Akfen Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

Convenience Translation to
English of
Consolidated Financial Statements
As at and for the year Ended
31 December 2011
With Independent Auditors' Report
(Originally issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

9 March 2011

This report contains 2 pages of independent auditors' report and 70 pages of consolidated financial statements and notes to the consolidated financial statements.

Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

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CONVENIENCE TRANSLATION TO ENGLISH OF INDEPENDENT AUDITORS' REPORT

(ORIGINALLY ISSUED IN TURKISH)

To the Board of Directors of
Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

Introduction

We have audited the accompanying consolidated financial statements of Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its subsidiaries (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An independent audit involves performing procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Financial Reporting Standards promulgated by Capital Markets Board of Turkey (Note 2).

Additional paragraph for convenience translation to English

As discussed in Note 2.1, differences between the accounting principles promulgated by the Capital Markets Board of Turkey discussed in Note 2.1, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and the International Financial Reporting Standards ("IFRS") have influence on the accompanying financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

İstanbul, 9 March 2012

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Hatice Nesrin Tuncer
Partner

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

		Audited	*Audited*
ASSETS	**Notes**	**31 December 2011**	**31 December 2010**
CURRENT ASSETS		**26.803.940**	**8,365,971**
Cash and cash equivalents	*5*	7,792,345	1,304,927
Trade receivables	*7*	4,589,460	6,155,758
- Due from related parties	*25*	--	*1,291,871*
- Other trade receivables	*7*	*4,589,460*	*4,863,887*
Other receivables	*8*	5,851,012	--
- Other receivables		*5,851,012*	--
Other current assets	*16*	8,571,123	905,286
NON-CURRENT ASSETS		**1,101,715,924**	**678,636,026**
Other receivables	*8*	94,763	87,396
Investment property	*9*	1,055,500,405	644,063,152
Property and equipment	*10*	115,855	117,937
Intangible assets	*11*	7,334	7,622
Deferred tax assets	*23*	1,885,866	89,343
Other non-current assets	*16*	44,111,701	34,270,576
TOTAL ASSETS		**1,128,519,864**	**687,001,997**

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES	Notes	*Audited* 31 December 2011	*Audited* 31 December 2010
CURRENT LIABILITIES		**129,499,933**	**63,017,344**
Loans and borrowings	*6*	118,982,086	47,628,674
Trade payables	*7*	2,756,281	854,847
- Due to related parties	*25*	*44,931*	*58,433*
- Other trade payables	*7*	*2,711,350*	*796,414*
Other payables	*8*	2,678,998	12,291,507
- Due to related parties	*25*	--	*12,247,437*
- Other payables	*8*	*2,678,998*	*44,070*
Employee benefits	*15*	208,946	64,619
Other current liabilities	*16*	4,536,682	1,731,386
Current tax liability		336,940	446,311
NON-CURRENT LIABILITIES		**213,193,853**	**173,236,249**
Loans and borrowings	*6*	166,756,262	164,563,313
Employee benefits	*15*	8,062	6,486
Deferred tax liability	*23*	44,325,942	7,321,185
Other non-current liabilities	*16*	2,103,587	1,345,265
EQUITY	*17*	**785,826,078**	**450,748,404**
Paid in capital		184,000,000	138,000,000
Adjustment to share capital		317,344	317,344
Purchase of share of entity under common control		53,748,727	53,748,727
Share premium		58,880,000	--
Foreign currency translation reserve		2,729,602	524,372
Legal reserves		4,147	4,147
Retained earnings		255,940,250	137,819,739
Profit for the period		199,798,774	120,362,989
Non-controlling interests		30,407,234	(28,914)
TOTAL EQUITY AND LIABILITIES		**1,128,519,864**	**687,001,997**

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	*Audited* 1 January - 31 December 2011	*Audited* 1 January - 31 December 2010
CONTINUING OPERATIONS			
Revenue	*18*	27,621,015	18,471,000
Cost of sales	*18*	(3,564,683)	(2,090,052)
GROSS PROFIT		**24,056,332**	**16,380,948**
Administrative expenses	*19*	(7,174,373)	(3,981,912)
Fair value gain on operating investment property, net	*20*	156,297,352	56,574,070
Fair value gain on investment property under development	*20*	123,890,922	71,725,733
Other operating income	*20*	13,929,170	1,321,337
Other operating expense	*20*	(8,197,226)	(6,264,306)
OPERATING PROFIT		**302,802,177**	**135,755,870**
Finance income	*21*	10,640,816	25,777,756
Finance costs	*22*	(57,818,366)	(33,184,649)
PROFIT BEFORE TAXATION		**255,624,627**	**128,348,977**
Tax (expense) / benefit	*23*	(33,394,987)	(8,014,902)
- Current tax expense		–	*(1,107,657)*
- Deferred tax (expense) / income		*(33,394,987)*	*(6,907,245)*
PROFIT FOR THE PERIOD		**222,229,640**	**120,334,075**
Other comprehensive income / (expense)			
Change in foreign currency translation differences		2,205,230	306,664
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		2,205,230	306,664
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**224,434,870**	**120,640,739**
Profit attributable to:			
Non-controlling interest		*22,430,866*	*(28,914)*
Owners of the company		*199,798,774*	*120,362,989*
Profit for the period		**222,229,640**	**120,334,075**
Total comprehensive income attributable to			
Non-controlling interest		*22,430,866*	*(28,914)*
Owners of the company		*202,004,004*	*120,669,653*
Profit for the period		**224,434,870**	**120,640,739**
Earnings per share/ Diluted earnings per share	*24*	**1.18**	**1.02**

The accompanying notes form an integral part of these consolidated financial statements.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Paid in capital	Adjustment to share capital	Share premium	Purchase of share of entity under common control	Foreign currency translation reserve	Legal Reserves	Retained earnings	Profit / (loss) for the period	Total	Non controlling interest	Total equity
As at 1 January 2010	72,147,000	380,186	--	53,748,727	217,708	4,147	139,726,591	18,206,539	284,430,898	--	284,430,898
Transfers	--	--	--	--	--	--	18,206,539	(18,206,539)	--	--	--
Capital increase	65,853,000	(62,842)	--	--	--	--	(20,113,391)	--	45,676,767	--	45,676,767
	138,000,000	317,344	--	53,748,727	217,708	4,147	137,819,739	--	330,107,665	--	330,107,665
Profit for the period	--	--	--	--	--	--	--	120,362,989	120,362,989	(28,914)	120,334,075
Foreign currency translation differences	--	--	--	--	306,664	--	--	--	306.664	--	306.664
Total comprehensive income	--	--	--	--	306.664	--	--	120,362,989	120,669,653	(28.914)	120,640.739
As at 31 December 2010	**138,000,000**	**317,344**	**--**	**53,748,727**	**524,372**	**4,147**	**137,819,739**	**120,362,989**	**450,777,318**	**(28,914)**	**450,748,404**
As at 1 January 2011	138,000,000	317,344	--	53,748,727	524,372	4,147	137,819,739	120,362,989	450,777,318	(28,914)	450,748,404
Transfers	--	--	--	--	--	--	120,362,989	(120,362,989)	--	--	--
Capital increase	46,000,000	--	--	--	--	--	--	--	46,000,000	--	46,000,000
Share premiums	--	--	58,880,000	--	--	--	--	--	58,880,000	--	58,880,000
Public offering expenses	--	--	--	--	--	--	(2,242,478)	--	(2,242,478)	--	(2,242,478)
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	8,005,282	8,005.282
	184,000,000	317,344	58,880,000	53,748,727	524,372	4,147	255,940,250	--	553,414,840	7,976,368	561,391,208
Profit for the period	--	--	--	--	--	--	--	199,798,774	199,798,774	22,430,866	222,229,640
Foreign currency translation differences	--	--	--	--	2,205,230	--	--	--	2,205,230	--	2,205,230
Total comprehensive income	--	--	--	--	2,205,230	--	--	199,798,774	202,004,004	22.430,866	224,434,870
As at 31 December 2011	**184,000,000**	**317,344**	**58,880,000**	**53,748,727**	**2,729,602**	**4,147**	**255,940,250**	**199,798,774**	**755,418,844**	**30,407,234**	**785,826,078**

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	*Audited* 31 December 2011	*Audited* 31 December 2010
A. Cash flows from operating activities			
Profit for the period		**222,229,640**	**120.334.075**
Adjustments to:			
Depreciation of property, plant and equipment	*10*	64,237	49,417
Amortization of intangibles	*11*	3,347	5,613
Provision for employee severance indemnity and vacation liability	*15*	171,626	19,418
Fair value adjustment on investment property		(280,188,274)	(128,299,803)
Interest expense	*22*	14,248,404	15,102,121
Interest income	*21*	(1,700,073)	--
Unrealized foreign currency (gain)/loss		46,714,424	(8,047,718)
Rent expense accrual	*16*	897,580	620,338
Other accruals		(4,473,368)	1,202,882
Gain on bargain purchase	*20*	(11,888,798)	--
Income tax expense	*23*	33,394,987	8,014,902
Operating profit before changes in working capital		**19,473,732**	**9,001,245**
Change in inventory		--	1,094,805
Change in trade receivables		4,099,545	(3,246,033)
Change in other receivables		(5,846,615)	58,914
Change in other current and non-current assets		(12,749,140)	(5,346,547)
Change in trade payables		1,901,434	(2,939,468)
Payment of employee benefits		(25,723)	(9,985)
Tax payment		--	(658,576)
Changes in other payables and liabilities		(9,668,374)	(10,318,148)
Interest paid		(14,248,404)	(15,007,884)
Net cash used in operating activities		**(17,063,545)**	**(27,371,677)**
B. Cash flows from investing activities			
Acquisition of property, plant and equipment	*10*	(49,663)	(45,847)
Proceeds from sale of property, plant and equipment	*10*	--	46,374
Acquisition of intangible assets	*11*	(14,007)	(3,748)
Proceeds from sale of intangible assets		16,062	--
Acquisition of investment property	*9*	(67,501,251)	(43,949,562)
Disposals of cancelled investment property		--	1,344,515
Interest received		1,700,073	--
Net cash flow effect of business combination	*2.1*	(10,099,782)	--
Net cash used in investment activities		**(75,948,568)**	**(42,608,268)**
C. Cash flows from financing activities			
Capital increase	*17*	46,000,000	45,676,767
Proceeds from issuance of loans and borrowings		31,622,350	44.373.896
Repayment of loans and borrowings		(38,747,401)	(19,264,800)
Public offering expenses	*17*	(2,242,478)	--
Share premiums	*17*	58,880,000	--
Change in non-controlling interests		3,987,061	--
Net cash from financing activities		**99,499,532**	**70,785,863**
Net increase in cash and cash equivalents		**6,487,418**	**805,918**
Cash and cash equivalents at 1 January		1,304,927	499,009
Cash and cash equivalents at 31 December	*5*	**7,792,345**	**1,304,927**

The accompanying notes form an integral part of these consolidated interim financial statements.

1. REPORTING ENTITY

Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("the Company" or "Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ ("Aksel"). Aksel was originally established on 25 June 1997 for the purpose of undertaking investments in domestic tourism sector. The restructuring was completed subsequent to the Board of Directors resolution dated 25 April 2006 and Capital Markets Board of Turkey's ("CMB") approval numbered 31/894 and dated 14 July 2006. The change of title and activities was published on Official Trade Gazette on 31 August 2006.

The Company's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: VI No: 11, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding AŞ, ("Akfen Holding") signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. Based on the MoU the entities will join their efforts to establish a partnership to develop hotel projects in Turkey. The Company will develop primarily Novotel and İbis Hotel branded hotels and lease them to ACCOR S.A. According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to ACCOR S.A. by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Beylikdüzü, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The lands have been provided for hotels to be developed in Esenyurt, İzmir ,Adana,Ankara and Karaköy. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. The parties shall use their best efforts to agree on a new development program at the latest on 30 June 2015.

The Company was enlisted on the stock exchange in 11 May 2011.

The Company acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat AŞ ("Akfen Ticaret") on 21 February 2007 which was 100% owned by Akfen Holding. Akfen Ticaret's main operations are also are investing in real estates, forming real estate portfolio and develop real estate projects.

The Company and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russion Property Investments BV ("Russion Property" or "RPI") on 21 September 2007 and 3 January 2008 respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russion Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 50% of participation for the Company, 45% of participation Kasa BV and 5% participation of Cüneyt Baltaoğlu as at 31 December 2011.

