



*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1)*

**TSKB Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi**

Financial Statements
As At and For the Six-Month Period Ended
30 June 2012
With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

3 August 2012

*This report contains 2 pages of independent
auditors' review report and 52 pages of financial
statements and notes to the financial statements.*

TSKB Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

Table of contents

Independent auditors' review report

Statement of financial position

Income statement

Statement of comprehensive income

Statement of changes in equity

Statement of cash flows

Notes to the financial statements



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Note 2.1.1)**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying statement of financial position of TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as at 30 June 2012, and the related income statement, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards issued by the Capital Markets Board of Turkey ("CMB"). Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of review

We conducted our review in accordance with the auditing standards promulgated by the CMB. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards promulgated by the CMB and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view of the financial position of TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as at 30 June 2012, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the financial reporting standards issued by the CMB (See Note 2).



Emphasis of matter

Without qualifying our conclusion, we draw attention to the fact below;

As explained in Note 11, there are legal cases against Pendorya Mall that take a significant portion of the Company's investment properties. As at the reporting period, in addition to the uncertainties over the final results of the legal cases, the Company's Management does not expect any result that could significantly affect the Company's financial statements, therefore, the accompanying financial statements do not include the possible effects of these legal cases.

Istanbul, 3 August 2012

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova, Certified Public Accountant
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.

TABLE OF CONTENTS

	<u>Page</u>	
STATEMENT OF FINANCIAL POSITION	1	
INCOME STATEMENT	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 operations of the Company	6-7
Note 2	Basis of presentation of financial statements	7-17
Note 3	Segment reporting	18-20
Note 4	Cash and cash equivalents	21
Note 5	Equity-accounted investees	22
Note 6	Funds borrowed	23
Note 7	Trade receivables and payables	24
Note 8	Investment property	25-28
Note 9	Tangible assets	28
Note 10	Intangible assets	29
Note 11	Provisions, contingent assets and liabilities	30-32
Note 12	Provision for employee benefits	33
Note 13	Other current / non-current assets and short-term/long-term liabilities	34
Note 14	Equity	35-36
Note 15	Sales and cost of sales	37
Note 16	Administrative expenses	38
Note 17	Selling and marketing expenses	39
Note 18	Other operating income / expenses	39
Note 19	Finance income / costs	40
Note 20	Tax assets and liabilities	40
Note 21	Earnings / (loss) per share	40
Note 22	Related party disclosures	41-43
Note 23	Nature and level of risk arising from financial instruments	43-50
Note 24	Financial instruments	50
Note 25	Compliance control of the portfolio restrictions	51-52

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

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

ASSETS	<i>Notes</i>	Reviewed 30 June 2012	Audited 31 December 2011
CURRENT ASSETS		23,833,168	20,178,354
Cash and cash equivalents	4	18,873,371	15,153,604
Trade receivables	7	1,956,868	1,888,295
<i>Due from related parties</i>	22	-	-
<i>Other trade receivables</i>	7	1,956,868	1,888,295
Other receivables	13	3,002,929	3,136,455
NON-CURRENT ASSETS		321,959,563	320,385,910
Investment property	8	312,105,164	309,835,000
Tangible assets	9	63,721	85,753
Intangible assets	10	8,025	13,821
Other non-current assets	13	9,782,653	10,451,336
TOTAL ASSETS		345,792,731	340,564,264
LIABILITIES AND EQUITY			
SHORT-TERM LIABILITIES		11,396,780	11,636,492
Funds borrowed	6	9,948,238	10,733,923
<i>Due to related parties</i>	22	9,948,238	10,733,923
Trade payables	7	425,145	572,653
<i>Due to related parties</i>	22	73,449	1,021
<i>Other trade payables</i>	7	351,696	571,632
Employee benefits	12	38,034	109,001
Other short-term liabilities	13	985,363	220,915
LONG-TERM LIABILITIES		107,017,142	110,831,571
Funds borrowed	6	106,880,712	110,685,024
<i>Due to related parties</i>	22	106,880,712	110,685,024
Employee benefits	12	12,466	18,534
Other long-term liabilities	13	123,964	128,013
EQUITY		227,378,809	218,096,201
Paid in capital	14	150,000,000	150,000,000
Share premium	14	593,140	593,140
Restricted reserves	14	152,670	152,670
Retained earnings		67,350,391	70,187,929
Net profit / (loss) for the period		9,282,608	(2,837,538)
TOTAL LIABILITIES AND EQUITY		345,792,731	340,564,264

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
INCOME STATEMENT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

		Reviewed	Reviewed	Reviewed	Reviewed
		1 January -	1 April -	1 January -	1 April -
		30 June	30 June	30 June	30 June
	Notes	2012	2012	2011	2011
Sales	15	8,255,703	4,124,036	7,147,654	3,571,455
Cost of sales	15	(2,419,758)	(1,357,895)	(2,559,431)	(1,294,550)
Gross profit		5,835,945	2,766,141	4,588,223	2,276,905
Administrative expenses	16	(1,202,709)	(531,765)	(1,133,409)	(558,130)
Selling and marketing expenses	17	(620,125)	(288,373)	(490,770)	(229,745)
Other operating income	18	437,989	84,953	106,437	91,879
Other operating expense	18	(37,076)	(6,792)	(23,521)	(11,449)
Operating profit		4,414,024	2,024,164	3,046,960	1,569,460
Share of profit / (loss) of equity-accounted investees	5	13,666	(8,355)	(423)	(423)
Finance income	19	7,414,750	2,470,697	873,165	430,292
Finance costs	19	(2,559,832)	(1,108,262)	(14,503,448)	(8,214,694)
Profit / (loss) from continuing operations before tax		9,282,608	3,378,244	(10,583,746)	(6,215,365)
Tax income / (expense) on continuing operations					
- Current tax income / (expense)	20	-	-	-	-
- Deferred tax income / (expense)	20	-	-	-	-
Net profit / (loss) from continuing operations		9,282,608	3,378,244	(10,583,746)	(6,215,365)
Net profit for the period from discontinued operations, net of tax		-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD		9,282,608	3,378,244	(10,583,746)	(6,215,365)
Basic earnings / (loss) per share (par value of TL 1)	21	0.0619	0.0225	(0.0706)	(0.0414)
Diluted earnings / (loss) per share (par value of TL 1)	21	0.0619	0.0225	(0.0706)	(0.0414)

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

	Reviewed	Reviewed	Reviewed	Reviewed
	1 January -	1 April -	1 January -	1 April -
	30 June	30 June	30 June	30 June
	2012	2012	2011	2011
NET PROFIT / (LOSS) FOR THE PERIOD	9,282,608	3,378,244	(10,583,746)	(6,215,365)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (EXPENSE)	9,282,608	3,378,244	(10,583,746)	(6,215,365)

