

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

Notes to the financial statements
for the years ended 31 December 2013 and 31 December 2012

1. Organization and Principal Activities

The company name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi founded on 6 June 1978 was changed to Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) upon being published in the Turkish Trade Register Gazette dated 6 August 1996 nr 4096. The Company applied to the Capital Markets Board on 31 October 1996 for the registration of a document related to share certificates to be issued for the capital increase in its shareholders; and the document was registered by the CMB certificate Nr GYO 1/1552 dated 13 December 1996 in accordance with the Capital Markets Law.

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

As of 31 December 2013 and 31 December 2012, the shareholders and the shareholding structure of the Company at historic values is as follows:

<u>Shareholders</u>	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>Shareholding(%)</u>	<u>Book Value (TL)</u>	<u>Shareholding(%)</u>	<u>Book Value (TL)</u>
Alarko Holding A.Ş.	16,42	1.748.258	16,42	1.748.258
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78	3.704.641	34,78	3.704.641
Public offering	48,77	5.194.442	48,77	5.194.442
Other (*)	0,03	3.453	0,03	3.453
Total	<u>100,00</u>	<u>10.650.794</u>	<u>100,00</u>	<u>10.650.794</u>

* Represents total shareholdings less than 10%.

As of 31 December 2013 and 31 December 2012, the difference arising from restatement of the nominal value of the share capital amounts to TL 54.712.578 (Note 14 (b)).

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

The majority of the Company shares belong to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and 49,00% of the Company shares is traded at the Istanbul Stock Exchange since 1996.

As of 31 December 2013 and 31 December 2012, the average number of the Company personnel is 7 and 7, respectively.

The share certificates constituting the Company's share capital are classified in three groups, namely, Group A, Group B, and Group C. A Group share owners are granted the right to nominate four candidates for the Board of Directors and B Group share owners are granted the right to nominate three candidates for the Board of Directors. There are no other rights granted to the shareholders other than the right to nominate candidates for the Board of Directors.

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2. Presentation of the Financial Statements

i. Basis of Presentation:

The Company maintains its books of account and prepares its statutory financial statements in accordance with the prevailing commercial and financial legislation. The accompanying financial statements are prepared in accordance with the provisions of the “Communiqué Related to the Financial Reporting Principles at the Capital Markets” (Communiqué) Nr. II/14.1 of the Capital Markets Board (CMB) published in the Official Gazette dated 13 June 2013 Nr 28676, taking as basis the Turkish Accounting Standards /Turkish Financial Reporting Standards and the related appendices and interpretations (TAS/TFRS) put into effect by the Public Oversight Accounting and Auditing Standards Authority (POA) as per the Article 5 of the Communiqué.

As required by the TFRS 1, comparative financial statements are prepared on the same basis. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying financial statements in order to comply with the TAS/TFRS.

The accompanying financial statements are presented in accordance with the principles the application of which is required by the announcement published in the weekly bulletin dated 7 June 2013 nr 2013/19 of the CMB.

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

The Company’s financial statements dated 31 December 2013 have been submitted on 25 February 2014 by the Management to the approval of the Board of Directors.

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

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

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

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2. Presentation of the Financial Statements (continued)

iii. Adjustments:

The accompanying financial statements are prepared in accordance with TAS/IFRS with the below mentioned adjustments which are not stated in the statutory records:

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

iv. Offsetting:

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

v. Accounting Policies, Changes and Errors in Accounting Estimates:

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

As required by TAS 19 "Employee Benefits", starting from 1 January 2013, the actuarial gains/losses related to provisions for termination indemnity are included in the other comprehensive income.

As the related standard is revised, the change in the accounting policy was applied retroactively as stated in the standard and the actuarial gains/losses stated in the prior period statements of income are reclassified under other comprehensive income; and the financial statements and notes are revised accordingly.

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

The statements of financial position as of 31 December 2013 and 31 December 2012 and the related notes as well as the statements of comprehensive income, the statements of changes in equity, and cash flows, and the notes to these financial statements for the years then ended are presented comparatively. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary.

Pursuant to TAS 19 "Employee Benefits", starting from 1 January 2013, the actuarial gains/losses related to provisions for termination indemnity are included in the other comprehensive income.

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2. Presentation of the Financial Statements (continued)

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

The accounting policies adopted in preparation of the financial statements for the period ended 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendment)

These amendments require the entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). New disclosures would provide users of financial statements with information that is useful in;

- i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
- ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures need to be provided for all the financial instruments in the balance sheet that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and has no impact on the financial statements of the Company.

TAS 1 Presentation of Financial Statements (Amended) - Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendment affects the basis of presentation only and does not have an impact on the financial position or performance of the Company.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these amendments, the most important changes are removing the corridor mechanism, recognizing actuarial gain/(loss) under other comprehensive income in defined benefit plans, and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement.

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2. Presentation of the Financial Statements (continued)

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

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Company.

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have an impact on the financial position or performance of the Company.

TFRS 10 Consolidated Financial Statements

TFRS 10 replaces the parts of previously existing TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced for determining which entities are to be consolidated. This is a principle based standard through which the decision making areas of the preparers of the financial statements have been enhanced. The accompanying financial statements are based on this standard.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Company.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

TFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted.

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2. Presentation of the Financial Statements (continued)

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

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and does not have any impact on the financial position or performance of the Company.

Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments only change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which TFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the period presented comparatively. In the event that the control assessment made in accordance with TFRS 10 is different than that made in accordance with TAS 27/SIC-12, the effects of retrospective adjustments need to be determined. However, if the control assessments are the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons, TFRS 11 Joint Arrangements and TFRS 12 Disclosure of Interests in Other Entities have also been amended by POA to provide transition relief. This amendment has no impact on the financial position and performance of the Company.

Improvements to TFRSs

2009-2011 improvements to TFRS effective for the annual accounting periods starting at or subsequent to 1 January 2013 which are disclosed below have had no impact on the financial position or performance of the Company.

TAS 1 Presentation of Financial Statements:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

TAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Interim Financial Reporting:

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.

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2. Presentation of the Financial Statements (continued)

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

Standards issued but not yet effective and not available for early adoption

Standards, interpretations and amendments to existing standards that are issued as of the reporting date but not yet effective and not early adopted by the Company for the current reporting period are as follows. If not indicated otherwise, the Company will make the necessary changes which will have an impact on the financial statements and disclosures after the new standards and interpretations come into effect.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments will be applied retrospectively for the annual periods beginning on or after 1 January 2014. These amendments are not anticipated to have a significant impact on the financial position or performance of the Company.

TFRS 9 Financial Instruments - Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning as of or subsequent to 1 January 2015. Phase 1 of the new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. This interpretation does not apply for the Company and has no effect on its financial position or performance.

