

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 2)*

**TSKB Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi**

Financial Statements
As At and For the Year Ended
31 December 2010
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

7 February 2011

*This report contains 2 pages of independent
auditors' report and 46 pages of financial
statements and notes to the financial
statements.*

TSKB Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

Table of contents

Independent Auditors' Report

Statement of Financial Position

Statement of Income

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish

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

Introduction

We have audited the accompanying financial statements of TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2010, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Management Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards promulgated by Capital Markets Board of Turkey (see Note 2).

Other matter

The financial statements of the Company as at and for the year ended 31 December 2009 were audited by other auditors who expressed an unqualified opinion for the financial statements as at 31 December 2009 in their report dated 29 January 2010.

Istanbul, 7 February 2011

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Orhan Akova
Partner

Additional paragraph for convenience translation to English:

As discussed in Note 2.1.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

CONTENTS

	<u>Page</u>
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF INCOME	2
STATEMENT OF COMPREHENSIVE INCOME	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
 NOTES TO THE FINANCIAL STATEMENTS	
Note 1 Organisation and nature of operations	6
Note 2 Basis of presentation of financial statements	7-15
Note 3 Segment reporting	16-18
Note 4 Cash and cash equivalents	19
Note 5 Loans and borrowings	20-21
Note 6 Trade receivables and payables	22
Note 7 Investment property	23-26
Note 8 Tangible assets	26
Note 9 Intangible assets	27
Note 10 Provisions, contingent assets and liabilities	27-28
Note 11 Provision for employee benefits	29
Note 12 Other current/non-current assets and short-term/long-term liabilities	30-31
Note 13 Equity	31-32
Note 14 Sales and cost of sales	33
Note 15 Administrative expenses	34
Note 16 Selling and marketing expenses	35
Note 17 Other operating income/expenses	35
Note 18 Financial income/expenses	36
Note 19 Tax assets and liabilities	36
Note 20 Earnings per share	36
Note 21 Related party disclosures	37-39
Note 22 Nature and level of risk arising from financial instruments	39-46
Note 23 Financial instruments	46

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

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

ASSETS	<i>Notes</i>	Audited 31 December 2010	Audited 31 December 2009
CURRENT ASSETS		35,242,060	7,688,225
Cash and cash equivalents	4	30,218,484	3,744,835
Trade receivables	6	1,450,418	840,794
- Due from related parties	21	1,100	-
- Other trade receivables	6	1,449,318	840,794
Other receivables	12	3,573,158	3,102,596
NON-CURRENT ASSETS		301,936,766	290,663,216
Investment property	7	290,261,000	278,975,800
Tangible assets	8	39,357	25,429
Intangible assets	9	12,753	-
Other non-current assets	12	11,623,656	11,661,987
TOTAL ASSETS		337,178,826	298,351,441
LIABILITIES AND EQUITY			
SHORT-TERM LIABILITIES		22,977,107	20,430,874
Loans and borrowings	5	20,170,320	12,163,009
- Due to related parties	21	20,170,320	12,163,009
Trade payables	6	987,508	4,397,393
- Due to related parties	21	2,811	-
- Other trade payables	6	984,697	4,397,393
Employee benefits	11	7,094	8,686
Other short-term liabilities	12	1,812,185	3,861,786
LONG-TERM LIABILITIES		93,267,980	113,787,844
Loans and borrowings	5	93,160,794	113,699,732
- Due to related parties	21	93,160,794	113,699,732
Employee benefits	11	31,769	8,602
Other long-term liabilities	12	75,417	79,510
EQUITY		220,933,739	164,132,723
Paid in capital	13	150,000,000	100,000,000
Share premium	13	593,140	-
Restricted reserves	13	152,670	152,670
Retained earnings		63,980,053	8,634,031
Net profit for the period		6,207,876	55,346,022
TOTAL LIABILITIES AND EQUITY		337,178,826	298,351,441

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

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

	<i>Notes</i>	Audited 1 January- 31 December 2010	Audited 1 January- 31 December 2009
Sales	14	14,380,937	4,723,321
Cost of sales	14	(6,498,316)	(694,651)
Gross profit		7,882,621	4,028,670
Administrative expenses	15	(3,293,575)	(1,749,342)
Selling and marketing expenses	16	(2,438,461)	(899,286)
Other operating income	17	5,444,040	52,632,236
Other operating expense	17	(248,918)	(41,573)
Operating profit		7,345,707	53,970,705
Finance income	18	5,649,568	1,676,424
Finance expenses	18	(6,787,399)	(301,107)
Profit before tax from continuing operations		6,207,876	55,346,022
Tax income/expenses on continuing operations			
- Current tax income/(expense)	19	-	-
- Deferred tax income /(expense)	19	-	-
Net profit from continuing operations		6,207,876	55,346,022
Net profit for the period after tax from discontinued operations		-	-
NET PROFIT FOR THE PERIOD		6,207,876	55,346,022
Earnings per share	20	0.0452	0.5535

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Audited	Audited
	1 January- 31 December 2010	1 January- 31 December 2009
NET PROFIT FOR THE PERIOD	6,207,876	55,346,022
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	6,207,876	55,346,022

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

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

	<i>Notes</i>	Share capital	Share premium	Restricted reserves	Retained earnings	Net profit for the period	Total
Balances at 1 January 2009		100,000,000	-	43,301	5,680,434	3,062,966	108,786,701
<i>Total comprehensive income</i>							
Net profit for the period		-	-	-	-	55,346,022	55,346,022
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	55,346,022	55,346,022
<i>Transaction with owners of the Company, recognised directly in equity</i>							
Transfers		-	-	109,369	2,953,597	(3,062,966)	-
Total transaction with owners of the Company		100,000,000	-	152,670	8,634,031	-	108,786,701
Balances at 31 December 2009		100,000,000	-	152,670	8,634,031	55,346,022	164,132,723
Balances at 1 January 2010		100,000,000	-	152,670	8,634,031	55,346,022	164,132,723
<i>Total comprehensive income</i>							
Net profit for the period		-	-	-	-	6,207,876	6,207,876
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	6,207,876	6,207,876
<i>Transaction with owners of the Company, recognised directly in equity</i>							
Capital increase	13	50,000,000	-	-	-	-	50,000,000
Issued share premium	13	-	593,140	-	-	-	593,140
Transfers		-	-	-	55,346,022	(55,346,022)	-
Total transaction with owners of the Company		150,000,000	593,140	152,670	63,980,053	-	214,725,863
Balances at 31 December 2010	13	150,000,000	593,140	152,670	63,980,053	6,207,876	220,933,739

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

		Audited	Audited
		1 January -	1 January -
	<i>Notes</i>	31 December	31 December
		2010	2009
<u>Cash flows from operating activities</u>			
Net profit for the period		6,207,876	55,346,022
Adjustments to:			
Change in fair value of investment property	7	(5,424,030)	(52,048,945)
Interest income		(2,057,549)	(844,005)
Interest expense		6,787,399	301,107
Provision for doubtful receivables	15	975,759	-
Income accruals	12	(37,778)	30,475
Provision for tax penalty	17	43,783	-
Other provisions		(88,443)	-
Provision for vacation pay liability	15	(1,592)	6,752
Depreciation expense	8	19,281	14,308
Amortisation expense	9	3,762	-
Provision for employee severance indemnity	15	23,167	7,392
Cash flows provided by operating activities before the changes in working capital		6,451,635	2,813,106
Restricted balances on cash and cash equivalents		(3,626,836)	-
Change in financial investments		-	489,300
Change in trade receivables		(1,585,383)	(863,685)
Change in other assets		(397,182)	(5,005,315)
Change in trade payables		(3,409,885)	4,241,323
Change in other liabilities		(2,009,035)	(952,024)
Net cash used in operating activities		(4,576,686)	722,705
<u>Cash flows used in investing activities</u>			
Interest received		1,991,704	844,005
Acquisition of investment property		(6,236,475)	(77,136,567)
Proceeds from sale of investment property	7	-	2,514,080
Acquisition of tangible assets	8	(33,209)	(35,182)
Acquisition of intangible assets	9	(16,515)	-
Net cash used in investing activities		(4,294,495)	(73,813,664)
<u>Cash flows from financing activities</u>			
Proceeds from initial public offering	13	52,500,000	-
Initial public offering expenses	13	(1,906,860)	-
Interest paid		(6,787,399)	(593,107)
Proceeds from loans and borrowings		4,341,580	56,798,815
Repayment of loans and borrowings		(16,495,173)	(3,193,186)
Repayment of finance lease liabilities		-	(21,741)
Net cash provided by financing activities		31,652,148	52,990,781
Effect of changes in foreign currency rates over cash and cash equivalents		-	-
Net increase / (decrease) in cash and cash equivalents		22,780,967	(20,100,178)
Cash and cash equivalents at 1 January	4	3,744,835	23,845,013
Cash and cash equivalents at 31 December	4	26,525,802	3,744,835

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

1. ORGANISATION AND NATURE OF OPERATIONS

TSKB Gayrimenkul Yatırım Ortaklığı AŞ’s (the “Company”) main activity is to invest in properties, property projects and property related capital market instruments. The Company was established on 3 February 2006.