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

<i>Notes</i>	Share capital	Share premium	Restricted reserves	Retained earnings	Net profit / (loss) for the period	Total
Balance at 1 January 2011	150,000,000	593,140	152,670	63,980,053	6,207,876	220,933,739
<i>Total comprehensive income</i>						
Net loss for the period	-	-	-	-	(10,583,746)	(10,583,746)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(10,583,746)	(10,583,746)
<i>Transaction with owners of the Company, recognised directly in equity</i>						
Transfers	-	-	-	6,207,876	(6,207,876)	-
Total transactions with owners of the Company	-	-	-	6,207,876	(6,207,876)	-
Balance at 30 June 2011	150,000,000	593,140	152,670	70,187,929	(10,583,746)	210,349,993
Balances at 1 January 2012	150,000,000	593,140	152,670	70,187,929	(2,837,538)	218,096,201
<i>Total comprehensive income</i>						
Net profit for the period	-	-	-	-	9,282,608	9,282,608
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	9,282,608	9,282,608
<i>Transaction with owners of the Company, recognised directly in equity</i>						
Transfers	-	-	-	(2,837,538)	2,837,538	-
Total transactions with owners of the Company	-	-	-	(2,837,538)	2,837,538	-
Balance at 30 June 2012	<i>14</i> 150,000,000	593,140	152,670	67,350,391	9,282,608	227,378,809

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

	<i>Notes</i>	Reviewed 1 January - 30 June 2012	Reviewed 1 January - 30 June 2011
Cash flows from operating activities			
Net profit / (loss) for the period		9,282,608	(10,583,746)
Adjustments to:			
Finance income	19	(7,414,750)	(873,165)
Finance costs	19	2,559,832	14,503,448
Allowance for doubtful receivables	16	296,801	69,043
Change in income accruals	13	9,506	(996)
Change in expense accruals	13	67,963	39,060
Unused vacation pay liability	16	24,033	25,735
Share of profit / (loss) from equity-accounted investees	5	(13,666)	423
Depreciation expenses	9	22,032	14,596
Amortisation expenses	10	7,863	6,870
Reversal of employee severance indemnity	12	7,543	(10,012)
Cash flows provided by operating activities before the changes in working capital		4,849,765	3,191,256
Restricted balances on cash and cash equivalents		4,160,576	945,371
Change in trade receivables		(365,374)	(216,165)
Change in other assets		792,703	521,444
Change in trade payables		(147,508)	(675,848)
Employee benefits paid during the period		(13,611)	-
Change in other liabilities		611,102	(1,063,241)
Net cash provided by operating activities		9,887,653	2,702,817
Cash flows from investing activities			
Acquisition of equity-accounted investees		-	(10,000)
Interest received		820,540	891,651
Acquisition of investment property		(2,684,950)	(998,278)
Acquisition of tangible assets	9	-	(2,616)
Acquisition of intangible assets	10	(2,067)	(16,088)
Net cash used in investing activities		(1,866,477)	(135,331)
Cash flows from financing activities			
Acquisition of funds borrowed		6,637,110	-
Repayment of funds borrowed		(3,872,863)	(9,016,767)
Interest paid		(2,891,372)	(3,507,386)
Net cash used in financing activities		(127,125)	(12,524,153)
Effect of exchange rate fluctuations on cash and cash equivalents		(17,702)	9,527
Net increase / (decrease) in cash and cash equivalents		7,876,349	(9,947,140)
Cash and cash equivalents at 1 January	4	10,897,420	26,525,802
Cash and cash equivalents at 30 June	4	18,773,769	16,578,662

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 SIX MONTH PERIOD ENDED 30 JUNE 2012

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

1. ORGANISATION AND OPERATIONS OF THE COMPANY

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 headquarter 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 30 June 2012 is 11 (31 December 2011: 11).

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.

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 to 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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

1. ORGANISATION AND OPERATIONS OF THE COMPANY *(continued)*

The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret AŞ in Adana under the name of Bilici Yatırım-TSKB GYO Adana Otel Projesi Adi Ortaklığı (“Adana Otel Projesi Adi Ortaklığı”) on 26 May 2011. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for the Company. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute and complete the hotel project which will be operated by Divan Turizm İşletmeleri AŞ (formerly known as Palmira Turizm Ticaret AŞ).

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 are prepared in accordance with the accounting and reporting standards promulgated by CMB. The Company prepared its financial statements in accordance with the communiqué Serial: XI, No:29 “Communiqué on Financial Reporting Standards in Capital Markets” (“Communiqué XI-29”) promulgated by CMB, which is published at 9 April 2008 in the Official Gazette numbered 26842.

The companies, which reports in accordance with financial reporting standards of CMB, are required to prepare their financial statements in accordance with Communiqué XI-29 which refers to International Accounting Standards (“IAS”) / International Financial Reporting Standards (“IFRS”), which were endorsed, by European Union. However, until the issuance of differences by Turkish Accounting Standards Board (“TASB”), within the IAS/IFRS endorsed by European Union and IAS/IFRS issued by International Accounting Standards Board (“IASB”), the accompanying financial statements are prepared in accordance with the Turkish Accounting Standards (“TAS”) / Turkish Financial Reporting Standards (“TFRS”), issued by TASB and which are the same as IAS / IFRS.

Per decree law No: 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article No: 1 of the 2499 numbered Law on establishment of TASB has been abrogated and the establishment of Public Oversight, Accounting and Auditing Standards Authority (the “Board”) has been decided by the Council of Ministers. In accordance with the additional temporary article No: 1 of the decree law, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

As at 30 June 2012, the accompanying financial statements of the Company have been approved by the Board of Directors of the Company on 3 August 2012. 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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

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

2.1. Basis of presentation *(continued)*

2.1.2. Basis of presentation of financial statements

As at 30 June 2012, the financial statements and the accompanying notes are presented in accordance with the “Communiqué Serial: XI, No: 29 Financial Reporting in Capital Markets” as promulgated by the CMB, with the announcement dated 17 April 2008 and numbered 11/467.

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 not 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 note:

Note 8 – Fair value measurement of investment property

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

(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 30 June 2012

2.4.1. New standards and interpretations implemented at 2012

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB’s International Financial Reporting Interpretation Committee (“IFRIC”) which are effective as at 30 June 2012.

2.4.2. New standards and interpretations not yet adopted as at 30 June 2012

A number of new standards, amendments to standards and interpretations are not yet effective for the six-month period ended 30 June 2012, 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 except Revised TFRS 13 as explained above.

Revised TFRS 13 “*Fair Value Measurement*” defines fair value, establishes a framework for measuring fair value and sets out related disclosure requirements. TFRS 13 does not give rise to any new requirements as to when fair value measurements are required, but instead provides guidance on how fair value should be measured and disclosed when required or permitted under other IFRSs. It replaces the inconsistent fair value measurement guidance currently included in individual IFRSs, with a single source of authoritative guidance on how to measure fair value. TFRS 13 has an effective date of 1 January 2013. It can be adopted early and is applied prospectively.

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 related with investment property to tenants.

Rental income from investment property is recognised in profit or loss on an accrual basis.

Rental income from investment property leased out under operating lease is recognised in the income statement on a straight line basis over the term of the lease.

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

Interest income and expense

Interest income 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 in profit or loss 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 SIX MONTH PERIOD ENDED 30 JUNE 2012

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

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

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

2.5.2. Investment property

i) Operating investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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 is mentioned at Note 2.5.1.

