KPMG

Akfen Gayrimenkul Yatırım Ortaklığı AŞ

Convenience Translation to
English of
Consolidated Financial Statements
As at and for the year ended
31 December 2010
With Independent Auditor's Report
(Originally issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

25 February 2011

This report contains 2 pages of independent auditors' report and 77 pages of consolidated financial statements and notes to the consolidated financial statements.

Akfen Gayrimenkul Yatırım Ortaklığı AŞ

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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 AŞ, its subsidiary and jointly controlled entities (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, 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 2010, 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, 25 February 2011

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Hatice Nesrin Tuncer
Partner

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

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

		Audited		
			Restated(*)	
ASSETS	**Notes**	**31 December 2010**	**31 December 2009**	**31 December 2008**
CURRENT ASSETS		**8,365,971**	**5,146,431**	**12,412,726**
Cash and cash equivalents	*5*	1,304,927	499,009	2,594,918
Trade receivables	*7*	6,155,758	2,909,725	3,725,781
- Due from related parties	*26*	*1,291,871*	*436*	*526,040*
- Other trade receivables	*7*	*4,863,887*	*2,909,289*	*3,199,741*
Other receivables	*8*	--	94,587	3,948,204
- Due from related parties	*26*	--	*56,614*	*933,595*
- Other receivables		--	*37,973*	*3,014,609*
Inventories	*9*	--	1,094,805	1,067,707
Other current assets	*17*	905,286	548,305	1,076,116
NON-CURRENT ASSETS		**678,636,026**	**502,950,957**	**439,864,117**
Other receivables	*8*	87,396	51,723	55,281
Investment property	*10*	644,063,152	473,158,302	415,190,285
Property and equipment	*11*	117,937	167,881	239,694
Intangible assets	*12*	7,622	9,487	11,541
Deferred tax assets	*24*	89,343	282,554	--
Other non-current assets	*17*	34,270,576	29,281,010	24,367,316
TOTAL ASSETS		**687,001,997**	**508,097,388**	**452,276,843**

(*) See Note 2.

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

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

		Audited		
			Restated(*)	
LIABILITIES	**Notes**	**31 December 2010**	**31 December 2009**	**31 December 2008**
CURRENT LIABILITIES		**63,017,344**	**61,027,157**	**70,897,849**
Loans and borrowings	*6*	47,628,674	34,139,632	61,417,644
Trade payables	*7*	854,847	3,794,315	1,276,608
- Due to related parties	*26*	*58,433*	*1,785,666*	--
- Other trade payables	*7*	*796,414*	*2,008,649*	*1,276,608*
Other payables	*8*	12,291,507	21,905,811	582,264
- Due to related parties	*26*	*12,247,437*	*21,905,561*	*582,264*
- Other payables		*44,070*	*250*	--
Employee benefits	*16*	64,619	24,573	33,167
Other current liabilities	*17*	1,731,386	1,162,826	7,588,166
Current tax liability	*24*	446,311	--	--
NON-CURRENT LIABILITIES		**173,236,249**	**162,639,333**	**114,925,338**
Loans and borrowings	*6*	164,563,313	161,137,078	109,733,867
Employee benefits	*16*	6,486	37,099	20,244
Deferred tax liability	*24*	7,321,185	670,707	4,807,506
Other non-current liabilities	*17*	1,345,265	794,449	363,721
EQUITY	*18*	**450,748,404**	**284,430,898**	**266,453,656**
Paid in capital		138,000,000	72,147,000	72,147,000
Adjustment to share capital		317,344	380,186	380,186
Purchase of share of entity under common control		53,748,727	53,748,727	54,310,330
Foreign currency translation reserve		524,372	217,708	(114,598)
Legal reserves		4,147	4,147	4,147
Retained earnings		137,819,739	139,726,591	80,801,022
Profit for the period		120,362,989	18,206,539	58,925,569
Non-controlling interest		(28,914)	--	--
TOTAL EQUITY AND LIABILITIES		**687,001,997**	**508,097,388**	**452,276,843**

(*) See Note 2

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

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

		Audited		
			Restated(*)	
	Notes	**2010**	**2009**	**2008**
Revenue	*19*	18,471,000	17,699,045	14,987,535
Cost of sales	*19*	(2,090,052)	(1,686,951)	(3,436,461)
GROSS PROFIT		**16,380,948**	**16,012,094**	**11,551,074**
Administrative expenses	*20*	(3,981,912)	(4,884,891)	(5,275,834)
Other operating income	*21*	129,621,140	21,595,304	105,261,295
Other operating expense	*21*	(6,264,306)	(971,148)	(447,589)
OPERATING PROFIT		**135,755,870**	**31,751,359**	**111,088,946**
Finance income	*22*	25,777,756	8,039,887	8,935,410
Finance costs	*23*	(33,184,649)	(25,916,754)	(52,186,121)
PROFIT BEFORE TAXATION		**128,348,977**	**13,874,492**	**67,838,235**
Tax (expense) / benefit	*24*	(8,014,902)	4,332,047	(8,912,666)
- Current tax expense		(1,107,657)	*39,994*	--
- Deferred tax (expense) / income		(6,907,245)	*4,292,053*	(8,912,666)
PROFIT FOR THE PERIOD		**120,334,075**	**18,206,539**	**58,925,569**
Other comprehensive income / (expense)				
Change in foreign currency translation differences		306,664	332,306	(114,598)
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD, NET OF TAX		**306,664**	**332,306**	**(114,598)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**120,640,739**	**18,538,845**	**58,810,971**
Profit attributable to:				
Non-controlling interest		(28,914)	--	--
Owners of the company		120,362,989	18,206,539	58,925,569
Profit for the period		**120,334,075**	**18,206,539**	**58,925,569**
Total comprehensive income attributable to				
Non-controlling interest		(28,914)	--	--
Owners of the company		120,669,653	18,538,845	58,810,971
Total comprehensive income for the period		**120,640,739**	**18,538,845**	**58,810,971**
Basic and diluted earnings/ (loss) per share	*25*	**1.02**	**0.20**	**0.64**

(*) See Note 2

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

	Paid in capital	Adjustment to share capital	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
Balances as at 1 January 2008	72,147,000	380,186	54,310,330	--	4,147	(4,009,291)	84,810,313	207,642,685	--	207,642,685
Transfers	--	--	--	--	--	84,810,313	(84,810,313)	--	--	--
	72,147,000	380,186	54,310,330	--	4,147	80,801,022	--	**207,642,685**	--	**207,642,685**
Profit / (loss) for the period	--	--	--	--	--	--	58,959,229	58,959,229	--	58,959,229
Foreign currency translation differences	--	--	--	(224,138)	--	--	--	(224,138)	--	(224,138)
Effect of change in accounting policy (Note 2				109,540			(33,660)	75,880	--	75,880
Total comprehensive income / (expense)	--	--	--	**(114,598)**	--	--	**58,925,569**	**58,810,971**	--	**58,810,971**
Balances as at 31 December 2008 as restated	**72,147,000**	**380,186**	**54,310,330**	**(114,598)**	**4,147**	**80,801,022**	**58,925,569**	**266,453,656**	--	**266,453,656**
Balances as at 1 January 2009 as previously reported	72,147,000	380,186	54,310,330	(224,138)	4,147	80,801,022	58,959,229	266,377,776	--	266,377,776
Effect of change in accounting policy (Note 2)	--	--	--	109,540	--	--	(33,660)	75,880	--	75,880
Balances as at 1 January 2009 as restated	72,147,000	380,186	54,310,330	(114,598)	4,147	80,801,022	58,925,569	266,453,656	--	266,453,656
Business combination (Not 18.2)	--	--	(561,603)	--	--	--	--	(561,603)	--	(561,603)
Transfers	--	--	--	--	--	58,925,569	(58,925,569)	--	--	--
	72,147,000	380,186	53,748,727	(114,598)	4,147	139,726,591	--	265,892,053	--	265,892,053
Profit / (loss) for the period	--	--	--	--	--	--	18,206,539	18,206,539	--	18,206,539
Foreign currency translation differences	--	--	--	332,306	--	--	--	332,306	--	332,306
Total comprehensive income	--	--	--	**332,306**	--	--	**18,206,539**	**18,538,845**	--	**18,538,845**
Balances as at 31 December 2009 as restated	**72,147,000**	**380,186**	**53,748,727**	**217,708**	**4,147**	**139,726,591**	**18,206,539**	**284,430,898**	--	**284,430,898**
Balances as at 1 January 2010 as previously reported	72,147,000	380,186	54,310,330	323,024	4,147	139,760,251	17,247,991	284,172,929	--	284,172,929
Effect of change in accounting policy (Note 2)	--	--	(561,603)	(105,316)	--	(33,660)	958,548	257,969	--	257,969
Balances as at 1 January 2010 as restated	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 (Note 18)	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 / (loss) 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 / (expense)	--	--	--	**306,664**	--	--	**120,362,989**	**120,669,653**	**(28,914)**	**120,640,739**
Balances 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**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Tutarlar aksi belirtilmedikçe Türk Lirası ("TL") cinsinden ifade edilmiştir.)