50% of the shares of Russian Property Investment BV ("Russian Property" or "RPI"), which was established in the Netherlands with the purpose of developing office and residence projects in Russia, was purchased by the Company from Akfen Gayrimenkul Geliştirme ve Ticaret AŞ ("Akfen Gayrimenkul Geliştirme"), a company of Akfen Group, on 5 June 2009. EEPI Ltd assigned its 45% shares in RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. The capital structure of the joint venture is designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 December 2011.

The Company has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. According to emended agreement signed between Company and Horus International B.V. in 4 February 2011, HDI 100% subsidiary of the company obtained shares of Keramit Financial Company Limited of which headoffice is loacted in British Virginia in amount of USD 1.000.000 in 24 November 2011.

1. REPORTING ENTITY *(continued)*

The Company has set up a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in Istanbul Karaköy on 31 May 2011. The capital structure of Akfen Karaköy is designated as 70% of participation for the Company.

"The Group" phrase will be used for Akfen GYO, its subsidiaries and joint venture enterprises in this report.

The number of employees of Akfen GYO and its subsidiaries is 13 (31 December 2010:14) and 23 (31 December 2010:16) respectively as at 31 December 2011. The Company is currently registered at Levent Loft, Büyükdere Caddesi C Blok No: 201, Kat: 8, Daire: 151, Levent– İstanbul.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

The Company and its subsidiaries, Akfen Ticaret and Akfen Karaköy head offices maintain its legal books of account and prepares its statutory financial statements in accordance with accounting principles set out in the Turkish Commercial Code ("TTC"), tax legislation and uniform chart of account. Akfen Ticaret, is also operating in Turkish Republic of Northern Cyprus ("Northern Cyprus"), its branch has been registered by the decision of the Cabinet of Northern Cyprus as a foreign company under the limited liability companies Code Article 346, with the registry number YŞ00148, Chapter 113 of Northern Cyprus Corporate Registration Office. Akfen Ticaret's branch operating in Northern Cyprus maintains its legal books of account and prepares its statutory financial statements in accordance with accounting principles set out in the Commercial Code accepted in Northern Cyprus.

The Group's foreign entities Russian Hotel and Russian Property maintain their records and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements of the Group are prepared in accordance with accounting and reporting principles published by CMB, namely "CMB Financial Reporting Standards". The accompanying consolidated financial statements are prepared in accordance with the Communiqué XI No:29 announcement of Capital Markets Board ("CMB") dated 9 April 2008 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" which is published in official gazette, no 26842 and effective since 1 January 2008. In accordance with Communiqué No: XI-29, the companies are required to prepare their financial statements in accordance with the International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS) as accepted by European Union. However, until Turkish Accounting Standards Board (TASB") publishes the differences between the European Union accepted IAS/IFRS and International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"). Within the above mentioned scope, Turkish Financial Reporting Standards ("TFRS") issued by TASB will be applied if there is not inconsistency in the standards applied. With the governing decree law numbered 660 published in official gazette on 2 November 2011, the establishment article of TASB stated in the 2499 numbered law with an additional article number one has been superseded and the Council of Ministers decided to establish Public Oversight Accounting and Auditing Standards Agency ("Oversight Agency"). In accordance with the transitional article number one of the governing decree law, until the date of the issuing of standards and regulations by Oversight Agency, the existing regulations will be applied. Accordingly, as of reporting date, the Basis of Presentation has not been changed.

The accompanying consolidated statement of financial position as at 31 December 2011 and the consolidated statement of comprehensive income for the year then ended have been approved by

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1. Basis of preparation *(continued)*

a Statement of compliance(continued)

the Board of Directors of the Company on 9 March 2012. The General Assembly and the related legal authorities have the authority to revise the statutory and the reported consolidated financial statements.

b Form of preparation of financial statements

The consolidated financial statements and notes as at 31 December 2011 are prepared according to the Communiqué XI No 29 of CMB which was announced by the decision numbered 11/467 at 17 April 2008 related to the Principles Regarding Financial Reporting on capital market.

c Functional and presentation currency

The presentation currency of the accompanying financial statements is TL. The table below shows the functional currency of each Company:

The Company	Functional Currency
Akfen GYO	TL
Akfen Ticaret	TL
Akfen Karaköy	TL
Russian Hotel	Euro
Russian Property	Euro
HDI	Euro

All financial information presented in TL unless otherwise stated. All other currencies are stated full unless otherwise stated.

d Basis of consolidation

Subsidiaries

The consolidated financial statements of the Company include its subsidiaries, which it controls directly or indirectly. This control is normally evidenced when the Company owns control power, either directly or indirectly, over company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. This control power is determined based on current and convertible voting rights. The financial statements of the subsidiaries are consolidated from the beginning of the control power over the affiliate to end of that power. Income statements of Russian Hotel and Russian Property are consolidated by 50% until the Company took over the control of management and fully consolidated after that date.

Financial statements of the subsidiaries are prepared in line with the financial statements of the Company in the same accounting period using uniform accounting policies.

The table below shows Akfen GYO's ownership ratio in subsidiaries as at 31 December 2011:

The Company	Direct or indirect shares of company (%)
Akfen Ticaret	100
HDI	100
Akfen Karaköy	70
RHI	95
RPI	95

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1. Basis of preparation *(continued)*

d ***Basis of consolidation*** *(continued)*

Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has common or joint control, established by contractual agreement requiring unanimous consent for strategic financial and operating decision. The consolidated financial statements include the Group's share of the assets, liabilities, income and expenses of commonly or jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. As at 31 December 2010, the Company's share in jointly controlled entities RHI and RPI were 50%. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. Accordingly, the Group obtained the control power in RHI and RPI. As at 31 December 2011, the Group does not have jointly controlled entity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations for acquisitions from third parties

Goodwill states exceeding amount of acquired portion regarding net fair value of identifiable asset, liability and contingent liabilities compared to the Group's purchasing cost. Within the scope of IFRS 3 "Business Combinations", exceeding amount of acquired portion regarding net fair value of identifiable asset, liability and contingent liabilities compared to the Group's purchasing cost is recognized as goodwill. Goodwill incurred during business combinations is not subjected to amortization, instead, it is subjected to impairment evaluation once in a year or more frequently in the case of situations indicating impairment.

In the event of that purchasing price is higher than acquired portion of net fair value of identifiable asset, liability and contingent liabilities, the related difference is recognized as revenue. (Gain on bargaining purchase (Negative goodwill)).

On 29 July 2011, 45% of shares belonging to Kasa BV regarding to Russian Hotel and Russian Property has been purchased by Akfen Ticaret in exchange for 4,352,000 EUR (10,624,102 TL). Net book value and fair value of acquired assets and liabilities are shown in TL currency as below;

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1. Basis of preparation *(continued)*

d *Basis of consolidation (continued)*

Business combinations for acquisitions from third parties *(continued)*

	Not	Book value before acquisition	Fair value adjustments	Acquisition Value
Tansible assets	*10*	14,573	--	14,573
Investment property (*)		57,372,952		57,372,952
Other assets		6,572,563	--	6,572,563
Cash and cash equivalents		524,320	--	524,320
Loans		(35,495,764)	--	(35,495,764)
Other liabilities		(6,475,744)	--	(6,475,744)
Identifiable assets and liabilities		**22,512,900**	--	**22,512,900**
Gain on bargaining purchase (Negative goodwill)				**11,888,798**
Payment in cash				(10,624,102)
Acquired cash				524,320
Net cash outflow				(10,099,782)

(*) Investment properties are accounted with their fair values.

Book value before acquisition is calculated according to International Financial Reporting Standarts just before the date of acquisition.

As of acquisition date, RHI and RPI are subjected to full consolidation and represented as minority shares of consolidated equity of participations. The fair values of acquired assets and liabilities of RHI and RPI were accounted at the date of acquisition.

Foreign currency

Foreign currency transaction

Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

The Group entities use Euro or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies in accordance with the relevant provisions of IAS 21, *the effect of changes in foreign exchange rates*. The Group uses TL as the reporting currency.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1. Basis of preparation *(continued)*

d Basis of consolidation (continued)

***Foreign currency transaction** (continued)*

Assets and liabilities of the Group entities with a different functional currency than the reporting currency of the Group are translated into the reporting currency of the Group at the rate of exchange ruling at the reporting date. The income and expenses of the Group entities are translated into the reporting currency at the average exchange rates for the period. Equity items are presented at their historical costs. The foreign currency differences are recognized directly in equity, under "Foreign Currency Translation Reserve" (FCTR). When the related Group entity is disposed of, in part of in full, the relevant amount in the FCTR is transferred to profit or loss.

The Euro/ TL and USD/ TL exchange rate as at the end of each period are as follows:

	31 December 2011	31 December 2010
Euro/ TL	2.4438	2.0491
USD / TL	1.8889	1.5460

The Euro/ TL and USD/ TL yearly average exchange rates are as follows:

	31 December 2011	31 December 2010
Euro/ TL	2.3244	1.9894
USD / TL	1.6708	1.5004

e Comparative information

The accompanying consolidated interim financial statements are presented comparatively in order to identify the tendency of the Group's financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying interim consolidated financial statements have been consistently applied to all periods presented by the Group.

f Additional paragraph for convenience translation to English

Differences between the accounting principles promulgated by the Capital Markets Board of Turkey discussed in Note 2.1, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and the International Financial Reporting Standards ("IFRS") have influence on the accompanying consolidated interim financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated interim financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Accounting estimates

The preparation of the financial statements in conformity with Communiqué No: XI-29 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates are used particularly in the following notes:

Note 2.4.4 – Useful lives of property, plant and equipment

Note 2.4.5 – Useful lives of intangible assets

Note 9 – Fair value measurement of investment property

Note 14 – Commitment and contingencies

Note 15 – Employee benefits

Note 23 – Deferred tax asset and liabilities

2.3 New standards and interpretations not yet adopted as at 31 December 2011

2.3.1. New standards and interpretations implemented as at 31 December 2011

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB's International Financial Reporting Interpretation Committee ("IFRIC") which are effective as at 31 December 2011.

2.3.2. New standards and interpretations not yet adopted as at 31 December 2011

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2011, and have not been applied in preparing these consolidated financial statements:

- The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments are effective for annual periods beginning on or after 1 July 2012. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

- The amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets introduce an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2012. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

- IFRS 10 *Consolidated Financial Statements* supersedes IAS 27 (2008) and SIC-12 *Consolidation—Special Purpose Entities* and becomes effective for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

- IFRS 11 *Joint Arrangements* supersedes IAS 31 and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* and becomes effective for annual periods beginning on or after 1 January 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.3 New standards and interpretations not yet adopted as at 31 December 2011 *(continued)*

2.3.2. New standards and interpretations not yet adopted as at 31 December 2011(continued)

- IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities and becomes effective for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.
- IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.
- IAS 27 *Separate Financial Statements (2011)* supersedes IAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 28 *Investments in Associates and Joint Ventures (2011)* supersedes IAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 19 *Employee Benefits* includes changes in the accounting of defined benefit plans. The amendments are effective for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

2.4 Summary of significant accounting policies

Significant accounting policies used in the preparation of the financial statements are summarised as follows.

2.4.1 Revenue

Revenue includes rental income.

Rental income

Rental income from investment property leased out under operating lease is recognised in profit or loss on a straight-line basis over the lease period.

Revenue is measured at the fair value of the consideration received or receivable.

2.4.2 Inventories

Trading properties are valued at lower of net realisable value or cost. Lands that are held by the Group for new project developments, raw material and supply expenses, labour and other expenses are the cost elements that are included in the inventory. Cost of the inventory is calculated by using moving weighted average method.

2.4.3 Investment property

_a_ Operating investment properties

Investment properties are those which are held either to earn income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio each year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.4.4 Investment property (continued)

a Operating investment properties *(continued)*

The fair value of the investment properties determined by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property.

It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.4.1.

b Investment property under development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment property. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio each year.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

The fair value of the investment properties under development are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project except for the Moscow hotel project of HDI and Northern Cyprus-Bafra hotel project of Akfen Ticaret that are stated with the costs incurred and Ankara Esenboğa land's fair value that is determined with the precedent comparison method.

2.4.4. Property and equipment

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation on the tangible assets is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related assets.

