

Akfen Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

Convenience Translation to
English of
Consolidated Interim Financial Statements
As at and for the period Ended
31 March 2012
(Originally issued in Turkish)

This report contains 67 pages of consolidated financial statements and notes to the consolidated financial statements.

Akfen Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

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Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

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

ASSETS	Notes	<i>Not Audited</i>	<i>Not Audited</i>
		31 March 2012	31 December 2011
CURRENT ASSETS		30,644,849	26,803,940
Cash and cash equivalents	5	16,266,551	7,792,345
Trade receivables	7	3,900,788	4,589,460
- <i>Other trade receivables</i>	7	3,900,788	4,589,460
Other receivables	8	6,330,003	5,851,012
- <i>Other receivables</i>		6,330,003	5,851,012
Other current assets	16	4.147.507	8,571,123
NON-CURRENT ASSETS		1,124,183,738	1,101,715,924
Other receivables	8	94,468	94,763
Investment property	9	1,070,452,180	1,055,500,405
Property and equipment	10	117,876	115,855
Intangible assets	11	8,268	7,334
Deferred tax assets	23	9,953,790	1,885,866
Other non-current assets	16	43,557,156	44,111,701
TOTAL ASSETS		1,154,828,587	1,128,519,864

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

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

LIABILITIES	Notes	<i>Not Audited</i> 31 March 2012	<i>Not Audited</i> 31 December 2011
CURRENT LIABILITIES		89,780,463	129,499,933
Loans and borrowings	6	82,215,730	118,982,086
Trade payables	7	2,288,376	2,756,281
- Due to related parties	25	--	44,931
- Other trade payables	7	2,288,376	2,711,350
Other payables	8	2,770,863	2,678,998
- Other payables	8	2,770,863	2,678,998
Employee benefits	15	195,227	208,946
Other current liabilities	16	1,965,508	4,536,682
Current tax liability	23	344,759	336,940
NON-CURRENT LIABILITIES		267,994,009	213,193,853
Loans and borrowings	6	211,001,909	166,756,262
Employee benefits	15	9,135	8,062
Deferred tax liability	23	54,804,352	44,325,942
Other non-current liabilities	16	2,178,613	2,103,587
EQUITY	17	797,054,115	785,826,078
Paid in capital		184,000,000	184,000,000
Adjustment to share capital		317,344	317,344
Purchase of share of entity under common control		53,748,727	53,748,727
Share premium		58,880,000	58,880,000
Foreign currency translation reserve		5,202,567	2,729,602
Legal reserves		4,147	4,147
Retained earnings		455,739,024	255,940,250
Profit for the period		8,365,393	199,798,774
Non-controlling interests		30,796,913	30,407,234
TOTAL EQUITY AND LIABILITIES		1,154,828,587	1,128,519,864

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

Convenience Translation to English of Consolidated Financial Statements Originally
Issued in Turkish

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31
MARCH 2012

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

		<i>Not Audited</i>	<i>Not Audited</i>
	Notes	1 January - 31 March 2012	1 January - 31 March 2011
CONTINUING OPERATIONS			
Revenue	18	6,984,414	5,812,725
Cost of sales	18	(1,068,154)	(624,073)
GROSS PROFIT		5,916,260	5,188,652
Administrative expenses	19	(1,778,821)	(1,096,085)
Fair value gain on operating investment property, net	20	--	43,836,276
Fair value gain on investment property under development	20	--	2,569,365
Other operating income	20	792,453	23,487
Other operating expense	20	(15,721)	(868,816)
OPERATING PROFIT		4,914,171	49,652,879
Finance income	21	15,031,371	1,912,494
Finance costs	22	(8,177,820)	(15,716,418)
PROFIT BEFORE TAXATION		11,767,722	35,848,955
Tax (expense) / benefit	23	(3,498,338)	(3,308,627)
- Current tax expense		--	(32,576)
- Deferred tax (expense) / income		(3,498,338)	(3,276,051)
PROFIT FOR THE PERIOD		8,269,384	32,540,328
Other comprehensive income / (expense)			
Change in foreign currency translation differences		2,472,965	24,968
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		2,472,965	24,968
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10,742,349	32,565,296
Profit attributable to:			
Non-controlling interest		(96,009)	(1,047)
Owners of the company		8,365,393	32,541,375
Profit for the period		8,269,384	32,540,328
Total comprehensive income attributable to			
Non-controlling interest		(96,009)	(1,047)
Owners of the company		10,838,358	32,566,343
Profit for the period		10,742,349	32,565,296
Earnings per share/ Diluted earnings per share	24	0.05	0.24

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish
AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 31 MARCH 2012

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

	Paid in capital	Adjustment to share capital	Share premium	Purchase of share of entity under common control	Foreign currency translation reserve	Legal Reserves	Retained earnings	Profit / (loss) for the period	Total	Non controlling interest	Total equity
As at 1 January 2011	138,000,000	317,344	--	53,748,727	524,372	4,147	137,819,739	120,362,989	450,777,318	(28,914)	450,748,404
Transfers	--	--	--	--	--	--	120,362,989	(120,362,989)	--	--	--
Capital increase	46,000,000	--	--	--	--	--	--	--	46,000,000	--	46,000,000
Share premiums	--	--	58,880,000	--	--	--	--	--	58,880,000	--	58,880,000
Public offering expenses	--	--	--	--	--	--	(2,242,478)	--	(2,242,478)	--	(2,242,478)
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	8,005,282	8,005,282
	184,000,000	317,344	58,880,000	53,748,727	524,372	4,147	255,940,250	--	553,414,840	7,976,368	561,391,208
Profit for the period	--	--	--	--	--	--	--	199,798,774	199,798,774	22,430,866	222,229,640
Foreign currency translation differences	--	--	--	--	2,205,230	--	--	--	2,205,230	--	2,205,230
Total comprehensive income	--	--	--	--	2,205,230	--	--	199,798,774	202,004,004	22,430,866	224,434,870
As at 31 December 2011	184,000,000	317,344	58,880,000	53,748,727	2,729,602	4,147	255,940,250	199,798,774	755,418,844	30,407,234	785,826,078
As at 1 January 2012	184,000,000	317,344	58,880,000	53,748,727	2,729,602	4,147	255,940,250	199,798,774	755,418,844	30,407,234	785,826,078
Transfers	--	--	--	--	--	--	199,798,774	(199,798,774)	--	--	--
Capital increase	--	--	--	--	--	--	--	--	--	--	--
Share premiums	--	--	--	--	--	--	--	--	--	--	--
Public offering expenses	--	--	--	--	--	--	--	--	--	--	--
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	485,688	485,688
	184,000,000	317,344	58,880,000	53,748,727	2,729,602	4,147	455,739,024	--	755,418,844	30,892,922	786,311,766
Profit for the period	--	--	--	--	--	--	--	8,365,393	8,365,393	(96,009)	8,269,384
Foreign currency translation differences	--	--	--	--	2,472,965	--	--	--	2,472,965	--	2,472,965
Total comprehensive income	--	--	--	--	2,472,965	--	--	8,365,393	10,838,358	(96,009)	10,742,349
As at 31 March 2012	184,000,000	317,344	58,880,000	53,748,727	5,202,567	4,147	455,739,024	8,365,393	766,257,202	30,796,913	797,054,115

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2012
(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