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2. Presentation of the Financial Statements (continued)

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

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Management does not expect the standard to have a significant impact on the Company's financial position or performance.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2014. The Management does not expect that this amendment will have any impact on the financial position or performance of the Company.

viii. Summary of significant accounting policies and valuation methods

(a) Financial Instruments:

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

i. Cash and cash equivalents

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

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

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

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2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(a) Financial Instruments (continued):

i. Cash and cash equivalents (continued)

Fair Value

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

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

ii. Financial Assets Held to Maturity

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

iii. Financial Assets Available for Sale

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

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

iv. Trade Receivables

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

Fair Value

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

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2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(a) Financial Instruments (continued):

v. Trade Payables

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

Fair Value

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

vi. Impairment of Financial Assets

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

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

(b) Related Parties:

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

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

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viii. Summary of significant accounting policies and valuation methods (continued)

(c) Inventories :

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

(d) Investment Properties :

Investment properties are properties held to earn rentals or for capital appreciation or both, recognized at fair value. Income or losses arising from change fair value change in investment properties are recognized as profit or loss for the period of change.

(e) Tangible Assets :

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

Buildings	2% - 2,5%
Land improvements	10%
Machinery, plant, and equipment	20% - 25%
Furnitures and fixtures	6% - 25%
Other tangible assets	20%

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

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

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

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2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(f) Intangible Assets :

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

Leasehold improvements	3% - 50%
Rights	3,125% - 33,33%

(g) Assets and Liabilities in Foreign Currency:

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

(h) Impairment of Assets:

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

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

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2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(i) Deferred Taxes :

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

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

(j) Income Taxes:

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

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

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

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

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the financial statements of the tax payers whose earnings are determined on balance sheet basis are not subject to inflation adjustment because the inflation adjustment application which started in 2004 has ended as the increase in the Producers Price Index for the last 36 months and the last 12 months are below 100% and 10%, respectively at March 2005. In the 2013 and 2012 accounting periods, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

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viii. Summary of significant accounting policies and valuation methods (continued)

(j) Income Taxes (continued):

The earnings of companies that are granted the Real Estate Investment Trust (REIT) status is exempt from Corporate Tax and provisional corporate tax as per the article 5, section 1, paragraph d/4 of the Corporate Tax Law nr 5520. On the other hand, as per the article 15, paragraph 3 of the Corporate Tax Law, the percentage of the income tax withholding required to be made over the earnings of these partnerships that are subject to exemption is currently zero in accordance with the Ministerial Council Decision nr 2010/14594 (nr 2003/6577 for 2008). For that reason, no tax calculation has been made in relation to the 31 December 2013 and 31 December 2012 accounting periods (Note 19).

(k) Provision for Termination Indemnity:

Under Turkish Labour Law Article 25/II, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TL 3.254,44 in respect of each year of service as of 31 December 2013 (31 December 2012- TL 3.033,98).

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

- The dates that the employees will gain their pension rights are determined with respect to the current social security laws with consideration to their past employment durations.
- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or, if higher than the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2013, the termination indemnity upper limit, to remain constant for restatement purposes, and this value is reduced by the actual discount rate of 3,29% (31 December 2012- 3,33%) calculated based upon the assumption that the expected annual inflation rate will be 6,50 % (31 December 2012 - 5,00%) and the expected discount rate will be 10% (31 December 2012 - 8,5%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

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2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(l) Revenues and Expenses :

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

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

If the balances recorded as income become doubtful balances, the provision for these accounts are not deducted from income accounts, these are accounted for as expense in financial statements.

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

Cost of sales is mainly made up of the cost of real estate sold and the expenses related to these properties.

(m) Earnings/(Loss) per Share:

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

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

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2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(n) Accounting Estimates:

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

(o) Borrowing Costs :

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

(p) Events After the Reporting Period:

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

(r) Conditional Assets and Liabilities:

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

(s) Statement of Cash Flows

In the statement of cash flows, current period cash flows are classified as principal activities, investing activities, and financing activities, and reported accordingly. Cash flows arising from principal activities are those that are related to the Company operations.

Cash flows from investing activities are those used by/provided from the Company's investments (i.e. fixed asset investments and financial investments). Cash flows from financing activities represent the financial sources used in the Company's finance operations and their repayments. The cash and cash equivalents in the statement of cash flows comprise cash, banks and short term investments of short maturity (up to 3 months) and high liquidity which are convertible to known amounts of cash with defined amounts maturing maximum in 3 months, having high liquidity which are easily convertible into cash.

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2. Presentation of the Financial Statements (continued)

viii. Summary of significant accounting policies and valuation methods (continued)

(t) Supplementary note: Control of Compliance to Portfolio Limitations

The information provided in the said note (Note 27) is summarized information derived from financial statements as per the article 16 of the Capital Markets Board Communiqué II-14.1 “Principles Regarding Financial Reporting on Capital Markets” and prepared within the frame of provisions related to compliance to portfolio limitations stated in the CMB Communiqué Serial III No 48.1 “Principles Regarding Real Estate Investment Trusts”.

3. Cash and Cash Equivalents

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Banks	36.933.182	19.993.122
- TL demand deposit	111.092	44.005
- Foreign currency demand deposit	8	12.965
- TL time deposit	2.080.729	-
- Foreign currency time deposit *	34.741.353	19.936.152
Cheques	-	16.650
Type B liquid fund	<u>2.203.881</u>	<u>2.420.648</u>
Total (Note 23 (i))	<u>39.137.063</u>	<u>22.430.420</u>

* As of 31 December 2013, the interest rate on USD time deposits at banks varies between 3,00% - 3,15% and the accrued interest amounts to TL 8.453; the interest rate on Euro time deposits at banks varies between 2,80% - 2,90% and the accrued interest amounts to TL 32.263; and the interest rate on TL time deposits at banks is 8,95% and the accrued interest amounts to TL 17.204 (31 December 2012 - USD deposits: 3,65%, TL3.964 and Euro deposits: 3,40% - 3,50%, TL16.987, TL deposits - None). The due date of USD time deposits varied between 13 January 2014 - 21 January 2014; the due date of Euro time deposits varies between 21 January 2014 - 4 February 2014; and the due date of TL time deposits is 2 January 2014. (As of 31 December 2012, USD deposits on 21 January 2013, Euro deposits between 21 January 2013 - 28 January 2013, TL deposits - None).

The Company has no blocked deposits at banks as of 31 December 2013 and 31 December 2012.

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4. Financial Assets

As of 31 December 2013 and 31 December 2012, the breakdown of the Company's financial assets is as follows:

Financial assets held to maturity;

<u>Currency</u>	<u>31 December 2013</u>			<u>31 December 2012</u>		
	<u>Book Value (TL)</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Book Value (TL)</u>	<u>Interest Rate</u>	<u>Maturity</u>
USD	129.292.842	4,75%	15.01.2014	96.999.901	3,00%	14.01.2013
				1.727.973	1,14%	14.01.2013
				2.947.196	1,52%	14.01.2013
				5.302.708	0,35%	14.01.2013
Total	<u>129.292.842</u>			<u>106.977.778</u>		

Financial assets available for sale;

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>Participation Rate (%)</u>	<u>Amount (TL)</u>	<u>Participation Rate (%)</u>	<u>Amount (TL)</u>
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.*	-	1.196	-	1.196
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.*	-	143	-	500
Alarko Holding A.Ş.*	-	<u>2.834.313</u>	-	<u>3.114.095</u>
Total	<u>-</u>	<u>2.835.652</u>	<u>-</u>	<u>3.115.791</u>

* Participation rate is lower than 1%.