The headquarters of the Company is registered in Meclisi Mebusan Cad. Molla Bayırı Sok. No: 1 34427 Fındıklı - Istanbul, Turkey. The number of personnel employed in the Company as at 31 December 2010 is 10 (31 December 2009: 9).

The Company is a subsidiary of Türkiye Sınai Kalkınma Bankası AŞ (“TSKB”) and was registered on 3 February 2006. In accordance with the relevant article of the Capital Markets Board of Turkey (“CMB”) Communiqué on the Principles of Real Estate Investment Trusts, which was in force at that date, as real estate investment trusts have to apply to the CMB with the request that the share certificates representing at least 49% of the paid-in capital that will be offered to the public are registered in the time periods changing according to the capital amounts, and as the period expires on 3 February 2007 for the Company, the Company applied to the CMB on 30 January 2007 for the extension of the public offering for one year, considering the risk perceptions regarding the existing and expected market conditions, and received the extension approval on 12 March 2007. It was stated in the letter sent by the CMB to the Company on 17 December 2007, relating to the permission application for the increase of the Company’s paid-in capital in 2007 from TL 10,000,000 to TL 75,000,000, that the deadline for board registry application for the public offering of the Company shares was extended to 3 February 2009 as the capital of the Company was increased to TL 75,000,000, in accordance with the CMB decision dated 19 April 2007.

The Company decided that its paid-in capital, which was TL 75,000,000, would be increased by TL 25,000,000, to TL 100,000,000, with the registered capital ceiling of TL 100,000,000, and that the increased capital would be paid by the shareholders in proportion to their shares, in its extraordinary general assembly dated 24 November 2008. The capital increase was registered on 28 November 2008 and was published in the Turkish Trade Registry Gazette No. 7202, dated 3 December 2008. Again, in accordance with the Communiqué article which was in force at that date, as it was foreseen that the public offering of the real estate investment trusts whose paid in capital is TL 100,000,000 or more, is to be made within five years of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, the CMB informed the Company with the letter dated 10 November 2008 that the deadline for the public offering of the Company shares is 3 February 2011.

On the other hand, with the amendment dated 31 December 2009 made by the CMB to the Communiqué on the Principles of Real Estate Investment Trusts, the application that a time is granted for trusts which are established instantaneously or which become real estate investment trusts by amendment of articles of association with regards to a public offering, is cancelled and it is made obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares be registered. In addition, in the temporary article prepared to clarify the status of the existing real estate investment trusts whose shares are not offered to the public, against the amendment in the Communiqué, it is foreseen that companies with the status of real estate investment trust by establishment or transformation before the publishing date of the Communiqué amendment, would apply to the CMB with the request that minimum 25% of their issued capital be offered to the public.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

1. ORGANISATION AND NATURE OF OPERATIONS *(continued)*

As per the Board of Directors resolution dated 2 February 2010 numbered 96, it has been decided to increase the paid in capital of the company by TL 50,000,000 to 150,000,000 and the increased shares to be offered to the public through the restriction of the pre-emptive rights of the existing shareholders. With the capital increase by 50%, nominal value of C group shares amounting TL 50,000,000 (with additional sales TL 57,500,000) which will be offered to the public for the first time were registered by the CMB with the record number GYO 60/250 on 25 March 2010. Public offering of the shares was realised on 1 and 2 April 2010 and the Company shares are being traded on the Istanbul Stock Exchange since 9 April 2010.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1. Statement of compliance

The Company maintains its book of accounts and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Turkish Tax Code.

The accompanying financial statements have been prepared in accordance with the accounting and reporting principles issued by CMB through the reclassifications and adjustments to the statutory financial statements of the Company. The Company prepared the financial statements as at 31 December 2010 in accordance with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB (“CMB Financial Reporting Standards”) which are based on IAS/IFRS.

As at 31 December 2010, the accompanying financial statements of the Company have been approved by the Board of Directors of the Company on 7 February 2011. The General Assembly and related government institutions have the authorisation to revise these financial statements and statutory financial statements.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

2.1.2. Basis of presentation of financial statements

As at 31 December 2010, the financial statements and the accompanying notes are presented in accordance with the formats required by the CMB, with the announcement dated 17 April 2008, including the compulsory disclosures.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

2.1. Basis of presentation *(continued)*

2.1.3. Functional and presentation currency

These financial statements are presented in Turkish Lira (“TL”), which is the Company’s functional currency. All financial information is presented in TL unless otherwise stated.

2.1.4. Comparative information

The accompanying financial statements are presented comparatively in order to identify trends in the Company’s financial position, performance and cash flows. Where necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative figures are reclassified and material changes are disclosed in the related notes. In the current period, there is no any reclassification in order to meet the consistency with the presentation of the financial statements at the previous period.

2.2. Changes in accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements. Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements.

2.3. Changes in accounting estimates and errors

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

Estimates and underlying assumptions are audited on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant estimates and judgments used by the Company are included in the following notes:

Note 6 – Trade receivables

Note 7 – Fair value measurement of investment property

Note 8 – Useful lives of tangible assets

Note 9 – Useful lives of intangible assets

Note 10 – Provisions, contingent assets and liabilities

Note 11 – Provision for employee benefits

Note 23 – Financial instruments

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

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

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB’s International Financial Reporting Interpretation Committee (“IFRIC”) which are effective as at 31 December 2010.

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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements. It is not expected to have any effect on the financial statements of the Company.

2.5. Summary of significant accounting policies

Significant accounting policies applied during the preparation of the financial statements are summarised as follows.

2.5.1. Accounting of income and expense

Sales revenue

Revenue includes sales income, rental income and income from allocation of expenses to tenants.

Rental income

Rental income from investment property leased out under operating lease is recognised in profit or loss on accrual basis.

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

Interest income and expense

Interest income and expense is recognised through profit or loss on accrual basis by using the effective interest method.

If borrowing costs are totally related with an investment property in progress, these borrowing costs are included in the cost of mentioned investment property. Other borrowing costs are recognised through profit or loss by using the effective interest rate.

Other income and expense

Foreign exchange gains/losses except totally related with an investment property in progress, are recognised on a net basis.

Other income and expense are recognised through profit or loss on accrual basis.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

2.5.2. Investment property

i) Operating investment property

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at its cost and after initial recognition, investment properties are carried at fair value and changes in fair value are recognised in the profit or loss for the related period.

The cost of an investment property consist of acquiring cost and related transaction costs which is directly attributable to acquisition.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties, where relevant, associated costs.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market’s general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property.

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

Accounting of rental income which is arising from investment property are mentioned at Note 2.5.1.

When the use of a property changes such that it is reclassified as tangible assets, its fair value at the date of reclassification becomes its cost for subsequent accounting.

ii) Investment property under construction

Investment property under construction are those which are held either to earn income or for capital appreciation or for both, in the future. The Company’s properties constructed for future use as investment property were shown in property and equipment until year 2009, and under investment property starting from 1 January 2009. When the fair values of such properties cannot be determined reliably until the construction is completed, the Company accounts for such investment property under construction using the cost model until the date the construction is completed.

All costs directly associated with the purchase and construction of an investment property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalised.