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. Investment property is measured initially at cost and after initial recognition, investment property is carried at fair value and related changes are recognised in profit or loss. 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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

2. BASIS OF PRESENTATIONS OF FINANCIAL STATEMENTS (continued)

2.5. Summary of significant accounting policies (continued)

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.

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. Jointly controlled entities

Jointly controlled entities are those entities over whose activities one or more entities has joint control, established by contractual agreement and requiring unanimous consent for economic benefits.

Jointly controlled entity which is constituted as Adana Otel Projesi Adi Ortaklığı is accounted for using the equity method in the accompanying financial statements. Under the equity method, investments in the jointly controlled entities are carried in the statement of financial position at cost plus post acquisition changes in the Company’s share of net assets of the jointly controlled entity and the comprehensive income reflects the share of the results of operations of the jointly controlled entities. Where there has been a change recognised directly in the equity of the jointly controlled entities, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

(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. Impairment of assets

The Company determines whether there are any indicators for impairment at every reporting period ended. 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. In this case, the impairment loss is recognised immediately in profit or loss.

2.5.7. 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.

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 balances 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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

(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)*

2.5.7. Financial instruments *(continued)*

i) Non derivative financial instruments *(continued)*

Reverse repo receivables

Securities purchased under agreements to resell are recorded as reverse repo receivables under cash and cash equivalents in the financial statements. Interest income accrual on reverse repo receivables 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 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: funds borrowed and trade payables.

Financial liabilities are recognised initially at fair value. 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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

(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)*

2.5.8. 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 are 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.

2.5.9. 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 21).

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.

2.5.10. Events after the reporting period

Events after the reporting period represent the events that occur against or on behalf of the Company between the reporting date and the date when statement of financial position was authorised for the issue. There are two types of events after the reporting period:

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

If there is evidence of such events as of reporting date or if such events occur after reporting 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.

2.5.11. Provisions, contingent assets and contingent liabilities

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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

(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)*

2.5.12. Leases

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

The 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.

2.5.13. 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.

2.5.14. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, whose operating results are reviewed regularly by the authorised body of the Company (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

2.5.15. Government grants and incentives

As explained below in 2.5.16, 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 SIX MONTH PERIOD ENDED 30 JUNE 2012

(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)*

2.5.16. 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 and determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

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

According to IAS 12 – *Income Taxes*, deferred tax is recognised on temporary 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.

2.5.17. 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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

(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)*

2.5.18. 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 on hand, receivables from reverse repos and bank balances having maturities shorter than 3 months.

2.5.19. Restrictions on the investment portfolio of real estate investment

Information given in Note 25, “Compliance control of the portfolio restrictions”, are summarised from the financial statements prepared in accordance with the Article 17 of “Communiqué Serial: XI, No: 29 Financial Reporting in Capital Markets” as promulgated by the CMB and also within the framework of compliance control of the portfolio restrictions clause of Communiqué Serial: VI, No: 11, “Communiqué on Principles Regarding Real Estate Investment Companies”.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

3. SEGMENT REPORTING

Segment reporting is 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 Hotel Project^(*)	Total
30 June 2012						
Rental income	3,944,316	1,570,903	1,379,000	14,886	-	6,909,105
Pendorya Mall service and management charges	1,346,598	-	-	-	-	1,346,598
Sales	5,290,914	1,570,903	1,379,000	14,886	-	8,255,703
Cost of sales	2,213,101	97,452	85,548	23,657	-	2,419,758
Gross profit	3,077,813	1,473,451	1,293,452	(8,771)	-	5,835,945
Valuation gain on investment property	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-
Equity-accounted investees	-	-	-	-	10,084	10,084
Capital expenditure	127,461	-	508,494	-	2,154,373	2,790,328

^(*) At 27 September 2011, the licence of construction work for a 5-star hotel project of the Company that has been built up in Adana province, Seyhan town, Çınarlı District, Map 1653 and Plot 143, has been completed and relevant licence is obtained from Municipality of Seyhan Town.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

(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
30 June 2011						
Rental income	3,492,221	1,318,874	1,235,854	17,948	-	6,064,897
Pendorya Mall service and management charges	1,082,757	-	-	-	-	1,082,757
Sales	4,574,978	1,318,874	1,235,854	17,948	-	7,147,654
Cost of sales	2,350,872	94,230	88,299	26,030	-	2,559,431
Gross profit	2,224,106	1,224,644	1,147,555	(8,082)	-	4,588,223
Valuation gain on investment property	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-
Equity-accounted investees (31 December 2011)	-	-	-	-	(23,750)	(23,750)
Capital expenditure	520,149	-	-	-	1,701,409	2,221,558

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

3. SEGMENT REPORTING *(continued)*

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

	1 January - 30 June 2012	1 April - 30 June 2012	1 January - 30 June 2011	1 April - 30 June 2011
Sales revenue				
Total revenue of reporting segments	8,255,703	4,124,036	7,147,654	3,571,455
Total sales revenue	8,255,703	4,124,036	7,147,654	3,571,455
Cost of sales				
Total cost of sales of reporting segments	2,419,758	1,357,895	2,559,431	1,294,550
Total cost of sales	2,419,758	1,357,895	2,559,431	1,294,550
<hr/>				
		30 June 2012	31 December 2011	
Assets				
Total assets for reportable segments		312,105,164	309,835,000	
Other assets		33,687,567	30,729,264	
Total assets		345,792,731	340,564,264	
Liabilities				
Total liabilities for reportable segments		116,828,950	121,418,947	
Other liabilities		1,584,972	1,049,116	
Total liabilities		118,413,922	122,468,063	

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

4. CASH AND CASH EQUIVALENTS

	30 June 2012	31 December 2011
Cash	449	-
Banks-Demand	66,616	17,164
Banks-Time	18,806,306	10,982,283
Receivables from reverse repo agreements	-	4,154,157
Other liquid assets	-	-
Cash and cash equivalents on the statement of financial position	18,873,371	15,153,604
Restricted balance ^(*)	(49)	(4,160,625)
Interest income accruals on cash and cash equivalents	(99,553)	(95,559)
Cash and cash equivalents on the statement of cash flows	18,773,769	10,897,420

(*) TSKB and the Company have signed an "Account Restriction Contract" 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 the Company. As at 30 June 2012, the total amount of restricted balance is TL 49 (As at 31 December 2011, the total amount of restricted balance is TL 4,160,625 which comprises of receivables from receivables from reverse repo agreements amounting to TL 4,154,157 and demand balance amounting to TL 6,468).