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange expected to approach its fair value as of 31 December 2013 and 31 December 2012. The Company monitors the increases and decreases related to fair value recognition in the Shareholder's Equity account under "Financial Assets Value Increase Fund" account in the financial statements. Accordingly, a total of TL 1.572.856 is recorded as Value Increase under the "Accumulated other comprehensive income or expenses to be reclassified in profit and loss" account as a result of the value increase of TL 1.852.639 arising from valuation at fair value as of 31 December 2012, the value decrease of TL 279.783 as of 31 December 2013 (Note 14 (c) and 23(vi)).

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4. Financial Assets (continued)

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

5. Trade Receivables and Payables

Trade receivables consist of the following (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Trade receivables, net	82.783	137.727
Notes receivable	5.480	39.528
Doubtful trade receivables	166.359	189.553
Provision for doubtful trade receivables (-)	<u>(166.359)</u>	<u>(189.553)</u>
Total (Note 23 (i))	88.263	177.255
Due from related parties,net (Notes 22 (a) and 23 (i))	<u>13.154.122</u>	<u>9.991.199</u>
Grand Total	<u>13.242.385</u>	<u>10.168.454</u>

As of 31 December 2013 and 31 December 2012, the changes in provision for doubtful trade receivables during the period consist of the following (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Provision for doubtful trade receivables at the beginning of the period	189.553	211.791
Provisions no longer required (Note 18)	<u>(55.508)</u>	<u>(22.238)</u>
Provisions made during the period (Note 18)	<u>32.314</u>	<u>-</u>
Provision for doubtful trade receivables at the end of the period (Note 23 (i))	<u>166.359</u>	<u>189.553</u>

Trade payables consist of the following (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Suppliers, net	1.104.354	965.573
Due to related parties (Note 22 (b) and Note 23 (ii))	<u>52.936</u>	<u>1.212.973</u>
Total	<u>1.157.290</u>	<u>2.178.546</u>

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6. Other Receivables and Payables

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Other miscellaneous receivables	30.261	-
Deposits and guarantees given	<u>30.690</u>	<u>12.205</u>
Total (Note 23 (i))	<u>60.951</u>	<u>12.205</u>

Short term other payables consist of the following (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Balances due to Alarko Central Administration	3.874	8.120
Other miscellaneous debts	3.700	168
Due to shareholders (Note 22 (c))	<u>-</u>	<u>574</u>
Total (Note 23(ii))	<u>7.574</u>	<u>8.862</u>

Long term other payables consist of the following (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Deposits and guarantees received	<u>316.748</u>	<u>254.039</u>

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7. Inventories

Inventories consist of real estate held for trading. As of 31 December 2013 and 31 December 2012, the breakdown of inventories is as follows:

	31 December 2013				31 December 2012			
	Restated Book Value	Sales Value	Expertise Value	Expertise Date	Restated Book Value	Sales Value	Expertise Value	Expertise Date
	(TL)	(TL)	(TL)		(TL)	(TL)	(TL)	
<u>Real Estate Project</u>								
Land share (1 parcel lot) and project cost	-	-	-		-	-	-	
Projects unsold	11.796.529	-	13.810.000	31.12.2013	12.808.999	-	14.195.000	31.12.2012
Projects whose sales contracts are realized	4.730.000	-	4.740.000	31.12.2013				
					-	-	-	
Impairment loss	-	-	-		-	-	-	
Total	16.526.529		18.550.000		12.808.999		14.195.000	
<u>Land in Büyükçekmece</u>								
Land cost (3 parcel lots)	3.271.735	-	43.753.000	31.12.2013	4.321.594	-	9.325.000	31.12.2012
Total	19.798.264	-	62.303.000		17.130.593	-	23.520.000	

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7. Inventories (continued)

Real Estate Project: The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m² on section 106, parcel 18 in Büyükçekmece Eskice District included in the investment properties portfolio is received on 21 October 2005 and the sales transactions have started. As of 31 December 2013, sales contracts have been made for 50 villas.

Land in Büyükçekmece: There are 3 parcels of land with a total area of 622.651 m².

As of 31 December 2013 and 31 December 2012, the All Risk on Construction and Employer's Liability Insurance totals for the Real Estate Project amount to TL 34.159.472 and TL 24.271.920, respectively (Note 26).

The Company's real estate held for trading have been valued by Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.

8. Investment Properties

Investment properties consist of the following (TL):

<u>Fair Value</u>	<u>Investment Properties</u>
As of 1 January 2012	138.815.000
Additions	871.972
Increase arising from fair value changes (Note 18)	9.022.028
Disposals	-
As of 31 December 2012	148.709.000
Additions	5.885.980
Increase arising from fair value changes (Note 18)	29.391.020
Disposals	-
As of 31 December 2013	<u>183.986.000</u>

As of 31 December 2013, the current period additions consist of acquisitions related to Hillside Beach Club Holiday Village investment and 10 stores in Büyükçekmece Alkent 2000 housing complex.

As of 31 December 2013 and 31 December 2012, the total insurance on investment properties are TL 80.813.397 and TL 65.290.332, respectively (Note 26).

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8. Investment Properties (continued)

31 December 2013 and 31 December 2012, the market values of investment properties are as follows:

31 December 2013		
<u>Name of Real Estate</u>	<u>Date of Expertise Report</u>	<u>Market Value (TL)</u>
Hillside Beach Club Holiday Village	31.12.2013	90.306.000
Etiler Alkent Sitesi - Shops	31.12.2013	9.557.000
Büyükçekmece Alkent 2000- Shops	31.12.2013	5.650.000
Eyüp Topçular- Factory	31.12.2013	30.446.000
Ankara Çankaya Business Center	31.12.2013	3.206.000
İstanbul Karaköy Business Center	31.12.2013	2.600.000
İstanbul Şişhane Business Center	31.12.2013	2.400.000
Land in Maslak (*)	31.12.2013	39.821.000
Total		183.986.000

31 December 2012		
<u>Name of Real Estate</u>	<u>Date of Expertise Report</u>	<u>Market Value (TL)</u>
Hillside Beach Club Holiday Village	31.12.2012	69.150.000
Etiler Alkent Sitesi - Shops	31.12.2012	8.453.000
Eyüp Topçular- Factory	31.12.2012	29.138.000
Ankara Çankaya Business Center	31.12.2012	2.857.000
İstanbul Karaköy Business Center	31.12.2012	1.817.000
İstanbul Şişhane Business Center	31.12.2012	2.025.000
Land in Maslak(*)(**)	31.12.2012	35.269.000
Total		148.709.000

As of 31 December 2013 and 31 December 2012, the investment properties of the Company are valued by Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş..