	<i>Notes</i>	<i>Not Audited</i> 31 March 2012	<i>Not Audited</i> 31 March 2011
A. Cash flows from operating activities			
Profit for the period		8,269,384	32,540,328
<i>Adjustments to:</i>			
Depreciation of property, plant and equipment	<i>10</i>	16,225	11,619
Amortization of intangibles	<i>11</i>	898	733
Provision for employee severance indemnity and vacation liability	<i>15</i>	(4,041)	(7,483)
Fair value adjustment on investment property	<i>20</i>	--	(46,405,641)
Interest expense	<i>22</i>	4,592,091	3,111,282
Interest income	<i>21</i>	(284,191)	--
Unrealized foreign currency (gain)/loss		(23,344,413)	11,031,806
Rent expense accrual	<i>16</i>	308,515	(126,101)
Other accruals		(3,042,633)	1,544,421
Deferred tax expense	<i>23</i>	3,498,338	3,276,051
Operating profit before changes in working capital		(9,989,827)	4,977,015
Change in trade receivables		688,671	(405,016)
Change in other receivables		(478,696)	(12,115)
Change in other current and non-current assets		4,978,161	(2,175,659)
Change in trade payables		(467,905)	111,445
Payment of employee benefits		(8,605)	7,994
Changes in other payables and liabilities		329,835	3,213,566
Interest paid		(4,592,091)	(3,111,282)
Net cash used in operating activities		(9,540,457)	2,605,948
B. Cash flows from investing activities			
Acquisition of property, plant and equipment	<i>10</i>	(18,246)	(14,863)
Proceeds from sale of property, plant and equipment	<i>10</i>	--	3,457
Acquisition of intangible assets	<i>11</i>	(1,832)	(9,162)
Acquisition of investment property	<i>9</i>	(11,277,276)	(12,694,026)
Interest received		284,191	--
Net cash used in investment activities		(11,013,163)	(12,714,594)
C. Cash flows from financing activities			
Proceeds from issuance of loans and borrowings		76,164,382	10,500,000
Repayment of loans and borrowings		(47,622,244)	(1,568,182)
Change in non-controlling interests		485,688	--
Net cash from financing activities		29,027,826	8,931,818
Net increase in cash and cash equivalents		8,474,206	(1,176,828)
Cash and cash equivalents at 1 January		7,792,345	1,304,927
Cash and cash equivalents at 31 March	<i>5</i>	16,266,551	128,099

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2012

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

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 under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding AŞ, ("Akfen Holding") purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Company became a subsidiary of Akfen Holding. 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 with the result of the Company's conversion to "Real Estate Investment Trust" registered in 25 August 2006. The change of title and activities was published on Official Trade Gazette on 31 August 2006.

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

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

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

The Company and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russian Property Investments BV ("Russian Property" or "RPI") on 21 September 2007 and 3 January 2008 respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russian Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 March 2012.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2012

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

1. REPORTING ENTITY *(continued)*

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

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

The number of employees of Akfen GYO and its subsidiaries is 13 (31 December 2011:13) and 22 (31 December 2011:23) respectively as at 31 March 2012. The Company is currently registered at Levent Loft, Büyükdere Caddesi C Blok No: 201, Kat: 8, Daire: 151, Levent– İstanbul.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a *Statement of compliance*

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

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

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

The accompanying consolidated statement of financial position as at 31 March 2012 and the consolidated statement of comprehensive income for the year then ended have been approved by

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2012

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1. Basis of preparation (continued)

a Statement of compliance(continued)

the Board of Directors of the Company on 16 May 2012. The General Assembly and the related legal authorities have the authority to revise the statutory and the reported consolidated financial statements.

b Form of preparation of financial statements

The consolidated financial statements and notes as at 31 March 2012 are prepared according to the Communiqué XI No 29 of CMB which was announced by the decision numbered 11/467 at 17 April 2008 related to the Principles Regarding Financial Reporting on capital market.

c Functional and presentation currency

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

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

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

d Basis of consolidation

Subsidiaries

The consolidated financial statements of the Company include its subsidiaries, which it controls directly or indirectly. This control is normally evidenced when the Company owns control power, either directly or indirectly, over company’s share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. This control power is determined based on current and convertible voting rights. The financial statements of the subsidiaries are consolidated from the beginning of the control power over the affiliate to end of that power. For the year ended 31 December 2011, income statements of Russian Hotel and Russian Property are consolidated by 50% until the Company took over the control of management and fully consolidated after that date. For the period ended 31 March 2012, the income statements of Russian Hotel and Russian Property are fully consolidated.

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

The table below shows Akfen GYO’s ownership ratio in subsidiaries as at 31 March 2012:

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2012

(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

As at 31 March 2011, the Company’s share in jointly controlled entities RHI and RPI were 50%. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. Accordingly, the Group obtained the control power in RHI and RPI. As at 31 March 2012 and 31 December 2011, the Group does not have jointly controlled entity.

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transaction

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

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

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

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:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Euro/ TL	2.3664	2.4438
USD / TL	1.7729	1.8889

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2012

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

	<u>31 March 2012</u>	<u>31 March 2011</u>
Euro/ TL	2.3461	2.1469
USD / TL	1.7899	1.5704

e Comparative information

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

f Additional paragraph for convenience translation to English

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

2.2 Accounting estimates

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

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

Note 2.4.4 – Useful lives of property, plant and equipment

Note 2.4.5 – Useful lives of intangible assets

Note 9 – Fair value measurement of investment property

Note 14 – Commitment and contingencies

Note 15 – Employee benefits

Note 23 – Deferred tax asset and liabilities

2.3 New standards and interpretations not yet adopted as at 31 March 2012

2.3.1. New standards and interpretations implemented as at 31 March 2012

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 March 2012.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.3.2. New standards and interpretations not yet adopted as at 31 March 2012

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 March 2012, and have not been applied in preparing these consolidated financial statements:

- The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments are effective for annual periods beginning on or after 1 July 2012. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.
- The amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* introduce an exception to the general measurement requirements of IAS 12 *Income Taxes* in respect of investment properties measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2012. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.
- IFRS 10 *Consolidated Financial Statements* supersedes IAS 27 (2008) and SIC-12 *Consolidation—Special Purpose Entities* and becomes effective for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.
- IFRS 11 *Joint Arrangements* supersedes IAS 31 and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* and becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities and becomes effective for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.
- IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.
- IAS 27 *Separate Financial Statements (2011)* supersedes IAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 28 *Investments in Associates and Joint Ventures (2011)* supersedes IAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 19 *Employee Benefits* includes changes in the accounting of defined benefit plans. The amendments are effective for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

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

2.4 Summary of significant accounting policies

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

2.4.1 Revenue

Revenue includes rental income.

Rental income

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

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

2.4.2 Inventories

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

2.4.3 Investment property

a Operating investment properties

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

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

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

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

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

2.4.3 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 except for the Moscow hotel project of HDI and Northern Cyprus-Bafra hotel project of Akfen Ticaret that are stated with the costs incurred and Ankara Esenboğa land’s fair value that is determined with the precedent comparison method.

2.4.4. Property and equipment

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

Depreciation

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

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

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

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)*

2.4 Summary of significant accounting policies *(continued)*

2.4.5. Intangible assets

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

2.4.6. Impairment of assets

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

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

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

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

2.4.7. Financial instruments

i) Non-derivative financial assets

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

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

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

2.4 Summary of significant accounting policies *(continued)*

2.4.7. Financial instruments *(continued)*

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

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

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

Financial assets at fair value through profit or loss

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

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 March 2012 and 31 December 2011, the Group has no held-to-maturity financial assets.

Receivables

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

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

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.

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

2.4 Summary of significant accounting policies *(continued)*

2.4.7. Financial instruments *(continued)*

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

Other

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

ii) Non-derivative financial liabilities

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

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

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

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

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

iii) Share capital

Ordinary shares

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

2.4.8. Borrowing costs

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

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

2.4.9 Earnings per share

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

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

2.4 Summary of significant accounting policies *(continued)*

2.4.10 Subsequent events

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

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

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

2.4.11 Provisions, contingent liabilities and contingent assets

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

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

2.4.12 Leases

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

The Group as lessor

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

The Group as lessee

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4 Summary of significant accounting policies (continued)

2.4.13 Related parties

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

2.4.14 Segment reporting

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

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

2.4.15 Discontinued operations

None.

2.4.16 Government grants and incentives

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

2.4.17 Taxation

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

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4. Summary of significant accounting policies (continued)

2.4.17 Taxation (continued)

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

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

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

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

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

2.4.18 Employee benefits / reserve for employee severance indemnity

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

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

Reserve for severance payment is calculated according to the ceiling rate announced by the Government. As at 31 March 2012 and 31 December 2011 the ceiling rates are TL 2,805 and TL 2,732, respectively.

2.4.19 Pension plans

None.

2.4.20 Agricultural operations

None.

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

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

2.4.21 Statement of cash flows

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

2.4.22 Expenses

Expenses are recognised in profit or loss on accrual basis.

2.4.23 Finance income and costs

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

2.5. Investment portfolio limitations on real estate investment trust

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

3. JOINTLY CONTROLLED ENTITIES

%50 equity shareholding with equal voting power, RHI and RPI, joint ventures established in the Netherlands. In 29 July 2011, Akfen Ticaret, 100% subsidiary of the Company has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV at an amount of EUR 4,352,000. Consequently, the Group obtained control power of RHI and RPI. As at 31 March 2012 and 31 December 2011, the Group has no jointly controlled entities.