The estimated useful lives of the related assets are as follows:

Buildings	50 years
Equipment	6 years
Furniture and fixtures	3-10 years
Motor vehicles	5 years

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.4 Summary of significant accounting policies *(continued)*

2.4.4. Property and equipment

Subsequent expenditure

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in the income statement as expense as incurred.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.4.5. Intangible assets

Intangible assets include computer software. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses, and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the related assets of 3 or 5 years.

2.4.6. Impairment of assets

At each balance sheet date, the carrying of Group's assets, other than investment property (see accounting policy 2.5.3) is reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.4 Summary of significant accounting policies *(continued)*

2.4.7. Financial instruments

i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets recognised in profit/loss, financial assets held to maturity, loans and borrowings, receivables, financial assets available for sale.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. The Group has no financial assets at fair value through profit or loss as at 31 December 2011 and 31 December 2010.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction.

As at 31 December 2011 and 31 December 2010, the Group has no held-to-maturity financial assets.

Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, including service concession receivables.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.4 Summary of significant accounting policies *(continued)*

2.4.7. Financial instruments (continued)

i) Non-derivative financial assets *(continued)*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of cash flows.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2.4.8. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.4 Summary of significant accounting policies *(continued)*

2.4.9 Earnings per share

Earnings per share, which is stated income statement, is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The number of common share available during the period is the sum of number of common share at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 24).

2.4.10 Subsequent events

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed on the balance sheet date (adjusting events after the balance sheet date); and

- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

If there is evidence of such events as of balance sheet date or if such events occur after balance sheet date and if adjustments are necessary, Group's financial statements are adjusted according to the new situation. The Group discloses the post-balance sheet events that are not adjusting events but material.

2.4.11 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes.

If the inflow of economic benefits is probable contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and income statement effect has been recognized in the financial statements at the relevant period that income change effect occurs.

2.4.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rental payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.4 Summary of significant accounting policies *(continued)*

2.4.13 Related parties

For the purpose of the accompanying consolidated financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

2.4.14 Segment reporting

The Group has three reporting segments, which are the Group's strategic business units. The Group management evaluates the performance and determines allocation of resources based on these business units. The Group management reviews the business units based on resource allocation and performance results regularly, since they are affected from different economic conditions and geographical locations each of the strategic business units, although the strategic business units offer same services.

The Group's operating segments are in Turkey, Northern Cyprus and Russia in which the Group is operating in real estate investments.

2.4.15 Discontinued operations

None.

2.4.16 Government grants and incentives

According to the Investment Incentive Law numbered 47/2000, the Group has a 100% of investment incentive on capital expenditures made until 31 December 2008 in Northern Cyprus for an indefinite time.

2.4.17 Taxation

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to Article 15/ (3) the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through Article 15/(34) of New Corporate Tax Law. In accordance with New Corporate Tax Law Article 15 / (2), income subject to corporate tax is also exempt from withholding tax.

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers numbered 2009/14594 related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/ (3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. According to Article 5/1(d) (4) the income of REITs is subject to 0% withholding tax irrespective of its distribution.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.4. Summary of significant accounting policies *(continued)*

2.4.17 Taxation (continued)

Akfen Ticaret's head office operating in Turkey and Akfen Karakoy are subject to the 20% of taxation on its taxable income. Akfen Ticaret's branch operating in Northern Cyprus is subject to a corporate tax rate of 23.5%.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Deferred tax liability or asset is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent periods will be reversed. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The current tax rates are used in the computation of deferred tax. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.4.18 Employee benefits / reserve for employee severance indemnity

In accordance with the existing labour code in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Group calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financials.

Reserve for severance payment is calculated according to the ceiling rate announced by the Government. As at 31 December 2011 and 2010 the ceiling rates are TL 2,732 and TL 2,517, respectively.

2.4.19 Pension plans

None.

2.4.20 Agricultural operations

None.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.4. Summary of significant accounting policies *(continued)*

2.4.21 Statement of cash flows

The Group presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions.

2.4.22 Expenses

Expenses are recognised in profit or loss on accrual basis.

2.4.23 Finance income and costs

Finance income and costs are recognised as it accrues, using the effective interest method or considering an appropriate variable interest rate. Finance income and costs comprise the difference between the value of interest bearing instrument at inception date and its value at the maturity date calculated using effective interest rate method or net present value of premium or dicounts.

2.5. Investment portfolio limitations on real estate investment trust

Supplementary information in the Appendix: "Compliance control on portfolio limitations" are derived from the financial statements, according to the article 17 Communiqué XI No 29 of CMB, "Principles Regarding Financial Reporting on Capital Markets", and prepared in accordance with the related articles of the Communiqué VI, No: 11 of CMB related to the portfolio limitation compliance controls. Since the information in the Appendix are unconsolidated, they may differ from the consolidated information in the financial statements.

3. JOINTLY CONTROLLED ENTITIES

%50 (2010: %50) equity shareholding with equal voting power, RHI and RPI, joint ventures established in the Netherlands. Akfen Ticaret, 100% subsidiary of the Company has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV at an amount of EUR 4,352,000. The transfer process was completed on 29 July 2011 and The Group's ownership of shares increased to 95% in RHI and RPI.

As at 31 December 2010 total assets and liabilities and summary income statement for the year ended 31 December 2010 of RHI and RPI, are as follows:

Statement of Financial Position	31 December 2010 RHI	31 December 2010 RPI
Current assets	1,277,968	5,686,093
Non-current assets	80,109,574	19,152,208
Current liabilities	(33,627,525)	(15,985,347)
Non-current liabilities	(18,419,777)	(5,150)

Statement of comprehensive income	31 December 2010 RHI	31 December 2010 RPI
Total revenues and income	17,367,813	1,795,398
Total expenses and costs	(16,346,150)	(5,571,764)
Loss for the period	1,021,663	(3,776,366)

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

4. SEGMENT REPORTING

The Group has three reporting segments, which are the Group's strategic business units. The Group management evaluates the performance and determines allocation of resources based on these business units. The Group management reviews the business units based on resource allocation and performance results regularly, since they are affected from different economic conditions and geographical locations each of the strategic business units, although the strategic business units offer same services. Since the Group operates only in real estate investments in Turkey, Northern Cyprus and Russia, operating segments are provided in geographical segment.

31 December 2011:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	16,609,301	11,011,714	--	--	27,621,015
Cost of sales	(3,449,158)	(25,943)	(89,582)	--	(3,564,683)
GROSS PROFIT/ (LOSS)	**13,160,143**	**10,985,771**	**(89,582)**	--	**24,056,332**
Administrative expenses	(3,905,961)	(274,743)	(2,993,669)	--	(7,174,373)
Fair value gain on operating investment property	87,692,117	41,337,000	27,268,235	--	156,297,352
Fair value gain on investment property under development	107,294,090	--	16,596,832	--	123,890,922
Other operating income	11,889,310	187	2,039,673	--	13,929,170
Other operating expenses	(2,353,687)	(8,797)	(5,834,742)	--	(8,197,226)
OPERATING PROFIT	**213,776,012**	**52,039,418**	**36,986,747**	--	**302,802,177**
Finance income	8,980,006	1,587,638	138,892	(65,720)	10,640,816
Finance costs	(42,631,289)	(10,735,148)	(4,517,649)	65,720	(57,818,366)
PROFIT BEFORE TAX	**180,124,729**	**42,891,908**	**32,607,990**	-	**255,624,627**
Taxation	(17,673,856)	(10,010,988)	(5,710,143)	--	(33,394,987)
-Current tax expense	--	--	--	--	--
-Deferred tax benefit / (expense)	*(17,673,856)*	*(10,010,988)*	*(5,710,143)*	--	*(33,394,987)*
PROFIT FOR THE PERIOD	**162,450,873**	**32,880,920**	**26,897,847**	--	**222,229,640**

31 December 2011:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Reportable segment assets	950,564,602	209,277,156	210,856,218	(242,178,112)	**1,128,519,864**
Reportable segment liabilities	226,097,622	84,142,836	110,682,859	(78,229,531)	**342,963,786**
Capital expenditures	27,354,976	945,050	39,266,645	--	**67,566,671**
Depreciation and amortization expenses	36,931	11,055	19,598	--	**67,584**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

4. SEGMENT REPORTING *(continued)*

31 December 2010:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	9,981,687	8,489,313	--	--	18,471,000
Cost of sales	(2,064,749)	(25,303)	--	--	(2,090,052)
GROSS PROFIT	**7,916,938**	**8,464,010**	--	--	**16,380,948**
Administrative expenses	(2,769,381)	(96,792)	(1,115,739)	--	(3,981,912)
Fair value gain on operating investment property	39,213,775	17,360,295	--	--	56,574,070
Fair value gain on investment property under development	63,599,522	--	8,126,211	--	71,725,733
Other operating income	1,319,520	1,817	--	--	1,321,337
Other operating expenses	(1,451,211)	(119,057)	(4,694,038)	--	(6,264,306)
OPERATING PROFIT	**107,829,163**	**25,610,273**	**2,316,434**	--	**135,755,870**
Finance income	19,798,686	5,580,047	467,479	(68,456)	25,777,756
Finance costs	(22,896,775)	(7,613,364)	(2,742,966)	68,456	(33,184,649)
PROFIT BEFORE TAX	**104,731,074**	**23,576,956**	**40,947**	--	**128,348,977**
Taxation	(650,350)	(5,571,473)	(1,793,079)	--	(8,014,902)
-Current tax expense	*(658,576)*	--	*(449,081)*	--	(1,107,657)
-Deferred tax expenses	*8,226*	*(5,571,473)*	*(1,343,998)*	--	(6,907,245)
PROFIT FOR THE PERIOD	**104,080,724**	**18,005,483**	**(1,752,132)**	--	**120,334,075**
31 December 2010:					
Reportable segment assets	612,584,911	168,510,846	49,193,658	(143,287,418)	**687,001,997**
Reportable segment liabilities	201,513,758	76,257,350	30,451,807	(71,969,322)	**236,253,593**
Capital expenditures	21,995,063	45,235	21,958,859	--	**43,999,157**
Depreciation and amortization expenses	31,651	22,389	990	--	**55,030**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash on hand	3,400	2,132
Cash at banks	7,788,945	1,302,795
- Demand deposits	446,397	*1,302,795*
- Time deposits	7,342,548	--
Cash and cash equivalents	**7,792,345**	**1,304,927**

As at 31 December 2011, there is no blockage on cash and cash equivalents (31 December 2010: None).

Demand deposits

As at 31 December 2011 and 31 December 2010 demand deposits comprised the following currencies:

	31 December 2011	31 December 2010
Russian Ruble	242,894	214,460
TL	154,172	665,642
USD	113	155
Euro	49,217	422,538
Other	1	--
	446,397	**1,302,795**

Time deposit

As at 31 December 2011, all time deposits of the Company are in terms of TL and TL 6,187,624 portion of time deposit is placed in T. Is Bankası with 9% interest as overnight and remaining TL 1,154,924 portion is placed in ING Bank with 9% interest and a maturity of 12 March 2012 (31 December 2010: None).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

6. LOANS AND BORROWINGS

As at 31 December 2011 and 31 December 2010 the details of loans and borrowings are as follows:

	31 December 2011	31 December 2010
Current:		
Current portion of long-term bank borrowings	118,982,086	47,628,674
Non-current:		
Long-term bank borrowings	166,756,262	164,563,313
Total bank borrowings	**285,738,348**	**212,191,987**

The repayment schedule of bank borrowings is as follows:

	31 December 2011	31 December 2010
Less than one year	118,982,086	47,628,674
Between one and two years	30,388,989	35,881,967
Between two and three years	29,385,800	24,802,337
Between three and four years	29,257,080	23,716,745
Between four and five years	21,733,363	23,381,352
In five years and longer	55,991,030	56,780,912
	285,738,348	**212,191,987**

31 December 2011:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro (1)	Euribor+ 3.75 %	65,509,398	23,132,122	136,959,738
Euro (4)	Euribor + 3.70	12,208,786	7,841,630	21,994,200
Euro (2)	Euribor+ 7.5 %	26,208,203	65,931,977	--
Euro (5)	Euribor+ 7.5 %	6,892,998	17,340,715	--
TL (3)	10.00%	12,537,967	4,735,642	7,802,324
			112,982,086	**166,756,262**

6. LOANS AND BORROWINGS *(continued)*

(1) The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("Türkiye İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date. The Company also pays 0.50% of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission. As at 31 December 2011, the Company used the portion of the loan amounting to Euro 74.10 million. The Company recognises loan commission accrual amounting to TL 168.355 for the unused portion of Euro 25.9 million in other current liabilities (Note 16). Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and the land on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of Akfen Holding and Akfen Inşaat, the shareholders' of the Company, is given for the completion guarantee of the related projects,
- 1st, 2nd and 3rd independent divisions recognised in the inventories (Note 9) and 50% owned by the Akfen Gayrimenkul Yatırımları ve Ticaret AŞ are pledged on behalf of the Company in favour of banks.