		Audited		
			Restated(*)	
	Notes	**2010**	**2009**	**2008**
A. Cash flows from operating activities				
Profit for the period		**120,334,075**	**18,206,539**	**58,925,569**
Adjustments to:				
Depreciation of property, plant and equipment	*20*	49,417	69,524	56,147
Amortization of intangibles	*20*	5,613	6,057	7,664
Provision for employee severance indemnity	*16*	(20,628)	21,782	29,020
Provision for vacation pay liability	*16*	40,046	(882)	33,167
Interest expense	*23*	15,102,121	14,889,691	14,119,248
Unrealized foreign currency gain		(8,354,382)	(551,087)	32,185,526
Fair value adjustment on investment property	*21*	(128,299,803)	(21,151,504)	(104,922,137)
Rent expense accrual	*15*	620,338	416,686	177,404
Other accruals	*17*	1,202,882	694,330	6,989,281
Income tax (benefit) / expense	*24*	8,014,902	(4,332,047)	8,912,666
Operating profit before changes in working capital		**8,694,581**	**8,269,089**	**16,513,555**
Change in inventory	*9*	1,094,805	(27,098)	180,178
Change in trade receivables		(3,246,033)	816,056	384,546
Change in other receivables		58,914	3,857,175	(556,025)
Change in other current and non-current assets		(5,346,547)	(4,385,883)	12,007,282
Change in trade payables		(2,939,468)	2,517,707	551,424
Payment of employee benefits	*16*	(9,985)	(12,639)	(17,475)
Tax paid		(658,576)	--	--
Changes in other payables and liabilities		(10,318,148)	13,656,316	550,905
Net cash(used in) / provided by operating activities		**(12,670,457)**	**24,690,723**	**29,614,390**
B. Cash flows from investing activities				
Acquisition of property, plant and equipment	*11*	(45,847)	(19,720)	(97,733)
Sale of property, plant and equipment	*11*	46,374	22,009	--
Acquisition of intangible assets	*12*	(3,748)	(4,003)	(15,339)
Acquisition of investment property	*10*	(43,949,562)	(31,382,124)	(52,733,448)
Cancelled project in investment property	*10*	1,344,515	348,250	--
Acquisition of joint venture, net of cash acquired		--	(1,631,642)	--
Net cash used in investment activities		**(42,608,268)**	**(32,667,230)**	**(52,846,520)**
C. Cash flows from financing activities				
Capital increase	*18*	45,676,767	--	--
Proceeds from issuance of loans and borrowings		44,373,896	65,019,809	170,045,255
Repayment of loans and borrowings		(19,264,800)	(45,596,332)	(131,733,528)
Interest payment of loans and borrowings		(15,007,884)	(13,875,185)	(14,119,248)
Net cash from financing activities		**55,777,979**	**5,548,292**	**24,192,479**
Foreign exchange differences on financial position items		306,664	332,306	(114,598)
Net increase / (decrease) in cash and cash equivalents		**805,918**	**(2,095,909)**	**845,751**
Cash and cash equivalents at 1 January	*5*	499,009	2,594,918	1,749,167
Cash and cash equivalents at 31 December	*5*	**1,304,927**	**499,009**	**2,594,918**

(*) See Note 2

The accompanying notes form an integral part of these consolidated 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 4 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 and Adana. 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 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 a joint venture in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") on 21 September 2007. EEPI Ltd assigned its 45% shares in RHI 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. The capital structure of the joint venture is designated as 50% of participation for the Company, 45% of participation Kasa BV and 5% participation of Cüneyt Baltaoğlu as of 31 December 2010.

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 50% of participation for the Company, 45% of participation Kasa BV and 5% participation of Cüneyt Baltaoğlu as of 31 December 2010.

Hereinafter, Akfen GYO, its subsidiary (Akfen Ticaret) and jointly controlled entities are referred to as "The Group".

The number of employees of Akfen GYO with its subsidiary and joint ventures is 14 (31 December 2009:16, 31 December 2008: 18) and 16 (31 December 2009:11, 31 December 2008:10) respectively as of 31 December 2010. 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 subsidiary, Akfen Ticaret head office maintains 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.

The accompanying consolidated statement of financial position as at 31 December 2010 and the consolidated statement of comprehensive income for the year then ended have been approved by the Board of Directors of the Company on 25 February 2011. 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 statement

The consolidated financial statements and notes as at 31 December 2010 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.

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

2.1. Basis of preparation *(continued)*

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
Russian Hotel	Euro
Russian Property	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 subsidiary, 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 statement of the subsidiary is consolidated from the beginning of the control power over the affiliate to end of that power.

Financial statements of the subsidiary 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 Akfen Ticaret as at 31 December 2010 2009 and 2008:

The Company	Direct or indirect shares of company (%)
Akfen Ticaret	100

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.

(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)*

Jointly controlled entities *(continued)*

Jointly controlled entities which are constituted as Russian Hotel and Russian Property in the accompanying consolidated financial statements are consolidated for using the proportional method.

Financial statements of the jointly controlled entities 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 Gayrimenkul's ownership ratio in Russian Hotel and Russian Property as at 31 December 2010, 31 December 2009 and 31 December 2008, respectively:

Entity	31 December 2010	31 December 2009	31 December 2008
RHI	50%	50%	50%
RPI	50%	50%	--

RPI

50% of the shares of Russian Property, 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, a company of Akfen Group, on 5 June 2009. The remaining 45% shares of Russian Property are owned by Kasa Investment BV, 5% are owned by Cüneyt Baltaoglu.

RHI

The Company and EEPI Ltd. formed a joint venture in the Netherlands under the name of Russian Hotel Investment BV on 21 September 2007. The main objective of RHI is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A. The remaining 45% shares of Russian Hotel are owned by Kasa Investment BV, 5% are owned by Cüneyt Baltaoglu.

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.

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.

(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)*

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.

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 2010	31 December 2009	31 December 2008
Euro/ TL	2.0491	2.1603	2.1408
USD / TL	1.5460	1.5057	1.5123

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

	31 December 2010	31 December 2009	31 December 2008
Euro/ TL	1.9894	2.1505	1.8958
USD / TL	1.5004	1.5471	1.2929

e ***Comparative information***

The accompanying consolidated 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 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 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.

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

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

2.2. Changes in accounting policies

Starting from 1 January 2010, the Group has changed its accounting policies in the accounting of jointly controlled entities.

Accounting for jointly controlled entities

The Group changed the equity pick up method for accounting of the jointly controlled entities into the proportional consolidation method in the current period since the Company management believed that such presentation would give more detailed information regarding financial position and performance.

Effect of transition from equity pick-up method to proportional consolidation in previous years is as follows:

	31 December 2008	Effect of change	31 December 2008
	Previously reported	RHI	Restated
Current Assets	10,911,549	1,501,177	12,412,726
Non-Current Assets	436,723,636	3,140,481	439,864,117
Total Assets	447,635,185	4,641,658	452,276,843
Current Liabilities	70,361,654	536,195	70,897,849
Non-current Liabilities	110,895,755	4,029,583	114,925,338
Equity	266,377,776	75,880	266,453,656
Total Equity and liabilities	447,635,185	4,641,658	452,276,843
Gross Profit	11,551,074	--	11,551,074
Operating profit/(loss)	111,508,678	(419,732)	111,088,946
Profit/(loss) for the period	58,959,229	(33,660)	58,925,569

	31 December 2009	Effect of change		31 December 2009
	Previously reported	RHI	RPI	Restated
Current Assets	4,335,371	354,650	456,410	5,146,431
Non-Current Assets	492,466,017	6,268,480	4,216,460	502,950,957
Total Assets	496,801,388	6,623,130	4,672,870	508,097,388
Current Liabilities	49,989,126	6,552,205	4,485,826	61,027,157
Non-current Liabilities	162,639,333	--	--	162,639,333
Equity	284,172,929	70,925	187,044	284,430,898
Total Equity and liabilities	496,801,388	6,623,130	4,672,870	508,097,388
Gross Profit	16,012,094	--	--	16,012,094
Operating profit/(loss)	33,088,588	(883,427)	(453,802)	31,751,359
Profit/(loss) for the period	17,247,991	208,867	749,681	18,206,539

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

2.3. Changes in accounting estimates and accounting errors

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 2.5.4 – Useful lives of property, plant and equipment

Note 2.5.5 – Useful lives of intangible assets

Note 10 – Fair value measurement of investment property

Note 15 – Commitment and contingencies

Note 16 – Employee benefits

Note 24 – Deferred tax asset and liabilities

2.4. New standards and interpretations not yet adopted as of 31 December 2010

2.4.1. New standards and interpretations implemented as of 31 December 2010

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 2010.

2.4.2. New standards and interpretations not yet adopted as at 31 December 2010

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory 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. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies

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

2.5.1. 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.

2.5.2. 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.

2.5.3. 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.

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 2.5.1.

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

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

2.5.3 Investment property (continued)

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.

2.5.4. 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

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

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

2.5.5. 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.

2.5.6 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)*

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

2.5.7. 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 of 31 December 2010, 2009 and 2008.

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 2010, 2009 and 2008, the Group has no held-to-maturity financial assets.

Loans and 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)*

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

2.5.7. 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.

2.5.8. 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)*

2.5 Summary of significant accounting policies *(continued)*

2.5.9. Acquisition from entities under common control

50% of the shares of Russian Property, which was established in the Netherlands with the purpose of developing office and residence projects in Russia, is transferred to the Company from Akfen Gayrimenkul Geliştime on 5 June 2009. No goodwill is recognised, since the acquisition of the entity is under common control.

2.5.10. Foreign currency transactions

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates.

The results and financial position of the Group are expressed in TL, which is the functional currency of the Group, and the presentation currency for the financial statements.

Income and expenses deriving from transactions in foreign currencies have been converted at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and conversion of foreign currency items have been included in the consolidated income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into TL at foreign exchange rates ruling at the dates the values were determined.

The assets and liabilities excluding equity items of jointly controlled entity, whose functional currencies are not currency of a hyperinflationary country and different from the Company's functional currency, are translated into TL at the exchange rates prevailing at the balance sheet dates. Equity items are translated into TL by taking into consideration the exchange rates prevailing at the transaction dates. The differences that arise from this transaction are shown in the "Foreign currency translation reserve" account in equity.

2.5.11. 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 25).

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

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

2.5.13. 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.

2.5.14. 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.

2.5.15. 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.

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

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

2.5.17. Discontinued operations

None.

2.5.18. 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.

2.5.19. 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.

Akfen Ticaret's head office operating in Turkey is 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 provided using the balance sheet method, providing for 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.

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

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

2.5.19. Taxation (continued)

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.

2.5.20. 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. At 31 December 2010, 31 December 2009 and 31 December 2008 the ceiling rates are TL 2,517, TL 2,365 and TL 2,173, respectively.

2.5.21 Pension plans

None.

2.5.22. Agriculture

None.

2.5.23. 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.

2.5.24. Expenses

Expenses are recognised in profit or loss on accrual basis.

2.5.25. 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.