Summary income statement for the period ended 31 March 2011 of RHI and RPI, is as follow:

Statement of comprehensive income	31 March 2011 RHI	31 March 2011 RPI
Total revenues and income	294,817	303,575
Total expenses and costs	(1,641,914)	(766,719)
Loss for the period	(1,347,097)	(463,144)

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.

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish
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 (Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated)

4. **SEGMENT REPORTING** (continued)

31 March 2012:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	3,764,234	2,860,872	359,308	--	6,984,414
Cost of sales	(954,809)	(30,079)	(83,266)	--	(1,068,154)
GROSS PROFIT/ (LOSS)	2,809,425	2,830,793	276,042	--	5,916,260
Administrative expenses	(778,139)	(65,347)	(935,335)	--	(1,778,821)
Other operating income	1,004	10	791,439	--	792,453
Other operating expenses	(7)	(3,203)	(12,511)	--	(15,721)
OPERATING PROFIT	2,032,283	2,762,253	119,635	--	4,914,171
Finance income	6,218,351	1,342,846	7,470,174	--	15,031,371
Finance costs	(2,972,074)	(1,033,685)	(4,172,061)	--	(8,177,820)
PROFIT BEFORE TAX	5,278,560	3,071,414	3,417,748	--	11,767,722
Taxation	(11,650)	(330,333)	(3,179,655)	--	(3,498,338)
-Current tax expense	--	--	--	--	--
-Deferred tax benefit / (expense)	(11,650)	(330,333)	(3,179,655)	--	(3,498,338)
PROFIT FOR THE PERIOD	5,290,210	2,741,081	238,093	--	8,269,384

31 March 2012:

Reportable segment assets	978,274,300	209,501,298	223,160,775	(256,107,786)	1,154,828,587
Reportable segment liabilities	239,129,291	81,625,898	113,143,287	(76,124,004)	357,774,472
Capital expenditures	8,923,426	975	2,374,702	--	11,299,103
Depreciation and amortization expenses	11,244	939	4,940	--	17,123

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4. SEGMENT REPORTING (continued)

31 March 2011:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	3,244,382	2,568,345	--	--	5,812,727
Cost of sales	(617,652)	(6,421)	--	--	(624,073)
GROSS PROFIT	2,626,730	2,561,924	--	--	5,188,654
Administrative expenses	(793,526)	(37,924)	(264,635)	--	(1,096,085)
Fair value gain on operating investment property	29,552,276	14,284,000	--	--	43,836,276
Fair value gain on investment property under development	2,569,365	--	--	--	2,569,365
Other operating income	--	--	23,487	--	23,487
Other operating expenses	--	(630)	(868,185)	--	(868,815)
OPERATING PROFIT	33,954,845	16,807,370	(1,109,333)	--	49,652,882
Finance income	1,429,830	336,022	212,362	(65,720)	1,912,494
Finance costs	(12,489,985)	(3,287,819)	(3,287)	65,720	(15,715,371)
PROFIT BEFORE TAX	22,894,690	13,855,573	(900,258)	--	35,850,005
Taxation	14	(3,267,328)	(41,313)	--	(3,308,627)
-Current tax expense	--	--	(32,576)	--	(32,576)
-Deferred tax expenses	14	(3,267,328)	(8,737)	--	(3,276,051)
PROFIT FOR THE PERIOD	22,894,704	10,588,245	(941,571)	--	32,541,378

31 December 2011:

Reportable segment assets	950,564,602	209,277,156	210,856,218	(242,178,112)	1,128,519,864
Reportable segment liabilities	226,097,622	84,142,836	110,682,859	(78,229,531)	342,963,786

31 March 2011:

Capital expenditures	2,991,071	--	9,726,980	--	12,718,051
Depreciation and amortization expenses	6,363	2,811	3,178	--	12,352

5. CASH AND CASH EQUIVALENTS

	31 March 2011	31 December 2011
Cash on hand	6,827	3,400
Cash at banks	16,259,724	7,788,945
- Demand deposits	1,178,619	446,397
- Time deposits	15,081,105	7,342,548
Cash and cash equivalents	16,266,551	7,792,345

As at 31 March 2012, there is no blockage on cash and cash equivalents (31 December 2011: None).

Demand deposits

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

	31 March 2012	31 December 2011
Russian Ruble	541,349	242,894
TL	486,456	154,172
USD	388	113
Euro	150,425	49,217
Other	1	1
Total demand deposits	1,178,619	446,397

Time deposit

As at 31 March 2012, time deposits in amount of TL 13.500.000 of the Company is placed in Fiba Banka in terms of TL and TL 10.000.000 portion is deposited with yearly 11% interest and a maturity of 16 May 2012, TL 2.500.000 portion is deposited with yearly 10.75% interest and a maturity of 1 May 2012 and TL 1.000.000 portion is deposited with yearly 5% interest and a maturity of 6 May 2012 (As at 31 December 2011, all time deposits of the Company are in terms of TL and TL 6,187,624 portion of time deposit is placed in T. Is Bankası with 9% interest as overnight and remaining TL 1,154,924 portion is placed in ING Bank with 9% interest and a maturity of 12 March 2012). Remaining TL 1.581.105 is placed in Credit Europe Bank in terms of Russian Ruble and all amount is deposited with yearly 6% interest and a maturity of 28 April 2012 (As at 31 December 2011: None).

6. LOANS AND BORROWINGS

As at 31 March 2012 and 31 December 2011 the details of loans and borrowings are as follows:

	31 March 2012	31 December 2011
<u>Current:</u>		
Current portion of long-term bank borrowings	82,215,730	118,982,086
<u>Non-current:</u>		
Long-term bank borrowings	211,001,909	166,756,262
Total bank borrowings	293,217,639	285,738,348

The repayment schedule of bank borrowings is as follows:

	31 March 2012	31 December 2011
Less than one year	82,215,730	118,982,086
Between one and two years	53,014,098	30,388,989
Between two and three years	31,799,835	29,385,800
Between three and four years	28,497,172	29,257,080
Between four and five years	25,754,903	21,733,363
In five years and longer	71,935,901	55,991,030
Total bank borrowings	293,217,639	285,738,348

31 March 2012:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro (1)	Euribor + 3,75%	66,731,915	22,581,846	135,332,557
Euro (2)	Euribor + 7,50%	12,054,979	28,526,903	--
TL (3)	10,00%	11,499,873	4,628,496	6,871,377
Euro (4)	Euribor + 3,70%	10,531,532	7,173,818	17,748,000
Euro (5)	Euribor + 7,50%	7,047,902	16,678,155	--
Euro (6)	8,75%	9,984,884	1,961,638	21,666,590
Euro (7)	Euribor + 6,50%	12,697,878	664,874	29,383,385
			82,215,730	211,001,909

6. LOANS AND BORROWINGS (continued)

⁽¹⁾ The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ (“Türkiye İş Bankası”) and Türkiye Sınai Kalkınma Bankası AŞ (“TSKB”) to finance the ongoing hotel projects based on the Memorandum of Understanding (“MoU”) signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date. The Company also pays 0.50% of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission. As at 31 March 2012, the Company used the portion of the loan amounting to Euro 77.36 million. The Company recognises loan commission accrual amounting to TL 95,546 for the unused portion of Euro 22.64 million in other current liabilities (Note 16). Bank borrowings obtained with this agreement is secured by the followings:

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

⁽²⁾ Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of YaroslavlOtelInvest and SamstroyKom is pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

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

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

6. LOANS AND BORROWINGS (continued)

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

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

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

⁽⁵⁾ Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of Volgostroykom are pledged.

⁽⁶⁾ In 29 March 2012, Euro 10.000.000 loan with 2 year maturity has been used from Fiba banka Sureties of Akfen Holding are given for the total outstanding loan amount.

⁽⁷⁾ Loan limit in amount of Euro 12.600.000 EUR given within the scope of agreement signed with EBRD and IFC related to Samara Hotel project has been used by RHI in 26 February 2012. Sureties of Akfen Holding are given for the total outstanding loan amount. The company pledged, the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively. Additionally, right of tenancy of Samara Ibis Hotel is pledged in favor of EBRD and IFC.

