amendment) - “Related Party Disclosures”
- TFRS 1 - “First-time Adoption of the International Financial Reporting Standards”
- TFRS 9 - “Classification and Measurement of Financial Assets”
- TFRS Comment 14 (Amendment) - “Prepayment of a Minimum Funding Requirement”

viii. Summary of Significant Accounting Policies and Valuation Methods:

(a) Financial Instruments :

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

i. Cash and Cash Equivalents

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

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

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

Fair Value

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

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

2. Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

(a) Financial Instruments :

ii. Financial Assets Held to Maturity

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

iii. Financial Assets Available for Sale

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

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

iv. Trade Receivables

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

Fair Value

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

v. Trade Payables

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

Fair Value

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

2. Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

(a) Financial Instruments (continued) :

vi. Impairment of Financial Assets

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

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

(b) Related Parties:

A party is related to an entity if the party is a legal body or a real person which directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, and if the party is a subsidiary, an affiliate or a joint venture in which the entity is a venturer. Furthermore, members of the key management personnel of the entity, close members of the family of any individual referred to above, and parties representing post-employment benefit plan for the benefit of employees of the entity are also defined as related parties.

Within the scope of this report, the Company shareholders, Alarko Holding and Alarko Holding Group companies, their executive staff, and other companies under control of these companies are defined as related parties.

(c) Inventories :

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

2. Presentation of the Financial Statements (continued)

## viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

## (d) Investment Properties :

Investment properties are properties held to earn rentals or for capital appreciation or both, recognized at the restated acquisition cost less accumulated depreciation and impairment losses, if any.

The expertise values creating basis for the fair values of investment properties are compared with the restated acquisition costs, and if the expertise value is lower than the restated acquisition cost, provision is made for impairment within the frame of conditions stated in the "Impairment of Assets" section. Impairment loss is determined for all investment properties separately.

Depreciation is calculated on pro rata basis as per the straight line method taking into consideration the useful lives of the investment properties. The depreciation rates determined and applied for investment properties are stated below:

Buildings	2 - 5%
Rights	3,125%

The rights represent the superficieses owned by the Company at the Hillside Beach Club.

## (e) Tangible Assets :

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

Buildings	10%
Land improvements	12,5%
Machinery, plant, and equipment	25%
Furnitures and fixtures	10 - 33,33%
Other tangible assets	25%

2. Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

(e) Tangible Assets (continued) :

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

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

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

(f) Intangible Assets :

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

Leasehold improvements	25%
Rights	6,66% - 33,33%

(g) Assets and Liabilities in Foreign Currency:

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

(h) Impairment of Assets:

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

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



2. Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

(i) Deferred Taxes :

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

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

(j) Income Taxes:

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

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

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

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

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the financial statements of the tax payers whose earnings are determined on balance sheet basis are not subject to inflation adjustment because the inflation adjustment application which started in 2004 has ended as the increase in the Producers Price Index for the last 36 months and the last 12 months are below 100% and 10%, respectively at March 2005. In the 2010 and 2009 accounting periods, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

2. Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

(j) Income Taxes (continued):

The earnings of companies that are granted the Real Estate Investment Trust (REIT) status is exempt from Corporate Tax and provisional corporate tax as per the article 5, section 1, paragraph d/4 of the Corporate Tax Law nr 5520. On the other hand, as per the article 15, paragraph 3 of the Corporate Tax Law, the percentage of the income tax withholding required to be made over the earnings of these partnerships that are subject to exemption is currently zero in accordance with the Ministerial Council Decision nr 2009/14594 (nr 2003/6577 for 2008). For that reason, no tax calculation has been made in relation to the 31 December 2010 and 2009 accounting periods (Note 21).

(k) Provision for Termination Indemnity:

Under Turkish Labour Law Article 25/II, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TL 2.517,01 in respect of each year of service as of 31 December 2010 (31 December 2009- TL 2.365,16).

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

- The dates that the employees will gain their pension rights are determined with respect to the current social security laws with consideration to their past employment durations.
- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or, if higher than the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2010, the termination indemnity upper limit, to remain constant for restatement purposes and this value is reduced by the actual discount rate of 4,66 % (31 December 2009- 5,92%) calculated based upon the assumption that the expected annual inflation rate will be 5,1% (31 December 2009 - 4,8%) and the expected discount rate will be 10% (31 December 2009 - 11%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

2. Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

(l) Revenues and Expenses :

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

Sales are mainly constituted of sales revenue generated from real estate sold and the rents from property held for investment purposes. Sales are accounted for by the accrual principle, calculated over fair value of the prospect or realized income upon services provided, reliable determination of the income amount, and possible economical benefits to be acquired by the Company over the transaction. Sales revenue obtained from real estate sales are recognized at the date of delivery and the rent income is accounted for by the accrual principle. If there is a significant amount of financial cost involved with the sales, the fair value of the sale is determined by discounting the receivables. The interest rate used in determining the current value of receivables is the rate which discounts the nominal value of the sales total to the cash price of the service. The difference between the nominal value of the sales consideration and the fair value calculated accordingly is accounted for as interest income in the related periods.

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 expense in financial statements.

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

Cost of sales is mainly made up of cost of real estate sold, the depreciation and relevant expenses of the rent generating real estates held for investment.

(m) Earnings/(Loss) per Share :

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

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

2. Presentation of the Financial Statements (continued)

viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

(n) Accounting Estimates :

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

(o) Effect of Foreign Currency Changes:

Transactions and balances in foreign currency are translated into Turkish Lira by using the exchange rates prevailing at the transaction date. Foreign currency denominated assets and liabilities are translated to TL with foreign exchange rates current at the balance sheet date. Foreign exchange income and losses arising from transactions denominated in foreign currency are recognized in the statement of income in the related period.

(p) Borrowing Costs :

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

(r) Events After the Reporting Period:

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

(s) Conditional Assets and Liabilities:

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

(t) Statement of Cash Flows:

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

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

Notes to the Financial Statements  
for the years ended 31 December 2010 and 20092. Presentation of the Financial Statements (continued)

## viii. Summary of Significant Accounting Policies and Valuation Methods (continued):

## (t) Statement of Cash Flows (continued)

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

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

The cash and cash equivalents in the statement of cash flows comprise cash, banks and short term investments of short maturity (up to 3 months) and high liquidity which are convertible to known amounts of cash with defined amounts maturing maximum in 3 months, having high liquidity which are easily convertible into cash.