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

2.5.3. Tangible assets

All tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and if any borrowing cost.

When parts of a tangible asset have different useful lives, they are accounted for as separate items (major components) of tangible assets.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

2.5.3. Tangible assets *(continued)*

Gains or losses on disposal of a tangible asset is determined by offsetting the carrying value with recovered amount and recognised through profit or loss in the other operating income / loss account. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Depreciation

Depreciation is recognised on a straight-line basis over the useful lives of the tangible assets from the date of acquisition. The estimated useful lives of tangible assets are as follows:

Fixtures and fittings	5 years
Vehicles	5 years

Subsequent costs

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in profit or loss as expense as incurred. The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5.4. Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets is calculated on a straight-line basis over the inflation adjusted values of the useful life of the related assets. The expected useful lives of intangible assets are 2 years.

2.5.5. Impairment of assets

The Company determines whether there are any indicators for impairment at every balance sheet date. In the case of an indicator, the recoverable value of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

2.5.6. Financial instruments

The Company has the following financial assets: cash and cash equivalents and trade receivables; and has the following financial liabilities: loans and borrowings, finance lease liabilities and trade payables.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

2.5.6. Financial instruments *(continued)*

i) Non-derivative financial assets

The Company initially recognises the financial assets on the date they are originated.

Financial instruments are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank deposits with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values.

Reverse repo receivables

Securities purchased under agreements to resell are recorded as reverse repo receivables under cash and cash equivalents in the financial statements. Income accrual is accounted for the difference between the purchase and resale prices earned during the period.

Due from / Due to related parties

The shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. The carrying amounts of due from and due to related parties are close to their fair values.

Trade receivables

Trade receivables are initially recognised at fair value. Subsequent to initial recognition, those assets are measured at amortised cost using the effective interest method, less any impaired losses at each reporting dates. If there is an objective evidence of uncollectibility, the Company books a provision for the doubtful receivables and losses are recognised in profit or loss. Provision is the difference between the carrying value of the receivables and probable amount of the collection. The Company management believes that the carrying amounts of trade and other receivables approximate to their fair values.

ii) Non-derivative financial liabilities

The Company initially recognises non-derivative financial liabilities on the date that they are originated. All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

The Company has the following non-derivative financial liabilities: financial liabilities and trade payables.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

2.5.6. Financial instruments *(continued)*

ii) Non-derivative financial liabilities *(continued)*

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

iii) Share capital

Ordinary shares

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

2.5.7. Foreign currency transactions

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company are expressed in TL, which is the functional currency of the Company and the presentation currency for the financial statements.

Transactions in foreign currencies are translated into functional currency at Central Bank’s exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. Gains or losses on translation of foreign currency denominated transactions to TL or presentation of foreign currency denominated monetary assets are recognised in profit or loss.

2.5.8. Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (see Note 20).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustments on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates.

2.5.9. Subsequent events

Subsequent events represent the events that occur against or on behalf of the Company between the balance sheet date and the date when balance sheet was authorised for the issue. There are two types of subsequent events:

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

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

2.5.10. Provisions, contingent liabilities and contingent assets

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

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

2.5.11. Leases

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

The Company as lessor in the operating lease transactions

Operating lease income is recognised in profit or loss with straight-line method through the term of the lease.

The Company as lessee in the operating lease transactions

Operating lease expense is recognised in profit or loss with straight-line method through the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised on a straight-line basis over the lease term.

The Company as lessee in the finance lease transactions

Tangible assets that are acquired through financial lease are recorded as asset in the statement of financial position of the Company and related payments are recognised as financial lease obligation in liabilities. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

2.5.12. Related parties

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

2.5.13. Segment reporting

Each segment’s information is used for the evaluation and allocation of the resources separately by the management. Since these segments are affected from different economic conditions, they are managed and reported separately.

2.5.14. Government grants and incentives

As explained below in 2.5.15, the Company is exempted from the corporation tax because of its real estate investment trust company status.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

2.5.15. Taxation

Corporate income tax

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts (“REIT”) is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

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

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

Based on the resolution of the Council of Ministers related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the New Corporate Tax Law, real estate investment company earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Since the Company is exempt from Corporate Income Tax in Turkey in accordance with Article 5 of the Corporate Tax Law, deferred tax is not recognised.

2.5.16. Employee benefits / reserve for employee severance indemnity

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

The provision for employee severance indemnity has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. Reserve for employee severance indemnity is calculated based on the ceiling rate announced by the Government.

2.5.17. Statement of cash flows

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions. For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, receivables from reverse repos and bank deposits having maturities shorter than 3 months.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

3. SEGMENT REPORTING

Segment reporting are monitored on the project basis by the Company management. Also, each segment’s information is used for the evaluation and allocation of the resources separately by the management.

The accounting policies which are applied for segment reporting are the same as used in the Company’s financial statements.

	Pendorya Mall	Fındıklı Building 1	Fındıklı Building 2	Tahir Building	Adana land project development	Total
31 December 2010						
Rental income	7,519,668	2,400,900	2,246,112	40,009	-	12,206,689
Pendorya Mall service and management charges	2,174,248	-	-	-	-	2,174,248
Sales	9,693,916	2,400,900	2,246,112	40,009	-	14,380,937
Cost of sales	6,136,046	157,221	162,402	42,647	-	6,498,316
Gross profit	3,557,870	2,243,679	2,083,710	(2,638)	-	7,882,621
Valuation gain on investment property	1,815,773	1,300,647	1,811,263	380,000	116,347	5,424,030
Other operating profit	1,815,773	1,300,647	1,811,263	380,000	116,347	5,424,030
Capital expenditure	5,806,054	154,353	28,737	-	420,340	6,409,484

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

3. SEGMENT REPORTING (continued)

	Pendorya Mall	Fındıklı Building 1	Fındıklı Building 2	Tahir Building	Adana land project development	Total
31 December 2009						
Rental income	243,591	2,245,301	2,101,545	58,434	-	4,648,871
Pendorya Mall service and management charges	74,450	-	-	-	-	74,450
Sales	318,041	2,245,301	2,101,545	58,434	-	4,723,321
Cost of sales	458,784	104,635	108,083	23,149	-	694,651
Gross profit	(140,743)	2,140,666	1,993,462	35,285	-	4,028,670
Valuation gain on investment property	48,815,173	1,420,000	2,100,000	470,000	(756,228)	52,048,945
Other operating profit	48,815,173	1,420,000	2,100,000	470,000	(756,228)	52,048,945
Capital expenditure	76,439,120	697,447	-	-	-	77,136,567

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

3. SEGMENT REPORTING *(continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	31 December 2010	31 December 2009
Revenue		
Total revenue for reportable segments	14,380,937	4,723,321
Total sales revenue	14,380,937	4,723,321
Profit or loss		
Total profit or loss for reportable segments	6,498,316	694,651
Total profit or loss	6,498,316	694,651
Assets		
Total assets for reportable segments	290,261,000	278,975,800
Other assets	46,917,826	19,375,641
Total assets	337,178,826	298,351,441
Liabilities		
Total liabilities for reportable segments	113,330,810	125,862,437
Other liabilities	2,914,277	8,356,281
Total liabilities	116,245,087	134,218,718

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

4. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Cash	3,668	1,561
Banks-Demand deposits ^(*)	204,809	304,274
Banks-Time deposits	24,349,624	-
Receivables from reverse repo agreements ^(*)	5,660,383	3,439,000
Cash and cash equivalents on the statement of financial position	30,218,484	3,744,835
Interest accrued on cash equivalents	(65,845)	-
Restricted balance	(3,626,837)	-
Cash and cash equivalents on the statement of cash flows	26,525,802	3,744,835

^(*) TSKB and the Company have signed an “Account Restriction Contract” numbered 96686-11110 and dated 27 September 2010 for the guarantee of the repayment of the loan utilised by the Company from TSKB. According to the agreement, TSKB, with the demand of the Company, may perform reverse repo, stock exchange transactions and other capital market transactions on behalf of TSKB GYO. As at 31 December 2010, the total amount of restricted balance is TL 3,626,837 which comprises of receivables from receivables from reverse repo agreements amounting to TL 3,595,962 and demand deposits amounting to TL 30,875 (31 December 2009: nil).