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

31 December 2011:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro (1)	Euribor + 3,75%	65,509,398	23,132,122	136,959,738
Euro (4)	Euribor + 3,70%	12,208,786	7,841,630	21,994,200
Euro (2)	Euribor + 7,50%	26,208,203	65,931,977	--
Euro (5)	Euribor + 7,50%	6,892,998	17,340,715	--
TL (3)	10,00%	12,537,967	4,735,642	7,802,324
			118,982,086	166,756,262

6. LOANS AND BORROWINGS (continued)

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

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

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

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

- Letter of guarantees from various banks are obtained for the 105% of total outstanding loan amount,
- Sureties Akfen İnşaat, the shareholders’ of the Company, is given for the total outstanding loan amount.
- ⁽⁴⁾ Letter of guarantee obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus.
- Letter of guarantee obtained from ING European Financial Services Plc is secured by the followings:

6. LOANS AND BORROWINGS (continued)

According to the share pledge agreement between Akfen GYO and ING Bank A.Ş. dated 8 September 2008, the Company pledged 279,996 number of shares of Akfen Ticaret amounting TL 6,999,900 to ING Bank A.Ş. Kızılay branch as a surety,

- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank A.Ş.

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

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at 31 March 2012 and 31 December 2011, short-term trade receivables comprised the followings:

	31 March 2012	31 December 2011
Trade receivables	3,900,789	4,589,460
	3,900,789	4,589,460

As at 31 March 2012, TL 3,376,069 portion of total trade receivables comprises the receivables of the Company from Tamaris Turizm A.Ş. related to hotel rent revenue (31 December 2011: TL 4,525,239).

b) Short-term trade payables

As at 31 March 2012 and 31 December 2011, short-term trade payables comprise the followings:

	31 March 2012	31 December 2011
Due to related parties (Note 25)	--	44,931
Other trade payables	2,288,376	2,711,350
	2,288,376	2,756,281

As at 31 March 2012, TL 1,425,934 portion of other trade payables comprises the payables to Kasa-Story for constructions works in Russia (31 December 2011: TL 2,507,633).

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 31 March 2012 and 31 December 2011 other current receivables comprise the followings:

	31 March 2012	31 December 2011
Other receivables	6,330,003	5,851,012
	6,330,003	5,851,012

As at 31 March 2012, other current receivables are mainly comprised of capital receivables of Akfen GT and RHI from other shareholders amounting to TL 4,620,822 (31 December 2011: TL 4,491,231) and TL 1,691,473 (31 December 2011: TL 1,359,781), respectively.

b) Other non-current receivables

As at 31 March 2012 and 31 December 2011 other non-current receivables comprise the followings:

	31 March 2012	31 December 2011
Deposits and guarantees given	94,468	94,763
	94,468	94,763

c) Other current payables

As at 31 March 2012 and 31 December 2011 other current payables comprised the followings:

	31 March 2012	31 December 2011
Other payables	2,770,863	2,678,998
	2,770,863	2,678,998

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 31 March 2012 and 31 December 2011 details of investment property and investment property under development are as follows:

	31 March 2012	31 December 2011
Operating investment properties	837,774,912	748,983,068
Investment properties under development	232,677,268	306,517,337
Total	1,070,452,180	1,055,500,405

Operating investment properties:

As at 31 March 2012 and 31 December 2011 details of operating investment property is as follows:

	31 March 2012	31 December 2011
Opening balance	748,983,067	541,327,000
Additions	--	82,884
Transfer from development projects	86,972,170	51,275,832
Foreign currency translation difference	1,819,675	--
Fair value adjustment (Note 20)	--	156,297,352
Carrying amount	837,774,912	748,983,068

As at 31 March 2012, the transfer from development projects composed of Samara İbis Hotel and Samara Office project, which were completed during the period. As at 31 December 2011, the transfer from development projects composed of Yaroslavl İbis Hotel, which was completed during the period.

As at 31 March 2012, the fair value adjustment on investment property was recognized based on the fair values of the investment property. The fair values of the investment properties in Turkey and Northern Cyprus are calculated on the basis of a valuation carried out by a certified company that included in the approved list of CMB for “Property Appraisal Companies”. The fair values of the investment properties are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property. In the valuation process, a projection period which covers the lease term for right of tenancy of each hotel is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

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

As at 31 March 2012 and 31 December 2011, the fair value comparison of investment property is as follows:

Name of the investment property	31 March 2012		31 December 2011	
	Date of appraisal report	Fair value	Date of appraisal report	Fair value
Zeytinburnu Novotel and Ibis Hotel	30 September 2011	207,640,000	30 September 2011	207,640,000
Mercure Hotel – Girne	30 September 2011	204,810,000	30 September 2011	204,810,000
Trabzon Novotel Hotel	30 September 2011	77,180,000	30 September 2011	77,180,000
Kayseri Novotel and Ibis Hotel	30 September 2011	59,843,000	30 September 2011	59,843,000
Gaziantep Novotel and Ibis Hotel	30 September 2011	52,800,000	30 September 2011	52,800,000
Bursa Ibis Hotel	30 September 2011	47,840,000	30 September 2011	47,840,000
Eskişehir Ibis Hotel and Fitness Center	30 September 2011	20,326,000	30 September 2011	20,326,000
Toplam		670,439,000		670,439,000

As at 31 March 2012, the fair values of investment properties of RHI and RPI located in Russia, of which Akfen GYO has 95% shares, comprise the fair value of investments. Yaroslavl Ibis Hotel and Samara İbis Hotel, which have been started to operate as at 31 March 2012, have the fair value in amount of TL 80,363,742 and 67,749,412, respectively (31 December 2011: Yaroslavl İbis Hotel TL 78,544,068 and Samara İbis Hotel TL 65,795,930). Samara office project, which has been completed as at 31 March 2012, has the fair value in amount of TL 19,222,758 (31 December 2011: 19,393,003).

As at 31 March 2012, total insurance amount on investment properties is TL 793,210,536 (31 December 2011: TL 612,757,327).

Investment properties under development:

As at 31 March 2012 and 31 December 2011 details of investment property under development are as follows:

	31 March 2012	31 December 2011
Opening balance	306,517,338	102,736,152
Acquisitions	11,277,276	67,418,368
Foreign currency translation difference	1,854,824	--
Fair value adjustment (Note 20)	--	123,890,922
Transfer to operating investment properties	(86,972,170)	(51,275,832)
Business combination effect ⁽¹⁾	--	63,747,727
Carrying amount	232,677,268	306,517,337

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

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

As at 31 March 2012 and 31 December 2011, the fair value comparison of investment property under development is as follows:

Investment property	31 March 2012			31 December 2011		
	Date of appraisal report	Appraisal value	Fair value	Date of appraisal report	Appraisal value	Fair value
Karaköy Hotel Project	30 September 2011	89,640,000	89,779,012	30 September 2011	89,640,000	89,753,834
İzmir Ibis Hotel Project	30 September 2011	27,450,000	29,807,920	30 September 2011	27,450,000	27,878,205
Esenyurt Ibis Hotel Project	30 September 2011	34,460,000	38,283,378	30 September 2011	34,460,000	35,908,085
Adana Ibis Hotel Project	30 September 2011	27,080,000	37,262,442	30 September 2011	27,080,000	32,677,360
Ankara Ibis Hotel Project	30 September 2011	5,200,000	5,200,000	30 September 2011	5,200,000	5,200,000
Northern Cyprus Bafra Hotel Project	--	--	946,025	--	--	945,050
Total		183,830,000	201,278,777		183,830,000	192,362,534

As at 31 March 2012, fair values of investment properties in Turkey are composed of appraisal values of related projects as at 30 September 2011 and expense in amount of TL 17,448,777 for investment properties occurred from appraisal date to 31 March 2012.

Investment properties under development of RHI and RPI of which Akfen GYO has 95% of shares are accounted with their fair values. As at 31 March 2012 the fair value of Kaliningrad Hotel project of RHI is TL 28,494,908 (31 December 2011: TL 26,183,014). Investment properties under development of HDI of which Akfen GYO has 100% of shares are comprised of costs incurred for the project in Moscow and as at 31 March 2012, its fair value is TL 2,903,583 (31 December 2011: TL 2,782,856).

As at 31 March 2012, total insurance amount on investment properties under development is TL 49,985,349 (31 December 2011: TL 51,913,188).