* Article 24/c of the Capital Markets Board Communiqué Serial III-48.1 “Communiqué regarding the change in the communiqué on principles regarding Real Estate Investment Trusts” published in the Official Gazette dated 28 May 2013 and number 28660 promulgates that the rate of lands and registered lands which are in the portfolio, but which in spite of a period of 5 years having elapsed from their acquisition, have not been administered for any project development cannot exceed 20% of the portfolio value. The project development practices related to the land in Maslak continue and the land does not exceed %20 of the total assets of the Company.

** As of 31 December 2012, the land in Maslak is transferred from inventories account to investment properties account.

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9. Tangible Assets

As of 31 December 2013, tangible assets consist of the following (TL) :

Cost ;

	Opening			Closing
	1 January 2013	Additions	Disposals	31 December 2013
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	151.829	52.348	(111.240)	92.937
Other tangible assets	27.373	-	-	27.373
Sub total	307.094	52.348	(111.240)	248.202
Accumulated depreciation ;				
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	147.176	1.583	(110.683)	38.076
Other tangible assets	27.373	-	-	27.373
Sub total (Note 17)	302.441	1.583	(110.683)	193.341
Net Value	4.653	50.765	(557)	54.861

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9. Tangible Assets (continued)

As of 31 December 2012, tangible assets consist of the following (TL) :

Cost ;

	Opening 1 January 2012	Additions	Disposals	Closing 31 December 2012
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	150.332	1.497	-	151.829
Other tangible assets	27.373	-	-	27.373
Sub total	<u>305.597</u>	<u>1.497</u>	<u>-</u>	<u>307.094</u>
Accumulated depreciation ;				
Land improvements	123.365	-	-	123.365
Buildings	311	-	-	311
Plant, machinery and equipment	4.216	-	-	4.216
Furniture and fixtures	145.716	1.460	-	147.176
Other tangible assets	27.373	-	-	27.373
Sub total (Note 17)	<u>300.981</u>	<u>1.460</u>	<u>-</u>	<u>302.441</u>
Net Value	<u><u>4.616</u></u>	<u><u>37</u></u>	<u><u>-</u></u>	<u><u>4.653</u></u>

As of 31 December 2013 and 31 December 2012, the total insurance on tangible assets amounts to TL 60.294 and TL 49.022, respectively (Note 26).

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10. Intangible Assets

As of 31 December 2013, intangible assets consist of the following (TL) :

Cost;	Opening			Closing
	1 January 2013	Additions	Disposals	
Rights	11.094	-	-	11.094
Other intangible assets	124.355	-	-	124.355
Sub total	135.449	-	-	135.449
Accumulated amortisation;				
Rights	10.836	28	-	10.864
Intangible assets	110.132	14.222	-	124.354
Sub total (Note 17)	120.968	14.250	-	135.218
Net Value	14.481	(14.250)	-	231

As of 31 December 2012, intangible assets consist of the following (TL) :

Cost;	Opening			Closing
	1 January 2012	Additions	Disposals	
Rights	11.094	-	-	11.094
Other intangible assets	124.355	-	-	124.355
Sub total	135.449	-	-	135.449
Accumulated amortisation;				
Rights	10.807	29	-	10.836
Other intangible assets	89.673	20.459	-	110.132
Sub total (Note 17)	100.480	20.488	-	120.968
Net Value	34.969	(20.488)	-	14.481

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11. Provisions, Conditional Assets and Liabilities

- a) As stated among the Company's inventories, investment properties and fixed asset accounts as of 31 December 2013 and 31 December 2012;

Two parcels of the land in Eskice District in Büyükçekmece Village regarded as greenfield site is expropriated upon finalization of the related court case on behalf of ISKI as this piece of land is under unconditional preservation by the provisions of the communiqué related to protection of land bearing tap water and drinking water resources against contamination.

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

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

- b) The guarantees, sureties, and mortgages given by the Company in the name of its own corporate body are as follows (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Guarantees, sureties, and mortgages given by the Company		
A. Total amount of guarantees, sureties, and mortgages given by the Company in the name of its own corporate body	1.972.628	2.473.671
B. Total amount of guarantees given in favor of entities included in full consolidation	-	-
C. Total amount of guarantees, sureties, and mortgages given as collateral for third parties' liabilities to ensure continuity of ordinary trade operations	-	-
D. Total amount of other guarantees, sureties, and mortgages given		
i. Total amount of guarantees, sureties, and mortgages given in the name of the Parent Company	-	-
ii. Total amount of guarantees, sureties, and mortgages given in the name of other group companies not covered by articles B and C above	-	-
iii. The total amount of the guarantees, sureties and mortgages given in the name of third parties not covered by article C above	-	-
Total	<u>1.972.628</u>	<u>2.473.671</u>

As of 31 December 2013 and 31 December 2012, there are no other guarantees, sureties or mortgages given by the Company.

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11. Provisions, Conditional Assets and Liabilities (continued)

- c) Guarantee letters and notes received by the Company in each period are set out in the table below (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Guarantee notes received	697.805	1.436.847
Guarantee letters received	<u>269.770</u>	<u>428.827</u>
Total	<u>967.575</u>	<u>1.865.674</u>

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

	<u>Uncollectible Receivables</u>	<u>Provisions Made</u>
31 December 2013	166.359	166.359
31 December 2012	189.553	189.553

12. Employee Benefits

Short term provisions consist of the following (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Employee benefit obligations	58.305	50.978

Long term provisions consist of the following (TL) :

Employee benefit obligations:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Provision for termination indemnity at the beginning of the period	120.456	106.386
Interest expense	12.046	9.043
Service expense	22.170	19.776
Payments made during the period	-	(11.370)
Actuarial loss/(gain)	<u>(1.995)</u>	<u>(3.379)</u>
Provision for termination indemnity at the end of the period	<u>152.677</u>	<u>120.456</u>

Provision for unused leaves:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Provision for unused leaves at the beginning of the period	57.872	-
Increase/(decrease) during the period	<u>5.122</u>	<u>57.872</u>
Provision for unused leaves at the end of the period	<u>62.994</u>	<u>57.872</u>

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13. Other Assets and Liabilities

Other current assets consist of the following (TL) :

	<u>31 December 2013</u>	<u>31 December 2012</u>
Prepaid taxes and funds	<u>163.537</u>	<u>154.225</u>
Total	<u>163.537</u>	<u>154.225</u>

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
VAT payable	<u>431.560</u>	<u>865.579</u>
Total (Note 23 (ii))	<u>431.560</u>	<u>865.579</u>

14. Equity

a) Paid-in capital

As of 31 December 2013 and 31 December 2012, the Company's registered share capital amounts to TL 20.000.000 while the issued and paid-in capital amounts to TL 10.650.794. The issued capital consists of 1.065.079.400 shares of Kr 1 nominal value each. The Company's shareholding structure is elaborated in Note 1.

b) Capital adjustment differences

As of 31 December 2013 and 31 December 2012, the difference arising from restatement of nominal capital amounts to TL 54.712.578 (Note 1).

c) Financial assets value increase fund

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2013 and 31 December 2012. The Company monitors the increases and decreases which arise from fair value recognition under "Financial Assets Value Increase Fund" in the Shareholder's Equity account in the financial statements. Accordingly, there is a value decrease of TL 279.783 as of 31 December 2013 and a value increase of TL 1.289.429 as of 31 December 2012 both of which is stated in the "Financial Assets Value Increase Fund" account (Note 4).