3. Cash and Cash Equivalents

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
Banks	22.987.049	24.106.368
- TL demand deposit	29.250	96.333
- Foreign currency demand deposit	9.881	8.889
- TL time deposit *	-	1.681.269
- Foreign currency time deposit **	22.947.918	22.319.877
B Type Liquid Fund	16.826.654	3.640.606
	<hr/>	<hr/>
Total (Note 24 (i))	<u>39.813.703</u>	<u>27.746.974</u>

\* As of 31 December 2010, there are no TL time deposits at banks. As of 31 December 2009, the interest rate on TL time deposits at banks varies between 9,00% and 8,75% and the accrued interest amounts to TL 6.753. As of 31 December 2009, the maturity of TL bank deposit varies between 4 January 2010 and 25 January 2010.

\*\* As of 31 December 2009, the interest rate on USD time deposits at banks varies between 2,50% and 3,00% and the accrued interest amounts to TL 622; and the interest rate on Euro time deposits at banks varies between 3,40% and 3,10% and the accrued interest amounts to TL 22.115 (31 December 2009 Euro deposits: 3,05 - 2,45%, TL 37.919). The maturity of USD bank deposit varies between 20 January 2011 and 2 February 2011 and the maturity of Euro bank deposit varies between 11 January 2011 and 1 February 2011 (31 December 2009: Euro deposit 6 January 2010 - 21 January 2010).

The Company has no blocked deposits at banks as of 31 December 2010 and 2009.

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Notes to the Financial Statements  
for the years ended 31 December 2010 and 2009

4. Financial Assets

As of 31 December 2010 and 2009, the Company's financial assets are as follows:

Financial assets held to maturity:

Currency	31 December 2010			31 December 2009		
	Book Value (TL)	Interest Rate	Maturity Date	Book Value (TL)	Interest Rate	Maturity Date
USD	86.380.484	4,65%	18.01.2012	36.012.018	4,65%	15.09.2010
USD	-			34.819.728	3,72%	20.01.2010
USD	-			13.891.042	3,78%	20.01.2010
<b>Total</b>	<b>86.380.484</b>			<b>84.722.788</b>		

Financial assets held for trading:

	31 December 2010		31 December 2009	
	Participation (%)	Amount (TL)	Participation (%)	Amount (TL)
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	2.250.420	0,00	2.408.558
<b>Total</b>	<b>0,00</b>	<b>2.252.116</b>	<b>0,00</b>	<b>2.410.254</b>

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2010 and 2009. The Company follows up on the increases and decreases which arise from fair value recognition in the Shareholder's Equity account under "Financial Assets Value Increase Fund" account in the financial statements. Accordingly, a total of TL 988.966 was recorded as Value Increase under the "Financial Assets Value Increase Fund" account and this total is calculated upon the value increase of TL 1.147.102 arising from valuation at fair value as of 31 December 2009 and the value decrease of TL 158.136 arising as of 31 December 2010 (Note 14 (c) and 24(vi)).

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

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for the years ended 31 December 2010 and 2009

5. Trade Receivables and Payables

Trade receivables consist of the following (TL) :

	<u>31 December 2010</u>	<u>31 December 2009</u>
Trade receivables, net	143.143	200.015
Notes receivable	19.786	73.136
Doubtful trade receivables	214.222	84.710
Provision for doubtful trade receivables(-)	<u>( 214.222)</u>	<u>( 84.710)</u>
Total (Note 24 (i))	162.929	273.151
Due from related parties, net (Note 23 (a) and 24 (ii))	<u>6.598.327</u>	<u>7.315.515</u>
Grand Total	<u>6.761.256</u>	<u>7.588.666</u>

As of 31 December 2010 and 2009, the changes in provision for doubtful trade receivables for the period consist of the following (TL) :

	<u>31 December 2010</u>	<u>31 December 2009</u>
Provision for doubtful trade receivables at the beginning of the period	84.710	719
Provisions no longer required	(18.661)	-
Provisions made during the period	<u>148.173</u>	<u>83.991</u>
Provision for doubtful trade receivables at the end of the period (Note 24 (i))	<u>214.222</u>	<u>84.710</u>

Provisions no longer required are stated in the "Other" account in Other Operating Income Note 18.

Provision made during the period is stated under the "Other" account in Other Operating Expenses Note 18.

Trade payables consist of the following (TL) :

	<u>31 December 2010</u>	<u>31 December 2009</u>
Suppliers, net	591.466	128.122
Due to related parties (Note 23 (b) and Note 24 (ii))	<u>1.173.125</u>	<u>1.542.959</u>
Total	<u>1.764.591</u>	<u>1.671.081</u>

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6. Other Receivables and Payables

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
Deposits and guarantees given (Note 24 (i))	<u>14.127</u>	<u>19.664</u>

Other payables consist of the following (TL) :

	<u>31 December 2010</u>	<u>31 December 2009</u>
Due to Alarko Central Administration (Note 24(ii))	10.034	4.755
Due to personnel	501	445
Other miscellaneous debts (Note 24(ii))	3.645	599
Due to shareholders (Note 24(ii) and 23 (c))	<u>255</u>	<u>255</u>
Total	<u>14.435</u>	<u>6.054</u>

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
Deposits and guarantees received	<u>381.833</u>	<u>186.420</u>



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7. Inventories

Inventories comprise real estates held for trading. Details as of 31 December 2010 and 2009 are stated below:

	31 December 2010				31 December 2009			
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
<b><u>Real Estate Project</u></b>								
Land Share(1 Parcel) and Project Cost								
Unsold projects	14.339.405	-	14.130.000	07.12.2010	20.041.034	-	19.695.000	04.12.2009
Projects whose sales contracts are realized	12.090.515	11.798.400	-	-	3.704.897	3.427.659	-	-
Impairment loss	(1.285.327)				(1.601.371)			
<b>Total</b>	<b>25.144.593</b>	<b>11.798.400</b>	<b>14.130.000</b>		<b>22.144.560</b>	<b>3.427.659</b>	<b>19.695.000</b>	
<b><u>Land in Büyükçekmece</u></b>								
Land cost (5 Parcels)	4.321.594		8.260.000	04.12.2010	4.321.594		7.690.000	04.12.2009
<b><u>Land in Maslak</u></b>								
Land cost	15.105.685		33.185.000	06.12.2010	15.105.685		32.235.000	02.12.2009
<b>Total</b>	<b>44.571.872</b>	<b>11.798.400</b>	<b>55.575.000</b>		<b>41.571.839</b>	<b>3.427.659</b>	<b>59.620.000</b>	

In relation to the 5 projects whose sales contracts are realized, there is an additional cost of TL 143.120 budgeted as Construction Difference, and this additional cost to be incurred is taken into consideration in the calculation of impairment loss.