As at 31 March 2012 the pledge amount on investment property under development is TL 524,749,200 (31 December 2011: TL 541,912,650).

10. PROPERTY AND EQUIPMENT

As at 31 March 2012 and 31 December 2011, the movement of property, plant and equipment is as follows:

	Equipments	Furniture and fixtures	Motor vehicles	Total
Balance at 1 January 2011	4,688	205,061	61,531	271,280
Acquisitions	--	49,663	--	49,663
Disposals	--	--	--	--
Business combination effect ⁽¹⁾	--	43,892	--	43,892
Balance at 31 December 2011	4,688	298,616	61,531	364,835
Balance at 1 January 2012	4,688	298,616	61,531	364,835
Acquisitions	--	18,246	--	18,246
Balance at 31 March 2012	4,688	316,862	61,531	383,081
Accumulated depreciation				
Balance at 1 January 2011	(994)	(107,685)	(44,664)	(153,343)
Depreciation charge for the period	(384)	(58,199)	(5,654)	(64,237)
Disposals	--	--	--	--
Business combination effect ⁽¹⁾	--	(31,400)	--	(31,400)
Balance at 31 December 2011	(1,378)	(197,284)	(50,318)	(248,980)
Balance at 1 January 2012	(1,378)	(197,284)	(50,318)	(248,980)
Depreciation charge for the period	(96)	(14,729)	(1,400)	(16,225)
Balance at 31 March 2012	(1,474)	(212,013)	(51,718)	(265,205)

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

Carrying amount

1 January 2011	3,694	97,376	16,867	117,937
31 December 2011	3,310	101,332	11,213	115,855
1 January 2012	3,310	101,332	11,213	115,855
31 March 2012	3,214	104,849	9,813	117,876

As at 31 March 2012 there is no pledge on property and equipment (31 December 2011: None).

As at 31 March 2012, depreciation expenses amounting to TL 16,255 are recognized in administrative expenses (31 December 2011: TL 64,237).

11. INTANGIBLE ASSETS

As at 31 March 2012 and 31 December 2011, the movement of intangible assets is as follows:

	Softwares
Cost	
Balance at 1 January 2011	38,136
Transfers	--
Acquisitions	14,007
Disposals	(16,063)
Business combination effect (Note 2)	5,115
Balance at 31 December 2011	41,195
Balance at 1 January 2012	41,195
Acquisitions	1,832
Balance at 31 March 2012	43,027
Accumulated amortisation	
Balance at 1 January 2011	(30,514)
Charge for the period	(3,347)
Balance at 31 December 2011	(33,861)
Balance at 1 January 2012	(33,861)
Charge for the period	(898)
Balance at 31 March 2012	(34,759)
Carrying amounts	
1 January 2011	7,622
31 December 2011	7,333
1 January 2012	7,333
31 March 2012	8,268

For the period ended 31 March 2012, amortization expenses amounting to TL 898 are recognized in administrative expenses (31 December 2011: TL 3,347).

12. GOVERNMENT GRANTS AND INCENTIVES

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

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There are no ongoing or finalized significant lawsuits against the Group as at 31 March 2012 and 31 December 2011.

14. COMMITMENT AND CONTINGENCIES

As at 31 March 2012 and 31 December 2011, 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 March 2012	31 December 2011
A. Total amount of CPM is given on behalf of own legal personality	563,501,162	586,487,193
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	93,882,887	96,409,842
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	--	--
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	--	--
iii. The amount of CPM is given in favour of third party which C doesn't include	--	--
	657,384,049	682,897,035

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 232,250,000 and USD 800,000 as at 31 March 2012 (31 December 2011: Euro 235,750,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 32,648,000 as at 31 March 2012 (31 December 2011: Euro 32,648,000). As at 31 March 2012, total amount of CPM given by the group is 121% of the Group's equity (31 December 2011: 117.7%).

The Company pledged 279,996 units of shares of Akfen Ticaret amounting TL 6,999,900 as a surety for the letter of guarantees issued by Türkiye Vakıflar Bankası T.A.O. in amount of TL 11,761,819. 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 March 2012, Euro 14,642,000 of the total borrowing amounting to Euro 15,000,000 has been obtained (31 December 2011: Euro 14,642,000). 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 Yaroslavl Hotel Project. As at 31 March 2012, Euro 11,973,000 of the total borrowing amounting to Euro 12,400,000 has been utilized (31 December 2011: Euro 11,423,000).

The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Property from Credit Europe Bank Russia to finance Samara Office Project. As at 31 March 2012, Euro 8,000,000 of the total borrowing amounting to Euro 8,000,000 has been utilized (31 December 2011: Euro 8,000,000).

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.1. The Group as lessee

Operating lease arrangements

As at 31 March 2012, 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. Rent amount for year 2012 is USD 10,400 and it will increase by 3% every year. Rents are paid yearly.
- The Group signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The term of the servitude right obtained with this agreement is 49 years. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total yearly revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the yearly fixed lease amount determined by the agreement and 5% of the total yearly revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Trabzon Dünya Ticaret Merkezi AS on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The term of the servitude right obtained with this agreement is 49 years. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years. Lease payments will start after a five year rent free period. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative (“BUTTİM”) on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years. Lease payments will start after a five year rent free period.
- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years. The lease payments made for the first three years are TL 2,340 per month and TL 25,155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index (“PPI”).

14. COMMITMENT AND CONTINGENCIES (continued)

14.1. The Group as lessee (continued)

Operating lease arrangements (continued)

- The Group signed lease agreement for land of Kaliningrad projects amounting to TL 39,595 per year.
- The Group took over the 224,524 m2, tourism zoning land in Bafra, KKTC which is owned by KKTC Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years KKTC with the approval of KKTC Cabinet. Yearly rent amount is USD 53,609 and it will increase by 3% every year.
- The Group took over the lease agreement for a period of 49 years on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model. Monthly rent amount is TL 115,000 starting 3rd year of transfer of the agreement by yearly increase in ratio of PPI and shall continue till the end of 49th year.

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 March 2012	31 December 2011
Lease payments	1,060,491	3,103,830
	1,060,491	3,103,830

Non-cancellable operating lease commitments

	31 March 2012	31 December 2011
Less than one year	696,160	713,653
Between one and five years	8,189,128	8,038,422
More than five years	130,919,885	129,502,475
	139,805,173	138,254,550

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

	31 March 2012	31 December 2011
Accrued rent expense		
Current (Note 16)	710,777	477,287
Non-current (Note 16)	2,178,613	2,103,587
	2,889,390	2,580,874

14. COMMITMENT AND CONTINGENCIES (continued)

14.2. The Group as lessor

Operating lease arrangements

As at 31 March 2012, the Group has undergone 16 operating lease arrangements as;

- The Group has signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group has signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group has signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed and started operations in 2010 in Kayseri.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed and started operations in 2010 in Gaziantep.
- The Group has signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed in 2010 and started operations in November 2010 in Bursa.
- The Group has signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which is planned to complete and start its operations in 2012 in Esenyurt.
- The Group has signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is planned to complete and start its operations in 2012 in Adana.
- The Group has signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which is planned to complete and starts its operations in 2013 in Izmir.