As at 30 June 2012 and 31 December 2011, the details of time balances at banks are as follows:

30 June 2012	Amount	Interest rate (%)	Maturity
TL	9,960,920	11.85	16 July 2012
TL	6,638,633	11.25	16 July 2012
TL	2,206,753	10.90	1 July 2012
TL	18,806,306		

31 December 2011	Amount	Interest rate (%)	Maturity
TL	9,207,238	11.40	4 January 2012
TL	1,055,918	11.25	4 January 2012
TL	719,127	11.65	2 January 2012
	10,982,283		

As at 30 June 2012, there is no receivables from reverse repo agreements. As at 31 December 2011, receivables from reverse repo agreements are as follows:

31 December 2011	Amount	Interest rate (%)	Maturity
TL – Restricted	4,002,082	9.50	2 January 2012
TL – Restricted	152,075	9.01	2 January 2012
	4,154,157		

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

5. EQUITY-ACCOUNTED INVESTEEES

	Ownership rate (%)	30 June 2012	31 December 2011
Adana Otel Projesi Adi Ortaklığı ^(*)	50	(10,084)	(23,750)

^(*) The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret AŞ in Adana under the name of Adana Otel Projesi Adi Ortaklığı on 26 May 2011. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute and complete the hotel project which will be operated by Palmira Turizm Ticaret AŞ. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for the Company. The nominal paid-in capital of the Adana Otel Projesi Adi Ortaklığı comprises 20,000 shares of TL 1 for each amounting to TL 20,000 in total. The Company has paid TL 10,000 in cash and in advance for the 50% ownership in Adana Otel Projesi Adi Ortaklığı.

For the contingent liabilities that may arise in the future, the Company made a provision amounting to TL 10,084 in its “Other Long-term Liabilities” account that is the 50% share of the Company in Adana Otel Projesi Adi Ortaklığı’s net asset value amounting to TL 20,168 (31 December 2011: For the contingent liabilities that may arise in the future, the Company made a provision amounting to TL 23,750 in its “Other Long-term Liabilities” account that is the 50% share of the Company in Adana Otel Projesi Adi Ortaklığı’s net asset value amounting to TL 47,500).

As at 30 June 2012, assets, liabilities and equity, and for the six-month period ended 30 June 2012, the income statement of Adana Otel Projesi Adi Ortaklığı is as follows:

	30 June 2012	31 December 2011
Total assets	7,046,586	5,493,545
Total liabilities	(7,066,754)	(5,541,045)
Net assets value	(20,168)	(47,500)
	1 January - 30 June 2012	1 January - 30 June 2011
Sales	-	-
Cost of sales	-	-
Net loss for the period	(20,168)	(847)

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

6. FUNDS BORROWED

As at 30 June 2012 and 31 December 2011, the details of funds borrowed are as follows:

	30 June 2012	31 December 2011
Short-term:		
Current portion of long-term bank borrowings	9,948,238	10,733,923
Total	9,948,238	10,733,923
Long-term:		
Long-term bank borrowings	106,880,712	110,685,024
Total	106,880,712	110,685,024
Total funds borrowed	116,828,950	121,418,947

As at 30 June 2012 and 31 December 2011, the details of bank loans are as follows:

30 June 2012				
Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
USD	Libor + 3.75	20,327,805	3,284,559	33,437,621
Euro	Euribor + 3.75	15,667,292	3,217,738	32,412,817
Euro	Euribor + 3.75	14,171,469	2,910,527	29,318,228
Euro	Eur Libor + 3.75	2,374,073	433,780	4,965,337
USD	Libor + 6.00	3,790,946	101,634	6,746,709
			9,948,238	106,880,712
31 December 2011				
Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
USD	Libor + 3.75	20,989,316	3,285,392	36,361,327
Euro	Euribor + 3.75	16,225,958	3,429,769	36,223,226
Euro	Euribor + 3.75	14,676,796	3,102,314	32,764,841
Euro	Eur Libor + 3.75	2,558,343	916,448	5,335,630
			10,733,923	110,685,024

Bank borrowings taken by the Company for Pendorya Mall project from TSKB at 4 July 2007, 25 June 2008 and 2 September 2009 amounting to USD 25,000,000, Euro 19,250,000 and Euro 17,000,000 have been refinanced by a supplementary agreement between the Company and TSKB on 29 June 2011. Current interest rates of 6 month Libor + 4.50, 6 month Euribor + 5.00 and 6 month Euribor + 5.50 have been revised as 6 month Libor + 3.75, 6 month Euribor + 3.75 and 6 month Euribor + 3.75, respectively. In addition, with the same supplementary agreement, maturities of related bank borrowings of 4 July 2016, 4 July 2016 and 2 September 2017 have been revised as 4 January 2022 for all related bank borrowings. Improvement of interest rates of the bank borrowings mentioned above has an effect on the statement of financial position and income statement of the Company amounting to TL 673,756 as at and for the six-month period ended 30 June 2012.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

7. TRADE RECEIVABLES AND PAYABLES

Trade receivables

Current trade receivables

	30 June 2012	31 December 2011
Other trade receivables ^(*)	1,947,498	1,878,227
Doubtful receivables	1,365,718	1,457,975
Allowance for doubtful receivables	(1,356,348)	(1,447,907)
Total	1,956,868	1,888,295

(*) As at 30 June 2012, current trade receivables comprise of rent receivables and receivables arising from Pendorya Mall cost allocation charges amounting to TL 1,091,335 (31 December 2011: TL 1,036,953), receivables arising from cost allocation charges to project partners of the projects amounting to TL 856,163 (31 December 2011: TL 827,293 and other trade receivables amounting to TL 13,981).

For the six-month periods ended 30 June 2012 and 30 June 2011, the movement of doubtful trade receivables related to rent receivables and receivables from cost allocation charges from Pendorya Mall is as follows:

	1 January - 30 June 2012	1 January - 30 June 2011
Beginning of the period	1,447,907	975,759
Allowance for the period	296,801	69,043
Recoveries during the period	(388,360)	(69,823)
End of the period	1,356,348	974,979

Non-current trade receivables

As at 30 June 2012 and 31 December 2011, the company has not any non-current trade receivables.

Trade payables

Short-term trade payables

	30 June 2012	31 December 2011
Other trade payables ^(*)	351,696	571,632
Due to related parties (Note 22)	73,449	1,021
Total	425,145	572,653

(*) As at 30 June 2012, short-term trade payables comprise of payables to construction firms amounting to TL 240,030 (31 December 2011: TL 231,523), payables for consulting services amounting to TL 7,383 (31 December 2011: TL 24,019), payables for advertising services TL 11,866 (31 December 2011: TL 204,882), payables arising from security services amounting to TL 45,451 (31 December 2011: TL 47,978), and other payables amounting to TL 46,966 (31 December 2011: TL 63,230).

Long-term trade payables

As at 30 June 2012 and 31 December 2011, the Company has not any long-term trade payables.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

8. INVESTMENT PROPERTY

As at 30 June 2012 and 31 December 2011, the details of investment properties are as follows:

	30 June 2012	31 December 2011
Investment property under operating lease	294,837,800	294,235,000
Investment property under construction	17,267,364	15,600,000
Total	312,105,164	309,835,000

The movement of investment property for the six-month periods ended 30 June 2012 and 30 June 2011 are presented below:

30 June 2012	1 January 2012	Acquisitions	Disposals	30 June 2012
Tahir Building	7,360,000	-	-	7,360,000
Fındıklı Building 1	41,870,000	-	-	41,870,000
Fındıklı Building 2	41,160,000	508,494	(33,155)	41,635,339
Pendorya Mall	203,845,000	127,461	-	203,972,461
Adana Hotel Project ^(*)	15,600,000	2,154,373	(487,009)	17,267,364
	309,835,000	2,790,328	(520,164)	312,105,164

30 June 2011	1 January 2011	Acquisitions	Disposals	30 June 2011
Tahir Building	6,265,000	-	-	6,265,000
Fındıklı Building 1	38,390,000	-	-	38,390,000
Fındıklı Building 2	38,590,000	-	-	38,590,000
Pendorya Mall	195,290,000	520,149	-	195,810,149
Adana Land Project Development ^(*)	11,726,000	1,701,409	107,239	13,320,170
	290,261,000	2,221,558	107,239	292,375,319

^(*) At 27 September 2011, the licence of construction work for a 5-star hotel project of the Company that has been built up in Adana province, Seyhan town, Çınarlı District, Map 1653 and Plot 143, has been completed and relevant licence is obtained from Municipality of Seyhan Town.