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

3. JOINTLY CONTROLLED ENTITIES

%50 (2009: %50) equity shareholding with equal voting power, RPI, a joint venture established in the Netherlands. As of 31 December 2010 and 31 December 2009 total assets and liabilities and summary income statement for the year ended 31 December 2010 and 31 December 2009 of RPI, are as follows:

Statement of Financial Position	31 December 2010	31 December 2009
Current assets	5,686,093	912,820
Non-current assets	19,152,208	16,540,986
Current liabilities	(15,985,347)	(8,971,652)
Non-current liabilities	(5,150)	--

Statement of comprehensive income	31 December 2010	31 December 2009
Total revenues and income	1,795,398	166,747
Total expenses and costs	(5,571,764)	(1,287,913)
Loss for the period	(3,776,366)	(1,121,166)

%50 (2009: %50, 2008: %50) equity shareholding with equal voting power, RHI, a joint venture established in the Netherlands. As of 31 December 2010, 31 December 2009 and 31 December 2008 total assets and liabilities and summary income statement for the year ended 31 December 2010, 2009 and 2008 of RHI, are as follows:

Statement of Financial Position	31 December 2010	31 December 2009	31 December 2008
Current assets	1,277,968	709,300	1,391,944
Non-current assets	80,109,574	20,671,985	7,765,669
Current liabilities	(33,627,525)	(13,104,409)	(1,072,391)
Non-current liabilities	(18,419,777)	--	(8,284,538)

Statement of comprehensive income	31 December 2010	31 December 2009	31 December 2008
Total revenues and income	17,367,813	350,629	20,295
Total expenses and costs	(16,346,150)	(1,723,437)	(1,816,086)
Profit / (Loss) for the period	1,021,663	(1,372,808)	(1,795,791)

(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 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)
Other operating income	104,132,817	17,362,112	8,126,211	--	129,621,140
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 benefit / (expense)	*8,226*	*(5,571,473)*	*(1,343,998)*	--	*(6,907,245)*
PROFIT/ (LOSS) 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)

4. SEGMENT REPORTING *(continued)*

31 December 2009:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	8,276,603	9,422,442	--	--	17,699,045
Cost of sales	(1,629,299)	(57,652)	--	--	(1,686,951)
GROSS PROFIT	**6,647,304**	**9,364,790**	--	--	**16,012,094**
Administrative expenses	(3,644,592)	(368,355)	(871,944)	--	(4,884,891)
Other operating income	33,754,637	(12,164,176)	4,843	--	21,595,304
Other operating expenses	(541,518)	(470,965)	(283,530)	324,865	(971,148)
OPERATING PROFIT / (LOSS)	**36,215,831**	**(3,638,706)**	**(1,150,631)**	**324,865**	**31,751,359**
Finance income	2,761,269	6,422,981	43,015	(1,187,378)	8,039,887
Finance costs	(14,202,390)	(12,226,674)	(350,203)	862,513	(25,916,754)
PROFIT/ (LOSS) BEFORE TAX	**24,774,710**	**(9,442,399)**	**(1,457,819)**	--	**13,874,492**
Taxation	89,249	4,031,967	210,831	--	4,332,047
-Current tax expense	--	--	*39,994*	--	*39,994*
-Deferred tax expenses	*89,249*	*4,031,967*	*170,837*	--	*4,292,053*
PROFIT/ (LOSS) FOR THE PERIOD	**24,863,959**	**(5,410,432)**	**(1,246,988)**		**18,206,539**
31 December 2009:					
Reportable segment assets	449,082,530	149,652,757	19,417,545	(110,055,444)	**508,097,388**
Reportable segment liabilities	222,410,864	75,404,747	11,038,030	(85,187,151)	**223,666,490**
Capital expenditures	22,985,952	471,163	7,948,732	--	**31,405,847**
Depreciation and amortization expenses	63,867	11,714	--	--	**75,581**

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

4. SEGMENT REPORTING *(continued)*

31 December 2008:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	6,370,924	8,616,611	--	--	14,987,535
Cost of sales	(3,017,216)	(419,245)	--	--	(3,436,461)
GROSS PROFIT	**3,353,708**	**8,197,366**	**--**	**--**	**11,551,074**
Administrative expenses	(4,582,978)	(515,417)	(177,439)	--	(5,275,834)
Other operating income	64,725,854	40,535,441	--	--	105,261,295
Other operating expenses	(303,539)	(9,387)	(134,663)	--	(447,589)
OPERATING PROFIT / (LOSS)	**63,193,045**	**48,208,003**	**(312,102)**	--	**111,088,946**
Finance income	8,891,169	75,917	10,147	(41,823)	8,935,410
Finance costs	(45,685,543)	(6,075,571)	(466,830)	41,823	(52,186,121)
PROFIT/ (LOSS) BEFORE TAX	**26,398,671**	**42,208,349**	**(768,785)**	--	**67,838,235**
Taxation	(98,131)	(8,685,424)	(129,111)	--	(8,912,666)
-Current tax expense	--	--	--	--	--
-Deferred tax expenses	*(98,131)*	*(8,685,424)*	*(129,111)*	--	*(8,912,666)*
PROFIT/ (LOSS) FOR THE PERIOD	**26,300,540**	**33,522,925**	**(897,896)**		**58,925,569**
31 December 2008:					
Reportable segment assets	370,336,782	163,122,535	5,271,326	(86,453,800)	**452,276,843**
Reportable segment liabilities	179,250,576	72,742,592	4,565,778	(70,735,759)	**185,823,187**
Capital expenditures	47,897,862	1,544,597	3,404,061	--	**52,846,520**
Depreciation and amortization expenses	33,729	30,082	--	--	**63,811**

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

5. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009	31 December 2008
Cash on hand	2,132	596	13,020
Cash at banks	1,302,795	498,413	2,581,898
- Demand deposits	*1,302,795*	*498,413*	*2,581,898*
Cash and cash equivalents	**1,304,927**	**499,009**	**2,594,918**

As at 31 December 2010, there is no blockage on cash and cash equivalents (31 December 2009: None, 31 December 2008: None).

Demand deposits

As at 31 December 2010, 2009 and 2008 demand deposits comprised the following currencies:

	31 December 2010	31 December 2009	31 December 2008
TL	665,642	23,664	387,111
Euro	422,538	209,113	934,558
Russian Ruble	214,460	262,574	--
USD	155	2,668	1,259,843
GBP	--	394	386
	1,302,795	**498,413**	**2,581,898**

Time deposit

As at 31 December 2010, the Group no time deposit (31 December 2009: None, 31 December 2008: None).

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

6. LOANS AND BORROWINGS

As at 31 December 2010, 2009 and 2008 the details of loans and borrowings are as follows:

	31 December 2010	31 December 2009	31 December 2008
Current:			
Short-term bank borrowings	--	7,578,434	44,912,885
Current portion of long-term bank borrowings	47,628,674	26,561,198	16,504,759
Total	**47,628,674**	**34,139,632**	**61,417,644**
Non-current:			
Long-term bank borrowings	164,563,313	161,137,078	109,733,867
Total bank borrowings	**212,191,987**	**195,276,710**	**171,151,511**

The repayment schedule of bank borrowings is as follows:

	31 December 2010	31 December 2009	31 December 2008
Less than one year	47,628,674	34,139,632	61,417,644
Between one and two years	35,881,967	32,905,376	20,356,766
Between two and three years	24,802,337	30,701,851	19,769,407
Between three and four years	23,716,745	24,959,310	17,845,089
Between four and five years	23,381,352	21,672,317	15,446,887
In five years and longer	56,780,912	50,898,224	36,315,718
	212,191,987	**195,276,710**	**171,151,511**

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

6. LOANS AND BORROWINGS *(continued)*

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 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 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 17). 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] Bank borrowings 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 is secured by the followings.

- According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,000 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,

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

6. LOANS AND BORROWINGS *(continued)*

- 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 total outstanding loan amount,
- Sureties Akfen İnşaat, 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.

31 December 2009:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro(1)	Euribor + 4.75	57,874,416	9,271,995	115,754,106
Euro(2)	Euribor + 3.70	18,232,482	8,102,038	31,285,593
TL(3)	10.00	16,247,843	2,150,464	14,097,379
Euro(5)	14.00	301,697	651,756	--
USD(5)	14.00	704,282	1,060,437	--
TL(5)	23.50	1,641,100	1,641,100	--
TL(4)	23.00	2,193,397	2,193,397	--
TL(4)	23.00	218,332	218,332	--
TL(4)	22.80	1,542,782	1,542,782	--
TL(6)	--	270,629	270,629	--
Euro(7)	Euribor+7.5	1,901,182	4,107,124	--
Euro(8)	Euribor+7.5	1,356,098	2,929,578	--
			34,139,632	**161,137,078**

6. LOANS AND BORROWINGS *(continued)*

(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 2009, the Company used the portion of the loan amounting to Euro 57.5 million. The Company recognises loan commission accrual amounting to TL 244,534 for the unused portion of Euro 42.5 million in other current liabilities (Note 17). Bank borrowings obtained with this agreement is secured by the followings:

- 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) Bank borrowings 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 is secured by the followings.

- According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,000 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 total outstanding loan amount,
- Surety of one of the shareholders' of the Company, is given for the total outstanding loan amount.

(4) Bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus are secured by the following:

- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the total outstanding loan amount.

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

6. LOANS AND BORROWINGS *(continued)*

(5) Bank borrowings obtained from various banks for financing construction of ongoing hotel projects is secured by the following:

- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the total outstanding loan amount.

(6) Bank borrowings obtained for financing the payments for Social Security Premiums.

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

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

31 December 2008:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro(1)	Euribor + 3.75	27,261,664	4,188,487	54,173,284
Euro(2)	Euribor + 3.70	21,500,515	9,928,210	36,100,093
TL(3)	10.00	17,652,427	2,205,937	15,446,490
Euro (4)	6.25	1,167,120	2,498,571	--
Euro (4)	14.00	736,521	1,576,744	--
Euro (5)	14.00	3,500,000	7,492,800	--
Euro (5)	8.10	675,000	1,445,040	--
Euro (5)	12.00	495,702	1,061,199	--
Euro (5)	9.00	127,742	273,471	--
Euro (6)	14.00	1,006,134	2,153,931	--
USD(5)	6.50	2,110,858	3,192,251	--
USD (6)	14.00	5,518,026	8,344,910	--
USD (5)	15.00	1,550,000	2,344,065	--
USD (5)	9.00	541,603	819,067	--
USD (5)	12.00	2,164,414	3,273,244	--
USD (5)	14.00	82,393	124,602	--
TL(5)	29.00	6,041,254	6,041,254	--
TL(5)	33.00	1,630,019	1,630,019	--
TL(5)	34.00	1,974,380	1,974,380	--
TL(5)	30.00	648,792	648,792	--
TL(7)	--	18,545	18,545	--
Euro(8)	Euribor+7.5	1,960,073	182,125	4,014,000
			61,417,644	**109,733,867**

(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. 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 are given for the completion guarantee of the related projects.

(2) Bank borrowings 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 is secured by the followings.

- According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,000 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 total outstanding loan amount,
- Sureties of the shareholders' of the Company is given for the total outstanding loan amount.

(4) Bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus are secured by the following:

- Sureties of the shareholders' of the Company, are given for the total outstanding loan amount.