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for the years ended 31 December 2010 and 20097. Inventories (continued)

Real Estate Project: The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m<sup>2</sup> on section 106, parcel 18 in Büyükçekmece Eskice District included in the investment properties portfolio is received on 21 October 2005 and the sales transactions have started. As of 31 December 2010, sales contracts have been made for 49 villas.

Land in Büyükçekmece: There are 5 parcels of land with a total area of 819.272 m<sup>2</sup>.

Land in Maslak: It is planned to construct a mall on an area of 18.962 m<sup>2</sup> in Maslak, İstanbul.

As of 31 December 2010 and 2009, the All Risk on Construction and Employer's Liability Insurance totals for the Real Estate Project amount to TL 36.662.654 and TL 34.037.854, respectively (Note 27).

As promulgated in the Article 27/d of the Capital Markets Board Communiqué Serial VI/11, the rate of lands and registered lands which are in the portfolio, but which in spite of a period of 5 years having elapsed from their acquisition, have not been administered for any project development cannot exceed 10% of the portfolio value. Accordingly, The Company has called upon a period of grace until 29.07.2009; and as of 21.08.2009, the Capital Markets Board has granted an additional period until 30.06.2010 for making the necessary arrangements to abide by the communiqué.

Upon the application of the Company to the CMB on 17 June 2010, an extension until 30 June 2011 is granted pursuant to the meeting of the Decision Making Body of the Board dated 8 July 2010 Nr 20/612 for completion of project development work related to the land in Maslak.

8. Investment Properties

Investment properties consist of the following (TL):

<u>Cost</u>	<u>Investment Properties</u>	<u>Total</u>
As of 1 January 2009	43.500.590	43.500.590
Additions	1.610.574	1.610.574
Transfers	-	-
Disposals	-	-
As of 31 December 2009	45.111.164	45.111.164
Additions	1.206.219	1.206.219
Transfers	-	-
Disposals	-	-
As of 31 December 2010	<u>46.317.383</u>	<u>46.317.383</u>

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for the years ended 31 December 2010 and 20098. Investment Properties (continued)

Investment properties consist of the following (TL) (continued):

<u>Accumulated Depreciation</u>	<u>Investment Properties</u>	<u>Total</u>
As of 1 January 2009	7.726.342	7.726.342
Charge for the current period (Note 15)	1.594.729	1.594.729
Disposals	-	-
As of 31 December 2009	9.321.071	9.321.071
Charge for the current period (Note 15)	1.647.172	1.647.172
Disposals	-	-
As of 31 December 2010	<u>10.968.243</u>	<u>10.968.243</u>
<u>Net Book Value</u>	<u>Investment Properties</u>	<u>Total</u>
As of 31 December 2009	35.790.093	35.790.093
As of 31 December 2010	35.349.140	35.349.140

Current period additions comprise acquisitions related to the Hillside Beach Club Holiday Village.

As of 31 December 2010 and 2009, the total insurance on investment properties amounts to TL 58.011.740 and TL 48.300.091, respectively (Note 27).

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8. Investment Properties (continued)

Investment properties consist of the following (TL) (continued):

Comparison of cost and market values of investment properties as of 31 December 2010 and 2009 is as follows:

Name of Real Estate	Date of Expertise Report	31 December 2010	
		Market Value (TL)	Cost, Net (TL)
Hillside Beach Club Holiday Village	09.12.2010	60.415.000	30.689.505
Etiler Alkent Complex - Shops	06.12.2010	7.135.000	2.922.500
Ankara Çankaya Business Center	07.12.2010	2.500.000	1.142.949
İstanbul Karaköy Business Center	07.12.2010	1.300.000	593.043
İstanbul Şişhane Business Center	07.12.2010	1.500.000	1.143
<b>Total</b>		<b>72.850.000</b>	<b>35.349.140</b>

Name of Real Estate	Date of Expertise Report	31 December 2009	
		Market Value (TL)	Cost, Net (TL)
Hillside Beach Club Holiday Village	04.12.2009	60.480.000	30.820.020
Etiler Alkent Complex - Shops	03.12.2009	6.805.000	3.132.500
Ankara Çankaya Business Center	01.12.2009	2.425.000	1.172.960
İstanbul Karaköy Business Center	02.12.2009	1.210.000	663.430
İstanbul Şişhane Business Center	02.12.2009	1.500.000	1.183
<b>Total</b>		<b>72.420.000</b>	<b>35.790.093</b>

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9. Tangible Assets

As of 31 December 2010, tangible assets consist of the following(TL) :

Cost ;

	Opening		Disposals	Closing
	1 January 2010	Additions		31 December 2010
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	149.241	420	-	149.661
Other tangible assets	342.604	-	(315.231)	27.373
Sub total	619.737	420	(315.231)	304.926
Accumulated depreciation ;				
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	138.194	5.562	-	143.756
Other tangible assets	342.604	-	(315.231)	27.373
Sub total (Note 17)	608.690	5.562	(315.231)	299.021
Net Book Value	11.047	(5.142)	-	5.905

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Notes to the Financial Statements  
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9. Tangible Assets (continued)

As of 31 December 2009, tangible assets consist of the following (TL) :

Cost ;

	Opening		Disposals	Closing
	1 January 2009	Additions		31 December 2009
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	147.049	2.529	(337)	149.241
Other tangible assets	342.604	-	-	342.604
Sub total	617.545	2.529	(337)	619.737
Accumulated depreciation ;				
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	131.305	6.923	( 34)	138.194
Other tangible assets	342.604	-	-	342.604
Sub total (Note 17)	601.801	6.923	( 34)	608.690
Net Book Value	15.744	(4.394)	(303)	11.047

As of 31 December 2010 and 2009, the total insurance on tangible assets amounts to TL 55.424 and TL 52.850, respectively (Note 27).