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14. Equity (continued)

d) Restricted profit reserves

As of 31 December 2013, the restricted profit reserves consist of legal reserves amounting to TL 2.765.034 (31 December 2012 - TL 2.587.834).

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

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

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

e) Retained Earnings/(Accumulated Losses)

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Extraordinary reserves	220.699.909	144.939.337
Retained earnings	<u>11.786.437</u>	<u>75.760.572</u>
Total	<u>232.486.346</u>	<u>220.699.909</u>

15. Sales and Cost of Sales

Sales revenues consist of the following (TL) :

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
Income on sale of real estate	1.151.185	4.756.027
Rent income	13.320.811	10.512.867
Income on land sales	<u>17.736.302</u>	<u>42.081</u>
Total	<u>32.208.298</u>	<u>15.310.975</u>

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15. Sales and Cost of Sales (continued)

Cost of sales consist of the following (TL) :

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
Cost of real estate sold	958.394	3.773.021
Cost of land sold	<u>1.104.173</u>	<u>60.739</u>
Total	<u>2.062.567</u>	<u>3.833.760</u>

Cost of sales basically consists of cost of land sales and cost of real estate sales. As of 31 December 2013 and 31 December 2012, there is no impairment loss in relation to real estate sold during the year (Note 7).

16. General Administration Expenses

General administration expenses consist of the following (TL) :

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
General administration expenses	<u>5.278.313</u>	<u>3.507.801</u>
Total	<u>5.278.313</u>	<u>3.507.801</u>

17. Expenses by Nature

General administration expenses consist of the following (TL) :

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
Outsourced repair work and services	1.422.223	775.088
Personnel expenses	1.262.924	1.169.885
Lawsuits, execution, and notary expenses	768.644	30.033
Taxes, duties, and fees	708.155	459.753
Rental expenses	578.792	474.916
Provision for unused leaves	5.122	57.872
Bank expenses	55.495	40.585
Other consultancy expenses	53.150	14.000
Legal consultancy expenses	33.550	33.550
Financial consultancy and audit expenses	33.100	32.722
Publishing expenses	16.461	22.663
Depreciation and amortisation	15.833	21.948
Communication expenses	11.707	13.608
Project preparation and translation expenses	2.411	1.619
Other	<u>310.746</u>	<u>359.559</u>
Total	<u>5.278.313</u>	<u>3.507.801</u>

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17. Expenses by Nature (continued)

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

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
General administration expenses	<u>15.833</u>	<u>21.948</u>
Total	<u>15.833</u>	<u>21.948</u>

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
Tangible assets (Note 9)	1.583	1.460
Intangible assets (Note 10)	<u>14.250</u>	<u>20.488</u>
Total	<u>15.833</u>	<u>21.948</u>

Expenses related to employee benefits consist of the following (TL) :

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
General administration expenses	<u>1.268.046</u>	<u>1.227.757</u>
Total	<u>1.268.046</u>	<u>1.227.757</u>

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
Wages and salaries	1.102.607	1.020.963
Personnel transportation expenses	24.079	29.722
Personnel catering expenses	19.103	16.327
Personnel health expenses	4.661	4.265
Provision for unused leaves	5.122	57.872
Other personnel expenses	<u>112.474</u>	<u>98.608</u>
Total	<u>1.268.046</u>	<u>1.227.757</u>

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18. Other Operating Income / (Expenses)

Other operating income consists of the following (TL):

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
Increase arising from change in fair value (Note 8)	29.391.020	9.022.028
Turkish Ministry of Environment and Forestry - Rental income	1.091.586	915.280
Turkish Ministry of Environment and Forestry - Land appropriation	233.077	227.503
Income from real estate other than rental income	129.333	381.340
Provisions no longer required (Note 5)	55.508	22.238
Electricity, water, transmission line	8.277	7.821
Foreign exchange gains	29.870.927	2.258.534
Interest income	2.396.394	3.993.584
Gain on sale of other marketable securities	431.381	117.978
Income from maturity differences	169.287	28.120
Rediscount interest income	828	1.192
Other	<u>172.291</u>	<u>80.108</u>
Total	<u>63.949.909</u>	<u>17.055.726</u>

Other operating expenses consist of the following (TL):

	<u>1 January 2013 31 December 2013</u>	<u>1 January 2012 31 December 2012</u>
Foreign exchange losses	2.615.229	9.400.408
Rediscount interest expenses	828	829
Loss on sale of marketable securities	149.654	-
Provision for doubtful receivables (Note 5)	32.314	-
Turkish Ministry of Environment and Forestry - Rental provision	1.288.168	1.070.601
Turkish Ministry of Environment and Forestry - Land appropriation	233.077	227.503
Electricity, water, transmission line	8.277	7.821
Other	<u>154.194</u>	<u>66.040</u>
Total	<u>4.481.741</u>	<u>10.773.202</u>

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19. Income / (Expenses) from Investing Operations

Income from investing operations consist of the following (TL):

	<u>1 January 2013- 31 December 2013</u>	<u>1 January 2012- 31 December 2012</u>
Dividend income	32.933	16.240
Disposal of fixed assets	<u>16.520</u>	<u>-</u>
	<u>49.453</u>	<u>16.240</u>

20. Tax Assets and Liabilities

In Turkey, the corporation tax rate for 2013 is 20% (31 December 2012 - 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
As per statutory books	84.385.039	14.268.178
Other deductions	(84.385.039)*	(14.268.178)*
Sub total	<u>-</u>	<u>-</u>
Tax rate (%)	20	20
Tax provision	<u>-</u>	<u>-</u>

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

Deferred Tax Assets and Liabilities

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2013 and 31 December 2012 (Note 2 (viii) (j)).

21. Earnings per Share

Calculation of earnings per share is made as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Profit for the period	84.385.039	14.268.178
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	10.650.794	10.650.794
Earnings per share (TL)	7,9229	1,3396

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22. Related Party Disclosures

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

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Attaş Alarko Turistik Tesisler A.Ş.	13.154.950	-	9.992.028	-
Less: Deferred income	(<u>828</u>)	-	(<u>829</u>)	-
Total (Note 5)	<u>13.154.122</u>	<u>-</u>	<u>9.991.199</u>	<u>-</u>

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

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Attaş Alarko Turistik Tesisler A.Ş.	-	-	1.168.660	-
Alarko Holding A.Ş.	5.196	-	37.819	-
Altek Alarko Elekt. Sant. Tes. İşl. ve Tic. A.Ş.	-	-	4.987	-
Alarko Carrier San. ve Tic. A.Ş.	<u>47.740</u>	<u>-</u>	<u>1.507</u>	<u>-</u>
Total (Note 5)	<u>52.936</u>	<u>-</u>	<u>1.212.973</u>	<u>-</u>

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Dividends payable (Note 6)	<u>-</u>	<u>574</u>