(5) Bank borrowings obtained from various banks for financing construction of ongoing hotel projects is secured by the following:

- Sureties of the shareholders' of the Company, is given for the total outstanding loan amount.

(6) 1^{st}, 2^{nd} and 3^{rd} independent divisions recognised in the inventories and 50% owned by the Company are pledged in favour of the creditor.

(7) Bank borrowings obtained for financing the payments for Social Security Premiums.

(8) Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed is 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 2010, 2009 and 2008, short-term trade receivables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Trade receivables	4,863,887	2,909,289	3,197,922
Notes receivable	--	--	1,819
Due from related parties (Note 26)	1,291,871	436	526,040
Doubtful receivables	48,054	48,054	48,054
Less: Allowance for doubtful receivables	(48,054)	(48,054)	(48,054)
	6,155,758	**2,909,725**	**3,725,781**

There is no movement in the allowance for doubtful receivables for the periods ended 31 December 2010, 2009 and 2008.

b) Short-term trade payables

As at 31 December 2010, 2009 and 2008, short-term trade payables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Due to related parties (Note 26)	58,433	1,785,666	--
Other trade payables	796,414	2,008,649	1,276,608
	854,847	**3,794,315**	**1,276,608**

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

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 31 December 2010, 2009 and 2008 other current receivables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Due from related parties (Note 26)	--	56,614	933,595
Other receivables[1]	--	37,973	3,014,609
	--	**94,587**	**3,948,204**

[1] As of 31 December 2008, other receivables consist of receivable from tax office.

b) Other non-current receivables

As at 31 December 2010, 2009 and 2008 other non-current receivables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Deposits and guarantees given	87,396	51,723	55,281
	87,396	**51,723**	**55,281**

c) Other current payables

As at 31 December 2010, 2009 and 2008 other current payables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Due to related parties (Note 26)	12,247,437	21,905,561	582,264
Other payables	44,070	250	--
	12,291,507	**21,905,811**	**582,264**

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

9. INVENTORIES

As at 31 December 2010, the Group has sold trading properties for sale, therefore inventory balance is zero.

Inventories comprised of the trading properties held for sale as of 31 December 2009 and 31 December 2008.

As at 31 December 2009 the fair value of the trading properties which are owned by the Company is TL 4,450,0000 (31 December 2008: TL 4,450,000).

As at 31 December 2009, total insurance amount on trading properties is TL 385,000 (31 December 2008: TL 385,000).

Movements of trading properties during the periods are given below

	31 December 2010	31 December 2009	31 December 2008
Opening balance	1,094,805	1,067,707	1,247,885
Additions	--	27,098	15,285
Disposals	(1,094,805)	--	(195,463)
Closing balance	**--**	**1,094,805**	**1,067,707**

The trading properties are pledged amounting to TL 9,721,350 as the collateral for the bank borrowings obtained from Türkiye İş Bankası and TSKB as of 31 December 2009.

10. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 31 December 2010, 2009 and 2008 details of investment property and investment property under development are as follows:

	31 December 2010	31 December 2009	31 December 2 008
Operating investment properties	541,327,000	439,448,500	369,430,000
Investment properties under development	102,736,152	33,709,802	45,760,285
Total	**644,063,152**	**473,158,302**	**415,190,285**

Operating investment properties:

As at 31 December 2010, 2009 and 2008 details of operating investment property is as follows:

	31 December 2010	31 December 2009	31 December 2008
Opening balance	439,448,500	369,430,000	240,515,000
Additions	946,430	668,027	1,544,597
Transfer from development projects	44,358,000	57,516,570	23,234,466
Fair value adjustment (Note 21)	56,574,070	29,026,930	106,783,273
Impairment (Not 21)	--	(17,193,027)	(2,647,336)
Carrying amount	**541,327,000**	**439,448,500**	**369,430,000**

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

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

As at 31 December 2010, the transfer from development projects composed of Bursa Ibis Hotel which was completed during the period. As at 31 December 2009, the transfer from development projects composed of Gaziantep Novotel and İbis Hotel, and Kayseri Novotel and Ibis Hotel which were completed in 2009. The transfer to investment property as of 31 December 2008 composed of Eskişehir Fıtness Gym and Trabzon Novotel which were completed in 2008.

As at 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". These property appraisal companies determined the fair value of the investment properties 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.

As at 31 December 2010, 2009 and 2008 the fair value comparison of operating investment properties is as follows:

	31 December 2010		31 December 2009		31 December 2008	
Name of the investment property	**Date of expertise report**	**Fair value**	**Date of expertise report**	**Fair value**	**Date of expertise report**	**Fair value**
Mercure Hotel – Girne	31 December 2010	163,473,000	29 January 2010	146,072,000	13 February 2009	158,178,000
Zeytinburnu Novotel ve Ibis Hotel	31 December 2010	157,045,000	29 January 2010	145,839,000	13 February 2009	145,904,000
Kayseri Novotel-Ibis Hotel	31 December 2010	54,445,000	29 January 2010	42,367,500	--	--
Trabzon Novotel Hotel	31 December 2010	53,102,000	29 January 2010	47,162,000	13 February 2009	50,534,000
Gaziantep Novotel-Ibis Hotel	31 December 2010	51,383,000	29 January 2010	44,176,000	--	--
Bursa Ibis Hotel	31 December 2010	44,358,000	--	--	--	--
Eskişehir Ibis Hotel ve Fitness Center	31 December 2010	17,521,000	29 January 2010	13,832,000	13 February 2009	14,814,000
Total		**541,327,000**		**439,448,500**		**369,430,000**

As of 31 December 2010, total insurance amount on investment properties is TL 320,685,097 (31 December 2009: TL 311,904,748, 31 December 2008: TL 228,534,140).

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

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

Investment properties under development:

As at 31 December 2010, 2009 and 2008 details of investment property under development are as follows:

	31 December 2010	31 December 2009	31 December 2008
Opening balance	33,709,802	45,760,285	17,019,700
Acquisitions	43,003,132	30,714,097	51,188,851
Investment property acquired through business combination[2]	--	5,782,639	--
Fair value adjustment (Note 21)	71,725,733	9,712,801	786,200
Transfer to operating investment properties	(44,358,000)	(57,516,570)	(23,234,466)
Impairment (-) (Note 21)	--	(395,200)	--
Write off of investment property under development [1]	(1,344,515)	(348,250)	--
Carrying amount	**102,736,152**	**33,709,802**	**45,760,285**

[1] As of 31 December 2009, the Group management cancelled the hotel project in Kocaeli amounting to TL 348,250. As of 31 December 2010, the Group management have cancelled the Krasnoyarsk project in Russia and written off the carrying amount.

[2] The amount is recognised from acquisition of Russian Property (Note:18.2).

As at 31 December 2010, 2009 and 2008 the fair value comparison of investment property under development is as follows:

	31 December 2010		31 December 2009		31 December 2008	
Name of the investment property	**Date of expertise report**	**Fair value**	**Date of expertise report**	**Fair value**	**Date of expertise report**	**Fair value**
İzmir Ibis Hotel Project	31.12.2010	22,292,000	--	--	--	--
Esenyurt Ibis Hotel Project	31.12.2010	20,297,000	29.01.2010	1,751,000	13.02.2009	2,146,200
Adana Ibis Hotel Project	31.12.2010	14,308,000	--	--	--	--
Bursa İbis Hotel Project	--	--	29.01.2010	14,578,200	--	--
Total		**56,897,000**		**16,329,200**		**2,146,200**

As of 31 December 2010 investment property under development is comprised of Esenyurt Hotel project amounting to TL 20,297,000, Adana project TL 14,308,000 and Izmir project TL 22,292,000.

Investment properties under development of RHI and RPI of which Akfen GYO has 50% of shares are calculated on the basis of their fair values. As at 31 December 2010 the group portion of fair values of Samara Hotel project, Yaroslavl Hotel project and Kaliningrad Hotel project of RHI are TL 19,036,803 (31 December 2009: TL 8,225,639, 31 December 2008: TL 3,311,710), TL 15,946,546 (31 December 2009: TL 1,568,430, 31 December 2008: TL 167,710) and TL 2,610,921 (31 December 2009 : TL 30,297), respectively. The group portion of fair value of Samara office project of RPI is TL 8,244,882 (31 December 2009: TL 7,556,236).

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

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

Investment properties under development *(continued)*

As of 31 December 2008, ongoing projects in Turkey which are Gaziantep, Kayseri, Bursa and Kocaeli are stated at cost values amounting to TL 23,268,045, TL 16,164,840, TL 426,965 and TL 274,815, respectively.

As of 31 December 2010, total insurance amount on investment properties under development is TL 66,759,457 (31 December 2009: TL 63,888,047, 31 December 2008: TL 37,807,500).

The pledge amount on investment property under development is amounting to TL 454,387,925 (31 December 2009: TL 454,517,850, 31 December 2008: TL 431,019,200).

11. PROPERTY AND EQUIPMENT

For the periods ended 31 December 2010, 2009 and 2008, the movement of property, plant and equipment is as follows:

	Building	Equipment	Furniture and fixtures	Vehicles	Total
Cost					
Balance at 1 January 2008	61,161	3,047	61,928	150,002	276,138
Acquisitions	--	--	97,733	--	97,733
Disposals	--	--	--	--	--
Balance at 31 December 2008	**61,161**	**3,047**	**159,661**	**150,002**	**373,871**
Balance at 1 January 2009	61,161	3,047	159,661	150,002	373,871
Acquisitions	--	--	19,720	--	19,720
Disposals	(61,161)	(2,202)	(11,795)	--	(75,158)
Balance at 31 December 2009	--	**845**	**167,586**	**150,002**	**318,433**
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**
Accumulated depreciation					
Balance at 1 January 2008	(26,064)	(1,446)	(30,711)	(19,809)	(78,030)
Depreciation charge for the period	(8,696)	(491)	(16,878)	(30,082)	(56,147)
Disposals	--	--	--	--	--
Balance at 31 December 2008	**(34,760)**	**(1,937)**	**(47,589)**	**(49,891)**	**(134,177)**
Balance at 1 January 2009	(34,760)	(1,937)	(47,589)	(49,891)	(134,177)
Depreciation charge for the period	(8,650)	(647)	(30,227)	(30,000)	(69,524)
Disposals	43,410	1,744	7,995	--	53,149
Balance at 31 December 2009	--	**(840)**	**(69,821)**	**(79,891)**	**(150,552)**
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)**
Carrying amount					
1 January 2008	35,097	1,601	31,217	130,193	198,108
31 December 2008	26,401	1,110	112,072	100,111	239,694
1 January 2009	26,401	1,110	112,072	100,111	239,694
31 December 2009	--	5	97,765	70,111	167,881
1 January 2010	--	5	97,765	70,111	167,881
31 December 2010	--	3,694	97,376	16,867	117,937

As at 31 December 2010 there is no pledge on property and equipment. At 31 December 2010, depreciation expenses amounting to TL 49,417 is recognised in administrative expenses (31 December 2009: TL 69,524, 31 December 2008: TL 56,147).