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As of 31 December 2010, intangible assets consist of the following (TL) :

Cost ;

	Opening			Closing
	1 January 2010	Additions	Disposals	31 December 2010
Rights	11.094	-	-	11.094
Other intangible assets	85.956	-	-	85.956
Sub total	97.050	-	-	97.050
Accumulated amortisation;				
Rights	10.753	26	-	10.779
Other intangible assets	81.322	1.262	-	82.584
Sub total (Note 17)	92.075	1.288	-	93.363
Net Book Value	4.975	(1.288)	-	3.687

As of 31 December 2009, intangible assets consist of the following (TL) :

Cost ;

	Opening			Closing
	1 January 2009	Additions	Disposals	31 December 2009
Rights	11.094	-	-	11.094
Other intangible assets	85.763	193	-	85.956
Sub total	96.857	193	-	97.050
Accumulated amortisation;				
Rights	10.594	159	-	10.753
Other intangible assets	80.066	1.256	-	81.322
Sub total	90.660	1.415	-	92.075
Net Book Value	6.197	(1.222)	-	4.975

Notes to the Financial Statements  
for the years ended 31 December 2010 and 200911. Provisions, Conditional Assets and Liabilities

- a) As of 31 December 2010 and 2009, the provisions made by the Company for other liabilities consist of the following (TL);

	<u>31 December 2010</u>	<u>31 December 2009</u>
Rent payable to the Turkish Ministry of Environment and Forestry	769.899	740.968
Other	<u>1.815</u>	<u>7.046</u>
Total (Note 24 (ii))	<u>771.714</u>	<u>748.014</u>

As of 31 December 2010 and 2009, two parcels of the land in Eskice District in Büyükçekmece Village stated in the inventories and fixed asset accounts of the Company regarded as;

Greenfield site is expropriated on behalf of ISKI as this piece of land is under unconditional preservation by the provisions of the communiqué related to protection of land bearing tap water and drinking water resources against contamination;

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

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

- b) Guarantees given by the Company to government offices are as follows for the respective periods (TL) :

31 December 2010	2.057.378
31 December 2009	1.515.762

- c) Guarantee notes and letters received for short term trade receivables consist of the following (TL) :

	<u>Guarantee Notes</u>	<u>Guarantee Letters</u>
31 December 2010	1.287.899	383.505
31 December 2009	1.096.414	75.229

- d) The Company's overdue receivables and the related provisions made consist of the following (TL) :

	<u>Overdue (Uncollectible) Receivables</u>	<u>Provisions</u>
31 December 2010	214.222	214.222
31 December 2009	84.710	84.710



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12. Employee Benefits

Employee benefits comprise provisions for termination indemnity as stated in the following (TL) :

	<u>31 December 2010</u>	<u>31 December 2009</u>
Provision for termination indemnity at the beginning of the period	137.576	114.163
Increase/decrease during the period	<u>(29.924)</u>	<u>23.413</u>
Provision for termination indemnity at the end of the period	<u>107.652</u>	<u>137.576</u>

13. Other Assets and Liabilities

Other current assets consist of the following (TL) :

	<u>31 December 2010</u>	<u>31 December 2009</u>
Prepaid taxes and funds	514.798	541.616
Expenses related to future months	173.123	133.109
Job advances	<u>32.558</u>	<u>859</u>
Total	<u>720.479</u>	<u>675.584</u>

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
Prepaid taxes and funds	-	-
Advance payments for services	<u>-</u>	<u>10.500</u>
Total	<u>-</u>	<u>10.500</u>

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
Advances received *	14.287.604	4.095.076
Taxes, duties, and other withholdings payable (Note 24 (ii))	71.960	1.037.647
Income related to future months (Note 24 (ii))	<u>18.882</u>	<u>54.452</u>
Total	<u>14.378.446</u>	<u>5.187.175</u>

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
Advances received *	<u>32.228</u>	<u>25.904</u>

\* The advances received consist of advances received from customers related to the sale of real estates whose construction has started within the scope of Real Estate Project.

14. Equity

a) Paid-in Capital

As of 31 December 2010 and 2009, the Company's registered share capital amounts to TL 20.000.000 while the issued and paid-in capital amounts to TL 10.650.794. The issued capital consists of 10.650.794.000 shares of Kr 0,10 nominal value each. The Company's shareholding structure is elaborated in Note 1.

b) Capital Adjustment Differences

As of 31 December 2010 and 2009, the difference arising from restatement of nominal capital amounts to TL 54.712.578 (Note 1).

c) Financial Assets Value Increase Fund

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2010 and 2009. The Company follows up on the increases and decreases which arise from fair value recognition in the Shareholder's Equity account under "Financial Assets Value Increase Fund" account in the financial statements. Accordingly, there is a value increase of TL 988.966 as of 31 December 2010 and a value increase of TL 1.147.102 as of 31 December 2009, both arising from fair value recognition, and these are stated in the "Financial Assets Value Increase Fund" account (Note 4).

d) Restricted Profit Reserves

As of and 31 December 2010, the restricted profit reserves consist of legal reserves amounting to TL 1.460.770 (31 December 2009 - TL 1.218.802).

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

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

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

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## e) Retained Earnings/(Accumulated Losses)

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
Extraordinary reserves	115.397.030	95.102.525
Retained earnings	<u>9.221.886</u>	<u>21.371.046</u>
	<u>124.618.916</u>	<u>116.473.571</u>

15. Sales and Cost of Sales

Sales revenues consist of the following (TL) :

	<u>1 January 2010- 31 December 2010</u>	<u>1 January 2009- 31 December 2009</u>
Income on sale of real estate	1.130.647	19.019.789
Rent income	6.791.166	7.885.927
Income on land sales	<u>258.882</u>	<u>245.900</u>
Total	<u>8.180.695</u>	<u>27.151.616</u>

Cost of sales consist of the following (TL) :

	<u>1 January 2010- 31 December 2010</u>	<u>1 January 2009- 31 December 2009</u>
Depreciation expenses (Notes 8 and 17)	1.647.172	1.594.729
Cost of real estate sold	792.902	18.727.682
Cost of land sold	<u>123.160</u>	<u>111.533</u>
Total	<u>2.563.234</u>	<u>20.433.944</u>

Cost of sales basically consists of cost of land sales, cost of real estate sales and depreciation expenses on investment properties. As of 31 December 2010, the impairment loss calculated for the real estates sold within the year amounts to TL 1.285.327 while the provision made in the prior year amounts to TL 1.601.371 TL. The difference of TL 316.044 is deducted from the cost of sales and recognized as income in the current period (Note 7).