All of the nine agreements have similar clauses described below;

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

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

As of 1 January 2011;

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

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.2. The Group as lessor *(continued)*

Operating lease arrangements (continued)

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

If the Group will not develop at least four hotels, of which one in İstanbul at the latest on 31 December 2013, the annual lease payment of the hotels Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri ve Ibis Bursa will be reduced to 65% of AGOP as at 1 January 2014. If the Group would not have developed one hotel in Moscow to be leased to ACCOR S.A. at the latest on 31 December 2012, 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 2013. 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 seven operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The Group has signed a rent agreement with Voyager Kıbrıs Limited (“Voyager”) on 15 March 2007 to lease a casino. Lease period has started on 1 July 2007 with the opening of casino. The lease term is 5 years. According to the additional rent agreement signed on 1 May 2010, the annual lease payment is Euro 3,059,840 which is effective for the period between 1 July 2009 and 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 2012. Letter of guarantees amounting Euro 3,000,000 is provided by Serenas Turizm. An annual rent will be paid quarterly (February, May, August and November).
- The Group has signed rent agreement with Sportif Makine AŞ for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness centre is delivered. The monthly rent is Euro 6,500 and the length of rent the agreement is 7 years. The rent increases at the beginning of the period depending on Euribor rate. The Group has signed an additional agreement with Sportif Makine AŞ for the rent payments of 2012 at December 2011. Based on the agreement, the monthly VAT excluded rent amount is decreased to Euro 5,000 for June, July and August and Euro 6,000 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

14. COMMITMENT AND CONTINGENCIES (continued)

14.2. The Group as lessor (continued)

Operating lease arrangements (continued)

- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. Hotel has been delivered to ACCOR S.A. in 1st quarter of 2012. The operation of the hotel has been started in March 2012. In addition to first agreement related to Samara Hotel, the Company has signed a long term agreement with ACCOR S.A. in 10 January 2012. The lease shall be for the period of 25 years with right of 10 years’ of prolongation of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, from third year Euro 6,000 per room and from fourth year to fifteenth year Euro 7,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 15 October 2009 in Moscow. The building has been delivered to ACCOR S.A. in the third quarter of 2011. In addition to first agreement related to Yaroslavl Hotel, the Company has signed a long term agreement with ACCOR S.A. in 1 July 2011. The main lease agreement shall be signed and registered in the in the 3rd quarter 2011. The lease shall be for the period of 25 years with right of 10 years’ of prolongtion of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, for third year 6,000 Euro per a room and from fourth year to fifteenth year Euro 7,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Euro14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- Russian Hotel through its subsidiary LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 8 September 2010 in Moscow. The building shall be delivered to ACCOR S.A. in the first quarter of 2013. The main lease agreement shall be signed and registered in the 1st quarter 2013. The lease shall be for the period of 25 years with right of 10 years’ of prolongtion of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 4,000 per a room, for second year Euro 5,000 per a room, from third year to fifteenth year Euro 6,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Eruo 12,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

Non-cancellable operating lease receivables

	31 March 2012	31 December 2011
Less than one year	11,100,969	13,264,786
Between one and five years	32,563,291	32,321,645
More than five years	86,025,622	87,361,993
	129,689,882	132,948,424

14. COMMITMENT AND CONTINGENCIES *(continued)*

14.2. The Group as lessor *(continued)*

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

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

- 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.

15. EMPLOYEE BENEFITS

	31 March 2012	31 December 2011
Provision for vacation pay liability-short term	195,227	208,946
Provision for employee termination indemnity-long term	9,135	8,062
	204,362	217,008

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 2,805 (31 December 2011: TL 2,732) 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 March 2012 and 31 December 2011 the liability is calculated using the following assumptions:

	31 March 2012	31 December 2011
Discount rate	%4.14	%4.14
Anticipated retirement turnover rate	%81.00	%81.00

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

Movement of provision for employee termination benefits is as follows:

	31 March 2012	31 December 2011
Opening balance	8,062	6,486
Payment during the period	--	(20,037)
Additions/ (deductions) during the period	1,073	21,613
Closing balance	9,135	8,062

15. EMPLOYEE BENEFITS (continued)

Movement of vacation pay liability is as follows:

	31 March 2012	31 December 2011
Opening balance	208,946	64,619
Payment during the period	(8,605)	(5,687)
Additions/ (deductions) during the period	(5,114)	150,014
Closing balance	195,227	208,946

16. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 March 2012	31 December 2011
Prepaid expenses ⁽¹⁾	2,820,824	1,817,148
Advances given to suppliers	640,973	658,297
VAT carried forward	441,671	5,873,378
Prepaid taxes and funds	208,923	196,733
Job advances	31,229	18,317
Other	3,887	7,250
	4,147,507	8,571,123

b) Other non-current assets

	31 March 2012	31 December 2011
VAT carried forward	30,671,206	29,241,273
Prepaid expenses ⁽¹⁾	10,260,229	10,683,129
Advances given to subcontractors ⁽²⁾	2,625,721	4,187,299
	43,557,156	44,111,701

⁽¹⁾ Akfen Karaköy took over the “Conditional Construction Lease Agreement” on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and ‘Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş (“Hakan Madencilik”) under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in Istanbul, Beyoglu, Kemankes district, Rihtum Street, 121-77 map section, 28-60 parcels. Transfer payment which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 March 2012 the amount of expenses paid in advance for short and long-term is TL 1,562,136 (31 December 2011: TL 1,562,136) and TL 10,227,209 (31 December 2011: TL 10,617,743), respectively.

⁽²⁾ As at 31 March 2012 and 31 December 2011, advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of hotel projects.

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

b) Other current liabilities

	31 December 2011	31 December 2010
Rent expense accrual (Note 14)	710,777	477,287
Provision for construction costs ⁽¹⁾	599,214	3,208,884
Short term income accruals ⁽³⁾	197,100	--
Other	187,392	547,546
Taxes and funds payable	146,676	111,874
Loan commission accrual ⁽²⁾	95,546	168,355
Social security premiums payable	28,803	22,736
	1,965,508	4,536,682

⁽¹⁾ As at 31 March 2012 and 31 December 2011 provision for construction costs comprised of the progress invoices related with the continuing projects of Adana, İzmir and Esenyurt and RHI's projects in Russia.

⁽²⁾ 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).

⁽³⁾ As at 31 March 2012, short term income accruals comprise the Mercury Hotel rent incomes collected in advance.

d) Other non-current liabilities

	31 March 2012	31 December 2011
Rent expense accrual (Note 14)	2,178,613	2,103,587
	2,178,613	2,103,587

17. EQUITY

17.1. Paid in capital

The capital structure as at 31 March 2012 and 31 December 2011 is as follows:

Shareholders	(%)	31 March 2012	(%)	31 December 2011
Akfen Holding	56.09	103,197,171	56.09	103,197,171
Publicly Listed	25.04	46,076,713	25.04	46,076,713
Hamdi Akın	16.41	30,196,838	16.41	30,196,838
İbrahim Süha Güçşav	2.25	4,140,380	2.25	4,140,380
Mustafa Ceyhan	0.19	345,380	0.19	345,380
Akınısı Makina Sanayi ve Tic. AŞ	0.02	43,513	0.02	43,513
Akfen İnşaat	0.00	2	0.00	2
Mehmet Semih Çiçek	0.00	1	0.00	1
Mustafa Dursun Akın	0.00	1	0.00	1
Ahmet Seyfi Usluoğlu	0.00	1	0.00	1
Total		184,000,000		184,000,000
Restatement effect		317,344		317,344
Restated capital		184,317,344		184,317,344

17. EQUITY *(continued)*

17.1. Paid in capital *(continued)*

As at 31 March 2012, the issued capital of the Company is TL 184,000,000 (31 December 2011: TL 184,000,000). As at 31 March 2012, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TL 1 each (31 December 2011: TL 1, units, 184,000,000 units). The share group of A, C, D has the privilege to select nominees for the board of directors member selection.

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

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

Akfen Holding's total paid in capital share amounting to TL 103,197,101 include TL 8,040,787 portion – equal to 4.37% of total capital - purchased from the publicly available shares in amount of TL 54,117,500 traded on the Istanbul Stock Exchange.

17.2. Business combination under common control

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

17. EQUITY (continued)

17.3. Translation reserve

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

17.4. Share Premium

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

17.5. Legal reserves

Profit reserves comprised of the legal reserves as at 31 March 2012 and 31 December 2011.