(2) Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of YaroslavlOtelInvest and SamstroyKom is pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount. In 27 April 2010, the Group has signed a loan agreement with European Bank For Construction And Development (EBRD) and International Finance Corporation (IFC) to pay off loans used from CEB and financing its projects in Russia. The credit limits allocated by EBRD and IFC are equal and the total credit limit is Euro 31,800,000. The credit limits per project basis are Euro 12,600,000, Euro 9,200,000, Euro 10,000,000 for Samara, Yaroslav and Kaliningrad hotel projects, respectively. According to the signed loan agreement, the commitment commission on unused portion of the credit limits for Samara and Yaroslav hotel projects is 1% per annum, for Kaliningrad hotel project is 0.5% per annum. The usage commission for all utilized credits is 0.5% per annum. The utilized credits will be paid quarterly with equal 38 installments.

(3) Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing construction of Mercure Hotel in Northern Cyprus is secured by the followings:

- Letter of guarantees from various banks are obtained for the 105% of total outstanding loan amount,
- Sureties Akfen İnşaat, the shareholders' of the Company, is given for the total outstanding loan amount.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

6. LOANS AND BORROWINGS *(continued)*

(4) Letter of quarantee obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus.

Letter of quarantee obtained from ING European Financial Services Plc is secured by the followings:

- According to the share pledge agreement between Akfen GYO and ING Bank A.Ş. dated 8 September 2008, the Company pledged 279,996 number of shares of Akfen Ticaret amounting TL 6,999,900 to ING Bank A.Ş. Kızılay branch as a surety,
- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ.

(5) Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of Volgostroykom are pledged. On 27 April 2010, the Group has signed a loan agreement with European Bank For Construction And Development (EBRD) and International Finance Corporation (IFC) to pay off loans used from CEB and financing its projects in Russia. The agreement will be implemented in year 2012. The loan limit will be 45,200,000 Euro.

31 December 2010:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro(1)	Euribor + 4.75	67,530,791	17,767,264	120,610,080
Euro(2)	Euribor + 3.70	15,236,867	6,632,664	24,589,200
TL(3)	10.00	15,562,548	4,181,760	11,380,788
Euro(4)	Euribor+7.5	9,776,468	12,049,714	7,983,245
Euro(5)	Euribor+7.5	3,414,803	6,997,272	--
			47,628,674	**164,563,313**

(1) The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası and TSKB to finance the ongoing hotel projects based on the MoU signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date. The Company also pays 0.50% of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission. As at 31 December 2010, the Company used the portion of the loan amounting to Euro 68.36 million. The Company recognises loan commission accrual amounting to TL 181,850 for the unused portion of Euro 31.64 million in other current liabilities (Note 16). Bank borrowings obtained with this agreement is secured by the followings:

6. LOANS AND BORROWINGS *(continued)*

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon and Zeytinburnu and the land on which a hotel is going to be built in Esenyurt are pledged in favour of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of the shareholders' of the Company is given for the completion guarantee of the related projects,
- 1st, 2nd and 3rd independent divisions recognised in the inventories and 50% owned by the Company are pledged in favour of the creditor.

(2) Letter of quarantee obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus.

- According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,996 number of shares of Akfen Ticaret amounting TL 6,999,900 as a surety,
- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Letter of guarantee is obtained from ING Bank AŞ for the total outstanding loan amount. Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ as a guarantee for the letter of guarantee.

(3) Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing construction of Mercure Hotel in Northern Cyprus is secured by the followings:

- Letter of guarantees from various banks are obtained for the 105% of total outstanding loan amount,
- Surety of one of the shareholders' of the Company, is given for the total outstanding loan amount.

(4) Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of YaroslavlOtelInvest and SamstroyKom is pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

(5) Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of Volgostroykom are pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at 31 December 2011 and 31 December 2010, short-term trade receivables comprised the followings:

	31 December 2011	31 December 2010
Trade receivables	4,589,460	4,863,887
Due from related parties (Note 25)	--	1,291,871
Doubtful receivables	--	48,054
Less: Allowance for doubtful receivables	--	(48,054)
	4,589,460	**6,155,758**

In 2011, TL 48.054 amount of the bad debt provision was written-off since it became totally uncollectible (There is no movement in the allowance for doubtful receivables for the year 31 December 2010).

b) Short-term trade payables

As at 31 December 2011 and 31 December 2010, short-term trade payables comprised the followings:

	31 December 2011	31 December 2010
Due to related parties (Note 25)	44,931	58,433
Other trade payables	2,711,350	796,414
	2,756,281	**854,847**

As at 31 December 2011, TL 2,507,633 portion of other trade payables comprise the payables to Kasa-Story for constructions works in Russia.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 31 December 2011 and 31 December 2010 other current receivables comprised the followings:

	31 December 2011	31 December 2010
Other receivables	5,851,012	--
	5,851,012	**--**

As at 31 December 2011, other current receivables are mainly comprised of capital receivables of Akfen GT and RHI from other shareholders amounting to TL 4,491,231 and TL 1,359,781 respectively.

b) Other non-current receivables

As at 31 December 2011 and 31 December 2010 other non-current receivables comprised the followings:

	31 December 2011	31 December 2010
Deposits and guarantees given	94,763	87,396
	94,763	**87,396**

c) Other current payables

As at 31 December 2011 and 31 December 2010 other current payables comprised the followings:

	31 December 2011	31 December 2010
Due to related parties (Note 25)	--	12,247,437
Other payables	2,678,998	44,070
	2,678,998	**12,291,507**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 31 December 2011 and 31 December 2010 details of investment property and investment property under development are as follows:

	31 December 2011	31 December 2010
Operating investment properties	748,983,068	541,327,000
Investment properties under development	306,517,337	102,736,152
Total	**1,055,500,405**	**644,063,152**

Operating investment properties:

As at 31 December 2011 and 31 December 2010 details of operating investment property is as follows:

	31 December 2011	31 December 2010
Opening balance	541,327,000	439,448,500
Additions	82,884	946,430
Transfer from development projects	51,275,832	44,358,000
Fair value adjustment (Note 20)	156,297,352	56,574,070
Carrying amount	**748,983,068**	**541,327,000**

As at 31 December 2011 and 2010, the transfer from development projects composed of Yaroslav İbis Hotel and Bursa Ibis Hotel, respectively, which were completed during the period.

As at 31 December and 31 December 2010, the fair value adjustment on investment property was recognised based on the fair values of the investment property. The fair values of the investment properties in Turkey and Northern Cyprus are calculated on the basis of a valuation carried out by a certified company that included in the approved list of CMB for "Property Appraisal Companies". The fair values of the investment properties are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property. In the valuation process, a projection period which covers the lease term for right of tenancy of each hotel is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT *(continued)*

As at 31 December 2011 and 31 December 2010, the fair value comparison of investment property is as follos:

	31 December 2011		31 December 2010	
Name of the investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal report**	**Fair value**
Zeytinburnu Novotel and Ibis Hotel	30 September 2011	207,640,000	31 December 2010	157,045,000
Mercure Hotel – Girne	30 September 2011	204,810,000	31 December 2010	163,473,000
Trabzon Novotel Hotel	30 September 2011	77,180,000	31 December 2010	53,102,000
Kayseri Novotel and Ibis Hotel	30 September 2011	59,843,000	31 December 2010	54,445,000
Gaziantep Novotel and Ibis Hotel	30 September 2011	52,800,000	31 December 2010	51,383,000
Bursa Ibis Hotel	30 September 2011	47,840,000	31 December 2010	44,358,000
Eskişehir Ibis Hotel and Fitness Center	30 September 2011	20,326,000	31 December 2010	17,521,000
Toplam		**670,439,000**		**541,327,000**

The fair values of investment properties as at 31 December 2011 comprise the value as per the appraisal report dated 31 December 2011. As at 31 December 2010 the fair value is the equivalent of the value as per the appraisal report. Yaroslavl Ibis Hotel which has been started to operated as at 31 December 2011 has the fair value in amount of TL 78,544,068 (31 December 2010: TL 15,946,546).

As at 31 December 2011, total insurance amount on investment properties is TL 612,757,327 (31 December 2010: TL 320,685,097).

Investment properties under development:

As at 31 December 2011 and 31 December 2010 details of investment property under development are as follows:

	31 December 2011	31 December 2010
Opening balance	102,736,152	33,709,802
Acquisitions	67,418,368	43,003,132
Fair value adjustment (Note 20)	123,890,922	71,725,733
Transfer to operating investment properties	(51,275,832)	(44,358,000)
Business combination effect (2)	63,747,727	--
Write off of investment property under development (1)	--	(1,344,515)
Carrying amount	**306,517,337**	**102,736,152**

(1) As at 31 December 2010, the Group management have cancelled the Krasnoyarsk project in Russia and written off the carrying amount.

(2) On 29 July 2011, 45% of shares of RHI and RPI were acquired from Kasa B.V.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT *(continued)*

As at 31 December 2011 and 31 December 2010, the fair value comparison of investment property under development is as follows:

	31 December 2011			31 December 2010	
Investment property	Date of appraisal report	Appraisal value	Fair value	Date of appraisal report	Fair value
Karaköy Hotel Project	30 September 2011	89,640,000	89,753,834	--	--
İzmir Ibis Hotel Project	30 September 2011	27,450,000	27,878,205	31 December 2010	22,292,000
Esenyurt Ibis Hotel Project	30 September 2011	34,460,000	35,908,085	31 December 2010	20,297,000
Adana Ibis Hotel Project	30 September 2011	27,080,000	32,677,360	31 December 2010	14,308,000
Land on Ankara Esenboğa	30 September 2011	5,200,000	5,200,000	--	--
Bafra Hotel Project	--	--	945,050	--	--
Toplam		**183,830,000**	**192,362,534**		**56,897,000**

As at 31 December 2011, fair values of investment properties in Turkey are composed of appraisal values of related projects as at 30 September 2011 and expense for investment properties occurred from appraisal date to 31 December 2011.

Investment properties under development of RHI and RPI of which Akfen GYO has 95% of shares are accounted with their fair values. As at 31 December 2011 the fair values of Samara Hotel project and Kaliningrad Hotel project of RHI are TL 65,795,930 (31 December 2010: 19,036,803) and 26,183,014 (31 December 2010: TL 2,610,921), respectively. The fair value of Samara office project of RPI is TL 19,393,003 (31 December 2010: TL 8,244,882). Investment properties under development of HDI of which Akfen GYO has 100% of shares are comprised of costs incurred for the project in Moscow and as at 31 December 2011, its fair value is TL 2,782,856 (31 December 2010: None).

As at 31 December 2011, total insurance amount on investment properties under development is TL 51,913,188 (31 December 2010: TL 66,759,457).

As at 31 December 2011 the pledge amount on investment property under development is TL 541,912,650 (31 December 2010: TL 454,387,925).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

10. PROPERTY AND EQUIPMENT

As at 31 December 2011 and 31 December 2010, the movement of property, plant and equipment is as follows:

	Equipments	Furniture and fixtures	Motor vehicles	Total
Balance at 1 January 2010	845	167,586	150,002	318,433
Acquisitions	3,843	37,475	4,529	45,847
Disposals	--	--	(93,000)	(93,000)
Balance at 31 December 2010	**4,688**	**205,061**	**61,531**	**271,280**
Balance at 1 January 2011	4,688	205,061	61,531	271,280
Acquisitions	--	49,663	--	49,663
Disposals	--	--	--	--
Business combination effect (1)	--	43,892	--	43,892
Balance at 31 December 2011	**4,688**	**298,616**	**61,531**	**364,835**
Accumulated depreciation				
Balance at 1 January 2010	(840)	(69,821)	(79,891)	(150,552)
Depreciation charge for the period	(154)	(37,864)	(11,399)	(49,417)
Disposals	--	--	46,626	46,626
Balance at 31 December 2010	**(994)**	**(107,685)**	**(44,664)**	**(153,343)**
Balance at 1 January 2011	(994)	(107,685)	(44,664)	(153,343)
Depreciation charge for the period	(384)	(58,199)	(5,654)	(64,237)
Disposals	--	--	--	--
Business combination effect (1)	--	(31,400)	--	(31,400)
Balance at 31 December 2011	**(1,378)**	**(197,284)**	**(50,318)**	**(248,980)**

(1) On 29 July 2011, 45% of shares of RHI and RPI were acquired from Kasa B.V.