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16. General Administration Expenses

General administration expenses consist of the following (TL) :

	1 January 2010- 31 December 2010	1 January 2009- 31 December 2009
General administration expenses	<u>2.264.109</u>	<u>1.774.540</u>
Total	<u>2.264.109</u>	<u>1.774.540</u>

17. Expenses by Nature

General administration expenses by nature consist of the following (TL) :

	1 January 2010- 31 December 2010	1 January 2009- 31 December 2009
Personnel expenses	730.858	634.632
Rent expenses	561.828	306.630
Taxes, duties, and fees	301.120	185.994
Outsourced repair work and services	230.336	160.514
Financial consultancy and audit expenses	29.821	32.420
Study, project translation expenses	152.272	87
Legal consultancy expenses	30.500	36.600
Publishing expenses	8.708	16.633
Depreciation expenses	2.104	2.446
Other consultancy expenses	15.624	258.000
Other expenses	<u>200.938</u>	<u>140.584</u>
Total	<u>2.264.109</u>	<u>1.774.540</u>

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

	1 January 2010- 31 December 2010	1 January 2009- 31 December 2009
Project costs	4.746	5.892
Cost of sales (Note 15)	1.647.172	1.594.729
General administration expenses	<u>2.104</u>	<u>2.446</u>
Total	<u>1.654.022</u>	<u>1.603.067</u>

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17. Expenses by Nature (continued)

	<u>1 January 2010- 31 December 2010</u>	<u>1 January 2009- 31 December 2009</u>
Investment properties (Notes 8 and 15)	1.647.172	1.594.729
Tangible assets (Note 9)	5.562	6.923
Intangible assets (Note 10)	<u>1.288</u>	<u>1.415</u>
Total	<u>1.654.022</u>	<u>1.603.067</u>

Employee benefits consist of the following (TL) :

	<u>1 January 2010- 31 December 2010</u>	<u>1 January 2009- 31 December 2009</u>
General administration expenses	783.039	634.632
Project costs	<u>455.653</u>	<u>652.167</u>
Total	<u>1.238.692</u>	<u>1.286.799</u>

	<u>1 January 2010- 31 December 2010</u>	<u>1 January 2009- 31 December 2009</u>
Wages and salaries	998.136	1.071.987
Personnel transportation expenses	59.147	72.208
Personnel catering expenses	15.638	21.946
Personnel health expenses	3.960	3.199
Other personnel expenses	<u>161.811</u>	<u>117.459</u>
Total	<u>1.238.692</u>	<u>1.286.799</u>

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18. Other Operating Income / (Expenses)

Other operating income consists of the following (TL):

	1 January 2010 - 31 December 2010	1 January 2009 - 31 December 2009
Turkish Ministry of Environment and Forestry - Rent	769.899	808.552
Turkish Ministry of Environment and Forestry - Land appropriation	184.391	195.941
Income other than rent received from real estates	66.260	52.606
Other	141.583	22.671
<b>Total</b>	<b>1.162.133</b>	<b>1.079.770</b>

Other operating expenses consist of the following (TL):

	1 January 2010 - 31 December 2010	1 January 2009 - 31 December 2009
Closed construction costs	1.177.320	187.400
Turkish Ministry of Environment and Forestry - Rent	769.899	1.244.684
Turkish Ministry of Environment and Forestry - Land appropriation	184.391	195.941
Maturity difference expenses	113.483	168.573
Other	204.075	624.588
<b>Total</b>	<b>2.449.168</b>	<b>2.421.186</b>

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19. Financial Income

Financial income consists of the following (TL) :

	1 January 2010 - 31 December 2010	1 January 2009 - 31 December 2009
Foreign exchange gains	6.631.757	12.015.071
Interest income	2.887.938	4.991.296
Profit on sale of other marketable securities	732.038	99.547
Maturity difference income	17.379	33.252
Rediscount interest income	688	976
Dividend income	9.759	28.743
<b>Total</b>	<b>10.279.559</b>	<b>17.168.885</b>

20. Financial Expenses

Financial expenses consist of the following(TL) :

	1 January 2010 - 31 December 2010	1 January 2009 - 31 December 2009
Foreign exchange losses	6.355.285	12.382.282
Rediscount interest expenses	699	659
Other expenses	46	347
<b>Total</b>	<b>6.356.030</b>	<b>12.383.288</b>

21. Tax Assets and Liabilities

The Turkish corporation tax rate for 2010 is 20% (31 December 2009 - 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
Per statutory books	5.989.846	8.387.313
Other deductions	(5.989.846)*	(8.387.313)*
Sub total	_____ -	_____ -
Tax rate (%)	20	20
Tax provision	===== -	===== -

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

21. Tax Assets and Liabilities (continued)Deferred Tax Assets and Liabilities

As of 31 December 2010 and 2009 due to the Company's REIT status, no deferred tax calculation has been made (Note 2 (viii) (j)).

22. Earnings Per Share

Calculation of earnings per share is made as follows :

	<u>31 December 2010</u>	<u>31 December 2009</u>
Profit for the period	5.989.846	8.387.313
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	10.654.794	10.654.794
Earnings per share (TL)	0,562	0,787

23. Related Party Disclosures

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

	<u>31 December 2010</u>		<u>31 December 2009</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Alarko Carrier San.ve Tic.A.Ş.	284			
Attaş Alarko Turistik Tesisler A.Ş.	6.598.742	-	7.316.174	-
Less: Deferred income	(699)	-	(659)	-
Total (Note 5)	<u>6.598.327</u>	<u>-</u>	<u>7.315.515</u>	<u>-</u>



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23. Related Party Disclosures (continued)

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

	31 December 2010		31 December 2009	
	Trade	Non-Trade	Trade	Non-Trade
Alsim Alarko San. Tes. ve Tic. A.Ş.	1.172.375	-	1.538.464	-
Alarko Holding A.Ş.	-	-	144	-
Altek Alarko Elek.San.Tes Tic.A.S.	750	-	3.876	-
Alarko Carrier San. ve Tic. A.Ş.	-	-	475	-
Total (Note 5)	1.173.125	-	1.542.959	-

c) Balances due to shareholders consist of the following(TL) :

	31 December 2010	31 December 2009
Dividends payable (Note 6)	255	255

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

The Company has generated income and incurred expenses as a result of the transactions realized with the related parties as stated in the following:

	31 December 2010	31 December 2009
<b><u>Expenses</u></b>		
Foreign exchange losses	203.879	514.971
Rent expenses	561.464	307.310
Maturity difference expenses	113.483	168.573
Services received	254.613	122.844
Rediscount expenses	699	659
Other expenses	11.438	271.536
Total	1.145.576	1.385.893

Notes to the Financial Statements  
for the years ended 31 December 2010 and 200923. Related Party Disclosures (continued)

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

The Company has generated income and incurred expenses as a result of the transactions realized with the related parties as stated in the following (continued):