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

12. INTANGIBLE ASSETS

For the periods ended 31 December 2010, 2009 and 2008, the movement of intangible assets is as follows:

	Software programs
Cost	
Balance at 1 January 2008	15,046
Transfers	--
Acquisitions	15,339
Balance at 31 December 2008	**30,385**
Balance at 1 January 2009	30,385
Transfers	--
Acquisitions	4,003
Balance at 31 December 2009	**34,388**
Balance at 1 January 2010	34,388
Transfers	--
Acquisitions	3,748
Balance at 31 December 2010	**38,136**
Accumulated amortisation	
Balance at 1 January 2008	(11,180)
Charge for the period	(7,664)
Balance at 31 December 2008	**(18,844)**
Balance at 1 January 2009	(18,844)
Charge for the period	(6,057)
Balance at 31 December 2009	**(24,901)**
Balance at 1 January 2010	(24,901)
Charge for the period	(5,613)
Balance at 31 December 2010	**(30,514)**
Carrying amounts	
1 January 2008	3,866
31 December 2008	11,541
1 January 2009	11,541
31 December 2009	9,487
1 January 2010	9,487
31 December 2010	7,622

At 31 December 2010, amortisation expenses amounting to TL 5,613 is recognised in administrative expenses (31 December 2009: TL 6,057, 31 December 2008: TL 7,664).

13. 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)

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There are no ongoing or finalized significant lawsuits against the Group as of 31 December 2010, 2009 and 2008.

15. COMMITMENT AND CONTINGENCIES

As at 31 December 2010, 2009 and 2008 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 2010**	**31 December 2009**	**31 December 2008**
A. Total amount of CPM is given on behalf of own legal personality	502,985,847	527,379,368	454,051,702
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	13,999,800	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	13,879,928	--
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	13,879,928	--
iii. The amount of CPM is given in favour of third party which C doesn't include	--	--	--
	570,972,737	**555,259,096**	**454,051,702**

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 236,750,000 and USD 800,000 as of 31 December 2010 (31 December 2009: Euro 231,500,000 and USD 800,000, 31 December 2008: Euro 199,000,000 and USD 605,000). Total original amount of foreign currency denominated other CPM is Euro 26,000,000 as of 31 December 2010 (31 December 2009: Euro 6,425,000, 31 December 2008: None). As at 31 December 2010, total amount of CPM given by the group is 126% of the Group's equity (31 December 2009: %195, 31 December 2008: 170%).

The Company pledged 279,000 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. amounting to TL 12,272,931. 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 2010, Euro 11,710,000 of the total borrowing amounting to Euro 15,000,000 has been obtained (31 December 2009: Euro 3,750,000). 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 2010, Euro 7,490,000 of the total borrowing amounting to Euro 12,400,000 has been utilized (31 December 2009: None).

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 2010, Euro 6,800,000 of the total borrowing amounting to Euro 6,800,000 has been utilized (31 December 2009: Euro 2,675,000).

15. COMMITMENT AND CONTINGENCIES *(continued)*

15.1. The Group as lessee

Operating lease arrangements

As at 31 December 2010, the Group has undergone 11 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.
- 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 Municipality of Georgia Batumi on 30 July 2009 to lease a land and to construct a hotel in Georgia Batumi. The term of the servitude right obtained with this agreement is 49 years. The lease payments are made as two installments in June and December for each year; the yearly payments are Georgian Lari 15,000.
- 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 rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI") and Consumer Price Index ("CPI").
- The Group signed lease agreements for land of Yaroslavl and Kaliningrad projects amounting to TL 80,156 and TL 23,065 per year.

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

15. COMMITMENT AND CONTINGENCIES *(continued)*

15.1. The Group as lessee *(continued)*

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 2010	31 December 2009	31 December 2008
Lease payments	1,757,391	1,916,999	1,934,059
	1,757,391	**1,916,999**	**1,934,059**

Non-cancellable operating lease commitments

	31 December 2010	31 December 2009	31 December 2008
Less than one year	832,367	602,751	531,153
Between one and five years	4,055,098	2,636,242	3,037,279
More than five years	70,352,420	57,889,593	60,076,679
	75,239,885	**61,128,586**	**63,645,111**

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

	31 December 2010	31 December 2009	31 December 2008
Accrued rent expense			
Current (Note17)	338,029	268,507	282,549
Non-current (Note 17)	1,345,265	794,449	363,721
	1,683,294	1,062,956	646,270

15.2. The Group as lessor

Operating lease arrangements

As at 31 December 2010, the Group has undergone 8 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.
- 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 in 2008 and started operations Trabzon.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed in 2009 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 in 2009 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.

15. COMMITMENT AND CONTINGENCIES *(continued)*

15.2. The Group as lessor *(continued)*

Operating lease arrangements (continued)

- 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.

All of the eight 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 to be paid by the lessee to the lessor for the hotels started to its operations before 1 January 2010 in any fiscal year shall correspond to the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") for Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon Hotels, 70% of AGOP for Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri and Ibis Bursa Hotels and 25% of the gross revenue for the Ibis hotels and 22% of the gross revenue for the Novotel hotels. 70% on AGOP will be applied for the new Ibis and Novotel hotels to be opened after 1 January 2010. 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. The "Amendment to MoU" is effective for Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri and Ibis Bursa Hotels as at 1 January 2010 and for Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon Hotels as at 1 January 2011.

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:

15. COMMITMENT AND CONTINGENCIES *(continued)*

15.2. The Group as lessor *(continued)*

Operating lease arrangements (continued)

- 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 30 June 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 2011. 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

- Russian Hotel through 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 building shall be delivered to ACCOR S.A. in the second quarter 2011. The main lease agreement shall be signed and registered in the in the 2nd 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 the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1,449,000 (Group portion: Euro 724,500). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

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

15. COMMITMENT AND CONTINGENCIES *(continued)*

15.2. The Group as lessor *(continued)*

- Russian Hotel through 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 shall be delivered to ACCOR S.A. in the second quarter of 2011. The main lease agreement shall be signed and registered in the in the 2nd 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 the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1,260,000 (Group portion: Euro 630,000). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

- Russian Hotel through 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 the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1,020,000 (Group portion: Euro 510,000). 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 2010	31 December 2009	31 December 2008
Less than one year	11,381,701	19,602,638	19,425,694
Between one and five years	20,276,781	60,946,211	58,103,155
More than five years	43,229,257	49,352,662	70,037,077
	74,887,739	**129,901,511**	**147,565,926**

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 30 June 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:

15. COMMITMENT AND CONTINGENCIES *(continued)*

15.2. The Group as lessor *(continued)*

Memorandum of understanding signed between Akfen Holding and ACCOR S.A. *(continued)*

- 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 30 June 2015, either party will be free to terminate their partnership.

Memorandum of understanding signed between Kayı Insa Insaat AŞ & Akfen Ticaret and ACCOR S.A.

Akfen Ticaret and Kayı Insaat AŞ ("Kayı") signed a Memorandum of Understanding ("MoU") with ACCOR S.A. The parties agreed to develop hotels in Russia, located particularly within the city walls of the cities listed in the agreement. Such hotels will be constructed by the Akfen Ticaret and Kayı on plots of lands approved by ACCOR S.A. in order to be leased and operated by ACCOR S.A. under the Ibis brand. The parties envisage the extension of the terms set in the present Memorandum of understanding, on a case by case basis, to the brand Novotel for Selected Cities of Russia.

15.3. Real estate investment trust investment portfolio constraints

According to the Part b of the Article 27 of the CMB Communiqué Serial VI, No 11 governing the real estate investment trusts, the Company has a limitation to invest a maximum of 10% of its portfolio value in demand and time deposits denominated on domestic and foreign currencies. The Article 35 of the same communiqué restricts the Company's use of bank loans with 3 times of its net asset value declared in the latest 6 month consolidated portfolio report.

As at 31 December 2010, 2009 and 2008 the Company is within the defined limits.

In accordance with Part B of the Article 27 of the same Communiqué, the participation into Akfen Ticaret does not exceed 49% of the portfolio value of the Company as at 31 December 2010, 2009 and 2008.

As amended by the Part C of the Article 27 of the same Communiqué, fair value of Akfen Ticaret, 100% owned subsidiary does not exceed 49% of the portfolio value of the Company for three month period as at 31 December 2010, 2009 and 2008.

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

16. EMPLOYEE BENEFITS

	31 December 2010	31 December 2009	31 December 2008
Provision for vacation pay liability-short term	64,619	24,573	33,167
Provision for employee termination indemnity-long term	6,486	37,099	20,244
	71,105	**61,672**	**53,411**

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 2,517 (31 December 2009: TL 2,365, 31 December 2008: TL 2,173) 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.

As at 31 December 2010, 2009 and 2008 the liability is calculated using the following assumptions:

	31 December 2010	31 December 2009	31 December 2008
Discount rate	%4,66	%5.92	%6.26
Anticipated retirement turnover rate	%75	%89	%83

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 2010	31 December 2009	31 December 2008
Opening balance	37,099	20,244	8,699
Payment during the period	(9,985)	(4,927)	(17,475)
Additions/ (deductions) during the period	(20,628)	21,782	29,020
Closing balance	**6,486**	**37,099**	**20,244**

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

16. EMPLOYEE BENEFITS *(continued)*

Movement of vacation pay liability is as follows:

	31 December 2010	31 December 2009	31 December 2008
Opening balance	24,573	33,167	--
Payment during the period	--	(7,712)	--
Additions/ (deductions) during the period	40,046	(882)	33,167
Closing balance	**64,619**	**24,573**	**33,167**

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2010	31 December 2009	31 December 2008
Prepaid expenses	553,314	215,826	151,916
Advances given to suppliers	207,950	212,743	--
VAT carried forward	122,855	--	519,972
Prepaid taxes and funds	19,358	20,209	100,095
Job advances	1,809	11,587	15,891
Advances given to employees	--	9,295	12,695
Other	--	78,645	275,547
	905,286	**548,305**	**1,076,116**

b) Other non-current asset

	31 December 2010	31 December 2009	31 December 2008
VAT carried forward	29,431,638	26,585,949	22,374,188
Advances given to subcontractors [1]	4,765,658	2,006,346	1,464,929
Prepaid expenses	73,280	133,059	162,112
Other	--	555,656	366,087
	34,270,576	**29,281,010**	**24,367,316**

[1] As at 31 December 2010, 2009 and 2008, advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of hotel projects.