Carrying amount				
1 January 2010	5	97,765	70,111	167,881
31 December 2010	3,694	97,376	16,867	117,937
1 January 2011	3,694	97,376	16,867	117,937
31 December 2011	3,310	101,332	11,213	115,855

As at 31 December 2011 there is no pledge on property and equipment (31 December 2011: None).

As at 31 December 2011, depreciation expenses amounting to TL 64,237 are recognised in administrative expenses (31 December 2010: TL 49,417).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

11. INTANGIBLE ASSETS

As at 31 December 2011 and 31 December 2010, the movement of intangible assets is as follows:

	Softwares
Cost	
Balance at 1 January 2010	35,500
Transfers	--
Acquisitions	2,636
Balance at 31 December 2010	**38,136**
Balance at 1 January 2011	38,136
Transfers	--
Acquisitions	14,007
Disposals	(16,063)
Business combination effect	5,115
Balance at 31 December 2011	**41,195**
Accumulated amortisation	
Balance at 1 January 2010	(24,901)
Charge for the period	(5,613)
Balance at 31 December 2010	**(30,514)**
Balance at 1 January 2011	(30,514)
Charge for the period	(3,347)
Balance at 31 December 2011	**(33,861)**
Carrying amounts	
1 January 2010	10,599
31 December 2010	7,622
1 January 2011	7,622
30 December 2011	7,334

For the year ended 31 December 2011, amortisation expenses amounting to TL 3,347 are recognised in administrative expenses (2010: TL 5,613).

12. GOVERNMENT GRANTS AND INCENTIVES

According to the Investment Incentive Law numbered 47/2000, the Group has a 100% of investment allowance on capital expenditures made until 31 December 2008 in Northern Cyprus.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There are no ongoing or finalized significant lawsuits against the Group as at 31 December 2011 and 31 December 2010.

14. COMMITMENT AND CONTINGENCIES

As at 31 December 2011and 31 December 2010, Group's position related to letter of guarantees given, pledges and mortgages were as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Group	31 December 2011	31 December 2010
A. Total amount of CPM is given on behalf of own legal personality	586,487,193	502,985,847
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	96,409,842	13,999,800
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	--	--
D. Total Amount of other CPM	--	53,987,090
i. Total amount of CPM is given in favour of parent company	--	--
ii. Total amount of CPM is given in favour of other group companies, which B and C doesn't include	--	53,987,090
iii. The amount of CPM is given in favour of third party which C doesn't include	--	--
	682,897,035	570,972,737

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 235,750,000 and USD 800,000 as at 31 December 2011 (31 December 2010: Euro 236,750,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 32,648,000 as at 31 December 2011 (31 December 2010: Euro 26,000,000). As at 31 December 2011, total amount of CPM given by the group is 117,7% of the Group's equity (31 December 2010: 126%).

The Company pledged 279,996 units of shares of Akfen Ticaret amounting TL 6,999,900 as a surety for the letter of guarantees issued by Türkiye Vakıflar Bankası T.A.O. Other sureties given by the shareholders and the transfer of rental revenue which will be generated from the hotels are presented at Note 6.

The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Hotel from Credit Europe Bank Russia to finance Samara Hotel Project. As at 31 December 2011, Euro 14,642,000 of the total borrowing amounting to Euro 15,000,000 has been obtained (31 December 2010: Euro 11,710,000). The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Hotel from Credit Europe Bank Russia to finance Yaroslav Hotel Project. As at 31 December 2011, Euro 11,142,000 of the total borrowing amounting to Euro 12,400,000 has been utilized (31 December 2010: Euro 7,490,000).

The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Property from Credit Europe Bank Russia to finance Samara Office Project. As at 31 December 2011, Euro 8,000,000 of the total borrowing amounting to Euro 8,000,000 has been utilized (31 December 2010: Euro 6,800,000).

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.1. The Group as lessee

Operating lease arrangements

As at 31 December 2011, the Group has undergone 13 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Kyrenia and establishing right of tenancy in 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years. Rent amount for year 2011 is USD 53,608 and it will increase by 3% every year. Rents are paid yearly.

- The Group signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The term of the servitude right obtained with this agreement is 49 years. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total yearly revenue generated by the hotel constructed on the land.

- The Group signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the yearly fixed lease amount determined by the agreement and 5% of the total yearly revenue generated by the hotel constructed on the land.

- The Group signed a rent agreement with Trabzon Dünya Ticaret Merkezi AS on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The term of the servitude right obtained with this agreement is 49 years. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.

- The Group signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years. Lease payments will start after a five year rent free period. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.

- The Group signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years. The lease payment for the first 5 years is paid in advance after obtaining building permit.

- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative ("BUTTİM") on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years. Lease payments will start after a five year rent free period.

- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years. The lease payments made for the first three years are TL 2,340 per month and TL 25,155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI") .

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.1. The Group as lessee *(continued)*

Operating lease arrangements (continued)

- The Group signed lease agreements for land of Yaroslavl and Kaliningrad projects amounting to TL 12,111 and TL 27,955 per year.
- The Group took over the 167,830 m2,tourism zoning land in Bafra,KKTC which is owned by KKTC Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years KKTC with the approval of KKTC Cabinet. Rent amount for year 2011 is USD 53,609 and it will increase by 3% every year.
- The Group took over the lease agreement for a period of 49 years on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model.

All operating lease contracts contain clauses on review of market conditions in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

Payments recognised as an expense

	31 December 2011	31 December 2010
Lease payments	3,103,830	1,757,391
	3,103,830	**1,757,391**

Non-cancellable operating lease commitments

	31 December 2011	31 December 2010
Less than one year	713,653	832,367
Between one and five years	8,038,422	4,055,098
More than five years	129,502,475	70,352,420
	138,254,550	**75,239,885**

In respect of non-cancellable operating leases the following liabilities have been recognized:

	31 December 2011	31 December 2010
Accrued rent expense		
Current (Note16)	477,287	338,029
Non-current (Note 16)	2,103,587	1,345,265
	2,580,874	**1,683,294**

14.2. The Group as lessor

Operating lease arrangements

As at 31 December 2011, the Group has undergone 16 operating lease arrangements as;

- The Group has signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.2. The Group as lessor *(continued)*

Operating lease arrangements (continued)

- The Group has signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group has signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed and started operations in 2010 in Kayseri.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed and started operations in 2010 in Gaziantep.
- The Group has signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed in 2010 and started operations in November 2010 in Bursa.
- The Group has signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which is planned to complete and start its operations in 2012 in Esenyurt.
- The Group has signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is planned to complete and start its operations in 2012 in Adana.
- The Group has signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which is planned to complete and starts its operations in 2013 in Izmir.

All of the nine agreements have similar clauses described below;

The agreements are signed with Tamaris Turizm operating in Turkey and owned 100% by ACCOR S.A and ACCOR S.A. has 100% guarantee over these agreements.

The lease term is sum of the period between the opening date and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. ACCOR S.A. has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. ACCOR S.A. has the right to terminate the agreement, if the Company fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750,000. According to the "Amendment to MoU" signed on 12 April 2010, annual lease payment:

As of 1 January 2010;

- Kayseri Ibis, Gaziantep Ibiş, Bursa Ibiş and for the new Ibis and Novotel hotels to be opened after 1 January 2010 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- Kayseri Novotel ve Gaziantep Novotel and any Novotels for the new Ibis and Novotel hotels to be opened after 1 January 2010 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

As of 1 January 2011;

- In Zeytinburnu Ibis and Eskişehir Ibiş 25% of gross revenue or the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Zeytinburnu Novotel and Trabzon Novotel 22% of gross revenue or the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.2. The Group as lessor *(continued)*

Operating lease arrangements (continued)

AGOP is calculated as deduction of 4% of the Gross Operating Profit ("GOP") corresponding to operational costs borne by ACCOR S.A. and 4% of GOP corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP.

If the Group will not develop at least four hotels, of which one in İstanbul at the latest on 31 December 2013, the annual lease payment of the hotels Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri ve Ibis Bursa will be reduced to 65% of AGOP as at 1 January 2014. If the Group would not have developed one hotel in Moscow to be leased to ACCOR S.A. at the latest on 31 December 2011, the annual lease payment of Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon will be reduced to 60% of the AGOP as at 1 January 2012. Completion date is the date on which a hotel is completed, furnished and equipped and all necessary authorizations such as certificate of occupancy and operating licence, for its operations have been obtained. For each fiscal year ACCOR S.A. shall pay the annual lease payment on the basis of AGOP in compliance with the rates determined for each hotel by "Amendment to MoU" in four payments (January, April, July and October). The Group has undergone six operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The Group has signed a rent agreement with Voyager Kıbrıs Limited ("Voyager") on 15 March 2007 to lease a casino. Lease period has started on 1 July 2007 with the opening of casino. The lease term is 5 years. According to the additional rent agreement signed on 1 May 2010, the annual lease payment is Euro 3,059,840 which is effective for the period between 1 July 2009 and 31 December 2010. The annual rent is paid quarterly (March, June, September and December). At 1 July 2010 annual lease payment amounting to Euro 3,209,840 will be effective, after discount of Euro 150,000 determined by the amendment is cancelled. The parties mutually agree that rent increase at the beginning of the period depending on annual Euribor rate is ceased and any rent increase will not be applied during the period when the main rent agreement is effective.
- The Group has signed a rent agreement with Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi ("Serenas Turizm") to lease Mercure Hotel for five full calendar years started from 1 January 2008 with an optional extension of 5 years. Annual rent amount is Euro 1,500,000 for 2011 and Euro 2,000,000 for 2012. Letter of guarantees amounting Euro 3,000,000 is provided by Serenas Turizm. An annual rent will be paid quarterly (February, May, August and November).
- The Group has signed rent agreement with Sportif Makine AŞ for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness centre is delivered. The monthly rent is Euro 6,500 and the length of rent the agreement is 7 years. The rent increases at the beginning of the period depending on Euribor rate. The Group has signed an additional agreement with Sportif Makine AŞ for the rent payments of 2011 at December 2010. Based on the agreement, the monthly VAT excluded rent amount is decreased to Euro 4,000 for June, July and August and Euro 5,500 for the remaining.
- The Group has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TL 3,000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.2. The Group as lessor *(continued)*

Operating lease arrangements (continued)

- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. The main lease agreement shall be signed and registered in the in the 3rd quarter 2011. The lease shall be for the period of 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 5,000 per a room, for second year Euro 6,000 per a room, from third year to fifteenth year Euro 7,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Eruo 14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

- Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 15 October 2009 in Moscow. The building has been delivered to ACCOR S.A. in the third quarter of 2011. In addition to first agreement related to Yaroslavl Hotel, Company has signed a long term agreement with ACCOR S.A. in 1 July 2011. The main lease agreement shall be signed and registered in the in the 3rd quarter 2011. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, for third year 6,000 Euro per a room and from fourth year to fifteenth year Euro 7,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Eruo14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

- Russian Hotel through its subsidiary LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 8 September 2010 in Moscow. The building shall be delivered to ACCOR S.A. in the second quarter of 2012. The main lease agreement shall be signed and registered in the 2nd quarter 2012. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 4,000 per a room, for second year Euro 5,000 per a room, from third year to fifteenth year Euro 6,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Eruo 12,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

Non-cancellable operating lease receivables

	31 December 2011	31 December 2010
Less than one year	13,264,786	11,381,701
Between one and five years	32,321,645	20,276,781
More than five years	87,361,993	43,229,257
	132,948,424	**74,887,739**

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.2. The Group as lessor *(continued)*

Memorandum of understanding signed between Akfen Holding and ACCOR S.A.

Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. Based on the MoU, the entities will join their efforts to establish a partnership to develop hotel projects in Turkey. The Company will build and lease number of hotels. According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to ACCOR S.A. by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Esenyurt, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. If the parties would not agree on a new development plan for the following 5 years at the latest on 31 December 2015, each party entitles to terminate agreement or terminate the provisions of the agreement regarding the right of first refusal or continue with the other terms and conditions of the agreement. All of the operating lease arrangements that the Company is lessor are based on MoU. According to MoU:

- Any sale of a controlling shareholding of the Company by Akfen Holding to a third party, not a member of its shareholder's and/or family group shall be submitted to a first refusal right agreement of ACCOR S.A. under the same terms and conditions proposed by the third party offer or, except in case that the Company becomes a publicly listed entity.

- For securitisation of further investments, Akfen Holding and ACCOR S.A. agree that the share capital of the Company be increased by the entry of new shareholders but at all times while ACCOR S.A. and Akfen Holding are partners, Akfen Holding should directly or indirectly keep control of the shareholding and the outside investor permitted by the above mention terms will not be another national or international hotel operator.

- ACCOR S.A. can terminate the agreement if ACCOR S.A. does not use its refusal right or this right is not the case and does not want to continue with the new shareholder under the same terms and conditions. If the agreement is terminated by ACCOR S.A., the ongoing lease agreements will continue until their maturity terms.

- If the above stated development program is not realised until 31 December 2015 or new development program for the following five years would not be effective at the latest on 31 December 2015, either party will be free to terminate their partnership.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

15. EMPLOYEE BENEFITS

	31 December 2011	31 December 2010
Provision for vacation pay liability-short term	208,946	64,619
Provision for employee termination indemnity-long term	8,062	6,486
	217,008	**71,105**

In accordance with the existing laws, the Group is required to make a lump-sum payment for employee termination to each employee whose employment is terminated for reasons other than resignation or misconduct as stipulated in the Labour Law. This requirement is calculated using the sum of gross salary and other rights, up to a ceiling amount of TL 2,732 (31 December 2010: TL 2,517) per each year of employment. The ceiling amount is adjusted every six months in parallel with inflation.

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

In accordance with IAS 19 "Employee Benefits", it is required to use actuarial valuation methods in estimating the liability related with current retirement plans of the Group. The Group has calculated the provision for employee termination indemnity using the "Projected Unit Cost Method" based on its experience in the personnel service period completion and obtaining the termination indemnity right and reflected in the financial statements. Provision for employee termination indemnity is calculated by taking into account the net present value of the total amount of the liability arising due to retirement of all employees.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

15. EMPLOYEE BENEFITS *(continued)*

As at 31 December 2011 and 31 December 2010 the liability is calculated using the following assumptions:

	31 December 2011	31 December 2010
Discount rate	%4,14	%4,66
Anticipated retirement turnover rate	%81.00	%75.00

Reserve for employee termination indemnity is calculated according to the net present value of liability to occur in the future due to retirement of all employees and it is reflected in accompanying consolidated financial statements.

Movement of provision for employee termination benefits is as follows:

	31 December 2011	31 December 2010
Opening balance	6,486	37,099
Payment during the period	(20,037)	(9,985)
Additions/ (deductions) during the period	21,613	(20,628)
Closing balance	**8,062**	**6,486**

Movement of vacation pay liability is as follows:

	31 December 2011	31 December 2010
Opening balance	64,619	24,573
Payment during the period	(5,687)	--
Additions/ (deductions) during the period	150,014	40,046
Closing balance	**208,946**	**64,619**

16. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2011	31 December 2010
VAT carried forward	5,873,378	122,855
Prepaid expenses(1)	1,817,148	553,314
Advances given to suppliers	658,297	207,950
Prepaid taxes and funds	196,733	19,358
Job advances	18,317	1,809
Other	7,250	–
	8,571,123	**905,286**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

16. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES *(continued)*

b) Other non-current assets

	31 December 2011	31 December 2010
VAT carried forward	29,241,273	29,431,638
Prepaid expenses[1]	10,683,129	73,280
Advances given to subcontractors [2]	4,187,299	4,765,658
	44,111,701	**34,270,576**

[1] Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and 'Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş ("Hakan Madencilik") under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in Istanbul, Beyoglu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 December 2011 the amount of expenses paid in advance for short and long-term is TL 1,562,136 and TL 10,617,743, respectively.

[2] As at 31 December 2011 and 31 December 2010, advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of hotel projects.

c) Other current liabilities

	31 December 2011	31 December 2010
Provision for construction costs [2]	3,208,884	731,406
Other expense accruals	547,546	289,626
Rent expense accrual (Note 14)	477,287	338,029
Loan commission accrual [1]	168,355	181,850
Taxes and funds payable	111,874	175,090
Social security premiums payable	22,736	11,085
Other	–	4,300
	4,536,682	**1,731,386**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

16. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITTES *(continued)*

c) Other current liabilities *(continued)*

(1) Loan commission accrual is arising from the loan agreement which was signed between TSKB and Türkiye İş Bankası and the Company. The Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date (Note 6).

(2) As at 31 December 2011 and 31 December 2010 provision for construction costs comprised of the progress invoices related with the continuing projects of Adana, İzmir and Esenyurt and RHI's projects in Russia.

d) Other non-current liabilities

	31 December 2011	31 December 2010
Rent expense accrual (Note 14)	2,103,587	1,345,265
	2,103,587	**1,345,265**

17. EQUITY

17.1. Paid in capital

The capital structure as at 31 December 2011 and 31 December 2010 is as follows:

Shareholders	(%)	31 December 2011	(%)	31 December 2010
Akfen Holding	56.09	103,197,171	74.84	103,273,884
Publicly Listed	25.04	46,076,713	--	--
Hamdi Akın	16.41	30,196,838	24.63	33,991,838
İbrahim Süha Güçsav	2.25	4,140,380	0.25	345,380
Mustafa Ceyhan	0.19	345,380	0.25	345,380
Akınısı Makina Sanayi ve Tic. AŞ	0.02	43,513	0.03	43,513
Akfen İnşaat	0.00	2	0.00	2
Mehmet Semih Çiçek	0.00	1	0.00	1
Mustafa Dursun Akın	0.00	1	0.00	1
Ahmet Seyfi Usluoğlu	0.00	1	0.00	1
Total		**184,000,000**	**100.00**	**138,000,000**
Restatement effect		317,344		317,344
Restated capital		**184,317,344**		**138,317,344**

17. EQUITY *(continued)*

17.1. Paid in capital *(continued)*

As at 31 December 2011, the issued capital of the Company is TL 184,000,000 (31 December 2010: TL 138,000,000). As at 31 December 2011, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TL 1 each (31 December 2010: TL 1, units, 138,000,000 units). The share group of A, C, D has the privilege to select nominees for the board of directors member selection.

According to the Extraordinary General Assembly resolution dated 22 March 2010, share capital is increased from TL 72,147,000 to TL 100,000,000. The resolution is registered on 31 December 2010. THO B.V. did not participate in capital increase and exercise right of preference as a shareholder. The exercise right of preference of THO BV is used by Akfen Holding and share capital increase amounting to TL 27,853,000 is paid in cash by the other shareholders of the Company.

A share transfer agreement related to purchase of 32,466,150 units of D group shares corresponding to 32.47% of Akfen GYO from THO B.V. by Akfen Holding was signed on 19 July 2010. Share transfer was realized subsequent to approval by legal authorities.

According to the Board of Directors resolution numbered 14 and dated 9 August 2010, the Company has decided to increase share capital from TL 100,000,000 to TL 138,000,000. TL 20,113,391 of the share capital increase is provided from retained earnings, TL 62,842 is provided from inflation adjustment on equity, TL 17,823,767 is paid in cash by the shareholders of the Company according to their partnership rates.

According to the Board of Directors resolution numbered 3 and dated 24 January 2011, the Company has decided to increase share capital from TL 138,000,000 to TL 184,000,000.

The public offering of shares was held on 11 May 2011for 54,117,500 units of shares with a nominal value of TL 54,117,500 including the Company's existing 8,117,500 units of shares with a nominal value of TL 8,117,500 and the share capital increased by 46,000,000 units of shares with a nominal value of TL 46,000,000.

Akfen Holding's total paid in capital share amounting to TL 103,197,101 include TL 8,040,787 portion purchased from the publicly available shares traded on the Istanbul Stock Exchange.

17.2. Business combination under common control

100% of Akfen Ticaret and 50% of RPI were acquired with the nominal value from parents of the Company in 2007 and 2009, respectively. The acquired subsidiary, Akfen Ticaret could be treated as an integrated operation of Akfen GYO by nature or by transfer of knowledge, were under common control with Akfen GYO since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. Management decided not to restate its comparative information. The acquisition of this entity being under common control is recognised with cost method, since this treatment is the best way to present the economic substance of the transaction since the transaction is moving the shares of one party from one part of the group to another, there is no independent third party involvement and in particular the purchase price is not determined on an arm's length basis. Excess of net assets over cash paid at the acquisition date is recognised in "Business combination under common control" directly in equity.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

17. EQUITY *(continued)*

17.3. Translation reserve

The translation reserve comprise of foreign exchange difference arising from the translation of the financial statements of RHI, RPI and HDI from their functional currency to the presentation currency TL which is recognised in equity.

17.4. Share Premium

The surplus of sales price over the nominal value of the shares amounted to TL 58,800,000 during the initial public offering of the shares at 11 May 2011 were accounted as share premium. Commission expenses, advertising expenses and consultancy expenses which are related with the initial public offering amounting to TL 2,242,478 were associated with retained earnings in accordance with the communique and related CMB announcements.

17.5. Legal reserves

Profit reserves comprised of the legal reserves as at 31 December 2011 and 31 December 2010.

	31 December 2011	31 December 2010
Legal reserves	4,147	4,147
Closing balance	**4,147**	**4,147**

The legal reserves consist of first and second legal reserves, according to the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

In accordance with the Communiqué No: XI-29 issued on 9 April 2008 in the Official Gazette; equity items of paid-in capital, share premiums, and legal reserves and special reserves under restricted reserves should be presented at their nominal amounts. Accordingly the inflation adjustments provided for within the framework of IAS/IFRS, for paid-in capital has been presented under inflation adjustment on capital, where as for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented with their IAS/IFRS values.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

18. SALES AND COST OF SALES

For the periods ended 31 December 2011 and 2010, sales and cost of sales are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Rent income	27,621,015	18,471,000
	27,621,015	**18,471,000**
Operating lease expenses	(2,579,227)	(1,351,761)
Outsourced service expenses	(551,519)	(14,487)
Insurance expenses	(390,033)	(424,910)
Taxes and duties expenses	(38,237)	(102,153)
Others	(5,667)	(196,741)
	(3,564,683)	**(2,090,052)**

19. ADMINISTRATIVE EXPENSES

For the periods ended 31 December 2011 and 2010, administrative expenses are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Personnel expenses	3,410,712	1,553,522
Consultancy expenses	1,339,950	942,330
Outsourced service expenses	949,630	164,523
Operating lease expenses	603,942	405,630
Travel and hosting expenses	383,384	111,736
Advertising expenses	173,879	243,950
Tax and duties expenses	100,154	179,578
Depreciation expense	64,237	325,613
Amortisation expense	3,347	49,417
Other	145,138	5,613
Total	**7,174,373**	**3,981,912**

19.1. Personnel expenses

	1 January - 31 December 2011	1 January - 31 December 2010
Wages and salaries	2,915,004	1,367,332
Social security premiums	241,386	71,002
Change in vacation pay liability	150,014	64,619
Change in employee severance indemnity	21,613	6,486
Other	82,695	44,083
Total	**3,410,712**	**1,553,522**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

20. OTHER OPERATING INCOME / EXPENSES

a) Other operating income

	1 January - 31 December 2011	1 January - 31 December 2010
Fair value gain on operating investment property, net	156,297,352	56,574,070
Fair value gain on investment property under development	123,890,922	71,725,733
Gain on bargain purchase (Note 2.1)	11,888,798	–
Other income	2,040,372	1,321,337
Total	**294,117,444**	**129,621,140**

b) Other operating expenses

	1 January - 31 December 2011	1 January - 31 December 2010
Non-deductible VAT	4,770,199	3,209,029
Public Offering Expenses	1,994,582	--
Other expense	1,432,445	3,055,277
Total	**8,197,226**	**6,264,306**

As at 31 December 2011, non-deductible VAT stems from provision provided for the VAT carry forward resulting from projects in Russia and may not be deducted from VAT payable that will occur in the future.