	<u>31 December 2010</u>	<u>31 December 2009</u>
<b><u>Income</u></b>		
Rent income	5.523.316	6.276.014
Foreign exchange gains	33.609	741.985
Turkish Ministry of Environment and Forestry - Rent (2%)	769.899	808.552
Turkish Ministry of Environment and Forestry - Land appropriation	184.391	174.067
Interest income	16.644	31.486
Other	25.750	21.874
Total	<u>6.553.609</u>	<u>8.053.978</u>

Transactions with related parties subject to invoicing on company basis are stated in the following:

	<u>31 December 2010</u>			<u>31 December 2009</u>		
<b><u>Purchases</u></b>	<u>Merchandise</u>	<u>Service</u>	<u>Other</u>	<u>Merchandise</u>	<u>Service</u>	<u>Other</u>
Attaş Alarko Turistik Tes. A.Ş.	1.206.219	-	320.904	1.610.574	-	514.971
Alarko Carrier San. ve Tic. A.Ş.	-	-	3.259	944	-	1.663
Alarko Holding A.Ş.	-	744.549	8.179	-	134.760	350.871
Alsim Alarko San. Tes. Ve Tic. A.Ş.	-	-	113.483	-	-	423.259
Total	<u>1.206.219</u>	<u>744.549</u>	<u>445.825</u>	<u>1.611.518</u>	<u>134.760</u>	<u>1.290.764</u>

Notes to the Financial Statements  
for the years ended 31 December 2010 and 200923. Related Party Disclosures (continued)

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

Transactions with related parties subject to invoicing on company basis are stated in the following (continued):

<u>Sales</u>	31 December 2010			31 December 2009		
	Merchandise	Service	Other	Merchandise	Service	Other
Attaş Alarko Turistik Tes. A.Ş.	-	-	6.203.312	-	-	7.738.350
Alarko Carrier San. ve Tic. A.Ş.	-	-	261.051	-	-	263.198
Alsim Alarko San. Tes. ve Tic. A.Ş.	-	-	19.046	-	-	-
Altek Alarko Elektrik Sant. Tes. İsl. ve Tic. A.Ş.	-	-	70.200	-	-	62.430
<b>Total</b>			<b>6.553.609</b>			<b>8.063.978</b>

As of 31 December 2010 and 2009, there are no doubtful receivables arising from related parties.

As of 31 December 2010 and 2009, the wages and similar benefits provided to top management amounts to TL 775.161 and TL 716.683, respectively.

24. Nature and Extent of Risk Arising from Financial InstrumentsFinancial instruments and financial risk management

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

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

## i. Credit Risk

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

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Notes to the Financial Statements  
for the years ended 31 December 2010 and 2009

24. Nature and Extent of Risk Arising from Financial Instruments (continued)

i. Credit Risk (continued)

As of 31 December 2010, the maturities and the guarantee structure of the Company's receivables and cash and cash equivalents are stated in the following (TL):

	Receivables				Bank Deposits	Cash and Cash Equivalents
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
31 December 2010						
Maximum credit risk incurred as of the reporting date (A+B+C+D+E) (1) (Notes 3,5 and 6)	<b>6.598.327</b>	<b>162.929</b>	-	<b>14.127</b>	<b>22.987.049</b>	<b>16.826.654</b>
- The portion of maximum risk guaranteed with collaterals	-	-	-	-	-	-
A- Net book value of financial assets that are						
neither overdue nor impaired (2) (Notes 3,5 and 6)	6.598.327	161.464	-	14.127	22.987.049	16.826.654
B- Book value of financial assets whose conditions are revised, and which otherwise would be considered as overdue or impaired.	-	-	-	-	-	-
C- Net book value of overdue assets that are not impaired (3)	-	1.465	-	-	-	-
- Portion taken under guarantee through collaterals	-	-	-	-	-	-
D- Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value) (Note 5)	-	214.222	-	-	-	-
- Impairment loss (-) (Note 5)	-	(214.222)	-	-	-	-
- The portion of net value guaranteed with collaterals	-	-	-	-	-	-
E- Elements carrying derecognized credit risk	-	-	-	-	-	-

(1) In determining the amount of credit risk to be incurred, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired.

(3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.

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Notes to the Financial Statements  
for the years ended 31 December 2010 and 2009

24. Nature and Extent of Risk Arising from Financial Instruments (continued)

i. Credit Risk (continued)

As of 31 December 2009, the maturities and the guarantee structure of the Company's receivables and cash and cash equivalents are stated in the following (TL):

	Receivables				Bank Deposits	Cash and Cash Equivalents
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
31 December 2009						
Maximum credit risk incurred as of the reporting date (A+B+C+D+E) (1) (Notes 3,5 and 6)	<b>7.315.515</b>	<b>273.151</b>	-	<b>19.664</b>	<b>24.106.368</b>	<b>3.640.606</b>
- The portion of maximum risk guaranteed with collaterals	-	-	-	-	-	-
A- Net book value of financial assets that are						
neither overdue nor impaired (2) (Notes 3,5 and 6)	7.315.515	269.963	-	19.664	24.106.368	3.640.606
B- Book value of financial assets whose conditions are revised, and which otherwise would be considered as overdue or impaired.	-	-	-	-	-	-
C- Net book value of overdue assets that are not impaired (3)	-	3.188	-	-	-	-
- Portion taken under guarantee through collaterals	-	-	-	-	-	-
D- Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value) (Note 5)	-	84.710	-	-	-	-
- Impairment loss (-) (Note 5)	-	(84.710)	-	-	-	-
- The portion of net value guaranteed with collaterals	-	-	-	-	-	-
E- Elements carrying derecognized credit risk	-	-	-	-	-	-

(1) In determining the amount of credit risk to be incurred, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired.

(3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.