As at 31 December 2010, the details of time deposits at banks are as follows:

31 December 2010	Amount	Interest rate (%)	Maturity
TL	16,538,149	8.75	1 February 2011
TL	7,811,475	9.05	3 January 2011
	24,349,624		

As at 31 December 2010, receivables from reverse repo agreements are as follows:

31 December 2010	Amount	Interest rate (%)	Maturity
TL – restricted	1,500,510	6.20	3 January 2011
TL – restricted	1,500,304	7.40	3 January 2011
TL – restricted	467,128	5.00	3 January 2011
TL – restricted	128,020	5.75	3 January 2011
TL - unrestricted	2,000,411	7.50	3 January 2011
TL - unrestricted	64,010	5.75	3 January 2011
	5,660,383		

As at 31 December 2009, receivables from reverse repo agreements are as follows:

31 December 2009	Amount	Interest rate (%)	Maturity
TL	3,439,000	6.25	4 January 2010

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

5. LOANS AND BORROWINGS

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

	31 December 2010	31 December 2009
<u>Short-term:</u>		
Current portion of long-term bank borrowings	20,170,320	12,163,009
Short-term finance lease payables	-	-
Total	20,170,320	12,163,009
<u>Long-term:</u>		
Long-term bank borrowings	93,160,490	113,699,428
Long-term finance lease payables	304	304
Total	93,160,794	113,699,732
Total loans and borrowings	113,331,114	125,862,741

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

31 December 2010				
Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
USD	Libor + 4.50	23,651,688	6,834,737	29,730,774
Euro	Euribor + 5.00	18,321,360	7,199,856	30,342,444
Euro	Euribor + 5.50	16,218,652	5,365,879	27,867,760
Euro	Euribor + 3.75	2,922,923	769,848	5,219,512
			20,170,320	93,160,490
31 December 2009				
Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
USD	Libor + 4.50	25,691,870	3,937,324	34,746,924
Euro	Euribor + 5.00	19,848,834	4,492,567	38,386,870
Euro	Euribor + 5.50	17,216,234	2,915,471	34,276,761
Euro	Euribor + 3.75	3,289,599	817,647	6,288,873
			12,163,009	113,699,428

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

5. LOANS AND BORROWINGS (continued)

There is a mortgage amounting to USD 82,500,000 and EUR 25,500,000 on the Pendik land owned by the Company due to the loans received from banks. Amounting to USD 78,375,000 and EUR 24,225,000 of this mortgage are on the 19/20 shares of the Company, remaining of the mortgage is on the 1/20 share. There is mortgage on the Adana land amounting to USD 15,000,000 due to the loan received from banks (Note 10).

Financial lease obligations

Financial lease obligations are as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
31 December 2010			
Less than one year	483	(483)	-
Short-term financial lease obligations	483	(483)	-
Between one and two years	1,431	(1,213)	218
Between two and five years	561	(475)	86
Long-term financial lease obligations	1,992	(1,688)	304
	Future minimum lease payments	Interest	Present value of minimum lease payments
31 December 2009			
Less than one year	268	(268)	-
Short-term financial lease obligations	268	(268)	-
Between one and two years	1,130	(958)	172
Between two and five years	862	(730)	132
Long-term financial lease obligations	1,992	(1,688)	304

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

6. TRADE RECEIVABLES AND PAYABLES

Trade receivables

Current trade receivables

	31 December 2010	31 December 2009
Other trade receivables ^(*)	1,382,448	840,794
Due from related parties (Note 21)	1,100	-
Doubtful receivables	1,042,629	-
Less: Allowance for doubtful receivables	(975,759)	-
Total	1,450,418	840,794

(*) As at 31 December 2010, current trade receivables comprise of rent receivables amounting to TL 486,020, receivables arising from Pendorya Mall cost allocation charges amounting to TL 253,569, receivables arising from cost allocation charges to project partners of the projects amounting to TL 458,116 and other trade receivables amounting to TL 184,743.

As at 31 December 2010 and 31 December 2009, the movement of doubtful trade receivables related to rent receivables and receivables from cost allocation charges from Pendorya Mall is as follows:

	31 December 2010	31 December 2009
Beginning of the period	-	-
Allowance for the period	975,759	-
End of the period	975,759	-

Non-current trade receivables

None.

Trade payables

Short-term trade payables

	31 December 2010	31 December 2009
Other trade payables ^(*)	984,697	4,397,393
Due to related parties (Note 21)	2,811	-
Total	987,508	4,397,393

(*) As at 31 December 2010, short-term trade payables comprise of trade payables arising from payables to contractors amounting to TL 435,543, payables for consulting services amounting to TL 81,315, payables for advertising services amounting to TL 146,065, payables to security services amounting to TL 57,712 and other payables amounting to TL 264,062.

Long-term trade payables

None.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

7. INVESTMENT PROPERTY

As at 31 December 2010 and 31 December 2009, the details of investment properties are as follows:

	31 December 2010	31 December 2009
Investment property under operating lease	278,535,000	267,340,000
Investment property under construction	11,726,000	11,635,800
Total	290,261,000	278,975,800

The movement of investment property as at 31 December 2010 and 31 December 2009 are presented below:

31 December 2010	1 January 2010	Transfers	Additions	Disposals	Change in fair value	31 December 2010
Tahir Building	5,885,000	-	-	-	380,000	6,265,000
Fındıklı Building 1	36,935,000	-	154,353	-	1,300,647	38,390,000
Fındıklı Building 2	36,750,000	-	28,737	-	1,811,263	38,590,000
Pendorya Mall	187,770,000	-	5,806,054	(101,827)	1,815,773	195,290,000
Adana Land Project Development	11,635,800	-	420,340	(446,487)	116,347	11,726,000
	278,975,800	-	6,409,484	(548,314)	5,424,030	290,261,000

31 December 2009	1 January 2009	Transfers	Additions	Disposals	Change in fair value	31 December 2009
Tahir Building	5,415,000	-	-	-	470,000	5,885,000
Fındıklı Building 1	35,515,000	-	-	-	1,420,000	36,935,000
Fındıklı Building 2	34,650,000	-	-	-	2,100,000	36,750,000
Pendorya Mall	-	65,029,787	76,439,120	(2,514,080)	48,815,173	187,770,000
Adana Land Project Development	-	11,694,581	697,447	-	(756,228)	11,635,800
	75,580,000	76,724,368	77,136,567	(2,514,080)	52,048,945	278,975,800

Capitalised interest and foreign currency effect costs on loans received from TSKB amounting to USD 25,000,000 and EUR 36,250,000 and used for Pendorya Mall Project are TL 10,507,184 and TL 6,309,568, respectively. The project has been completed as at 16 December 2009 and no capitalisation has been made during the current year.

The interest paid and interest accrual between the period between 1 January – 31 December 2010 from the loan received from Türkiye İş Bankası AŞ amounting to EUR 3,275,000 used for Adana development project is TL 296,418. The foreign currency effect capitalised on the development cost of the Project is reversed due to the decrease in the foreign currency rates amounting to TL 402,237. As at 31 December 2010, capitalised interest expense and foreign currency effect on cost of Adana land project development are TL 1,412,483 and TL 187,160, respectively.

The interest paid and interest accrual between the period between 1 January – 31 December 2009 from the loan received from Türkiye İş Bankası AŞ amounting to EUR 3,275,000 used for Adana development project is capitalised under project development cost amounting to TL 579,803 and also capitalised foreign currency effect is TL 63,683. As at 31 December 2009, capitalised interest expense and foreign currency effect on cost of Adana land project development are TL 1,116,065 and TL 589,397, respectively.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

7. INVESTMENT PROPERTY *(continued)*

Tahir Building

Tahir Building is registered in Beyoğlu, Kemankeş Street, Murakıp District, map 121, plot 77, parcel 57. The parcel has an area of 606.62 square meters. The building area is calculated as 3,300 square meters according to the measurements made.