21. FINANCE INCOME

For the periods ended 31 December, finance incomes are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Foreign exchange gain	8,940,743	25,630,106
Interest income	1,700,073	9,575
Income on sale of marketable securities	–	16,283
Other	--	121,792
Total	**10,640,816**	**25,777,756**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

22. FINANCE COSTS

For the periods ended 31 December, finance costs are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Foreign exchange loss	43,569,962	17,098,567
Interest expenses	13,166,157	15,102,121
Commission expenses	723,517	974,918
Expenses for letter of guarantees	358,730	9,043
Total	**57,818,366**	**33,184,649**

For the year ended 31 December 2011, the Group capitalises interest expenses amounting to TL 1,034,014 on investment properties under development (31 December 2010: TL 1,608,815).

23. DEFERRED TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. Therefore, deferred tax is not recognized for the income of the Company from the operations as a real estate investment trust since those are exempt from income tax.

Deferred tax has been recognised for the temporary differences of Akfen Ticaret and its branch operating in Northern Cyprus arising between its financial statements as reported in compliance with CMB standards and its statutory financial statements. The corporate tax rate is 23.5% in Northern Cyprus.

As at 31 December 2011, RPI has current tax liability provision amounting to TL 336,940.

As at 31 December 2011 and 2010, the main components of tax expenses/income are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Current tax expense	--	(1,107,657)
Deferred tax expense	(33,394,987)	(6,907,245)
Total	**(33,394,987)**	**(8,014,902)**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

23. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Movements of deferred tax assets and liabilities during the period

The reported taxation charge for the periods ended 31 December are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	%	1 January -31 December 2011	%	1 January –31 December 2010
Profit for the period		**222,229,640**		**120,334,075**
Tax expense		(33,394,987)		(8,014,902)
Profit before tax		**255,624,627**		**128,348,977**
Income tax using the domestic tax rate	(20)	(51,124,924)	(20)	(25,669,795)
Tax-exempt income (1)	6.56	16,760,505	16.46	21,126,046
Non-deductible expenses	(0.29)	(737,341)	(0.14)	(175,229)
Non-deductible VAT effect	--	--	--	--
Corporate tax penalty provision	--	--	(0.51)	(658,576)
Gain on bargain purchase	0.93	2,377,760	--	--
Current period loss which no deferred tax recognized	--	--	(0.02)	(20,594)
Effect of different tax rates in foreign jurisdictions	(0.63)	(1,602,106)	(0.65)	(831,864)
Other	0.36	931,119	(1.39)	(1,784,890)
Taxation charge	**(13.06)**	**(33,394,987)**	**(6.24)**	**(8,014,902)**

(1) Tax-exempt income is related with Akfen GYO since the Company is exempt from Corporate Tax.

Unrecognised deferred tax assets

As at 31 December 2011, Akfen Ticaret has accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 3,806,103 (31 December 2010: TL 2,333,304). Since there is not any possible and reliable taxable profit projection regarding the utilization of accumulated losses, the deferred tax asset amounting to TL 761,221 (31 December 2010: TL 446,661) has not been recognised. The expiry dates of the unrecognised accumulated losses are as follows:

	31 December 2011	31 December 2010	Year of expiry
2006	--	190,358	31 December 2011
2007	432,457	432,457	31 December 2012
2008	--	--	31 December 2013
2009	1,607,522	1,607,522	31 December 2014
2010	102,967	102,967	31 December 2015
2011	1,663,157	--	31 December 2016
	3,806,103	**2,333,304**	

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

23. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2011 and 31 December 2010 were attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax Liabilities		Net deferred tax assets / (liabilities)	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Investment incentive [1]	16,011,720	16,011,562	--	--	16,011,720	16,011,562
Fair value gain on investment property	--	--	(60,657,591)	(23,922,308)	(60,657,591)	(23,922,308)
Bank borrowings	74,817	--	--	(656)	74,817	(656)
Tax losses carried forward	2,907,340	679,560	--	--	2,907,340	679,560
Intangible assets	525,707	--	(1,245,350)	--	(719,643)	--
Other	--	--	(56,719)	--	(56,719)	--
Deferred tax asset/(liability)	**19,519,584**	**16,691,122**	**(61,959,660)**	**(23,922,964)**	**(42,440,076)**	**(7,231,842)**
Net off tax	(17,633,718)	(16,601,779)	17,633,718	16,601,779	--	--
Net deferred tax asset / (liability)	**1,885,866**	**89,343**	**(44,325,942)**	**(7,321,185)**	**(42,440,076)**	**(7,231,842)**

[1] The Group has recognised deferred tax assets on the capital expenditures subject to 100% of investment allowance completed until 31 December 2008 in Northern Cyprus.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

24. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the period by the weighted average number of shares of the Company during the period. For the period ended 31 December, the earnings per share computation are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Number of shares in circulation		
Issued shares at 1 January	138,000,000	92,323,233
Increase in share capital, in cash	46,000,000	45,676,767
Total shares at 31 December	**184,000,000**	**138,000,000**
Weighted average number of shares	169,254,795	117,800,396
Net profit for the period	**199,798,774**	**120,362,989**
Earnings per share	1.18	1.02

25. RELATED PARTY DISCLOSURES

25.1. Related party balances

Due from related parties (trade):

As at 31 December 2011and 31 December 2010, due from related parties (trade) comprised the following:

	31 December 2011	31 December 2010
Akfen Gayrimenkul Yatırımları ve Ticaret AŞ[1]	--	1,291,871
	--	**1,291,871**

[1] As at 31 December 2010, receivable from Akfen Gayrimenkul Yatırımları ve Ticaret AŞ is resulted from inventory sales.

Due to related parties (trade):

	31 December 2011	31 December 2010
Kasa Stroy	--	980
Akfen Turizm Yatırımları ve İşletmeleri AŞ	44,931	57,453
	44,931	**58,433**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

25. RELATED PARTY DISCLOSURES *(continued)*

25.1. Related party balances *(continued)*

Due to related parties (other):

	31 December 2011	31 December 2010
Akfen Holding(1)	--	11,608,602
Razveev(2)	--	617,180
Other	--	21,655
	--	**12,247,437**

(1) As at 31 December 2010, payable to Akfen Holding amounting to TL 6,644,934 is due from the transfer of the payable to Akfen İnşaat, TL 2,022,532 is to finance operations of the Group and TL 4,272,269 is the capital advances to Russian Hotel and Russian Property, respectively attributed on behalf of the Company by Akfen Holding during the period. Additionally, payable amounting to TL 616,975 and TL 74,424 have arisen from the interest and rent invoices issued by Akfen Holding during the period, respectively.

(2) As at 31 December 2011, this amount shows the payable to land owner of Samara project in Russia.

Guarantees given to and provided from related parties is explained in Note 6.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

25. RELATED PARTY DISCLOSURES *(continued)*

25.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	1 January - 31 December 2011	1 January - 31 December 2010
Akfen İnşaat	18,162,208	11,892,307
	18,162,208	**11,892,307**

b) Rent expenses

	1 January - 31 December 2011	1 January - 31 December 2010
Hamdi Akın	202,673	141,750
Akfen Holding	–	63,071
	202,673	**204,821**

c) Interest income

	1 January - 31 December 2011	1 January - 31 December 2010
Akfen Gayrimenkul Yatırımları ve Ticaret A.Ş.	65,720	--
	65,720	**–**

d) Interest expenses

	1 January - 31 December 2011	1 January - 31 December 2010
Akfen Holding	347,928	603,150
	347,928	**603,150**

e) Remuneration of top management

	1 January - 31 December 2011	1 January - 31 December 2010
Current portion of remuneration of top management	1,544,502	690,450
	1,544,502	**690,450**

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

The Group exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks and explains the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's risk management vision is defined as, identifying variables and uncertainties that will impact the Group's objectives, conducting proactively and managing through the most appropriate steps, supervising the implementation of steps in line with the shareholders' risk preference.

Corporate Risk Management activities are executed within the Group as a whole in the following fields:

- Determining risk management standards and policies,
- Developing a uniform risk management oriented work culture and capabilities,
- Conducting risk analysis of existing and potential investments,
- Creating a senior administration vehicle reporting on the risks of new investments of a company, sector or group
- Determining risk limitations and action plans,
- Supporting the implementation of these action plans ,
- Supporting strategic processes with a risk management approach.

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of Akfen GYO's risk management framework. The latter determines shareholder risk preference, ensuring that appropriate risk management applications are in place. Akfen GYO's BOD has the ultimate responsibility for Corporate Risk Management.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk. Since the Group operates in real estate businesses geographically the concentration of credit risk for the Group's entities operating in the mentioned businesses are mainly in Turkey.

The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The allowance is provided for receivables that are legally insolvent.

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on various foreign currency denominated income and expenses and resulting receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

To minimize risk arising from foreign currency denominated balance sheet items, the Group keeps part of its idle cash in foreign currencies.

As at 31 December 2011, the companies in the Group have foreign currency balances other than their functional currencies such as Euro, as mentioned in the related notes of the consolidated financial statements.

The Group keeps cash in USD, Euro, GBP and TL to manage the foreign currency risk.

The Group realises the medium and long term bank borrowings in the currency of project revenues. Additionally, the Group realises short term bank borrowings in TL, Euro and USD in balance by pooling/ portfolio model.

Interest rate risk

As at 31 December 2011, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 94% of the Group's bank borrowings are obtained by floating interest rates.

The Group is also exposed to basis risk for its floating rate borrowings, which is the difference in repricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group's entities ensure that they have sufficient cash on demand to meet expected operational expenses in terms of the relevant characteristics of the businesses they operate, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

For the Group entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group entities, in order to minimize liquidity risk, hold adequate cash and available line of credit.

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Capital management

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

26.1. Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party.

The maximum exposure to credit risk as at 31 December 2011 and 31 December 2010 is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 December 2011	Related party	Third party	Related party	Third party	Deposits on banks	Other
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	--	4,589,460	--	5,945,775	7,788,945	--
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	4,589,460	--	5,945,775	7,788,945	--
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired						
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
- The portion covered by any guarantee						
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

26.1. Credit risk *(continued)*

		Receivables					
		Trade receivables		Other receivables			
	31 December 2010	Related party	Third party	Related party	Third party	Deposits on banks	Other
	Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	**1,291,871**	**4,863,887**	--	**87,396**	**1,302,795**	--
	- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A.	Net carrying value of financial assets which are neither impaired nor overdue	1,291,871	4,863,887	--	87,396	1,302,795	--
B.	Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C.	Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
	- The portion covered by any guarantee	--	--	--	--	--	--
D.	Net carrying value of impaired assets	--	--	--	--	--	--
	- Overdue (gross book value)	--	48,054	--	--	--	--
	- Impairment (-)	--	(48,054)	--	--	--	--
	- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
	- Undue (gross book value)	--	--	--	--	--	--
	- Impairment (-)	--	--	--	--	--	--
	- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E.	Off balance sheet items with credit risks	--	--	--	--	--	--

As at 31 December 2011 and 31 December 2010, the Group does not have any financial assets which are overdue but not impaired

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

.26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

26.2. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. The table analyses the financial liabilities of the Group by grouping the terms. The contractual cash flow is not discounted:

31 December 2011:

Contractual maturities	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Bank borrowings	285,738,348	324,346,286	50,336,777	76,994,153	110,989,000	86,026,356
Trade payables	2,756,281	2,756,281	2,756,281	--	--	--
Other payables (other liabilities included)	9,184,657	9,184,657	7,081,070	--	2,103,587	--

31 December 2010:

Contractual maturities	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Bank borrowings	212,191,987	262,099,260	9,675,551	44,380,179	144,493,973	63,549,557
Trade payables	854,847	854,847	854,847	--	--	--
Other payables (other liabilities included)	15,181,983	15,181,983	13,836,718	--	1,345,265	--

The Group does not have any derivative financial liabilities as at 31 December 2011 and 31 December 2010. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