Notes to the Financial Statements  
for the years ended 31 December 2010 and 200924. Nature and Extent of Risk Arising from Financial Instruments (continued)

## i. Credit Risk (continued)

As of 31 December 2010 and 2009, the agings of assets past due but not impaired is as follows (TL):

<b>31 December 2010</b>	<b>Related Parties</b>	<b>Trade Receivables</b>
1-30 days past due	-	-
1-3 months past due	-	-
3-12 months past due	-	1.465
1-5 years past due	-	-
- Portion hedged with collaterals	-	-

  

<b>31 December 2009</b>	<b>Related Parties</b>	<b>Trade Receivables</b>
1-30 days past due	-	-
1-3 months past due	-	-
3-12 months past due	-	3.188
1-5 years past due	-	-
- Portion hedged with collaterals	-	-

## ii. Liquidity Risk

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

As of 31 December 2010 and 2009, the maturity table for the Company's non-derivative financial liabilities is as follows:

<b>31 December 2010</b>	<b>Book Value</b>	<b>Total Cash Outflows</b>	<b>Less than 3 months</b>
Trade payables to related parties (Notes 5 and 6 )	1.173.125	1.173.125	1.173.125
Other trade payables (Note 5)	591.466	591.496	591.496
Other payables (Note 6, 11 and 13 )	876.490	857.353	857.353

  

<b>31 December 2009</b>	<b>Book Value</b>	<b>Total Cash Outflows</b>	<b>Less than 3 months</b>
Trade payables to related parties (Notes 5 and 6 )	1.542.959	1.542.959	1.542.959
Other trade payables (Note 5)	128.122	128.122	128.122
Other payables (Note 6, 11 and 13 )	1.845.722	1.791.014	1.791.014

Notes to the Financial Statements  
for the years ended 31 December 2010 and 200924. Nature and Extent of Risk Arising from Financial Instruments (continued)

## ii. Liquidity Risk (continued)

As of 31 December 2010, the maturity table of the assets and liabilities prepared as per their remaining maturities is as follows:

31 December 2010						
	0-1	1-3	3-6	6-12	Longer than	Total
Monetary Assets	months	months	months	months	1 year	
Cash and cash equivalents	16.855.904	-	-	-	-	16.855.904
Inventories	-	-	25.144.593	-	19.427.279	44.571.872
Other assets	319.194	105.926	10.894	284.465	-	720.479
Trade and other receivables, net	143.112	19.817	-	-	14.127	177.056
Due from related parties, net	284	-	-	-	-	284
<b>Total Assets in TL</b>	<b>17.318.494</b>	<b>125.743</b>	<b>25.155.487</b>	<b>284.465</b>	<b>19.441.406</b>	<b>62.325.595</b>
Cash and cash equivalents	8.132.307	14.825.492	-	-	-	22.957.799
Financial assets	-	-	-	-	86.380.484	86.380.484
Trade receivables, net	-	-	-	-	-	-
Due from related parties, net	6.598.043	-	-	-	-	6.598.043
<b>Total Assets in foreign currency</b>	<b>14.730.350</b>	<b>14.825.492</b>	<b>-</b>	<b>-</b>	<b>86.380.484</b>	<b>115.936.326</b>
<b>Total Monetary Assets</b>	<b>32.048.844</b>	<b>14.951.235</b>	<b>25.155.487</b>	<b>284.465</b>	<b>105.821.890</b>	<b>178.261.921</b>
<b>Monetary Liabilities</b>						
Trade payables	591.466	-	-	-	-	591.466
Due to related parties	1.173.125	-	-	-	-	1.173.125
Provision for termination indemnity	-	-	-	-	107.652	107.652
Deposits and guarantees received	-	-	-	-	250.379	250.379
Advances received	7.461	14.248.546	31.597	-	32.228	14.319.832
Provisions for other short term debts and expenses	86.140	-	790.596	-	255	876.991
<b>Total liabilities in TL</b>	<b>1.858.192</b>	<b>14.248.546</b>	<b>822.193</b>	<b>-</b>	<b>390.514</b>	<b>17.319.445</b>
<b>Total liabilities in foreign currency</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131.454</b>	<b>131.454</b>
<b>Total Monetary Liabilities</b>	<b>1.858.192</b>	<b>14.248.546</b>	<b>822.193</b>	<b>-</b>	<b>521.968</b>	<b>17.450.899</b>

Notes to the Financial Statements  
for the years ended 31 December 2010 and 200924. Nature and Extent of Risk Arising from Financial Instruments (continued)

## ii. Liquidity Risk (continued)

As of 31 December 2009, the maturity table of the assets and liabilities prepared as per their remaining maturities is as follows:

<b>31 December 2009</b>						
	<b>0-1</b>	<b>1-3</b>	<b>3-6</b>	<b>6-12</b>	<b>Longer than</b>	
<b>Monetary Assets</b>	<b>months</b>	<b>months</b>	<b>months</b>	<b>months</b>	<b>1 year</b>	<b>Total</b>
Cash and cash equivalents	5.418.208	-	-	-	-	5.418.208
Inventories	-	-	22.144.560	-	19.427.279	41.571.839
Other assets	583.437	77.623	13.718	806	10.500	686.084
Trade receivables, net	215.072	58.079	-	-	19.664	292.815
Due from related parties, net	-	-	-	-	-	-
<b>Total Assets in TL</b>	<b>6.216.717</b>	<b>135.702</b>	<b>22.158.278</b>	<b>806</b>	<b>19.457.443</b>	<b>47.968.946</b>
Cash and cash equivalents	22.328.766	-	-	-	-	22.328.766
Financial assets	70.831.746	-	-	13.891.042	-	84.722.788
Other current assets	-	-	-	-	-	-
Trade receivables, net	-	-	-	-	-	-
Due from related parties, net	-	-	7.315.515	-	-	7.315.515
<b>Total Assets in foreign currency</b>	<b>93.160.512</b>	<b>-</b>	<b>7.315.515</b>	<b>13.891.042</b>	<b>-</b>	<b>114.367.069</b>
<b>Total Monetary Assets</b>	<b>99.377.229</b>	<b>135.702</b>	<b>29.473.793</b>	<b>13.891.848</b>	<b>19.457.443</b>	<b>162.336.015</b>
<b>Monetary Liabilities</b>						
Trade payables	128.122	-	-	-	-	128.122
Due to related parties	1.542.959	-	-	-	-	1.542.959
Provision for termination indemnity	-	-	-	-	137.576	137.576
Deposits and guarantees received	-	-	-	-	84.730	84.730
Advances received	-	4.044.638	50.438	-	25.904	4.120.980
Provisions for other short term debts and expenses	1.058.083	11.802	755.282	21.000	-	1.846.167
<b>Total Liabilities in TL</b>	<b>2.729.164</b>	<b>4.056.440</b>	<b>805.720</b>	<b>21.000</b>	<b>248.210</b>	<b>7.860.534</b>
<b>Total Liabilities in foreign currency</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101.690</b>	<b>101.690</b>
<b>Total Monetary Liabilities</b>	<b>2.729.164</b>	<b>4.056.440</b>	<b>805.720</b>	<b>21.000</b>	<b>349.900</b>	<b>7.962.224</b>



24. Nature and Extent of Risk Arising from Financial Instruments (continued)

## iii. Market Risk

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

## iv. Foreign Currency Risk

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

As of 31 December 2010, the Company's net foreign currency position is TL 115.804.873 (31 December 2009 - TL 114.265.379). An increase/decrease of 10% in the foreign exchange rates will increase/decrease the Company profit by a total of TL 11.580.487.