Capitalised total interest for the loan received from Türkiye İş Bankası AŞ amounting to Euro 3,275,000 and also for the investment loan received from İş Bankası AŞ at 2012 for the same project amounting to USD 10,475,000 whose USD 3,745,000 part is used for Adana Hotel Project between the period 1 January – 30 June 2012 are amounting TL 280,741 (30 June 2011: TL 170,016). In the current period, foreign currency effect of capitalised Project development amounting to TL 320,895 (30 June 2011: TL 860,470).

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

8. 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 3,198 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 6 December 2011 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 7,360,000 according to the market value approach. Rental income amounting to TL 14,886 was earned for Tahir Building for the six-month period ended 30 June 2012 (30 June 2011: TL 17,948). 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 6 December 2011 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 41,870,000 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 1,570,903 was earned for Fındıklı Building 1 for the six-month period ended 30 June 2012 (30 June 2011: TL 1,318,874). 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 6 December 2011 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 41,160,000 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 1,379,000 was earned for Fındıklı Building 2 for the six-month period ended 30 June 2012 (30 June 2011: TL 1,235,854). There is no restriction on the investment property.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

8. 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.

According to the report dated 13 December 2011 prepared by a real estate appraisal company, 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 203,845,000 according to discounted cash flow projections. The model 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 10% discount rate was used for the years between 2011 and 2017 and 11% discount rate was used for the years between 2018 and 2024 on the model. In addition, 8% annual rent increase rate was used during the rent contract renewal years and 3% annual rent increase rate was used during other years. Occupancy rates for the year 2011, 2012 and 2013 are 93%, 95% and 98%, respectively. Afterwards, 99% of occupancy rate is used.

There are mortgages amounting to USD 82,500,000 and Euro 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 Euro 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 11).

94% (31 December 2011: 93%) of the rentable area of Pendorya Mall, which was opened on 17 December 2009, has been rented as at 30 June 2012. Rental income amounting to TL 3,944,316 was earned for Pendorya Mall during the period ended 30 June 2012 (30 June 2011: TL 3,492,221).

Adana Hotel Project

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%.

At 27 September 2011, the licence of construction work for a 5-star hotel project of the Company that has been built up in Adana province, Seyhan town, Çınarlı District, Map 1653 and Plot 143, has been completed and relevant licence is obtained from Municipality of Seyhan Town.

Adana land was purchased at TL 9,863,151 on 6 November 2007. According to the report dated 12 December 2011 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Adana land is determined as TL 15,600,000 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 11).

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

8. 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 30 June 2012 and 31 December 2011 under non-cancellable leases are as follows:

	30 June 2012	31 December 2011
Less than one year	13,201,509	15,447,130
Between one and five years	28,392,719	36,378,517
More than five years	18,279,370	18,276,190
Total	59,873,598	70,101,837

9. TANGIBLE ASSETS

The movement in tangible assets for the six-month periods ended 30 June 2012 and 2011 are as follows:

	1 January 2012	Acquisitions	Disposals	30 June 2012
<u>Cost</u>				
Furnitures and fixtures	131,125	-	-	131,125
Vehicles	32,402	-	-	32,402
	163,527	-	-	163,527

Accumulated depreciation

Furnitures and fixtures	53,925	20,321	-	74,246
Vehicles	23,849	1,711	-	25,560
	77,774	22,032	-	99,806
	85,753			63,721

	1 January 2011	Acquisitions	Disposals	30 June 2011
<u>Cost</u>				
Furnitures and fixtures	62,735	2,616	-	65,351
Vehicles	32,402	-	-	32,402
	95,137	2,616	-	97,753

Accumulated depreciation

Furnitures and fixtures	34,180	8,117	-	42,297
Vehicles	21,600	6,479	-	28,079
	55,780	14,596	-	70,376
	39,357			27,377

As at 30 June 2012 and 31 December 2011, there is not any pledge on tangible assets.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

10. INTANGIBLE ASSETS

The movement in intangible assets for the six-month periods ended 30 June 2012 and 2011 are as follows:

	1 January 2012	Acquisitions	Disposals	30 June 2012
<u>Cost</u>				
Software	32,603	2,067	-	34,670
	32,603	2,067	-	34,670
<u>Accumulated amortisation</u>				
Software	18,782	7,863	-	26,645
	18,782	7,863	-	26,645
Net	13,821			8,025
	1 January 2011	Acquisitions	Disposals	30 June 2011
<u>Cost</u>				
Software	16,515	16,088	-	32,603
	16,515	16,088	-	32,603
<u>Accumulated amortisation</u>				
Software	3,762	6,870	-	10,632
	3,762	6,870	-	10,632
Net	12,753			21,971

As at 30 June 2012 and 31 December 2011, the Company does not have any internally developed intangible assets.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Legal cases

There is a lawsuit for the cancellation of the licence of construction dated 16 July 2008 numbered 1120 given for the Pendorya Mall of the Company registered in Pendik, Doğu District, plot 105, map 865, parcel 64 and related zoning plan dated 6 November 2007 scaled 1/1000 and for motion for stay of execution against Pendik Mayorality. TSKB GYO is also involved in the instant case and Istanbul 9th Administrative Court ordered the cancellation of the licence and zoning plan with a right of appeal. As a result of the appeal, Council of State also approved the resolution of the Court on 1 December 2011.

In addition, seeking the cancellation of the 1/1000 scaled zoning plan dated 6 November 2007 by the decision of 9th Administrative Court, the plaintiff also filed a lawsuit against Pendik Municipality on the Istanbul 3rd Administrative Court (the "Court") in order to demand grant a stay of execution suspending the cancellation of the construction and occupancy permits dated 4 December 2009 numbered 101 and 14 December 2009 dated 104 numbered given for Pendorya Mall. The Court issued a stay of execution on 31 December 2010 regarding related occupancy permits and the Court decided on 22 September 2011 to set aside the decision of the case on the basis of that cancellation of the construction licence dated 16 July 2008 numbered 1120 given to TSKB GYO for Pendorya Mall with 4 November 2010 dated resolution is due to the cancellation of 1/1000 scaled Zoning Plan. TSKB GYO, involved in the position to demand the motion for stay of execution of the mentioned cancellation resolution of the Court and has presented the petition of appeal to the Council of State on 4 November 2011.

Development functions and construction conditions of the real estates (land use decisions) are permitted by the Zoning Plan. New 1/5000 scaled, 25 December 2010 dated Zoning Plan for the area where Pendorya Shopping Mall is located, has become effective. According to the New 1/5000 scaled Zoning Plan, the related real estate's functions has been preserved.