The value of the investment property was determined as TL 2,591,110 for 106/144 shares according to the report dated 7 November 2005 prepared by the experts assigned by the Commercial Court, and this amount was transferred by TSKB to the Company as capital in kind on 6 March 2006. TL 38,880 paid by the Company to public institutions for the transfer of the investment property was capitalised. According to the report dated 9 December 2010 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Tahir Building is determined as TL 6,265,000 according to the market value approach. Rental income amounting to TL 40,009 was earned for Tahir Building for the the year ended 31 December 2010 (31 December 2009: TL 58,434). There is no restriction on the investment property.

Fındıklı Building 1

Fındıklı Building 1 is registered in Beyoğlu, Mebusan Street, map 85, plot 19, parcel 110. The parcel has a right for an area of 1,695.50 square meters and a subway of 89.39 square meters.

The investment property was purchased from TSKB at TL 32,858,918 on 27 December 2007. TL 465,000 paid by the Company to public institutions for the transfer of the investment property was capitalised. In accordance with the report dated 9 December 2010 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Fındıklı Building 1 is determined as TL 38,390,000 according to the market value approach.

In accordance with the decision taken in the board of directors meeting, held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income amounting to TL 2,400,900 was earned for Fındıklı Building 1 for the year ended 31 December 2010 (31 December 2009: TL 2,245,301). There is no restriction on the investment property.

Fındıklı Building 2

Fındıklı Building 2 is registered in Beyoğlu, Mebusan Street, map 84, plot 1486, parcel 76. The parcel has an easement right for an area of 2,503.18 square meters and subway of 89.39 square meters.

The investment property was purchased from TSKB at TL 31,140,783 on 27 December 2007. TL 463,200 paid by the Company to public institutions for the transfer of the investment property was capitalised. According to the report dated 9 December 2010 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Fındıklı Building 2 is determined as TL 38,590,000 according to the market value approach.

In accordance with the decision taken in the board of directors meeting, held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income amounting to TL 2,246,112 was earned for Fındıklı Building 2 for the year ended 31 December 2010 (31 December 2009: TL 2,101,545). There is no restriction on the investment property.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

7. INVESTMENT PROPERTY *(continued)*

Pendorya Mall

Pendorya Mall is registered in Pendik, Doğu District, plot 105, map 865, parcel 64. The parcel has an area of 23,182.96 square meters. In Pendorya Mall, whose leasable area is 30,275 square meters, there are 106 stores spread over eight floors. The Company has 95% stake in Pendorya Mall. Pendorya Mall was recognised as tangible asset at cost until 1 January 2009 and classified to the investment property with its cost value on 1 January 2009.

Pendorya Mall was opened on 17 December 2009 following the completion of construction and it was measured at fair value as at 31 December 2009. The value increase of TL 48,815,173, arising from the difference between the cost and fair value at 31 December 2009, was accounted for under other operating income.

According to the report dated 29 December 2010 prepared by Elit Ekspertiz ve Değerleme AŞ, which is included in the list to provide valuation service by the CMB, the fair value assessed for 95% shares of Pendorya Mall owned by the Company, was determined as TL 195,290,000 according to income approach. Income approach refers to the long-term projection using present value of after-tax cash flows to be generated by the property in the future years. The future cash flows were calculated using the assumptions taken into consideration the store rental agreements and meetings with the Company. The cash inflows from projections are discounted to present value with a discount rate suitable with the risk level of the economy, sector and investment and its fair value of the mall was calculated including the land. The cash flow is calculated on the Euro cash flows of the projection and 7% discount rate was used on the model. Occupancy rates for the year 2011, 2012 and 2013 are 95%, 98% and 99% respectively.

There are mortgages amounting to USD 82,500,000 and EUR 25,500,000 on the Pendik land owned by the Company due to the loans received from TSKB. Amounting to USD 78,375,000 and EUR 24,225,000 of this mortgage are on the 19/20 shares of the Company, remaining of the mortgage is on the 1/20 share (Note 10).

The 90% (31 December 2009: 76%) of the rentable area of Pendorya Mall, which was opened on 17 December 2009, has been rented as at 31 December 2010. Rental income amounting to TL 7,519,668 was earned for Pendorya Mall during the year ended 31 December 2010 (31 December 2009: TL 243,591).

Adana Land Project Development

The Adana land is registered in Adana province, Seyhan Town, Çınarlı District, map 1653, plot 143. The parcel has an area of 3,608 square meters. The shareholding structure of the land purchased in the scope of the ongoing project development stage in Adana is 50%-50%.

The Adana land was purchased at TL 9,863,151 on 6 November 2007. According to the report dated 15 December 2010 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of the Adana land is determined as TL 11,726,000 for 50% shares of the land owned by the Company determined according to the market value approach.

There is mortgage on the Adana land amounting to USD 15,000,000 due to the loan received from Türkiye İş Bankası AŞ (Note 10).

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

7. INVESTMENT PROPERTY (continued)

Operating leases

The Company as lessor

The Company has signed operating lease agreements with Pendorya Mall tenants and TSKB as lessor. The future minimum lease payments as at 31 December 2010 and 31 December 2009 under non-cancellable leases are as follows:

	31 December 2010	31 December 2009
Less than one year	12,781,612	11,759,227
Between one and five years	37,644,499	44,764,457
More than five years	18,633,746	21,361,672
Total	69,059,857	77,885,356

8. TANGIBLE ASSETS

Movement schedule of tangible assets for the year ended 31 December 2010 and 31 December 2009 are as follows:

	1 January 2010	Additions	Disposals	Transfers	31 December 2010
<u>Cost</u>					
Furniture and fixtures	29,526	33,209	-	-	62,735
Vehicles	32,402	-	-	-	32,402
	61,928	33,209	-	-	95,137
<u>Accumulated depreciation</u>					
Furniture and fixtures	27,024	7,156	-	-	34,180
Vehicles	9,475	12,125	-	-	21,600
	36,499	19,281	-	-	55,780
	25,429				37,265

	1 January 2009	Additions	Disposals	Transfers	31 December 2009
<u>Cost</u>					
Furniture and fixtures	26,746	2,780	-	-	29,526
Vehicles	-	32,402	-	-	32,402
Pendorya Mall	65,029,787	-	-	(65,029,787)	-
Adana land project development	11,694,581	-	-	(11,694,581)	-
	76,751,114	35,182		(76,724,368)	61,928
<u>Accumulated depreciation</u>					
Furniture and fixtures	22,191	4,833	-	-	27,024
Vehicles	-	9,475	-	-	9,475
	22,191	14,308	-	-	36,499
	76,728,923				25,429

As at 31 December 2010 and 31 December 2009, there is no pledge on tangible assets.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

9. INTANGIBLE ASSETS

For the year ended 31 December 2010, the movement of intangible assets is as follows:

	1 January 2010	Additions	Disposals	Transfers	31 December 2010
<u>Cost</u>					
Software	-	16,515	-	-	16,515
	-	16,515	-	-	16,515
<u>Accumulated amortisation</u>					
Software	-	3,762	-	-	3,762
	-	3,762	-	-	3,762
Net	-	12,753			12,753

As at 31 December 2010, the Company does not have any internally generated intangible assets.

10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2010 and 31 December 2009, there is not any lawsuit claimed against or claimed by the Company.

The details of letter of guarantees received are as follows:

	31 December 2010	31 December 2009
Letters of guarantees received	7,544,193	7,107,073
Total	7,544,193	7,107,073

Letters of guarantee received consist of letters of guarantee received from contractors of Pendorya Mall project and from tenants for shopping mall.

According to the decision of CMB on 29 September 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party’s debts,;

The commitments given;

For companies other than publicly owned associations and financial institutions;

- i) For their own corporate identities,
- ii) In favor of fully consolidated entities,
- iii) In favor of 3rd parties to continue their operations will not be limited,

After the decision is published at the Platform of Public Enlightenment, publicly owned companies will not give commitments to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitments have already been given they will be reduced to nil until 31 December 2014.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

As at 31 December 2010 and 31 December 2009 commitments given are as follows:

	31 December 2010	31 December 2009
A. Commitments given in the name of own legal entity	197,297,198	192,928,006
B. Commitments given in favor of full consolidated subsidiaries	-	-
C. Commitments given to guarantee the debts of third parties to continue their operations	-	-
D. Other commitments given;	-	-
- in favor of parent company	-	-
- in favor of group companies other than mentioned in bullets B and C	-	-
- in favor of group companies other than mentioned in bullets B and C	-	-
Total	197,297,198	192,928,006

The details of letter of guarantees given are as follows:

	31 December 2010	31 December 2009
Mortgages given	193,997,198	192,928,006
Letters of guarantee given	3,300,000	-
Total	197,297,198	192,928,006

There are mortgages amounting to USD 82,500,000 and EUR 25,500,000 on Pendik land owned by the Company due to the received from TSKB. Amounting to USD 78,375,000 and EUR 24,225,000 of this mortgage are on the 19/20 shares of the Company, remaining of the mortgage is on the 1/20 share. In addition, there is a mortgage amounting to USD 15,000,000 on the Adana land due to the loans received from Türkiye İş Bankası AŞ.