	31 March 2012	31 December 2011
Legal reserves	4,147	4,147
Closing balance	4,147	4,147

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

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

18. SALES AND COST OF SALES

For the periods ended 31 March 2012 and 2011, sales and cost of sales are as follows:

	1 January - 31 March 2012	1 January - 31 March 2011
Rent income	6,984,414	5,812,725
	6,984,414	5,812,725
Operating lease expenses	(916,743)	(411,426)
Insurance expenses	(130,477)	(92,256)
Outsourced service expenses	(11,183)	(98,405)
Taxes and duties expenses	(9,432)	(18,142)
Others	(319)	(3,844)
	(1,068,154)	(624,073)

19. ADMINISTRATIVE EXPENSES

For the periods ended 31 March 2012 and 2011, administrative expenses are as follows:

	1 January - 31 March 2012	1 January - 31 March 2011
Personnel expenses	947,411	494,675
Consultancy expenses	312,587	77,860
Outsourced service expenses	208,375	231,023
Operating lease expenses	143,748	134,466
Travel and hosting expenses	63,232	47,406
Advertising expenses	37,597	5,268
Tax and duties expenses	18,184	49,653
Depreciation expense	16,225	11,619
Amortisation expense	898	733
Other	30,564	43,382
Total	1,778,821	1,096,085

19.1. Personnel expenses

	1 January - 31 March 2012	1 January - 31 March 2011
Wages and salaries	805,652	437,648
Social security premiums	126,198	38,018
Change in employee severance indemnity	1,073	--
Change in vacation pay liability	(5,114)	7,388
Other	19,602	11,622
Total	947,411	494,675

20. OTHER OPERATING INCOME / EXPENSES

a) Other operating income

	1 January - 31 March 2012	1 January - 31 March 2011
Fair value gain on operating investment property, net	--	43,836,276
Fair value gain on investment property under development	--	2,569,365
Other income	792,453	23,487
Total	792,453	46,429,128

As at 31 March 2012, TL 723.125 portion of other income comprises the income resulted from cancellation of provision recorded as of 31 December 2011 for the VAT receivable estimated not to be deducted from VAT payable of the Company that will occur in the future arising from its projects in Russia.

b) Other operating expenses

	1 January - 31 March 2012	1 January - 31 March 2011
Non-deductible VAT	--	715,356
Other expense	15,721	153,460
Total	15,721	868,816

As at 31 March 2012, non-deductible VAT stems from provision provided for the VAT carry forward resulting from projects in Russia and may not be deducted from VAT payable that will occur in the future.

21. FINANCE INCOME

For the periods ended 31 March 2012 and 2011, finance incomes are as follows:

	1 January - 31 March 2012	1 January - 31 March 2011
Foreign exchange gain	14,747,180	1,856,771
Interest income	284,191	35,040
Other	--	20,683
Total	15,031,371	1,912,494

22. FINANCE COSTS

For the periods ended 31 March 2012 and 2011, finance costs are as follows:

	1 January - 31 March 2012	1 January - 31 March 2011
Foreign exchange loss	3,572,581	12,605,136
Interest expenses	4,333,469	3,107,992
Commission expenses	182,994	1,004
Expenses for letter of guarantees	75,628	2,286
Other	13,148	--
Total	8,177,820	15,716,418

For the year ended 31 March 2012, the Group capitalises interest expenses amounting to TL 409,455 on investment properties under development (31 December 2011: TL 1,034,014).

23. DEFERRED TAX ASSETS AND LIABILITIES

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

Deferred tax has been recognized 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 March 2012, RPI has current tax liability provision amounting to TL 344,759 (31 December 2011: TL 336,940).

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

	1 January - 31 March 2012	1 January - 31 March 2011
Current tax expense	--	(32,576)
Deferred tax expense	(3,498,338)	(3,276,051)
Total	(3,498,338)	(3,308,627)

23. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movements of deferred tax assets and liabilities during the period

The reported taxation charge for the periods ended 31 March 2012 and 2011 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

		1 January – 31 March 2012		1 January – 31 March 2011	
	%		%		
Profit for the period		8,269,384		31,745,617	
Tax expense		(3,498,338)		(3,308,627)	
Profit before tax		11,767,722		35,054,244	
Income tax using the domestic tax rate	(20)	(2,353,545)	(20)	(7,010,849)	
Tax-exempt income ⁽¹⁾	9.58	1,127,484	12.68	4,444,645	
Non-deductible expenses	(0.12)	(14,159)	0.00	(1,471)	
Current period loss which no deferred tax recognized	--	--	(0.13)	(47,208)	
Effect of different tax rates in foreign jurisdictions	0.06	7,622	(1.89)	(662,374)	
Other	(19.25)	(2,265,740)	(0.09)	(31,370)	
Taxation charge	(29.73)	(3,498,338)	(9.43)	(3,308,627)	

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

Unrecognized deferred tax assets

As at 31 March 2012, Akfen Ticaret has accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 2,281,490 (31 December 2011: TL 3,806,103). Since there is not any possible and reliable taxable profit projection regarding the utilization of accumulated losses, the deferred tax asset amounting to TL 456,298 (31 December 2011: TL 761,221) has not been recognized. The expiry dates of the unrecognized accumulated losses are as follows:

	31 March 2012	31 December 2011	Year of expiry
2007	432,457	432,457	31 December 2012
2008	--	--	31 December 2013
2009	1,607,522	1,607,522	31 December 2014
2010	102,967	102,967	31 December 2015
2011	138,544	1,663,157	31 December 2016
2012	1,981,951	--	31 December 2017
	2,281,490	3,806,103	

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23. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Recognised deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax Liabilities		Net deferred tax assets / (liabilities)	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011	31 March 2012	31 December 2011
Investment incentive ⁽¹⁾	16,505,622	16,011,720	--	--	16,505,622	16,011,720
Fair value gain on investment property	--	--	(71,938,914)	(60,657,591)	(71,938,914)	(60,657,591)
Bank borrowings	99,405	74,817	--	--	99,405	74,817
Tax losses carried forward	10,790,486	2,907,340	--	--	10,790,486	2,907,340
Intangible assets	452,474	525,707	(679,834)	(1,245,350)	(227,360)	(719,643)
Other	--	--	(79,802)	(56,719)	(79,802)	(56,719)
Deferred tax asset/(liability)	27,847,987	19,519,584	(72,698,549)	(61,959,660)	(44,850,562)	(42,440,076)
Net off tax	(17,894,197)	(17,633,718)	17,894,197	17,633,718	--	--
Net deferred tax asset / (liability)	9,953,790	1,885,866	(54,804,352)	(44,325,942)	(44,850,562)	(42,440,076)

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

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24. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the period by the weighted average number of shares of the Company during the period. For the periods ended 31 March 2012 and 2011, the earnings per share computation are as follows:

	1 January - 31 March 2012	1 January - 31 Mart 2011
Number of shares in circulation		
Issued shares at 1 January	184,000,000	138,000,000
Increase in share capital, in cash	--	--
Total shares at 31 March	184,000,000	138,000,000
Weighted average number of shares	184,000,000	138,000,000
Net profit for the period	8,365,393	32,541,375
Earnings per share	0.05	0.24

25. RELATED PARTY DISCLOSURES

25.1. Related party balances

Due from related parties (trade):

As at 31 March 2012 and 31 December 2011, the Company has no due from related parties (trade).

Due to related parties (trade):

	31 March 2012	31 December 2011
Akfen Turizm Yatırımları ve İşletmeleri AŞ	--	44,931
	--	44,931

Due to related parties (other):

As at 31 March 2012 and 31 December 2011, the Company has no due to related parties (other).

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

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25. RELATED PARTY DISCLOSURES (continued)

25.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	1 January - 31 March 2012	1 January - 31 March 2011
Akfen İnşaat	7,912,285	960,515
	7,912,285	960,515

b) Rent expenses

	1 January - 31 March 2012	1 January - 31 March 2011
Hamdi Akın	66,852	70,785
	66,852	70,785

c) Interest income

	1 January - 31 March 2012	1 January - 31 March 2011
Akfen Gayrimenkul Yatırımları ve Ticaret A.Ş.	--	35,040
	--	35,040

d) Interest expenses

	1 January - 31 March 2012	1 January - 31 March 2011
Akfen Holding	11,049	249,335
	11,049	249,335

e) Remuneration of top management

	1 January - 31 March 2012	1 January - 31 March 2011
Current portion of remuneration of top management	273,745	201,862
	273,745	201,862

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

(ii) Credit risk

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

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

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

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

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

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

(iii) Market risk

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

Currency risk

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

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

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

As at 31 March 2012, 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 March 2012, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 88% of the Group's bank borrowings are obtained by floating interest rates.