In accordance with the new Zoning Plan, 1/1000 scaled Zoning Plan has been prepared by Pendik Municipality and approved by the Pendik Municipality Council at 7 October 2011. Subsequent to the approval of 1/1000 scaled zoning plan by Istanbul Metropolitan Municipality, the Pendorya Mall's both construction licence and occupancy permit renewal application will be made.

Pendorya Mall was built in accordance with the 1/1000 scaled Zoning Plan that was in force at the date of construction and both construction licence and occupancy permits had been obtained in regular form at same date. Land amendment transactions are also completed accordingly. Land Registry records were still registered as a shopping center. Therefore, it is not expected that there will be a problem relating with the existing construction licence, new licence demand or operations of Pendorya Mall. As at the reporting period, in addition to the uncertainties over the final results of the legal cases, the Company's Management does not expect a sequel that could significantly affect the Company's financial statements, therefore, the accompanying financial statements do not include the possible effects of these legal cases.

Ataman Turizm ve Ticaret Ltd. Şti, 1/20 owner of Pendorya Mall registered in Istanbul, Pendik town, Doğu District, plot 105, map 865, parcel 64, filed a lawsuit numbered 2012/327 E. at Pendik (Istanbul) 1. Magistrate's Court against the Company, 19/20 owner of Pendorya Mall for the end of partnership relations in Pendorya Mall with the Company, plaintiff filed the lawsuit with the complaint for the end of partnership relations by declaring and claiming that, the own shares in Pendorya Mall cannot be shared by mutual agreement, so if it is not possible, the shares should be sold and converted into cash by public auction. The Company also decided that the shares of Ataman Turizm ve Ticaret Ltd. Şti, should be sold and converted into cash by public auction, since the division of Pendorya Mall shares is not possible by the way of mutual agreement.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

Collaterals received

The details of letter of guarantees received are as follows:

	30 June 2012	31 December 2011
Letter of guarantees	2,468,651	2,570,343
Total	2,468,651	2,570,343

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

Letter of Guaranties, Securities and Mortgages

According to the decision of CMB on 9 September 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts;

For companies other than publicly owned associations and financial institutions;

- i) For their own corporate identities,
- ii) In favour of fully consolidated entities,
- iii) In favour 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.

As at 30 June 2012 and 31 December 2011 commitments given are as follows:

	30 June 2012	31 December 2011
A. Commitments given in the name of own legal entity	226,774,433	238,717,093
B. Commitments given in favour of fully subsidiaries	-	-
C. Commitments given to guarantee the debts of third parties to continue their operations	-	-
D. Other commitments given;	-	-
- in favour of parent company	-	-
- in favour of group companies other than mentioned in bullets B and C	-	-
- in favour of third parties other than mentioned in bullets C	-	-
Total	226,774,433	238,717,093

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

The details of letter of guarantees given are as follows:

	30 June 2012	31 December 2011
Mortgages given	223,774,433	235,577,093
Letters of guarantee given	3,000,000	3,140,000
Total	226,774,433	238,717,093

There are mortgages amounting to USD 82,500,000 and Euro 25,500,000 on Pendik land owned by the Company due to the loans received from TSKB. USD 78,375,000 and Euro 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.

As at 30 June 2012, 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.

As at 31 December 2011, 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 140,000 is a letter of guarantee given to Milli Piyango, with the Board of Directors resolution numbered 159 dated 14 October 2011 which is related to lottery organisation for the first year celebration of the Pendorya Mall.

As at 12 August 2011, ongoing business agreement negotiations between the Company and Bilici Yatırım Sanayi ve Ticaret AŞ for the operating right of jointly owned 5-star hotel project that has been built up at Adana province, Seyhan Town, Çınarlı District, Map 1653 and Plot 143 are completed and 15-year operating agreement has signed between the parties. The Company is jointly and severally responsible for the obligations specified in the agreement with Bilici Yatırım Sanayi ve Ticaret AŞ. The Company with Bilici Yatırım Sanayi ve Ticaret AŞ is responsible for doing the hotel’s project planning, building and construction works, purchasing materials and the hotel’s furnishing as soon as possible, in accordance with the specifications of the company, the other party to the agreement and also the Company and Bilici Yatırım Sanayi ve Ticaret AŞ will make it possible that the hotel will be operated in accordance with the counter party’s standards, generally accepted standards and operating requirements. In this matter, responsibility entirely belongs to the Company and Bilici Yatırım Sanayi ve Ticaret AŞ.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

12. PROVISION FOR EMPLOYEE BENEFITS

	30 June 2012	31 December 2011
<i>Short-term</i>		
Provision for personnel bonus	-	95,000
Provision for unused vacation	38,034	14,001
	38,034	109,001
<i>Long-term</i>		
Provision for employee severance indemnity	12,466	18,534
	12,466	18,534
Total	50,500	127,535

In accordance with existing Turkish Labour 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 30 June 2012 is TL 2,917.27 TL (31 December 2011: TL 2,731.85).

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 30 June 2012 and 31 December 2011, employee severance indemnity in the accompanying financial statements has been calculated using the following actuarial assumptions;

	30 June 2012	31 December 2011
Discount rate	4.05%	4.05%
Estimated retirement turnover rate	90%	95%

Movement of reserve for employee termination benefits for the six-month periods ended 30 June 2012 and 2011 is as follows:

	30 June 2012	30 June 2011
Balance at the beginning of the period	18,534	31,769
Cost of service	1,870	4,044
Cost of interest	773	4,083
Payments in the period	(13,611)	-
Actuarial difference	4,900	(18,139)
Balance at the end of the period	12,466	21,757

Actuarial gains and losses are recognised into profit or loss.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

Other current assets

	30 June 2012	31 December 2011
VAT carried forward	2,376,272	2,780,483
Prepaid taxes and funds	361,207	241,164
Prepaid expenses	114,008	23,890
Income accruals	67,814	77,320
Advances given	67,191	-
Job advances	7,230	13,598
Other	9,207	-
Total	3,002,929	3,136,455

Other non-current assets

	30 June 2012	31 December 2011
VAT carried forward	9,646,878	10,315,561
Deposits and guarantees given	135,775	135,775
Total	9,782,653	10,451,336

Other short-term liabilities

	30 June 2012	31 December 2011
Unearned revenue ^(*)	834,611	142,263
Taxes and duties payable	60,253	75,715
Expense accruals	70,580	2,617
Other	19,919	320
Total	985,363	220,915

(*) As at 30 June 2012 and 31 December 2011, unearned revenue comprise of rental income collected in advance.