26.3. Market risk

a) Foreign currency position table and sensitivity analysis

31 December 2011		TL Equivalent	USD	EURO	GBP	Other
Foreign currency position		(Functional currency)				
1	Trade receivables	4,525,239		1,851,723		--
2a	Monetary financial assets (cash and bank accounts included)	162,032	60	66,075		445
2b	Non-monetary financial assets	--				
3	Other	945,663	--	386,965	--	--
4	**Current assets (1+2+3)**	**5,632,934**	**60**	**2,304,763**	--	**445**
5	Trade receivables	--				
6a	Monetary financial assets	7,048			2,416	
6b	Non-monetary financial assets	--				
7	Other	--		--		--
8	**Non-current assets (5+6+7)**	**7,048**	--	--	**2,416**	--
9	**Total assets (4+8)**	**5,639,982**	**60**	**2,304,763**	**2,416**	**445**
10	Trade payables	1,145,974	--	468,931		--
11	Financial liabilities	114,246,451		46,749,509		
12a	Other monetary financial liabilities	256,644	--	105,018		--
12b	Other non-monetary financial liabilities	--				
13	**Short-term liabilities (10+11+12)**	**115,649,069**	--	**47,323,458**	--	--
14	Trade payables	--				
15	Financial liabilities	158,953,938		65,043,759		
16a	Other monetary financial liabilities	1,849,735	833,280	112,838		
16b	Other non-monetary financial liabilities	--				
17	**Long-term liabilities (14+15+16)**	**160,803,673**	**833,280**	**65,156,597**	--	--
18	**Total liabilities (13+17)**	**276,452,742**	**833,280**	**112,480,055**	--	--
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	--	--	--	--	--
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	--	--	--	--	--
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	--	--	--	--	--
20	**Net foreign currency position (9-18+19)**	**(270,812,760)**	**(833,220)**	**(110,175,292)**	2,416	445
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(271,758,423)**	**(833,220)**	**(110,562,257)**	2,416	445
22	**Fair value of the financial instruments used in foreign currency hedging**	--	--	--	--	--
23	**Amount of foreign currency assets hedged**	--	--	--	--	--
24	**Amount of foreign currency liabilities hedged**	--	--	--	--	--

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

26.3. Market risk *(continued)*

31 December 2010		TL Equivalent	USD	EURO	GBP	Other
Foreign currency position		(Functional currency				
1	Trade receivables	4,826,356	--	2,355,354	--	--
2a	Monetary financial assets (cash and bank accounts included)	62,174	155	30,224	--	--
2b	Non-monetary financial assets	--	--	--	--	--
3	Other	1,158	215	401	--	--
4	**Current assets (1+2+3)**	**4,889,688**	**370**	**2,385,979**	--	--
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	5,771	--	--	2,416	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	--	--	--		--
8	**Non-current assets (5+6+7)**	**5,771**	--	--	2,416	--
9	**Total assets (4+8)**	**4,895,459**	**370**	**2,385,979**	**2,416**	--
10	Trade payables	102,455	--	50,000	--	--
11	Financial liabilities	43,446,915	--	21,202,925	--	--
12a	Other monetary financial liabilities	3,176,994	--	1,550,434	--	--
12b	Other non-monetary financial liabilities	--	--	--	--	--
13	**Short-term liabilities (10+11+12)**	**46,726,364**	--	**22,803,359**	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	153,182,525	--	74,756,003	--	--
16a	Other monetary financial liabilities	1,345,637	724,959	103,363	--	--
16b	Other non-monetary financial liabilities	--	--	--	--	--
17	**Long-term liabilities (14+15+16)**	**154,528,162**	**724,959**	**74,859,366**	--	--
18	**Total liabilities (13+17)**	**201,254,526**	**724,959**	**97,662,725**	--	--
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	--	--	--	--	--
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	--	--	--	--	--
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	--	--	--	--	--
20	**Net foreign currency position (9-18+19)**	**(196,359,067)**	**(724,589)**	**(95,276,746)**	**2,416**	--
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(196,360,225)**	**(724,804)**	**(95,277,147)**	**2,416**	--
22	**Fair value of the financial instruments used in foreign currency hedging**	--	--	--	--	--
23	**Amount of foreign currency assets hedged**	--	--	--	--	--
24	**Amount of foreign currency liabilities hedged**	--	--	--	--	--

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

26.3. Market risk *(continued)*

a) Foreign currency position table and sensitivity analysis *(continued)*

Foreign currency sensitivity analysis

31 December 2011				
	Profit or loss		Equity(*)	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	(157,387)	157,387	(157,387)	157,387
2- Hedged portion of TL against USD risk (-)	--	--	--	--
3- Net effect of USD (1+ 2)	**(157,387)**	**157,387**	**(157,387)**	**157,387**
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(26,924,637)	26,917,808	(26,917,808)	26,917,808
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	**(26,924,637)**	**26,924,637**	**(26,924,637)**	**26,924,637**
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	750	(750)	750	(750)
8- Hedged portion of TL against other currencies risk (-)	--	--	--	--
9- Net effect of other foreign currencies (7+8)	**750**	**(750)**	**750**	**(750)**
TOTAL(3+6+9)	**(27,081,274)**	**27,081,274**	**(27,081,274)**	**27,081,274**

(*) Profit / loss effect is included.

As at 31 December 2011, the Group has undiscounted non-cancellable lease receivables amounting TL 132,948,878 in equivalent of Euro 57,196,878 and non-cancellable undiscounted lease liabilities amounting TL 31,617,255 in equivalent of total of Euro 1,808,114 and USD 14,399,167 which are not included in the table above and to be recognised in the following periods (Note 14).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued))*

26.3. Market risk *(continued)*

a) Foreign currency position table and sensitivity analysis *(continued)*

Foreign currency sensitivity analysis *(continued)*

31 December 2010	Profit or loss		Equity(*)	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	(113,326)	113,326	(113,326)	113,326
2- Hedged portion of TL against USD risk (-)	--	--	--	--
3- Net effect of USD (1+ 2)	**(113,326)**	**113,326**	**(113,326)**	**113,326**
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(19,473,603)	19,473,603	(19,473,603)	19,473,603
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	**(19,473,603)**	**19,473,603**	**(19,473,603)**	**19,473,603**
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	577	(577)	577	(577)
8- Hedged portion of TL against other currencies risk (-)		--	--	--
9- Net effect of other foreign currencies (7+8)	577	(577)	577	(577)
TOTAL (3+6+9)	**(19,586,352)**	**19,586,352**	**(19,586,352)**	**19,586,352**

(*) Profit / loss effect is included.

As at 31 December 2010, the Group has undiscounted non-cancellable lease receivables amounting TL 74,887,739 in equivalent of Euro 36,546,649 and non-cancellable undiscounted lease liabilities amounting TL 30,025,885 in equivalent of total of Euro 1,978,538 and USD 16,799,265 which are not included in the table above and to be recognised in the following periods (Note 14).

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

26.3. Market risk *(continued)*

a) Foreign currency position table and sensitivity analysis *(continued)*

The following significant exchange rates applied during the periods ended 31 December 2011 and 2010:

	Average		As at reporting date	
TL	31 December 2011	31 December 2010	31 December 2011	31 December 2010
USD	1.6708	1.5004	1.8889	1.5460
Euro	2.3244	1.9894	2.4438	2.0491

b) Interest rate risk table and sensitivity analysis

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	31 December 2011	31 December 2010
Fixed rate instruments		
Financial assets	--	--
Financial liabilities	12,537,966	15,562,548
Variable rate instruments		
Financial assets	--	--
Financial liabilities	273,200,382	196,629,439

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore; a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Group does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore; a change in interest rates at the reporting date would not directly affect equity.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

26.3. Market risk *(continued)*

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2011, a change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2010.

	Profit or (loss)		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2011				
Variable rate instruments	(686,997)	686,997	(686,997)	686,997
31 December 2010				
Variable rate instruments	(551,644)	551,644	(551,644)	551,644

(*)Profit / loss effect is included.

27. FINANCIAL INSTRUMENTS

27.1. Fair value risk

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable.

Financial assets

The Company assumes that the carrying values of cash equivalents are close to their fair value because of their short-term nature and insignificant amount of impairment risk. Trade receivables after netting the allowance for doubtful receivables are close to their fair value due to short-term nature.

Financial liabilities

The Company assumes that the carrying values of the trade payables and other liabilities are close to their fair value because of their short-term nature. Bank borrowings are measured with their amortised cost value and transaction costs are added to their acquisition costs. It is assumed that the borrowings' fair values are equal to their carrying values since interest rates of variable rate instruments are updated with changing market conditions and the maturities of fixed rate instruments are short term.

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

28. SUBSEQUENT EVENTS

On 24 February 2012, the land rented for the Yaroslavl hotel project was acquired with a total consideration of 4,627,701 Rubles.

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

The Company's control of compliance of the portfolio limits according to the CMB Communiqué Serial: VI, No. 11 "Communiqué on Principles Regarding Real Estate Investment Trusts" is as follows:

	Unconsolidated (separate) financial statement main account items	Related Regulation	31 December 2011	31 December 2010
A	Cash and capital market instruments	Serial:VI. No:11. Md. 27 / (b)	6,353,062	648,027
B	Investment properties, investment property-based projects, investment property-based rights	Serial:VI. No:11. Md. 27 / (a)	567,292,650	434,750,999
C	Participations	Serial:VI. No:11. Md. 27 / (b)	463,221,971	260,062,000
	Due from related parties (non-trade)	Serial:VI. No:11. Md. 24 / (g)	--	--
	Other assets		33,679,860	33,964,000
D	**Total assets**	Serial:VI. No:11. Md. 4 / (i)	**1,070,547,543**	**729,425,026**
E	Financial liabilities	Serial:VI. No:11. Md. 35	160,091,860	138,377,344
F	Other financial liabilities	Serial:VI. No:11. Md. 35	5,938,934	13,461,656
G	Finance lease liabilities	Serial:VI. No:11. Md. 35	--	--
H	Due to related parties (non-trade)	Serial:VI. No:11. Md. 24 / (g)	--	--
I	Shareholders' equity (net asset value)	Serial:VI. No:11. Md. 35	904,516,749	577,586,026
	Other liabilities		--	--
D	**Total liabilities and equity**	Serial:VI. No:11. Md. 4 / (i)	**1,070,547,543**	**729,425,026**

	Unconsolidated (separate) other financial information	Related Regulation	31 December 2011	31 December 2010
A1	Cash and capital market instruments held for payments of investment properties for 3 years	Serial:VI. No:11. Md. 27 / (b)	6,350,151	645,349
A2	Time / demand TL / foreign currency	Serial:VI. No:11. Md. 27 / (b)	--	--
A3	Foreign capital market instruments	Serial:VI. No:11. Md. 27 / (c)	--	--
B1	Foreign investment property, investment property-based projects, investment property-based rights	Serial:VI. No:11. Md. 27 / (c)	--	--
B2	Idle lands	Serial:VI. No:11. Md. 27 / (d)	--	--
C1	Foreign subsidiaries	Serial:VI. No:11. Md. 27 / (c)	2,782,856	--
C2	Participation to the operator company	Serial:VI. No:11. Md. 32 / A	--	--
J	Non-cash loans	Serial:VI. No:11. Md. 35	537,306,493	570,972,737
K	Pledges on land not owned by the Investment Trust which will be used for project developments	Serial:VI. No:11. Md. 25 / (n)	--	--

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS *(continued)*

	Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Period	Previous Period	Minimum/Maximum Ratio
1	Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	Serial:VI, No:11, Md, 25 / (n)	0.00%	0.00%	<%10
2	Investment Property, Investment Property Based Projects, Investment Property Based Rights	Serial:VI, No:11, Md, 27 / (a),(b)	52.99%	59.60%	>%50
3	Cash and Capital Market Instruments and Participations	Serial:VI, No:11, Md, 27 / (b)	43.86%	35.74%	<%50
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	Serial:VI, No:11, Md, 27 / (c)	43.53%	35.65%	<%49
5	Idle Lands	Serial:VI, No:11, Md, 27 / (d)	0.00%	0.00%	<%20
6	Participation to the Operator Company	Serial:VI, No:11, Md, 32 / A	0.00%	0.00%	<%10
7	Borrowing Limit	Serial:VI, No:11, Md, 35	77.76%	125.14%	<%500
8	Time / Demand TL / Foreign Currency	Serial:VI, No:11, Md, 27 / (b)	0.59%	0.09%	<%10

Since the information in the table is unconsolidated, they may differ from the consolidated information in the financial statements.