Foreign Currency Position

On totals basis;

	<u>31 December 2010</u>	<u>31 December 2009</u>
A. Foreign currency assets	115.936.326	114.367.069
B. Foreign currency liabilities	<u>131.453</u>	<u>101.690</u>
<b>Net foreign currency position (A-B)</b>	<b><u>115.804.873</u></b>	<b><u>114.265.379</u></b>

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Notes to the Financial Statements  
for the years ended 31 December 2010 and 2009

24. Nature and Extent of Risk Arising from Financial Instruments (continued)

iv. Foreign Currency Risk (continued)

Foreign Currency Position

Elaborated on foreign currency basis;

	31 December 2010			31 December 2009		
	TL Equivalent (Functional Currency)	Foreign Currency Amount	Foreign Exchange Rate (Full)	TL Equivalent (Functional Currency)	Foreign Currency Amount	Foreign Exchange Rate (Full)
<b>1.Banks</b>						
USD	1.232.815	797.422	1,5460	8.889	5.903	1,5057
Euro	21.724.984	10.602.208	2,0491	22.319.877	10.331.841	2,1603
<b>2.Financial Assets</b>						
USD	86.380.484	55.873.534	1,5460	84.722.788	56.268.040	1,5057
<b>3.Due from related parties</b>						
USD	6.598.043	4.267.816	1,5460	7.315.515	4.858.547	1,5057
<b>TOTAL ASSETS DENOMINATED IN FOREIGN CURRENCY</b>	<b>115.936.326</b>			<b>114.367.069</b>		
<b>Deposits and guarantees received (short term)</b>						
USD	131.453	85.028	1,5460	101.690	67.537	1,5057
<b>TOTAL LIABILITIES DENOMINATED IN FOREIGN CURRENCY</b>	<b>131.453</b>			<b>101.690</b>		
<b>NET FOREIGN CURRENCY POSITION</b>	<b>115.804.873</b>			<b>114.265.379</b>		

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Notes to the Financial Statements  
for the years ended 31 December 2010 and 2009

24. Nature and Extent of Risk Arising from Financial Instruments (continued)

iv. Foreign Currency Risk (continued)

As of 31 December 2010, the sensitivity analysis of foreign currency position is as follows:

Foreign Currency Position Sensitivity Analysis				
	31 December 2010			
	Profit/Loss		Equity	
	Value increase in foreign currency	Loss in value of foreign currency	Value increase in foreign currency	Loss in value of foreign currency
	When USD changes by 10% against TL		When USD changes by 10% against TL	
1- Net assets /liabilities in USD	9.407.989	(9.407.989)	-	-
2- Portion hedged from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	9.407.989	(9.407.989)	-	-
	When Euro changes by 10% against TL		When Euro changes by 10% against TL	
4- Net assets/liabilities in Euro	2.172.498	(2.172.498)	-	-
5- Portion hedged from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	2.172.498	(2.172.498)	-	-
Total (3+6)	11.580.487	(11.580.487)		

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Notes to the Financial Statements  
for the years ended 31 December 2010 and 2009

24. Nature and Extent of Risk Arising from Financial Instruments (continued)

iv. Foreign Currency Risk (continued)

As of 31 December 2009, the sensitivity analysis of foreign currency position is as follows:

Foreign Currency Position Sensitivity Analysis				
31 December 2009				
	Profit/Loss		Equity	
	Value increase in foreign currency	Loss in value of foreign currency	Value increase in foreign currency	Loss in value of foreign currency
	When USD changes by 10% against TL		When USD changes by 10% against TL	
1- Net assets /liabilities in USD	9.194.550	(9.194.550)	-	-
2- Portion hedged from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	9.194.550	(9.194.550)	-	-
	When Euro changes by 10% against TL		When Euro changes by 10% against TL	
4- Net assets/liabilities in Euro	2.231.988	(2.231.988)	-	-
5- Portion hedged from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	2.231.988	(2.231.988)	-	-
Total (3+6)	11.426.538	(11.426.538)		

24. Nature and Extent of Risk Arising from Financial Instruments (continued)

v. 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.

As of 31 December 2010 and 2009, the Company does not have significant financial assets with interest sensitivity.

vi. Stock Price Risk

The Company is exposed to stock price risk which is the risk of encountering price changes in securities included in the Company portfolio. As of 31 December 2010, if there is a 10% increase/decrease in the best bid among current orders pending at the Istanbul Stock Exchange which are used in valuation of these securities with other variables remaining constant, the Company's equity will be higher/lower by a total of TL 225.042, net, without any effect in profit/loss (31 December 2009 - TL 240.856) (Note 4).

vii. Capital Risk Management

For proper management of capital risk, the Company aims

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

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

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

24. Nature and Extent of Risk Arising from Financial Instruments (continued)

## vii. Capital Risk Management (continued)

The general strategy of the Company has not changed with respect to that of the prior year. As of 31 December 2010 and 2009, the ratio of the total capital to total debts, net, is as follows (TL):

	<u>31 December 2010</u>	<u>31 December 2009</u>
Total debt	17.450.899	7.962.224
Less: cash and cash equivalents	<u>(39.813.703)</u>	<u>(27.746.974)</u>
Net debt	<u>(22.362.804)</u>	<u>(19.784.750)</u>
Total equity	198.421.870	192.590.160
Debt/Equity Ratio	(11%)	(10%)

The change in debt/equity ratio arises from the liquidity surplus of the Company.

25. Financial Instruments (Disclosures on Fair Value and Hedge Accounting)Financial Instruments

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

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

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

25. Financial Instruments (Disclosures on Fair Value and Hedge Accounting) (continued)

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

Financial Assets

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

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

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

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

Financial Liabilities

Trade payables have been presented at their fair values.

26. Events After the Reporting Period

The termination indemnity upper limit which stood at TL 2.517,01 as of 31 December 2010 has been increased to TL 2.623,23 with effect from 1 January 2011 (31 December 2009 - TL 2.365,16).

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

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

31 December 2010	TL 94.729.818
31 December 2009	TL 82.390.795