With the Board of Directors resolution numbered 105 dated 30 March 2010, a letter of guarantee was given to the Istanbul Metropolitan Municipality amounting to TL 3,000,000 for the road construction around Pendorya Mall. Remaining TL 300,000 is a letter of guarantee given to Milli Piyango, with the Board of Directors resolution numbered 124 dated 12 October 2010 which is related to lottery organisation for the first year celebration of the Pendorya Mall.

Restrictions on the investment portfolio of real estate investment

In accordance with the 27/b article of the Communiqué on Real Estate Investment Trusts numbered 11 of the CMB; the Company can keep maximum 10% of its portfolio in demand or time deposits in foreign or local currencies. According to the Article 27/d of the same Communiqué, the percentage of land which is in the portfolio without any project savings for developing on it within five years after the purchase date, cannot exceed 10% of its portfolio. In accordance with the Article 35 of the Communiqué on Real Estate Investment Trusts, the Company is restricted from using bank loans more than three times of the net asset value in the last three months.

As of 31 December 2010 and 31 December 2009, the Company complied with all these restrictions.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

11. PROVISION FOR EMPLOYEE BENEFITS

	31 December 2010	31 December 2009
<i>Short-term</i>		
Provision for unused vacation	7,094	8,686
<i>Long-term</i>		
Provision for employee severance indemnity	31,769	8,602
Total	38,863	17,288

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2010 is TL 2,517 (31 December 2009: TL 2,365).

In accordance with TAS 19 – *Employee Benefits*, the Company is required to use actuarial valuation methods in estimating the liability related with current retirement plans. As at 31 December 2010 and 31 December 2009, employee severance indemnity in the accompanying financial statements has been calculated using the following actuarial assumptions;

	31 December 2010	31 December 2009
Discount rate	4.66%	5.92%
Estimated retirement turnover rate	100%	95%

Movement of provision for employee termination benefits is as follows:

	31 December 2010	31 December 2009
Opening balance	8,602	1,210
Service cost	8,483	88
Interest cost	24,466	72
Actuarial difference	(9,782)	7,232
Closing balance	31,769	8,602

The Company recognises the actuarial differences through profit or loss.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

12. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER SHORT-TERM / LONG-TERM LIABILITIES

Other current assets

	31 December 2010	31 December 2009
VAT carried forward	3,114,890	2,361,379
Prepaid taxes and funds	316,399	262,186
Income accruals	37,778	-
Prepaid expenses	22,731	169,821
Advances given	19,869	144,594
Other	61,491	164,616
Total	3,573,158	3,102,596

Other non-current assets

	31 December 2010	31 December 2009
VAT carried forward	11,481,662	11,538,401
Deposits and guarantees given	135,775	111,210
Prepaid expenses	6,219	12,376
Total	11,623,656	11,661,987

Other short-term liabilities

	31 December 2010	31 December 2009
Unearned revenue ^(*)	1,537,029	128,903
Taxes and duties payable	221,988	827,951
Provision for default interest on overdue tax payment ^(**)	43,783	-
Expense accruals	9,385	97,828
Provision for construction firm payments	-	2,788,518
Other	-	18,586
Total	1,812,185	3,861,786

(*) As of 31 December 2010 and 31 December 2009, unearned revenue for the following months comprise of rent income collected in advance.

(**) According to Article 5/1(d) (4) of Corporate Tax Law, the income of Real Estate Investment Trusts is exempt from Corporate Income Tax. In March 2010, tax penalties have been charged by the Tax Inspector Board to the Company for the income arising for the period that the shares of the Company were not publicly traded claiming that Real Estate Investment Trusts whose shares are not publicly traded shall not benefit from that exemption. Tax penalty is calculated by Tax Inspectors Board by deducting tax receivable amounting to TL 110,889 from the tax base of the Company. The Company has requested tax settlement on 29 March 2010, the tax settlement has been made on 26 November 2010. According to the tax settlement, tax receivable amounting to TL 110,889 is deducted from the tax penalty base. The reimbursement pursuant to the tax receivable of the Company has not been approved and the Company made provision amounting to TL 43,783 for the calculated default interest on overdue tax fidelity.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

12. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER SHORT-TERM / LONG-TERM LIABILITIES (continued)

Other long-term liabilities

	31 December 2010	31 December 2009
Deposits and guarantees received	75,417	79,510
Total	75,417	79,510

13. EQUITY

13.1. Paid in capital

At 31 December 2010 and 31 December 2009, the issued and fully paid-in share capital of the Company is as follows:

	Group	31 December 2010		31 December 2009	
		Share %	Amount (TL)	Share %	Amount (TL)
Türkiye Sınai Kalkınma Bankası AŞ	A	6.67	10,000,000	10.00	10,000,000
Türkiye Sınai Kalkınma Bankası AŞ	B	2.73	4,091,111	4.09	4,091,111
Türkiye Sınai Kalkınma Bankası AŞ	C	49.61	74,408,889	81.91	81,908,889
Yatırım Finansman Menkul Değerler AŞ	C	1.33	2,000,000	2.00	2,000,000
TSKB AŞ Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	C	0.77	1,150,000	1.15	1,150,000
TSKB Gayrimenkul Değerleme AŞ	C	0.30	449,998	0.45	450,000
TSKB AŞ Memur Müstah. Yardım ve Emeklilik Vakfı	C	0.27	400,000	0.40	400,000
Other shareholders	C	0.00	2	-	-
Publicly held	C	38.32	57,500,000	-	-
Paid in capital		100.00	150,000,000	100.00	100,000,000

The Company shares are issued to three type of groups; Group A and Group B to names and the Group C to holders. The Group A and Group B shares have the right to vote for the election of members of the Board of Directors (“BOD”). Six members of the BOD shall be elected from candidates of the Group A shareholders and one member shall be elected from candidates of the Group B shareholders. Capital increases in the Group A, B and C shares are issued as the Group A, B and C shares, respectively. If the BOD restricts the right of owning new shares for shareholders, new shares are issued as the Group C shares.

As at 31 December 2010, the nominal paid-in capital of the Company comprises 150.000.000 shares of TL 1 for each (31 December 2009: TL 1, TL 100.000.000).

As at 31 December 2010, registered capital ceiling is TL 200,000,000 (31 December 2009: TL 100,000,000).

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

13. EQUITY

13.2. Restricted reserves

As at 31 December 2010 and 31 December 2009, restricted reserves comprised of the legal reserves amounting to TL 152,670.

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

In accordance with the Communiqué Serial: XI, No: 29 published on the Official Gazette dated 9 April 2008, paid in capital, share premium, special and legal reserves presented under restricted reserves shall be presented at their carrying amount in statutory records.

13.3. Share premium

Shares with TL 50,000,000 nominal value corresponding 33.33% of the share capital of the Company have been offered to public with a price of TL 1.05 per share on 1 and 2 April 2010 and TL 2,500,000 has been recognised in equity as “share premium”. Commission, advertisement and legal advice expenses attributable to the issuance of shares amounting to TL 1,906,860 have been presented as a deduction from the share premium.

13.4. Dividend distribution

In accordance with the announcement of CMB’s Serial: IV, Number: 27 for corporations traded at stock exchange market, that will distribute dividends, in relation to the resolutions in their general meeting the dividends may be in cash, may be free by adding the profit into equity, or may be partially from both, it is also permitted not to distribute determined first party dividends falling below 5 percent of the paid-in capital of the company but, corporations that increased capital before distributing the previous year’s dividends and as a result their shares are separated as “old” and “new” are obliged to distribute 1st party dividends in cash.