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22. Related Party Disclosures (continued)

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

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
<u>Expenses</u>		
Foreign exchange losses	106.356	191.402
Rental expenses	577.907	474.916
Services received	736.799	215.996
Rediscount expenses	828	829
Other expenses	<u>24.643</u>	<u>66.009</u>
Total	<u>1.446.533</u>	<u>949.152</u>

	<u>31 December 2013</u>	<u>31 December 2012</u>
<u>Income</u>		
Rental income	11.061.263	8.446.093
Turkish Ministry of Environment and Forestry - Land appropriation	233.077	227.503
Turkish Ministry of Environment and Forestry - Rent (2%)	1.092.549	915.280
Interest income	13.589	19.823
Other	<u>41.210</u>	<u>69.382</u>
Total	<u>12.441.688</u>	<u>9.678.081</u>

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22. Related Party Disclosures (continued)

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

Breakdown of transactions with related parties on company basis is as follows (TL):

<u>Purchases</u>	31 December 2013			31 December 2012		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tes. A.Ş.	187.352	642.370	107.184	871.942	158.525	191.402
Alarko Carrier San. ve Tic. A.Ş.	50.970	-	3.328	-	-	4.663
Altek Alarko Elekt. Sant. Tes Tic. A.Ş.	-	774	-	-	4.227	-
Alarko Holding A.Ş.	-	81.204	611.674	-	93.321	433.210
Alsim Alarko San. Tes. ve Tic. A.Ş. *	5.500.000	-	-	-	-	-
Total	5.738.322	724.348	722.186	871.942	256.073	629.275

<u>Sales</u>	31 December 2013			31 December 2012		
	Goods	Services	Other	Goods	Services	Other
Attaş Alarko Turistik Tes. A.Ş.	-	-	11.977.054	-	-	9.213.368
Alarko Holding A.Ş.	-	-	32.933	-	-	27.558
Alarko Carrier San. ve Tic. A.Ş.	-	-	340.765	-	-	344.609
Alsim Alarko San. Tes. ve Tic. A.Ş.	-	-	-	-	-	6.578
Altek Alarko Elekt. Sant. Tes. İşl. ve Tic. A.Ş.	-	-	90.936	-	-	85.968
Total	-	-	12.441.688	-	-	9.678.081

* 10 stores in Büyükçekmece Alkent 2000 housing complex were bought (Note 8).

As of 31 December 2013 and 31 December 2012, there are no doubtful receivables arising from related parties.

As of 31 December 2013 and 31 December 2012, the salaries and similar remuneration provided to top management amounts to TL 854.343 and TL 769.068, gross, respectively.

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23. Nature and Level of Risks Arising from Financial Instruments

Financial instruments and financial risk management

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

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

i. Credit Risk

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

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

Maturity and guarantee structure of receivables and cash and cash equivalents as of 31 December 2013 (TL) :

	Receivables				Bank deposits	Cash and cash equivalents
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
31 December 2013						
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (1) (Notes 3,5,6)	13.154.122	88.263	-	60.951	36.933.182	2.203.881
- Maximum risk secured by guarantee	-	137.970	-	-	-	-
A- Net book value of financial assets neither overdue nor impaired (2) (Notes 3,5,6)	13.154.122	88.263	-	60.951	36.933.182	2.203.881
B- Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C- Net book value of assets overdue but not impaired (3)	-	-	-	-	-	-
Portion secured by guarantee	-	-	-	-	-	-
D- Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value) (Note 5)	-	166.359	-	-	-	-
- Impairment (-) (Note 5)	-	(166.359)	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E- Off-balance sheet items having credit risk	-	-	-	-	-	-

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

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

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

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

Maturity and guarantee structure of receivables and cash and cash equivalents as of 31 December 2012 (TL) :

	Receivables				Bank deposits	Cash and cash equivalents
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
31 December 2012						
Maximum credit risk exposure as of the reporting date (A+B+C+D+E) (1) (Notes 3,5,6)	9.991.199	177.255	-	12.205	19.993.122	2.437.298
- Maximum risk secured by guarantee	-	305.041	-	-	-	-
A- Net book value of financial assets neither overdue nor impaired (2) (Notes 3,5,6)	9.991.199	169.209	-	12.205	19.993.122	2.437.298
B- Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C- Net book value of assets overdue but not impaired (3)	-	8.046	-	-	-	-
Portion secured by guarantee	-	-	-	-	-	-
D- Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value) (Note 5)	-	189.553	-	-	-	-
- Impairment (-) (Note 5)	-	(189.553)	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E- Off-balance sheet items having credit risk	-	-	-	-	-	-

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

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

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

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

i. Credit Risk (continued)

As of 31 December 2013 and 31 December 2012, the aging of assets past due but not impaired is as follows (TL):

31 December 2013	Related Parties	Trade Receivables
1-30 days past due	-	-
1-3 months past due	-	-
3-12 months past due	-	-
1-5 years past due	-	-
- Portion secured with guarantee	-	-

31 December 2012	Related Parties	Trade Receivables
1-30 days past due	-	-
1-3 months past due	-	-
3-12 months past due	-	8.046
1-5 years past due	-	-
- Portion secured with guarantee	-	-

ii. Liquidity Risk

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

The following table shows the maturity distribution of the Company's non-derivative short term financial liabilities as of 31 December 2013 and 31 December 2012 (TL):

31 December 2013	Book Value	Total Cash Outflows	Less than 3 months
Trade payables to related parties (Note 5)	52.936	52.936	52.936
Other trade payables (Note 5)	1.104.354	1.104.354	1.104.354
Other payables (Notes 6 and 13)	439.134	439.134	439.134

31 December 2012	Book Value	Total Cash Outflows	Less than 3 months
Trade payables to related parties (Note 5)	1.212.973	1.212.973	1.212.973
Other trade payables (Note 5)	965.573	965.573	965.573
Other payables (Notes 6 and 13)	874.441	874.441	874.441

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

ii. Liquidity Risk (continued)

The maturity table of the assets and liabilities prepared according to their remaining maturities as of 31 December 2013 is as follows (TL):

	31 December 2013					Total
	0-1 month	1-3 months	3-6 months	6-12 months	More than 1 year	
Monetary Assets						
Cash and cash equivalents	4.395.702	-	-	-	-	4.395.702
Inventories	-	-	4.730.000	-	15.068.264	19.798.264
Other assets	61.458	112.747	11.904	166.352	-	352.461
Trade and other receivables, net	88.263	-	-	-	60.951	149.214
Due from related parties, net	-	-	-	-	-	-
Total Assets in TL	4.545.423	112.747	4.741.904	166.352	15.129.215	24.695.641
Cash and cash equivalents	18.494.284	16.247.077	-	-	-	34.741.361
Financial assets	-	-	-	129.292.842	-	129.292.842
Trade receivables, net	-	-	-	-	-	-
Due from related parties, net	13.154.122	-	-	-	-	13.154.122
Total Assets in Foreign Currency	31.648.406	16.247.077	-	129.292.842	-	177.188.325
Total Monetary Assets	36.193.829	16.359.824	4.741.904	129.459.194	15.129.215	201.883.966
Monetary Liabilities						
Trade payables	1.104.354	-	-	-	-	1.104.354
Due to related parties	52.936	-	-	-	-	52.936
Provision for termination indemnity	-	-	-	-	152.677	152.677
Deposits and guarantees received	-	-	-	-	47.974	47.974
Advances received	5.471	10.942	-	-	-	16.413
Provisions For Other Short Term Debts and Expenses	439.134	-	-	-	62.994	502.128
Employee benefits	58.305	-	-	-	-	58.305
Total Liabilities in TL	1.660.200	10.942	-	-	263.645	1.934.787
Total Liabilities in Foreign Currency	-	-	-	-	268.774	268.774
Total Monetary Liabilities	1.660.200	10.942	-	-	532.419	2.203.561