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

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

c) Other current liabilities

	31 December 2010	31 December 2009	31 December 2008
Provision for construction costs [2]	731,406	351,945	6,470,100
Rent expense accrual (Note 15)	338,029	268,507	282,549
Other expense accruals	289,626	97,851	112,206
Loan commission accrual [1]	181,850	244,534	406,975
Taxes and funds payable	175,090	87,231	147,292
Social security premiums payable	11,085	22,874	23,804
Due to employees	4,300	89,884	145,240
	1,731,386	**1,162,826**	**7,588,166**

[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 2010 provision for construction costs comprised of the progress invoices related with the continuing projects of RHI in Russia. As at 31 December 2009 provision for construction costs comprised of the progress invoices related with the costs realized in 2009, but invoiced by Akfen İnşaat in 2010. As at 31 December 2008, provision for construction costs comprised of the progress invoices related with the costs realised in 2008, but invoiced by Akfen İnşaat in 2009.

d) Other non-current liabilities

	31 December 2010	31 December 2009	31 December 2008
Rent expense accrual (Note 15)	1,345,265	794,449	363,721
	1,345,265	**794,449**	**363,721**

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

18. EQUITY

18.1. Paid in capital

The capital structure as at 31 December 2010, 2009 and 2008 is as follows:

Shareholders	(%)	31 December 2010	(%)	31 December 2009	(%)	31 December 2008
Akfen Holding	74.84	103,273,884	29.84	21,525,886	29.84	21,525,886
Hamdi Akın	24.63	33,991,839	24.38	17,590,515	24.38	17,590,515
Mustafa Ceyhan	0.25	345,380	0.25	180,566	0.25	180,566
İbrahim Süha Güçsav	0.25	345,380	0.25	180,566	0.25	180,566
Akınısı Makina Sanayi ve Tic. AŞ	0.03	43,515	0.03	22,750	0.03	22,750
Akfen İnşaat	0.00	2	0.00	1	0.00	1
THO BV	0.00	--	45.00	32,466,150	45.00	32,466,150
Sıla Cılız İnanç	0.00	--	0.25	180,566	0.25	180,566
Total	**100.00**	**138,000,000**	**100.00**	**72,147,000**	**100.00**	**72,147,000**
Restatement effect		317,344		380,186		380,186
Restated capital		**138,317,344**		**72,527,186**		**72,527,186**

As at 31 December 2010, the issued capital of the Company is TL 138,000,000 (31 December 2009: TL 72,147,000, 31 December 2008: TL 72,147,000). As at 31 December 2010, the issued capital of the Company comprises of 138,000,000 registered units with a nominal value of TL 1 each (31 December 2009: TL 1, 72,147,000 units, 31 December 2008: TL 1, 72,147,000 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 30 June 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.

The Company applies for initial public offering ("IPO") of 37,000,000 units of shares with a nominal value of TL 37,000,000 and 6,750,000 units of shares with a nominal value of TL 6,750,000 on the increased amount to CMB and Istanbul Stock Exchange ("ISE"), simultaneously, subsequent to share capital increase to TL 138,000,000 is approved by CMB on 25 August 2010. If sufficient demand is requested from the investors, Akfen GYO will additionally offer 6,562,000 units of shares with a nominal value of TL 6,562,000. After the IPO, the share capital of the Company will increase to TL 175,000,000.

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

18. EQUITY *(continued)*

18.2. 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.

18.3. Translation reserve

The translation reserve comprise of foreign exchange difference arising from the translation of the financial statements of Russian Hotel and Russian Property from their functional currency to the presentation currency TL which is recognised in equity.

18.4. Legal reserves

Profit reserves comprised of the legal reserves as of 31 December 2010, 2009 and 2008.

	31 December 2010	31 December 2009	31 December 2008
Legal reserves	4,147	4,147	4,147
Closing balance	**4,147**	**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)

19. SALES AND COST OF SALES

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

	31 December 2010	31 December 2009	31 December 2008
Rent income	18,471,000	17,699,045	14,987,535
Sales revenue	**18,471,000**	**17,699,045**	**14,987,535**
Operating lease expenses	(1,351,761)	(1,233,256)	(1,638,583)
Insurance expenses	(424,910)	(315,676)	(271,556)
Taxes and duties expenses	(102,153)	(92,265)	(1,377,717)
Others	(211,228)	(45,754)	(148,605)
	(2,090,052)	**(1,686,951)**	**(3,436,461)**

20. ADMINISTRATIVE EXPENSES

For the periods ended 31 December administrative expenses are as follows:

	31 December 2010	31 December 2009	31 December 2008
Personnel expenses	1,553,522	2,559,549	2,765,448
Consultancy expenses	942,330	1,052,073	848,992
Operating lease expenses	405,630	683,743	295,476
Tax and duties expenses	325,613	45,553	690,856
Advertising expenses	243,950	23,489	41,100
Outsourced service expenses	164,523	111,880	146,306
Travel and hosting expenses	111,736	184,349	201,495
Depreciation expense	49,417	69,524	56,147
Amortisation expense	5,613	6,057	7,664
Other	179,578	148,674	222,350
Total	**3,981,912**	**4,884,891**	**5,275,834**

20.1. Personnel expenses

	31 December 2010	31 December 2009	31 December 2008
Wages and salaries	1,367,332	2,302,886	2,370,199
Social security premiums	71,002	135,805	170,766
Change in employee severance indemnity	(30,613)	16,855	11,545
Change in vacation pay liability	40,046	(8,594)	33,167
Other	105,755	112,597	179,771
Total	**1,553,522**	**2,559,549**	**2,765,448**

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

21. OTHER OPERATING INCOME / EXPENSES

a) Other operating income

	31 December 2010	31 December 2009	31 December 2008
Fair value gain on investment property under development	71,725,733	9,317,601	786,200
Fair value gain on operating investment property, net [1]	56,574,070	11,833,903	104,135,937
Other income	1,321,337	443,800	339,158
Total	**129,621,140**	**21,595,304**	**105,261,295**

[1] As at 31 December 2009 fair value gain amounting to TL 29,026,930 and impairment amounting to TL 17,193,027 of operating investment property are netted off.

b) Other operating expenses

	31 December 2010	31 December 2009	31 December 2008
Non-deductible VAT	3,209,029	--	--
Cancelled project expense (Note 10)	1,344,515	348,250	--
Other expense	1,710,762	622,898	447,589
	6,264,306	**971,148**	**447,589**

As of 31 December 2010, 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 amounting to TL 3,209,029. The Group plans to revise the agreement signed with land owner of the Samara project in order to deduct VAT.

22. FINANCE INCOME

	31 December 2010	31 December 2009	31 December 2008
Foreign exchange gain	25,630,106	8,007,492	8,736,435
Interest income	9,575	2,290	198,975
Other	138,075	30,105	--
Total	**25,777,756**	**8,039,887**	**8,935,410**

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

23. FINANCE COSTS

	31 December 2010	31 December 2009	31 December 2008
Foreign exchange loss	17,098,567	8,959,781	37,853,793
Interest expenses	15,102,121	14,889,691	14,119,248
Commission expenses	974,918	1,518,126	--
Expenses for letter of guarantees	9,043	549,156	213,080
Total	**33,184,649**	**25,916,754**	**52,186,121**

For the period ended 31 December 2010, the Group capitalises interest expenses amounting to TL 1,608,815 on investment properties under development (31 December 2009: 3,434,693, 31 December 2008: nil)

24. 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. However, the Tax Inspectors' Board challenges this exemption for the Real Estate Investment Trusts ("REIT") which are not publicly listed and imposes tax penalties to these REITs. On the other hand, the Capital Markets Board's opinion is that REIT status is obtained by companies instantaneously founded or transformed to the REIT after the Board's approval of the amendments in the Articles of Association in case of transformation, and approval of establishment in case of immediate establishment. Based on these facts, the Company is subject to any liability, having settled with Tax Office the corporate tax and late payment interest amounting to TL 658,576 was paid in 20 October 2010 by the Company. The related tax expense recognized as current tax expense for the period ended 31 December 2010 in the statement of comprehensive income.

Akfen GYO used to recognise deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported in compliance with CMB Standards and its statutory financial statements. Due to the change in the status of being a REIT in 2006, the Company is exempted from Corporate Tax

	31 December 2010	31 December 2009	31 December 2008
Current tax expense	(1,107,657)	39,994	--
Deferred tax (expense)/income	(6,907,245)	4,292,053	(8,912,666)
Total taxation	**(8,014,902)**	**4,332,047**	**(8,912,666)**

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 2010 RHI and RPI has current tax liability amounting to TL 301,672 and TL 144,639, respectively.