According to the decision of CMB, the net amount of distributable profit that is calculated per CMB’s minimum profit distribution requirements will be wholly distributed if met by the net distributable profit of statutory records, if the amount per CMB is not met by statutory records, the amount to be distributed will be limited to the amount at the statutory records. If losses are incurred in either of CMB or statutory financial statements, no profit will be distributed.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

14. SALES AND COST OF SALES

For the years ended 31 December 2010 and 2009, revenue is as follows:

Revenue	1 January - 31 December 2010	1 January - 31 December 2009
Rent income on Pendorya Mall	7,519,668	243,591
Rent income on Fındıklı Building 1	2,400,900	2,245,301
Rent income on Fındıklı Building 2	2,246,112	2,101,545
Rent income on Tahir Building	40,009	58,434
Total rent income	12,206,689	4,648,871
Pendorya Mall service and management charges	2,174,248	74,450
Total	14,380,937	4,723,321

For the years ended 31 December 2010 and 2009, cost of sales are as follows:

Cost of sales	1 January - 31 December 2010	1 January - 31 December 2009
Security expenses	760,312	98,556
Electricity, water and gas expenses	708,715	88,015
Cleaning expenses	622,430	74,369
Maintenance expenses	605,534	29,523
Taxes and levies	590,905	135,205
Consulting expenses	474,396	-
Management service expenses	465,600	32,840
Service expenses	390,537	19,124
Supplies	350,358	41,220
Food expenses	219,159	3,014
Transportation expenses	209,713	-
Penalties and fines	208,042	-
Insurance expenses	196,967	97,247
Water expenses	185,273	18,697
Natural gas expenses	116,935	14,605
Decoration expenses	64,847	-
Other expenses	328,593	42,236
Total	6,498,316	694,651

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

15. ADMINISTRATIVE EXPENSES

For the years ended 31 December 2010 and 2009, administrative expenses are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Personnel expenses	1,282,883	1,014,400
Provision for doubtful receivables	975,759	-
Initial public offering expenses ^(*)	457,367	-
Consultancy expenses	155,571	147,624
Advisory expenses	99,603	296,590
Travel and transportation expenses	86,268	64,377
Tax penalty expense ^(**)	81,748	-
Depreciation and amortisation expenses	23,043	14,308
Other expenses	131,333	212,043
Total	3,293,575	1,749,342

(*) Public offering expenses amounting to TL 457,367 comprises of quotation expenses amounting to TL 150,000, CMB registration expenses amounting to TL 118,400, Central Registry Agency subscription fee amounting to TL 52,500 and other initial public offering expenses amounting to TL 136,467. Commission expenses amounting to TL 1,185,188, advertising expenses amounting to TL 568,487 and legal advisory expenses amounting to TL 153,185, which are attributable to the issuance of shares, have been deducted from share premium amounting to TL 2,500,000.

(**) The income earned from real estate investment trust activities of the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 5/(1) 4-d of the Corporate Tax Law No: 5520 (“CTL”). In March 2010, tax penalties have been charged by the Tax Inspector Board to the Company for the income arising for the period that the shares of the Company were not publicly traded claiming that Real Estate Investment Trusts whose shares are not publicly traded shall not benefit from that exemption. The Company has requested tax settlement on 29 March 2010, the tax settlement has been made on 26 November 2010 and the Company has paid tax penalty amounting to TL 81,748.

Personnel expenses

	1 January - 31 December 2010	1 January - 31 December 2009
Salaries and wages	895,442	707,745
Salaries and other benefits paid to the BOD	250,347	232,200
Social security expenses	70,928	57,663
Provision for employment termination	23,167	7,392
Provision for vacation pay liability	-	6,752
Other	42,999	2,648
Total	1,282,883	1,014,400

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

16. SELLING AND MARKETING EXPENSES

For the years ended 31 December 2010 and 2009, selling and marketing expenses are as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
Advertising expenses	2,438,461	899,286
Total	2,438,461	899,286

17. OTHER OPERATING INCOME / EXPENSES

For the years ended 31 December 2010 and 2009, other operating income and expenses are as follows:

Other operating income	1 January - 31 December 2010	1 January - 31 December 2009
Fair value adjustment on investment property (Note 7)	5,424,030	52,048,945
Contractor firm detention value	-	538,831
Other income	20,010	44,460
Total	5,444,040	52,632,236

Other operating expenses	1 January - 31 December 2010	1 January - 31 December 2009
Tax receivable deducted from tax penalty base (Note 12)	110,889	-
Commission expenses	94,246	39,239
Provision for overdue tax payment (Note 12)	43,783	-
Other expense	-	2,334
Total	248,918	41,573

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

18. FINANCIAL INCOME / EXPENSES

For the years ended 31 December 2010 and 2009, financial income and expenses are as follows:

Financial income	1 January - 31 December 2010	1 January - 31 December 2009
Foreign exchange gains, net	3,571,969	825,299
Income from reverse repo agreements	1,488,372	285,255
Interest income from bank deposits	569,176	558,750
Income from trading securities	20,051	7,120
Total	5,649,568	1,676,424

Financial expenses	1 January - 31 December 2010	1 January - 31 December 2009
Interest expenses	6,787,399	301,107
Total	6,787,399	301,107

19. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law, the income of real estate investment trusts is exempt from Corporate Income Tax in Turkey.

Since the Company is exempt from the Corporate Tax in accordance with the law, deferred tax was not calculated.

20. EARNINGS PER SHARE

Earnings per share stated in statement of income is calculated by dividing net income for the period by the weighted average number of the Company's shares for the period. Calculation of the earnings per share for the period ended 31 December 2010 and 2009 are presented below:

	1 January - 31 December 2010	1 January - 31 December 2009
Net profit for the period	6,207,876	55,346,022
Weighted average number of shares	137,397,260	100,000,000
Earnings per share	0.0452	0.5535

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

21. RELATED PARTY DISCLOSURE

21.1. Related party balances

	31 December 2010	31 December 2009
<i>Banks – demand deposits</i>		
Türkiye İş Bankası AŞ	170,036	34,621
Türkiye Sınai Kalkınma Bankası AŞ	34,739	236,915
<i>Banks – restricted deposits- reverse repos</i>		
Türkiye Sınai Kalkınma Bankası AŞ	3,595,962	-
<i>Banks – reverse repos</i>		
Türkiye Sınai Kalkınma Bankası AŞ	2,064,421	-
Total	5,865,158	271,536
<i>Due from related parties</i>		
İş Finansal Kiralama AŞ	824	-
Vakıf Finansal Kiralama AŞ	276	-
Total	1,100	-
<i>Prepaid expenses</i>		
Türkiye Sınai Kalkınma Bankası AŞ	10,377	10,154
Anadolu Anonim Türk Sigorta Şirketi	6,197	-
Total	16,574	10,154
<i>Bank borrowings</i>		
Türkiye Sınai Kalkınma Bankası AŞ	107,341,449	118,755,917
Türkiye İş Bankası AŞ	5,989,361	7,106,520
Total	113,330,810	125,862,437
<i>Financial lease liabilities</i>		
Vakıf Finansal Kiralama AŞ	304	304
Total	304	304
<i>Due to related parties</i>		
Türkiye Sınai Kalkınma Bankası AŞ	2,079	-
Anadolu Anonim Türk Sigorta Şirketi	732	-
Total	2,811	-

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

21. RELATED PARTY DISCLOSURES (continued)

21.2. Related party transactions

	1 January - 31 December 2010	1 January - 31 December 2009
<i>Rent income from related parties</i>		
Türkiye Sınai Kalkınma Bankası AŞ	4,514,525	4,240,626
TSKB Gayrimenkul Değerleme AŞ	93,244	87,201
TSKB Yatırım Ortaklığı AŞ	10,500	9,820
TSKB Gayrimenkul Aracılık Hizmetleri AŞ	9,450	-
TSKB Gayrimenkul Danışmanlık AŞ	9,450	-
TSKB AŞ Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	6,804	6,363
Total	4,643,973	4,344,010
<i>Interest income from related parties</i>		
Türkiye İş Bankası AŞ	315,115	1,195
Total	315,115	1,195
<i>Interest expenses to related parties</i>		
Türkiye Sınai Kalkınma Bankası AŞ	6,787,399	301,107
Total	6,787,399	301,207
<i>Loan and insurance commission expenses</i>		
Türkiye Sınai Kalkınma Bankası AŞ	86,312	89,138
Türkiye İş Bankası AŞ	111	73
Total	86,423	89,211
<i>Other expenses</i>		
Türkiye Sınai Kalkınma Bankası AŞ	612,450	212,079
Yatırım Finansman Menkul Değerler AŞ	375,245	-
Total	987,695	212,079
<i>Capitalised interest expenses</i>		
Türkiye Sınai Kalkınma Bankası AŞ	-	6,932,210
Türkiye İş Bankası AŞ	296,418	579,803
Total	296,418	7,512,013

Benefits provided to key management personnel

Benefits provided to the Board of Directors, the Audit Committee and the General Manager for the year ended 31 December 2010 is TL 574,642 (31 December 2009: TL 529,724).