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

ii. Liquidity Risk (continued)

The maturity table of the assets and liabilities prepared according to their remaining maturities as of 31 December 2012 is as follows (TL):

	31 December 2012					Total
	0-1 month	1-3 months	3-6 months	6-12 months	More than 1 year	
Monetary Assets						
Cash and cash equivalents	2.481.303	-	-	-	-	2.481.303
Inventories	-	-	12.808.999	-	4.321.594	17.130.593
Other assets	36.789	69.542	6.347	212.797	-	325.475
Trade and other receivables, net	137.727	39.528	-	-	12.205	189.460
Due from related parties, net	-	-	-	-	-	-
Total Assets in TL	2.655.819	109.070	12.815.346	212.797	4.333.799	20.126.831
Cash and cash equivalents	9.874.106	10.075.011	-	-	-	19.949.117
Financial assets	106.977.778	-	-	-	-	106.977.778
Trade receivables, net	-	-	-	-	-	-
Due from related parties, net	9.991.199	-	-	-	-	9.991.199
Total Assets in Foreign Currency	126.843.083	10.075.011	-	-	-	136.918.094
Total Monetary Assets	129.498.902	10.184.081	12.815.346	212.797	4.333.799	157.044.925
Monetary Liabilities						
Trade payables	965.573	-	-	-	-	965.573
Due to related parties	1.212.973	-	-	-	-	1.212.973
Provision for termination indemnity	-	-	-	-	120.456	120.456
Deposits and guarantees received	-	-	-	-	87.542	87.542
Advances received	5.107	10.214	-	-	582.758	598.079
Provisions For Other Short Term Debts and Expenses	874.441	-	-	-	58.446	932.887
Employee benefits	50.978	-	-	-	-	50.978
Total Liabilities in TL	3.109.072	10.214	-	-	849.202	3.968.488
Total Liabilities in Foreign Currency	-	-	-	-	166.497	166.497
Total Monetary Liabilities	3.109.072	10.214	-	-	1.015.699	4.134.985

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23. Nature and Level of Risks Arising from Financial Instruments (continued)

iii. Market Risk

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

iv. Foreign Currency Risk

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

As of 31 December 2013, the Company's net foreign currency position is TL 176.919.551 (31 December 2012 - TL 136.751.597). An increase/decrease of 10% in the foreign exchange rates will increase/decrease the Company's profit by a total of TL 17.691.956, respectively.

Foreign currency position

On "totals" basis;

	<u>31 December 2013</u>	<u>31 December 2012</u>
A. Foreign currency assets	177.188.325	136.918.094
B. Foreign currency liabilities	<u>268.774</u>	<u>166.497</u>
Net foreign currency position (A-B)	<u><u>176.919.551</u></u>	<u><u>136.751.597</u></u>

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

iv. Foreign Currency Risk (continued)

Foreign Currency Position

Breakdown on foreign currency basis;

	31 December 2013			31 December 2012		
	TL Equivalent (Functional Currency)	Foreign Currency Amount	Foreign Exchange Rate (Full)	TL Equivalent (Functional Currency)	Foreign Currency Amount	Foreign Exchange Rate (Full)
1.Banks						
USD	12.875.446	6.032.631	2,1343	2.848.673	1.598.044	1,7826
Euro	21.865.915	7.446.251	2,9365	17.100.444	7.271.524	2,3517
2.Financial assets						
USD	129.292.842	60.578.570	2,1343	106.977.778	60.012.217	1,7826
3.Due from related parties						
USD	13.154.122	6.163.202	2,1343	9.991.199	5.604.846	1,7826
TOTAL ASSETS DENOMINATED IN FOREIGN CURRENCY	177.188.325			136.918.094		
Deposits and guarantees received (Long term)						
USD	268.774	125.931	2,1343	166.497	93.402	1,7826
TOTAL LIABILITIES DENOMINATED IN FOREIGN CURRENCY	268.774			166.497		
NET FOREIGN CURRENCY POSITION	176.919.551			136.751.597		

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

iv. Currency Risk (continued)

Foreign currency position sensitivity analysis as of 31 December 2013 is as follows(TL):

Table of Foreign Currency Position Sensitivity Analysis				
31 December 2013				
	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	When USD changes by 10% against TL:		When USD changes by 10% against TL:	
1- USD net asset/liability	15.505.364	(15.505.364)	-	-
2- Amount hedged from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	15.505.364	(15.505.364)	-	-
	When Euro changes by 10% against TL:		When Euro changes by 10% against TL:	
4- Euro net asset/liability	2.186.592	(2.186.592)	-	-
5- Amount hedged from Euro risk (-)	-	-	-	-
6- Avro Net Effect (4+5)	2.186.592	(2.186.592)	-	-
Total (3+6)	17.691.956	(17.691.956)	-	-

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

iv. Currency Risk (continued)

Foreign currency position sensitivity analysis as of 31 December 2012 is as follows (TL):

Table of Foreign Currency Position Sensitivity Analysis				
31 December 2012				
	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	When USD changes by 10% against TL:		When USD changes by 10% against TL:	
1- USD net asset/liability	11.965.115	(11.965.115)	-	-
2- Amount hedged from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	11.965.115	(11.965.115)	-	-
	When Euro changes by 10% against TL:		When Euro changes by 10% against TL:	
4- Euro net asset/liability	1.710.044	(1.710.044)	-	-
5- Amount hedged from Euro risk (-)	-	-	-	-
6- Avro Net Effect (4+5)	1.710.044	(1.710.044)	-	-
Total (3+6)	13.675.159	(13.675.159)	-	-

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

v. Interest Risk

The Company's activities are exposed to interest rate risk due to the differences in payment date and payment amounts or restructuring of interest sensitive assets and liabilities. Corresponding interest rate risk is managed by natural measures aimed to balance assets and liabilities having interest rate sensitivity.