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

(iv) Liquidity risk

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

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

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

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

(v) Operational risk

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

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

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

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

Capital management

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

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

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

26.1. Credit risk

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

The maximum exposure to credit risk as at 31 March 2012 and 31 December 2011 is as follows:

	Receivables					
	Trade receivables		Other receivables		Deposits on banks	Other
	Related party	Third party	Related party	Third party		
31 March 2012						
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	--	3,900,789	--	6,424,471	16,259,724	--
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	3,900,789	--	6,424,471	16,259,724	--
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
- The portion covered by any guarantee	--	--	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

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

26.1. Credit risk (continued)

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

As at 31 March 2012 and 31 December 2011, the Group does not have any financial assets which are overdue but not impaired

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

26.2. Liquidity risk

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

31 March 2012:

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	293,217,639	344,637,552	35,814,587	43,007,010	148,039,001	117,776,954
Trade payables	2,288,376	2,288,376	2,288,376	--	--	--
Other payables (other liabilities included)	6,739,505	6,739,505	4,560,892	--	2,178,613	--

31 December 2011:

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

The Group does not have any derivative financial liabilities as at 31 March 2012 and 31 December 2011. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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

26.3. Market risk

a) Foreign currency position table and sensitivity analysis

31 March 2012		TL Equivalent	USD	EURO	GBP	Other
Foreign currency position		(Functional currency)				
1	Trade receivables	3,374,022		1,425,804		--
2a	Monetary financial assets (cash and bank accounts included)	395,469	60	166,880		458
2b	Non-monetary financial assets	--				
3	Other	887,633	--	375,098	--	--
4	Current assets (1+2+3)	4,657,124	60	1,967,782	--	458
5	Trade receivables	--				
6a	Monetary financial assets	6,755			2,381	
6b	Non-monetary financial assets	--				
7	Other	--		--		--
8	Non-current assets (5+6+7)	6,755	--	--	2,381	--
9	Total assets (4+8)	4,663,879	60	1,967,782	2,381	458
10	Trade payables	1,597,187	--	674,944		--
11	Financial liabilities	82,215,730		34,742,956		
12a	Other monetary financial liabilities	159,053	--	67,213		--
12b	Other non-monetary financial liabilities	--				
13	Short-term liabilities (10+11+12)	83,971,970	--	35,485,113	--	--
14	Trade payables	--				
15	Financial liabilities	204,130,532		86,262,057		
16a	Other monetary financial liabilities	1,837,918	982,781	40,376		
16b	Other non-monetary financial liabilities	--				
17	Long-term liabilities (14+15+16)	205,968,450	982,781	86,302,433	--	--
18	Total liabilities (13+17)	289,940,420	982,781	121,787,546	--	--
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)	(285,436,961)	(982,721)	(119,887,554)	2,381	458
21	Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(286,164,174)	(982,721)	(120,194,862)	2,381	458
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	--	--	--	--	--

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

26.3. Market risk *(continued)*

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

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

26.3. Market risk (continued)

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

Foreign currency sensitivity analysis

31 March 2012				
	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	(174,227)	174,227	(174,227)	174,227
2- Hedged portion of TL against USD risk (-)	--	--	--	--
3- Net effect of USD (1+ 2)	(174,227)	174,227	(174,227)	174,227
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(28,370,190)	28,370,190	(28,370,190)	28,370,190
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	(28,370,190)	28,370,190	(28,370,190)	28,370,190
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	721	(721)	721	(721)
8- Hedged portion of TL against other currencies risk (-)	--	--	--	--
9- Net effect of other foreign currencies (7+8)	721	(721)	721	(721)
TOTAL(3+6+9)	(28,543,696)	28,543,696	(28,543,696)	28,543,696

(*) Profit / loss effect is included.

As at 31 March 2012, the Group has undiscounted non-cancellable lease receivables amounting TL 129,689,882 in equivalent of Euro 55,278,923 and non-cancellable undiscounted lease liabilities amounting TL 33,327,639 in equivalent of total of Euro 1,752,960 and USD 16,442,748 which are not included in the table above and to be recognized in the following periods (Note 14).

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

26.3. Market risk (continued)

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

Foreign currency sensitivity analysis (continued)

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

^(*) Profit / loss effect is included.

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

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

26.3. Market risk (continued)

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

The following significant exchange rates applied as at 31 March 2012 and 31 December 2011:

TL	Average		As at reporting date	
	31 March 2012	31 December 2011	31 March 2012	31 December 2011
USD	1.7889	1.5703	1.7729	1.8889
Euro	2.3461	2.1469	2.3664	2.4438

b) Interest rate risk table and sensitivity analysis

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

	31 March 2012	31 December 2011
Fixed rate instruments		
Financial assets	--	--
Financial liabilities	35,128,102	12,537,966
Variable rate instruments		
Financial assets	--	--
Financial liabilities	258,089,537	273,200,382

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.

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

26.3. Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

As at 31 March 2012, a change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2011.

	Profit or (loss)		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 March 2012				
Variable rate instruments	(395,141)	395,141	(395,141)	395,141
31 December 2011				
Variable rate instruments	(686,997)	686,997	(686,997)	686,997

^(*)Profit / loss effect is included.

27. FINANCIAL INSTRUMENTS

27.1. Fair value risk

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

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

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

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

Financial assets

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

Financial liabilities

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

28. SUBSEQUENT EVENTS

The Group signed hotel and casino lease agreement with Voyager in 15 May 2012. According to the agreement, lease start date is 7 March 2013 and lease duration is 20 years. First year rent amount is Euro 4,750,000 and payments will be made by yearly in 3 equal installments.

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

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

Unconsolidated (separate) financial statement main account items	Related Regulation	31 March 2012	31 December 2011
A Cash and capital market instruments	Serial:VI. No:11. Md. 27 / (b)	14,073,061	6,353,062
B Investment properties, investment property-based projects, investment property-based rights	Serial:VI. No:11. Md. 27 / (a)	576,179,740	567,292,650
C Participations	Serial:VI. No:11. Md. 27 / (b)	473,261,005	463,221,971
Due from related parties (non-trade)	Serial:VI. No:11. Md. 24 / (g)	--	--
Other assets		32,270,670	33,679,860
D Total assets	Serial:VI. No:11. Md. 4 / (i)	1,095,784,476	1,070,547,543
E Financial liabilities	Serial:VI. No:11. Md. 35	181,542,631	160,091,860
F Other financial liabilities	Serial:VI. No:11. Md. 35	3,502,096	5,938,934
G Finance lease liabilities	Serial:VI. No:11. Md. 35	--	--
H Due to related parties (non-trade)	Serial:VI. No:11. Md. 24 / (g)	--	--
I Shareholders' equity (net asset value)	Serial:VI. No:11. Md. 35	910,739,749	904,516,749
Other liabilities		--	--
D Total liabilities and equity	Serial:VI. No:11. Md. 4 / (i)	1,095,784,476	1,070,547,543
Unconsolidated (separate) other financial information	Related Regulation	31 March 2012	31 December 2011
A1 Cash and capital market instruments held for payments of investment properties for 3 years	Serial:VI. No:11. Md. 27 / (b)	14,067,098	6,350,151
A2 Time / demand TL / foreign currency	Serial:VI. No:11. Md. 27 / (b)	--	--
A3 Foreign capital market instruments	Serial:VI. No:11. Md. 27 / (c)	--	--
B1 Foreign investment property, investment property-based projects, investment property-based rights	Serial:VI. No:11. Md. 27 / (c)	--	--
B2 Idle lands	Serial:VI. No:11. Md. 27 / (d)	--	--
C1 Foreign subsidiaries	Serial:VI. No:11. Md. 27 / (c)	2,903,583	2,782,856
C2 Participation to the operator company	Serial:VI. No:11. Md. 32 / A	--	--
J Non-cash loans	Serial:VI. No:11. Md. 35	520,614,087	537,306,493
K Pledges on land not owned by the Investment Trust which will be used for project developments	Serial:VI. No:11. Md. 25 / (n)	--	--

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS (continued)

Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Period	Previous Period	Minimum/Maximum Ratio
1 Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	Serial:VI, No:11, Md, 25 / (n)	%0.00	%0.00	<% 10
2 Investment Property, Investment Property Based Projects, Investment Property Based Rights	Serial:VI, No:11, Md, 27 / (a),(b)	%52.58	%52.99	>%50
3 Cash and Capital Market Instruments and Participations	Serial:VI, No:11, Md, 27 / (b)	%44.47	%43.86	<%50
4 Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	Serial:VI, No:11, Md, 27 / (c)	%43.45	%43.53	<%49
5 Idle Lands	Serial:VI, No:11, Md, 27 / (d)	%0.00	%0.00	<%20
6 Participation to the Operator Company	Serial:VI, No:11, Md, 32 / A	%0.00	%0.00	<% 10
7 Borrowing Limit	Serial:VI, No:11, Md, 35	%77.48	%77.76	<%500
8 Time / Demand TL / Foreign Currency	Serial:VI, No:11, Md, 27 / (b)	%1.28	%0.59	<% 10

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