Other long-term liabilities

	30 June 2012	31 December 2011
Deposits and guarantees received	113,880	104,263
Other provisions ^(*)	10,084	23,750
Total	123,964	128,013

(*) As at 30 June 2012, Adana Otel Projesi Adi Ortaklığı’s total equity has a negative balance, therefore the Company made a provision for the contingent liabilities that may arise in the future amounting to TL 10,084 that is the 50% share of the Company in Adana Otel Projesi Adi Ortaklığı’s net asset value amounting to TL 20,168.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

14. EQUITY

14.1 Paid in capital

At 30 June 2012 and 31 December 2011, the issued and fully paid-in share capital of the Company is as follows:

	Group	30 June 2012		31 December 2011	
		Share %	Amount (TL)	Share %	Amount (TL)
Türkiye Sınai Kalkınma Bankası AŞ	A	6.67	10,000,000	6.67	10,000,000
Türkiye Sınai Kalkınma Bankası AŞ	B	2.73	4,091,111	2.73	4,091,111
Türkiye Sınai Kalkınma Bankası AŞ	C	49.61	74,408,889	49.61	74,408,889
Yatırım Finansman Menkul Değerler AŞ	C	1.33	2,000,000	1.33	2,000,000
TSKB AŞ Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	C	0.77	1,150,000	0.77	1,150,000
TSKB Gayrimenkul Değerleme AŞ	C	0.30	449,998	0.30	449,998
TSKB AŞ Memur Müstah. Yardım ve Emeklilik Vakfı	C	0.27	400,000	0.27	400,000
Other shareholders	C	0.00	2	0.00	2
Publicly held	C	38.32	57,500,000	38.32	57,500,000
Paid in capital		100.00	150,000,000	100.00	150,000,000

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 30 June 2012, the nominal paid-in capital of the Company comprises 150.000.000 shares of TL 1 for each (31 December 2011: TL 1, TL 150.000.000).

As at 30 June 2012, registered capital ceiling is TL 200,000,000 (31 December 2011: TL 200,000,000).

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

14. EQUITY (continued)

14.2 Restricted reserves

As at 30 June 2012 and 31 December 2011, 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.

14.3 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, advertising 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.

14.4 Dividend distribution

In accordance with the announcement of CMB’s Serial: IV, No: 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% 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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

15. SALES AND COST OF SALES

For the last three-month and six-month periods ended 30 June 2012 and 2011, revenue is as follows:

	1 January – 30 June 2012	1 April – 30 June 2012	1 January – 30 June 2011	1 April – 30 June 2011
Rental income on Pendorya Mall	3,944,316	2,037,362	3,492,221	1,797,608
Rental income on Fındıklı Building 1	1,570,903	778,721	1,318,874	659,407
Rental income on Fındıklı Building 2	1,379,000	669,250	1,235,854	619,112
Rental income on Tahir Building	14,886	7,571	17,948	8,791
Total rental income	6,909,105	3,492,904	6,064,897	3,084,918
Pendorya Mall service and management charges	1,346,598	631,132	1,082,757	486,537
Total	8,255,703	4,124,036	7,147,654	3,571,455

For the last three-month and six-month periods ended 30 June 2012 and 2011, cost of sales are as follows:

	1 January – 30 June 2012	1 April – 30 June 2012	1 January – 30 June 2011	1 April – 30 June 2011
Maintenance expenses	326,480	163,548	282,980	149,257
Taxes and levies	324,910	318,495	292,743	265,670
Electricity expenses	294,938	136,381	344,865	138,539
Management service expenses	265,491	133,079	219,103	114,096
Security expenses	263,187	133,018	261,332	131,570
Cleaning expenses	203,471	103,020	224,282	112,552
Service expenses	186,026	92,996	150,640	73,690
Insurance expenses	95,254	50,148	77,604	37,965
Natural gas expenses	78,720	8,152	114,298	30,510
Water expenses	72,029	41,244	127,546	87,963
Food expenses	67,621	33,015	64,741	33,744
Transportation expenses	50,818	20,906	83,597	40,598
Supplies	31,153	19,950	21,414	8,172
Consultancy expenses	25,513	12,659	108,493	57,132
Other expenses	134,147	91,285	185,793	13,092
Total	2,419,758	1,357,896	2,559,431	1,294,550

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

16. ADMINISTRATIVE EXPENSES

For the last three-month and six-month periods ended 30 June 2012 and 2011, administrative expenses are as follows:

	1 January - 30 June 2012	1 April – 30 June 2012	1 January - 30 June 2011	1 April – 30 June 2011
Personnel expenses	648,304	296,443	682,557	287,218
Provision for doubtful receivables	296,801	139,274	69,043	49,713
Consultancy expenses	64,376	30,346	125,109	105,988
Travel and transportation expenses	44,125	21,557	55,776	23,104
ISE fee	37,500	-	-	-
Depreciation and amortisation expenses	29,895	14,547	21,466	11,463
Advisory expenses	7,288	3,050	4,131	634
Other expenses	74,420	26,548	175,327	80,010
Total	1,202,709	531,765	1,133,409	558,130

Personnel expenses

	1 January - 30 June 2012	1 April – 30 June 2012	1 January - 30 June 2011	1 April – 30 June 2011
Salaries and wages	415,571	189,404	470,982	188,436
Salaries and other benefits paid to BOD	135,000	70,200	129,600	64,800
Social security expenses	54,405	26,421	41,601	21,800
Provision for vacation pay liability	24,033	(6,575)	25,735	10,297
Provision for employment termination	7,543	7,543	-	-
Other	11,752	9,450	14,639	1,885
Total	648,304	296,443	682,557	287,218

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

17. SELLING AND MARKETING EXPENSES

For the last three-month and six-month periods ended 30 June 2012 and 2011, selling and marketing expenses are as follows:

	1 January - 30 June 2012	1 April – 30 June 2012	1 January - 30 June 2011	1 April – 30 June 2011
Advertising expenses	620,125	288,373	490,770	229,745
Total	620,125	288,373	490,770	229,745

18. OTHER OPERATING INCOME / EXPENSES

For the last three-month and six-month periods ended 30 June 2012 and 2011, other operating income and expenses are as follows:

	1 January - 30 June 2012	1 April – 30 June 2012	1 January - 30 June 2011	1 April – 30 June 2011
Other operating income				
Other income	437,989	84,953	106,437	91,879
Total	437,989	84,953	106,437	91,879

For the six-month period ended 30 June 2012, other operating income comprise reversal of provisions amounting to TL 388,360 and the remaining balance is other income amounting to TL 49,629 (30 June 2011: reversal of provisions amounting to TL 69,823 and the remaining balance is other income amounting to TL 36,614).

	1 January - 30 June 2012	1 April – 30 June 2012	1 January - 30 June 2011	1 April – 30 June 2011
Other operating expenses				
Commission expenses	35,791	5,508	22,684	11,449
Other	1,285	1,284	837	-
Total	37,076	6,792	23,521	11,449

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

19. FINANCE INCOME / COSTS

For the last three-month and six-month periods ended 30 June 2012 and 2011, finance income and costs are as follows:

	1 January - 30 June 2012	1 April – 30 June 2012	1 January - 30 June 2011	1 April – 30 June 2011
Finance income				
Interest income from bank deposits	593,418	315,130	832,614	402,881
Income from reverse repo agreements	213,415	146,363	40,551	27,411
Foreign exchange gains, net	6,607,917	2,009,204	-	-
Total	7,414,750	2,470,697	873,165	430,292

	1 January - 30 June 2012	1 April – 30 June 2012	1 January - 30 June 2011	1 April – 30 June 2011
Finance costs				
Foreign exchange losses, net	-	-	11,356,887	6,922,377
Interest expenses	2,559,832	1,108,262	3,146,561	1,292,317
Total	2,559,832	1,108,262	14,503,448	8,214,694

20. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law numbered 5520, 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.