As of 31 December 2013 and 31 December 2012, the Company does not have significant financial assets with interest sensitivity.

vi. Share Price Risk

The Company is exposed to stock price risk which is the risk of encountering price changes in securities included in the Company portfolio. As of 31 December 2013, if there is a 10% increase/decrease in the best bid among current orders pending at the Istanbul Stock Exchange which are used in valuation of these securities with other variables remaining constant, the Company's equity will be higher/lower by a total of TL 283.431, net, without any effect in profit/loss (31 December 2012 - TL 311.410) (Note 4).

vii. Capital Risk Management

For proper management of capital risk, the Company aims

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

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

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

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

vii. Capital Risk Management (continued)

The general strategy of the Company has not changed with respect to that of the prior year. As of 31 December 2013 and 31 December 2012, the ratio of the total capital to total debts, net, is as follows (TL):

	<u>31 December 2013</u>	<u>31 December 2012</u>
Total debt	2.203.561	4.134.411
Less: cash and cash equivalents	<u>(39.137.063)</u>	<u>(22.430.420)</u>
Net debt	<u>(36.933.502)</u>	<u>(18.296.009)</u>
Total equity	386.557.149	304.754.439
Debt/Equity ratio	(10)%	(6)%

The change in debt/equity ratio is due to the decrease in the Company's current assets arising from the utilization of liquid funds of the Company in fixed asset acquisitions and the decrease in short term liabilities related to the decrease in order advances received upon delivery of villas sold by the Company.

24. Financial Instruments (Disclosures related to fair value and hedge activities)

Financial Instruments

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

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

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

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24. Financial Instruments (Disclosures related to fair value and hedge activities) (continued)

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

Financial Assets

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

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

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

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

Financial Liabilities

Trade payables have been presented at their fair values.

25. Events After the Reporting Period

The termination indemnity upper limit which stood at TL 3.254,44 as of 31 December 2013 has been increased to TL 3.438,22 with effect from 1 January 2014 (31 December 2012 - TL 3.033,98).

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

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

31 December 2013	TL 115.033.163
31 December 2012	TL 89.611.274

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27. Supplementary Notes

As of 31 December 2013 and 31 December 2012, compliance with portfolio restrictions is monitored as follows:

	Main Account Items of Unconsolidated (Separate) Financial Statements	Related Regulation	Current Period (TL) 31 December 2013	Prior Period (TL) 31 December 2012
A	Money Market and Capital Market Instruments	Serial VI, No : 11, Art. 27/(b)	171.264.218	132.522.293
B	Real estates, real estate projects and rights supported by real estates	Serial VI, No : 11, Art. 27/(a)	203.784.264	165.839.593
C	Affiliates	Serial VI, No : 11, Art. 27/(b)	1.339	1.696
	Due from Related Parties (Non-Trade)	Serial VI, No : 11, Art. 24/(g)	-	-
	Other Assets		13.710.889	10.525.268
D	Total Assets	Serial VI, No : 11, Art. 4/(i)	388.760.710	308.888.850
E	Financial Liabilities	Serial:VI, No : 11, Art. 35	-	-
F	Other Financial Liabilities	Serial:VI, No : 11, Art. 35	-	-
G	Lease Obligations	Serial:VI, No : 11, Art. 35	-	-
H	Due to Related Parties (Non-Trade)	Serial VI, No : 11, Art. 24/(g)	-	-
I	Equity	Serial:VI, No : 11, Art. 35	386.557.149	304.754.439
	Other Liabilities		2.203.561	4.134.411
D	Total Liabilities and Equity	Serial VI, No : 11, Art. 4/(i)	388.760.710	308.888.850
	Other Unconsolidated (Separate) Financial Data	Related Regulation	Current Period (TL) 31 December 2013	Prior Period (TL) 31 December 2012
A1	Part of Money Market Instruments and Capital Market Instruments Held for Real Estates (3 Years)	Serial VI, No : 11, Art. 27/(b)	-	-
A2	Time and Demand Deposits in TL/Foreign Currency	Serial VI, No : 11, Art. 27/(b)	36.933.182	19.993.122
A3	Foreign Capital Market Instruments	Serial VI, No : 11, Art. 27/(c)	-	-
B1	Real estates, real estate projects and rights supported by real estates	Serial VI, No : 11, Art. 27/(c)	-	-
B2	Lands Held Idle	Serial VI, No : 11, Art. 27/(d)	43.092.735	39.590.594
C1	Foreign Investments	Serial VI, No : 11, Art. 27/(c)	-	-
C2	Participation in the Operating Company	Serial VI, No : 11, Art. 32/A	1.339	1.696
J	Non-cash Loans	Serial VI, No : 11, Art. 35	1.972.628	2.473.671
K	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Serial VI, No : 11, Art. 25/(n)	-	-

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27. Supplementary Notes (continued)

As of 31 December 2013 and 31 December 2012, compliance with portfolio restrictions is monitored as follows (continued):

	Portfolio Limitations	Related Regulation	Current Period 31 December 2013	Prior Period 31 December 2012	Ratio of Minimum/ Maximum
1	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Serial VI, No : 11, Art. 25/(n)	0,00%	0,00%	10%
2	Real estates, real estate projects and rights supported by real estates	Serial VI, No : 11, Art. 27/(a), (b)	52,42%	53,69%	51%
3	Money Market and Capital Market Instruments and Subsidiaries	Serial VI, No : 11, Art. 27/(b)	44,05%	42,90%	49%
4	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Serial VI, No : 11, Art. 27/(c)	0,00%	0,00%	49%
5	Lands Held Idle	Serial VI, No : 11, Art. 27/(d)	11,08%	12,82%	20%
6	Participation in the Operating Company	Serial VI, No : 11, Art. 32/A	0,00%	0,00%	10%
7	Borrowing Limit	Serial VI, No : 11, Art. 35	0,51%	0,81%	500%
8	Time and Demand Deposits in TL/Foreign Currency	Serial VI, No : 11, Art. 27/(b)	9,50%	6,47%	10%

As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Gazette dated 28.05.2013, the Article 27(c) of the “Communiqué on Principles Regarding Real Estate Investment Trusts” states that “The rate of lands and registered lands which are in the portfolio but which, in spite of a period of five years having elapsed from their acquisition, have not been administrated for any project development cannot exceed 20% of the total assets.” As per the financial statements as of 31 December 2013, the ratio of the Company’s plots of land to the total assets is 11,08 % which is a rate that falls within the limit stated in the Communiqué.

Further to the above, the Article 24(a) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs are required to invest in real estate, rights supported by real estate, and real estate projects at a minimum rate of 51% of their portfolio values”. As per the financial statements of 31 December 2013, this rate is 52,42% and stays within the limits introduced by the Communiqué.

Further, the Article 24(b) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs can invest in the assets stated in Article 22.1(k) and the investments stated in Article 28 of the Communiqué up to a maximum of 49% of the portfolio value.” As per the financial statements of 31 December 2013, this rate is 44,05% and stays within the limits introduced by the Communiqué.

The article 24 (b) of the said communiqué promulgates that “The companies can invest in time deposit and demand deposits in Turkish Liras or any foreign currency for investment purposes at a maximum rate of 10% of their total assets”. In the 31 December of 2013 financial statements, this rate is 9,50% and stays within the limits introduced by the Communiqué.

The borrowing limit and the rates of participation in the operating company are also contained within the said limits. There are no other portfolio limitations.