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

24. 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 2010	%	1 January – 31December 2009	%	1 January – 31 December 2008
Profit for the period		**120,334,075**		**18,206,539**		**58,925,569**
Tax (expense) / income		(8,014,902)		4,332,047		(8,912,666)
Profit excluding income tax		**128,348,977**		**13,874,492**		**67,838,235**
Income tax using the domestic tax rate i	(20.00)	**(25,669,795)**	(20.00)	**(2,774,898)**	(20.00)	**(13,567,647)**
Tax-exempt income/(expenses) [1]	16.46	21,126,046	38.04	5,277,350	12.33	8,366,840
Non-deductible expenses	(0.14)	(175,229)	0.64	88,551	(0.31)	(211,032)
corporate tax penalty	(0.51)	(658,576)				
Investment incentive	--		--	--	0.39	265,719
Unrecognised tax losses	(0.02)	(20,594)	(2.33)	(323,146)	(3.03)	(2,052,887)
Recognition of previously unrecognised tax losses	--		11.13	1,544,308	--	
Effect of different tax rates inforeign jurisdictions	(0.65)	(831,864)	4.33	600,615	(2.11)	(1,430,791)
Other	(1.38)	(1,784,890)	(0.58)	(80,733)	(0.42)	(282,868)
Taxation charge	(6.24)	**(8,014,902)**	31.23	**4,332,047**	(13.15)	**(8,912,666)**

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

Unrecognised deferred tax assets and liabilities

As at 31 December 2010, Akfen Ticaret has accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 2,333,304 (31 December 2009: TL 2,230,337, 31 December 2008: TL 11,451,452). Since there is not any possible and reliable taxable profit projection regarding the utilization of accumulated losses, the deferred tax asset amounting to TL 466,661 (31 December 2009: TL 446,068, 31 December 2008: TL 2,290,290) has not been recognised. The expiry dates of the unrecognised accumulated losses are as follows:

	31 December 2010	31 December 2009	31 December 2008	Year of expiry
2004	--	--	141,357	31 December 2009
2005	--	--	337,164	31 December 2010
2006	190,358	190,358	276,039	31 December 2011
2007	432,457	432,457	432,457	31 December 2012
2008	--	--	10,264,435	31 December 2013
2009	1,607,522	1,607,522	--	31 December 2014
2010	102,967	--	--	31 December 2015
	2,333,304	**2,230,337**	**11,451,452**	

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

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

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2010, 2009 and 2008 were attributable to the items detailed in the table below:

	Deferred tax assets			Deferred tax liabilities			Net deferred tax assets / (liabilities)		
	31 December 2010	31 December 2009	31 December 2008	31 December 2010	31 December 2009	31 December 2008	31 December 2010	31 December 2009	31 December 2008
Investment incentive [1]	16,011,562	16,236,198	16,840,888	--	--	--	16,011,562	16,236,198	16,840,888
Fair value gain on investment property		--	--	(23,922,308)	(17,299,450)	(21,912,694)	(23,922,308)	(17,299,450)	(21,912,694)
Bank borrowings		--	--	(656)	(8,882)	(98,131)	(656)	(8,882)	(98,131)
Tax losses carried forward	679,560	683,981	377,283	--	--	--	679,560	683,981	377,283
Other			731	--	--	(15,583)	--	--	(14,852)
Deferred tax asset/(liability)	**16,691,122**	**16,920,179**	**17,218,902**	**(23,922,964)**	**(17,308,332)**	**(22,026,408)**	**(7,231,842)**	**(388,153)**	**(4,807,506)**
Net off tax	(16,601,779)	(16,637,625)	(17,218,902)	16,601,779	16,637,625	17,218,902	--	--	--
Net deferred tax asset / (liability)	**89,343**	**282,554**	--	**(7,321,185)**	**(670,707)**	**(4,807,506)**	**(7,231,842)**	**(388,153)**	**(4,807,506)**

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

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

25. EARNINGS PER SHARE

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

	31 December 2010	31 December 2009	31 December 2008
Number of shares in circulation			
Issued shares at 1 January	92,323,233	92,323,233	92,323,233
Increase in share capital, in cash	45,676,767	--	--
Total shares at 31 December	**138,000,000**	**92,323,233**	**92,323,233**
Weighted average number of shares	117,800,936	92,323,233	92,323,233
Net profit/(loss) for the period	120,362,989	18,206,539	58,925,569
Earnings/(loss) per share	1.02	0.20	0.64

26. RELATED PARTY DISCLOSURES

26.1. Related party balances

Due from related parties (trade):

As of 31 December 2010, 2009 and 2008, due from related parties (trade) comprised the following:

	31 December 2010	31 December 2009	31 December 2008
Akfen Gayrimenkul Yatırımları ve Ticaret AŞ(1)	1,291,871	--	--
Task Su Kanalizasyon Yatırım ve Yapım ve İşletme AŞ	--	436	--
Akfen Turizm Yatırımları ve İşletmeleri AŞ	--	--	526,040
	1,291,871	**436**	**526,040**

(1) As of 31 December 2010, receivable from Akfen Gayrimenkul Yatırımları ve Ticaret AŞ is resulted from inventory sales.

Due from related parties (other):

As of 31 December 2010, 2009 and 2008, due from related parties (other) comprised the following:

	31 December 2010	31 December 2009	31 December 2008
Kasa BV	--	--	805,206
Other	--	56,614	128,389
	--	**56,614**	**933,595**

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

26. RELATED PARTY DISCLOSURES (*continued*)

26.1. Related party balances (*continued*

Due to related parties (trade):

	31 December 2010	31 December 2009	31 December 2008
Akfen Turizm Yatırımları ve İşletmeleri AŞ	57,453	18,410	--
Other	980	22,804	--
Razveev[1]	--	1,744,452	--
	58,433	**1,785,666**	--

[1] As at 31 December 2009 due to related parties is comprised of payable to land owner of Samara project in Russia amounting to TL 1,744,452.

Due to related parties (other):

	31 December 2010	31 December 2009	31 December 2008
Akfen Holding[1]	11,608,602	17,843,750	198,266
Razveev[3]	617,180	--	--
Akfen Gayrimenkul Geliştirme[2]	--	2,399,531	--
Other	21,655	1,662,280	383,998
	12,247,437	**21,905,561**	**582,264**

[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 Insaat and to finance operations of the Group, TL 4,272,269 is the capital advances to Russian Hotel attributed on behalf of the Company by Akfen Holding during the period. Additionally payable amounting to TL 74,424 and TL 616,975 have arisen from the interest and rent invoices issued by Akfen Holding during the period, respectively.

As at 31 December 2009, payable to Akfen Holding amounting to TL 5,557,886 is due from the transfer of the payable to Akfen İnşaat, TL 2,022,532 is to finance operations of the Group and TL 5,730,245 and TL 3,132,435 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 760,287 and TL 640,365 have arisen from the interest and rent invoices issued by Akfen Holding during the period, respectively.

[2] 31 As at 31 December 2009, payable to Akfen Gayrimenkul Geliştirme is due from transfer of 50% of the shares of Russian Property during the period.

[3] As at 31 December 2010, 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)

26. RELATED PARTY DISCLOSURES (*continued*)

26.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	31 December 2010	31 December 2009	31 December 2008
Akfen Insaat	11,892,307	18,296,281	46,416,345
	11,892,307	**18,296,281**	**46,416,345**

b) Rent expenses

	31 December 2010	31 December 2009	31 December 2008
Hamdi Akın	141,750	--	--
Akfen Holding	63,071	542,682	128,174
	204,821	**542,682**	**128,174**

c) Interest expenses

	31 December 2010	31 December 2009	31 December 2008
Akfen Holding	603,150	707,588	2,190
	603,150	**707,588**	**2,190**

d) Remuneration of top management

For the period ended 31 December 2010, the total amount of salaries and similar benefits provided to the members of the Board of Directors, general coordinator, general manager and assistant general managers of the Company is TL 690,450 (31 December 2009: 1,690,136 TL, 31 December 2008: 1,226,190 TL)

27. 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.

27. 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 2010, 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 2010, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 93% 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.

27. 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)

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

27.1. 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 2010, 31 December 2009 and 31 December 2008 is as follows:

		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	--	--	--	--	--	--

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

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

27.1. Credit risk *(continued)*

	Receivables					
	Trade receivables		Other receivables			
31 December 2009	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)	**436**	**2,909,289**	**56,614**	**89,696**	**498,413**	--
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	436	2,909,289	56,614	89,696	498,413	--
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	--	--	--	--	--	--

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

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

27.1. Credit risk *(continued)*

		Receivables					
		Trade receivables		Other receivables			
	31 December 2008	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)	**526,040**	**3,199,741**	**933,595**	**3,069,890**	**2,581,898**	--
	- The portion of maximum risk covered by guarantee					--	--
A.	Net carrying value of financial assets which are neither impaired nor overdue	526,040	3,199,741	933,595	3,069,890	2,581,898	--
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 2010, 2009 and 2008, the Group does not have any financial assets which are overdue but not impaired.

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

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

27.2. 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 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	--

31 December 2009:

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	195,276,710	246,056,646	21,608,263	20,256,560	130,100,485	74,091,338
Trade payables	3,794,315	3,794,315	3,794,315	--	--	--
Other payables (other liabilities included)	23,752,981	23,752,981	22,958,532	--	794,449	--

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

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

27.2. Liquidity risk *(continued)*

31 December 2008:

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	171,151,511	216,257,173	51,881,795	15,023,163	88,577,863	60,774,352
Trade payables	1,276,608	1,276,608	1,276,608	--	--	--
Other payables (other liabilities included)	8,363,055	8,363,055	7,999,334	--	363,721	--

The Group does not have any derivative financial liabilities as of 31 December 2010, 2009 and 2008. 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)

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

27.3. Market risk

a) Foreign currency position table and sensitivity analysis

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)

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

27.3. Market risk *(continued)*

31 December 2009		TL Equivalent	USD	EURO	GBP	Other
Foreign currency position		(Functional currency				
1	Trade receivables	2,929,612	--	1,356,114	--	--
2a	Monetary financial assets (cash and bank accounts included)	359,975	1,775	165,212	165	--
2b	Non-monetary financial assets	0	--	--	--	--
3	Other	42,919	389	19,596	--	--
4	**Current assets (1+2+3)**	**3,332,506**	**2,164**	**1,540,922**	**165**	--
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	--	--	--	--	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	4,210	--	--	1,762	--
8	**Non-current assets (5+6+7)**	**4,210**	--	--	**1,762**	--
9	**Total assets (4+8)**	**3,336,716**	**2,164**	**1,540,922**	**1,927**	--
10	Trade payables	310,876	37,959	117,447	--	--
11	Financial liabilities	26,122,928	704,282	11,601,394	--	--
12a	Other monetary financial liabilities	544,805	71,731	202,194	--	--
12b	Other non-monetary financial liabilities	--	--	--	--	--
13	**Short-term liabilities (10+11+12)**	**26,978,609**	**813,972**	**11,921,035**	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	147,039,699	--	68,064,481	--	--
16a	Other monetary financial liabilities	794,449	408,960	82,710	--	--
16b	Other non-monetary financial liabilities	--	--	--	--	--
17	**Long-term liabilities (14+15+16)**	**147,834,148**	**408,960**	**68,147,191**	--	--
18	**Total liabilities (13+17)**	**174,812,757**	**1,222,932**	**80,068,226**	--	--
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)**	**(171,476,041)**	**(1,220,768)**	**(78,527,304)**	**1,927**	--
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(171,523,170)**	**(1,221,157)**	**(78,546,900)**	**165**	--
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)