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

21. RELATED PARTY DISCLOSURES *(continued)*

21.2. Related party transaction *(continued)*

There are mortgages amounting to USD 82,500,000 and EUR 25,500,000 on the Pendik land owned by the Company due to the loans received from TSKB. Amounting to USD 78,375,000 and EUR 24,225,000 of this mortgage are on the 19/20 shares of the Company, remaining of the mortgage is on the 1/20 share. There is mortgage on the Adana land amounting to USD 15,000,000 due to the loan received (Note 10).

22. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk. The Company has exposure to the following risks from its operations:

- credit risk,
- liquidity risk,
- market risk.

22.1. Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

The Company adopts a liquid portfolio management approach for use in possible property projects and it uses short-term instruments. The Board of Directors determines the portfolio management strategy for financial assets of the Company and the comparison criteria, considering the economic developments and expectations.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

22.1. Credit risk (continued)

As at 31 December 2010 and 31 December 2009, credit risk exposure of financial assets is as follows:

31 December 2010	Receivables				Bank deposits	Financial investments ⁽¹⁾	Derivative instruments	Other
	Trade receivables		Other receivables					
	Related parties	Other parties	Related parties	Other parties				
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	1,100	1,449,318	-	-	24,554,433	5,660,383	-	-
- Maximum credit risk amount secured with guarantees	-	572,361	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	1,100	1,382,448	-	-	24,554,433	5,660,383	-	-
B. Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	66,870	-	-	-	-	-	-
- Past due (Gross amount)	-	1,042,629	-	-	-	-	-	-
- Impairment (-)	-	975,759	-	-	-	-	-	-
- Net book value secured with guarantees	-	66,870	-	-	-	-	-	-
-Not past due (Gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

⁽¹⁾ Receivables from reserve repo agreements are included.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

22.1. Credit risk (continued)

31 December 2009	Receivables							
	Trade receivables		Other receivables		Bank deposits	Financial investments ⁽¹⁾	Derivative instruments	Other
	Related parties	Other parties	Related parties	Other parties				
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	-	840,794	-	-	304,274	3,439,000	-	-
- Maximum credit risk amount secured with guarantees	-	569,321	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	840,794	-	-	304,274	3,439,000	-	-
B. Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (Gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
-Not past due (Gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

⁽¹⁾ Receivables from reserve repo agreements are included.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

22.2. Liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. The Company uses its funds from borrowings in investment property project developments.

The following table presents the Company's financial liabilities including interest payments according to their remaining contractual maturities:

31 December 2010	Carrying value	Total contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	113,331,114	133,361,472	12,002,339	11,729,476	84,604,524	25,025,133
Trade payables	987,508	987,508	987,508	-	-	-
Total	114,318,622	134,348,980	12,989,847	11,729,476	84,604,524	25,025,133
31 December 2009	Carrying value	Total contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	125,862,741	154,348,557	268	16,496,604	111,945,272	25,906,413
Trade payables	4,397,393	4,397,393	4,397,393	-	-	-
Total	130,260,134	158,745,950	4,397,661	16,496,604	111,945,272	25,906,413

As at 31 December 2010 and 31 December 2009, the Company does not have any derivative financial liabilities.

22.3. Market risk

The Company is exposed to various market risks, including the effects of changes in exchange rates, interest rates, equity prices and credit spreads.

The total risk management program of the Company focuses on the unpredictability of the financial markets and aims at reducing the potential negative effects on the Company's financial performance.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

22.3. Market risk (continued)

Foreign currency risk

Exchange risk comprises the effects arising from exchange movements in the event foreign currency assets, liabilities and off-balance sheet items are owned.

In order to offset the effects of long term foreign currency liabilities, the Company draws up foreign currency denominated rent agreements of Pendorya Mall.

The exchange rates applied as at 31 December 2010 and 31 December 2009 are as follows:

	USD	EURO	GBP
31 December 2010	1.5460	2.0491	2.3886
31 December 2009	1.5057	2.1603	-

The following table details the Company’s foreign currency position risk as at 31 December 2010 and 31 December 2009. The foreign currency assets and liabilities kept by the Company in TL are as follows:

31 December 2010	TL equivalent (functional currency)	USD	EURO	GBP
Monetary financial assets (Cash, bank balances included)	89,417	63	41,900	1,450
Total assets	89,417	63	41,900	1,450
Short-term loans and borrowings	20,170,320	4,420,916	6,508,020	-
Long-term loans and borrowings	93,160,490	19,230,772	30,954,915	-
Other liabilities	75,417	-	36,805	-
Total liabilities	113,406,227	23,651,688	37,499,740	-
Net foreign currency position	(113,316,810)	(23,651,625)	(37,457,840)	1,450

31 December 2009	TL equivalent (functional currency)	USD	EURO	Other
Monetary financial assets (Cash, bank balances included)	244,179	-	113,030	-
Total assets	244,179	-	113,030	-
Short-term loans and borrowings	12,163,009	2,614,946	3,807,659	-
Long-term loans and borrowings	113,699,428	23,076,924	36,547,009	-
Other liabilities	79,510	-	36,805	-
Total liabilities	125,941,947	25,691,870	40,391,473	-
Net foreign currency position	(125,697,768)	(25,691,870)	(40,278,443)	-

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

22.3. Market risk (continued)

Interest rate risk

The Company is exposed to interest rate risk due to interest bearing assets and liabilities.

The table below shows the financial instruments sensitive to interest rates as of 31 December 2010 and 31 December 2009:

	31 December 2010	31 December 2009
<i>Financial instruments with fixed interest rates</i>		
Financial assets	30,010,007	3,439,000
Financial liabilities	304	304
<i>Financial instruments with variable interest rates</i>		
Financial liabilities	113,330,810	125,862,437

Interest rates which are applied to financial instruments as at 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010		31 December 2009	
<i>Financial instruments</i>				
Time deposits	TL	8.84%	-	-
Receivables from reverse repo agreements	TL	7.11%	TL	6.25%
Bank borrowings	USD	5.09%	USD	4.94%
Bank borrowings	Euro	6.49%	Euro	5.84%

Interest rate sensitivity

As at 31 December 2010, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit/loss		Shareholders' equity^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2010				
Financial liabilities with variable interest rates	(474,260)	474,485	(474,260)	474,485
31 December 2009				
Financial liabilities with variable interest rates	(319,417)	319,417	(319,417)	319,417

^(*) Profit/loss effect is included.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

22.4. Capital management

The Company manages its capital by reducing its investment risk to the lowest level with effective portfolio management. The aim of the Company is to maintain sustainable returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company considers having a strong capital structure for future investments beside the legislation in its dividend distribution policy.

23. FINANCIAL INSTRUMENTS

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

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

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

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

Financial assets

The Company assumes that the carrying values of trade receivables are close to their fair value because of their short-term nature.

Financial liabilities

The Company assumes that the carrying values of the trade payables and other liabilities are close to their fair value because of their short-term nature.

Bank borrowings are measured with their amortised costs by adding transaction costs to their acquisition costs. It is assumed that carrying values of variable rate borrowings are close to their fair values as they are repriced considering the market conditions.