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

27.3. Market risk *(continued)*

	31 December 2008	**TL**	**USD**	**EURO**	**GBP**	**Other**
	Foreign currency position	((Functional currency)				
1	Trade receivables	2,355,713	8,894	1,094,107	176	--
2a	Monetary financial assets (cash and bank accounts included)	2,197,871	833,564	437,634	--	--
2b	Non-monetary financial assets	--	--	--	--	--
3	Other	1,927	--	900	176	--
4	**Current assets (1+2+3)**	**4,555,511**	**842,458**	**1,532,641**	--	--
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	--	--	--	--	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	6,868	--	3,208	--	--
8	**Non-current assets (5+6+7)**	**6,868**	--	**3,208**	176	--
9	**Total assets (4+8)**	**4,562,379**	**842,458**	**1,535,849**	--	--
10	Trade payables	81,764		38,193	--	--
11	Financial liabilities	48,898,717	11,967,294	14,387,415	--	--
12a	Other monetary financial liabilities	596,236	--	278,511	--	--
12b	Other non-monetary financial liabilities	--	--	--	--	--
13	**Short-term liabilities (10+11+12)**	**49,576,717**	**11,967,294**	**14,704,119**	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	94,287,377	--	44,043,057	--	--
16a	Other monetary financial liabilities	363,721	147,204	65,912	--	--
16b	Other non-monetary financial liabilities	--	--	--	--	--
17	**Long-term liabilities (14+15+16)**	**94,651,098**	**147,204**	**44,108,969**	--	--
18	**Total liabilities (13+17)**	**144,227,815**	**12,114,498**	**58,813,088**	176	--
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)**	(139,665,436)	(11,272,040)	(57,277,239)	--	176
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	(139,674,231)	(11,272,041)	(57,281,347)	176	--
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)

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

27.3. Market risk *(continued)*

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

Foreign currency sensitivity analysis

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 (31 December 2009: TL 129,901,511 in equivalent of Euro 60,131,237) 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 (31 December 2009: TL 29,569,729 in equivalent of total of Euro 2,094,839 and USD 16,632,960) which are not included in the table above and to be recognised in the following periods (Note 15).

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

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

27.3. Market risk *(continued)*

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

Foreign currency sensitivity analysis *(continued)*

31 December 2009				
	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	(183,811)	183,811	(183,811)	183,811
2- Hedged portion of TL against USD risk (-)	--	--	--	--
3- Net effect of USD (1+ 2)	**(183,811)**	**183,811**	**(183,811)**	**183,811**
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(16,964,253)	16,964,253	(16,964,253)	16,964,253
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	**(16,964,253)**	**16,964,253**	**(16,964,253)**	**16,964,253**
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	460	(460)	460	(460)
8- Hedged portion of TL against other currencies risk (-)		--	--	--
9- Net effect of other foreign currencies (7+8)	**460**	**(460)**	**460**	**(460)**
TOTAL (3+6+9)	**(17,147,604)**	**17,147,604**	**(17.147,604)**	**17,147,604**

[*] Profit / loss effect is included.

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

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

27.3. Market risk *(continued)*

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

Foreign currency sensitivity analysis *(continued*

31 December 2008				
	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	(1,704,671)	1,704,671	(1,704,671)	1,704,671
2- Hedged portion of TL against USD risk (-)	--	--	--	--
3- Net effect of USD (1+ 2)	**(1,704,671)**	**1,704,671**	**(1,704,671)**	**1,704,671**
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(12,261,911)	12,261,911	(12,261,911)	12,261,911
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	**(12,261,911)**	**12,261,911**	**(12,261,911)**	**12,261,911**
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	39	(39)	39	(39)
8- Hedged portion of TL against other currencies risk (-)	--	--	--	--
9- Net effect of other foreign currencies (7+8)	**39**	**(39)**	**39**	**(39)**
TOTAL (3+6+9)	**(13,966,543)**	**13,966,543**	**(13,966,543)**	**13,966,543**

(*) Profit / loss effect is included.

As at 31 December 2008, the Group has undiscounted non-cancellable lease receivables amounting TL 147,565,926 in equivalent of Euro 68,930,272 and non-cancellable undiscounted lease liabilities amounting TL 31,863,998 in equivalent of total of Euro 2,220,473 and USD 17,926,609 which are not included in the table above and to be recognised in the following periods (Note 15).

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

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

27.3. Market risk *(continued)*

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

The following significant exchange rates applied during the periods ended 31 December 2010, 2009 and 2008:

	Average			As at reporting date		
TL	31 December 2010	31 December 2009	31 December 2008	31 December 2010	31 December 2009	31 December 2008
USD	1.5004	1.5471	1.2929	1.5460	1.5057	1,5123
Euro	1.9894	2.1505	1.8958	2.0491	2.1603	2.1408

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 2010	31 December 2009	31 December 2008
Fixed rate instruments			
Financial assets	--	--	--
Financial liabilities	15,562,548	16,247,843	17,652,427
Variable rate instruments			
Financial assets	--	--	--
Financial liabilities	196,629,439	179,028,867	153,499,084

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)

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

27.3. Market risk *(continued)*

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2010, 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 2009 and 2008.

	Profit or (loss)		Equity(*)	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2010				
Variable rate instruments	(551,644)	551,644	(551,644)	(551,644)
31 December 2009				
Variable rate instruments	(633,222)	581,639	(633,222)	(633,222)
31 December 2008				
Variable rate instruments	(260,620)	259,135	(260,620)	259,135

(*)Profit / loss effect is included.

28. FINANCIAL INSTRUMENTS

28.1. 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.

29. SUBSEQUENT EVENTS

With the Board of Director's decision dated 24 January 2011 and resolution number 2011/3, after the increase of paid in capital to TL 184,000,000, the Company has revised its application to Capital Markets Board related to the public offer of the 46,000,000 shares corresponds to increased amount of TL 46,000,000, 8,117,625 shares corresponds to TL 8,117,625 and an additional 8,117,625 shares corresponds to TL 8,117,625 provided that sufficient demand is collected.

Based on the Board of Director's decision on 24 January 2011 and resolution number 2011/3, it is decided;

- To offer 8,117,625 shares with a nominal value of TL 1 each and total nominal value of TL 8,117,625 which belongs to one of the shareholders, Akfen Holding AŞ, according to the Capital Markets Board rulings and declarations to public with premium,
- To offer additional 8,117,625 shares with a nominal value of TL 1 each and total nominal value of TL 8,117,625 which belongs to one of the shareholders, Akfen Holding AŞ, according to the Capital Markets Board rulings and declarations to public with premium, provided that sufficient demand is collected,

To increase the paid in capital amount from TL 138,000,000 to TL 184,000,000 within the registered paid in capital ceiling, and offer the 46,000,000 shares corresponds to this TL 46,000,000 increase to public, according to the Capital Markets Board rulings and declarations to with premium.
The Group, has decreased the interest rate of the credit facility amounting to EUR 100 millions from Euribor + %4.75 to Euribor+%3.75 based on the understanding reached with Türkiye iş Bankası and TSKB valid from 1 January 2011.

Regarding the public offering of the Company's shares, the Company has revised its previous application to Capital Markets Board and Istanbul Stock Exchange discussed in Note 18 with the abovementioned Board of Director's decision dated 24 January 2011 and resolution number 2011/3.

The Group has signed a 25 year rent agreement with Tamaris Turizm A.Ş, a subsidiary of ACCOR S.A., on 2 February 2011 to lease 140 roomed Ibis Otel in Izmir which is planned to start its operations in 2012. Tamaris Turizm A.Ş. has right to extend the agreement by 10 years and cancel 10 years before the termination date.

The Group has won the bid of 49 year servitude right of a land in Samsun which was set by Samsun Revenue Office Directorate of National Estate to develop tourism (hotel) investments on 3 February 2011. The Group plans to develop a hotel project on the subject land.

According to the agreement signed between Akfen Insaat and Northern Cyprus Ministry of Agriculture and Natural Resources dated 30 December 2010; the 224,556 m2 tourism purpose land located in Bafra at P/H XVI 1 23/2/1/1 + 23/4 has been allocated to Akfen Insaat for 49 years. According to the board of director's decision of Akfen Insaat on 10 February 2011 with resolution number 2011/03, it is decided to transfer the abovementioned agreement to Akfen Ticaret. The transfer was approved by the Cabinet of Northern Cyprus on 23 February 2011.

The Company has changed its Articles of Incorporation according to the permission letters of Capital Markets Board dated 7 February 2011 with the number of B.02.1.SPK.0.15-325.06-141 / 1457 and Ministry of Industry and Trade with the number of B.14.0.TTG.0.10.00.01/351.01-59012-18162/832. According to the change which has been registered on 16 February 2011, the registered paid in capital ceiling has increased from TL 200,000,000 composed of 200,000,000 shares with TL 1 nominal value each to TL 1,000,000,000 composed of 1,000,000,000 shares with TL 1 nominal value each.

29. SUBSEQUENT EVENTS *(continued)*

According to another change made in Articles of Incorporation, Mr.Mustafa Dursun Akın, independent member of Board of Director's has been assigned as president; Mr.İrfan Erciyas and Mr.İbrahim Süha Güçsav, members of Board of Directors, have been assigned as members of Audit Committee which is formed according to the Board of Directors decision dated 16 February 2011 with resolution number 2011/16. According to the same resolution of Board of Directors, a member of Board of Directors Ibrahim Süha Güçsav has been assigned as president, a member of Board of Directors, Mr.Mustafa Keten and, an independent member of Board of Directors, Mr.Ahmet Seyfi Usluoglu have been assigned as members of the Corporate Governance Committee.

According to the Board of Directors decision dated 25 February 2011 with resolution number 2011/18, as a dividend distribution policy, it is decided to propose at least the 30% of the distributable profit as dividend distribution to General Assembly beginning from year 2011.

On 4 February 2011, the Group has signed a share purchase agreement with Horus International B.V. in order to acquire Keramit Financial Company B.V.I. ("Keramit B.V.I."), 100% owner of Dinamo-Petrovskiy Park XXI Vek-MS Limited Şirketi, which holds right on a land located in central Moscow. The takeover will be made when the conditions in share purchase agreement are met. According to the rent agreement signed with ACCOR S.A. on 12 February 2010, the annual rent amount is set as 75% of adjusted profit of the hotel unless it does not fall below 5,000 Euro/room for the first operating year, 6,500 Euro/room for the second operating year, 8,000 Euro/room from third to fifteenth operating year The term of rent agreement is 25 years from the starting date of operation. ACCOR S.A. has right to extend the term by 10 years and terminate it before 10 years of the agreement end date.