21. EARNINGS / (LOSS) PER SHARE

Earnings per share stated in income statement 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 last three-month and six-month periods ended 30 June 2012 and 2011 are presented below:

	1 January - 30 June 2012	1 April – 30 June 2012	1 January - 30 June 2011	1 April – 30 June 2011
Net profit / (loss) for the period	9,282,608	3,378,244	(10,583,746)	(6,215,365)
Weighted average number of shares	150,000,000	150,000,000	150,000,000	150,000,000
Earnings / (loss) per share	0.0619	0.0225	(0.0706)	(0.0414)

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

22. RELATED PARTY DISCLOSURES

22.1. Related party balances

	30 June 2012	31 December 2011
<i>Banks – demand balances</i>		
Türkiye İş Bankası AŞ	66,437	2,884
Türkiye Sınai Kalkınma Bankası AŞ	96	-
<i>Banks- time balances</i>		
Türkiye İş Bankası AŞ	-	-
<i>Banks – restricted balances- reverse repos</i>		
Türkiye Sınai Kalkınma Bankası AŞ	-	4,154,157
<i>Banks – restricted balances- demand balances</i>		
Türkiye Sınai Kalkınma Bankası AŞ	49	6,468
Total	66,582	4,163,509
<i>Prepaid expenses</i>		
Anadolu Anonim Sigorta AŞ	112,215	13,577
Total	112,215	13,577
<i>Bank borrowings</i>		
Türkiye Sınai Kalkınma Bankası AŞ	104,581,490	115,166,869
Türkiye İş Bankası AŞ	12,247,460	6,252,078
Total	116,828,950	121,418,947
<i>Due to related parties</i>		
Türkiye Sınai Kalkınma Bankası AŞ	1,224	1,021
Anadolu Anonim Türk Sigorta Şirketi	72,225	-
Total	73,449	1,021

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

22. RELATED PARTY DISCLOSURES (continued)

22.2. Related party transactions

	1 January - 30 June 2012	1 April - 30 June 2012	1 January - 30 June 2011	1 April - 30 June 2011
Rental income				
Türkiye Sınai Kalkınma Bankası AŞ	2,820,558	1,384,377	2,465,791	1,226,862
TSKB Gayrimenkul Değerleme AŞ	96,551	46,693	63,222	37,610
TSKB Yatırım Ortaklığı AŞ	6,595	3,297	5,768	2,884
TSKB Gayrimenkul Aracılık Hizmetleri AŞ	7,219	3,949	6,128	3,070
TSKB Gayrimenkul Danışmanlık AŞ	9,308	4,740	6,598	3,540
TSKB AŞ Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	4,274	2,137	3,738	1,869
Sürdürülebilir Danışmanlık AŞ	3,561	1,830	1,154	1,154
Total	2,948,066	1,447,023	2,552,399	1,276,989
Interest income				
Türkiye İş Bankası AŞ	2,269	1,392	41,316	11,839
Total	2,269	1,392	41,316	11,839
Interest expense				
Türkiye Sınai Kalkınma Bankası AŞ	2,559,559	1,107,989	3,146,561	1,292,317
Total	2,559,559	1,107,989	3,146,561	1,292,317
Loan and insurance commission expenses				
Türkiye Sınai Kalkınma Bankası AŞ	10,570	3,958	19,981	10,441
Türkiye İş Bankası AŞ	141	8	194	160
Total	10,711	3,966	20,175	10,601
Other expenses				
Türkiye Sınai Kalkınma Bankası AŞ	-	-	-	-
Yatırım Finansman Menkul Değerler AŞ	-	-	-	-
Total	-	-	-	-
Capitalised interest expense				
Türkiye İş Bankası AŞ	280,741	163,286	194,219	105,719
Total	280,741	163,286	194,219	105,719

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

22. RELATED PARTY DISCLOSURES (continued)

22.2. Related party transaction (continued)

Benefits provided to key management personnel

Benefits provided to the Board of Directors, the Audit Committee and the General Manager for the last three-month and six-month period ended 30 June 2012 and 2011 are as follows:

	1 January - 30 June 2012	1 April - 30 June 2012	1 January - 30 June 2011	1 April - 30 June 2011
Benefits provided to the Board of Directors, the Audit Committee and the General Manager	336,182	167,217	275,842	103,800

Other

There are mortgages amounting to USD 82,500,000 and Euro 25,500,000 on the Pendik land owned by the Company due to the loans received from TSKB. USD 78,375,000 and Euro 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 related parties (see Note 11).

23. 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.

23.1. 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 the use of possible property projects and it invests in 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 SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

23.1 Credit risk *(continued)*

As at 30 June 2012 and 31 December 2011, credit risk exposure of financial assets is as follows:

30 June 2012	Receivables							
	Trade receivables		Other receivables		Bank deposits	Financial investments	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)	-	1,956,868	-	-	18,872,922	-	-	-
- Maximum credit risk amount secured with guarantees	-	1,293,205	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	1,947,498	-	-	18,872,922	-	-	-
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	-	9,370	-	-	-	-	-	-
-Not past due (Gross amount)	-	1,365,718	-	-	-	-	-	-
- Impairment (-)	-	1,356,348	-	-	-	-	-	-
- Net book value secured with guarantees	-	9,370	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

23.1. Credit risk *(continued)*

31 December 2011	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)	-	1,888,295	-	-	10,999,447	4,154,157	-	-
- Maximum credit risk amount secured with guarantees	-	713,144	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	1,878,227	-	-	10,999,447	4,154,157	-	-
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	-	10,068	-	-	-	-	-	-
- Past due (Gross amount)	-	1,457,975	-	-	-	-	-	-
- Impairment (-)	-	1,447,907	-	-	-	-	-	-
- Net book value secured with guarantees	-	10,068	-	-	-	-	-	-
-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 SIX MONTH PERIOD ENDED 30 JUNE 2012

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

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

23.2. 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:

30 June 2012	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>						
Funds borrowed	116,828,950	149,518,702	6,249,745	8,228,370	58,419,257	76,621,330
Trade payables	425,145	425,145	425,145	-	-	-
Total	117,254,095	149,943,847	6,674,890	8,228,370	58,419,257	76,621,330

31 December 2011	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>						
Funds borrowed	121,418,947	154,330,220	6,368,405	6,842,629	59,251,740	81,867,446
Trade payables	572,653	572,653	572,653	-	-	-
Total	121,991,600	154,902,873	6,941,058	6,842,629	59,251,740	81,867,446

As at 30 June 2012 and 31 December 2011, the Company does not have any derivative financial liabilities.

23.3. 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 SIX MONTH PERIOD ENDED 30 JUNE 2012

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

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

23.3. 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 signs foreign currency denominated rent agreements in Pendorya Mall.

The exchange rates applied as at 30 June 2012 and 31 December 2011 are as follows:

	USD	EURO
30 June 2012	1.8065	2.2742
31 December 2011	1.8889	2.4438

The following table details the Company's foreign currency position risk as at 30 June 2012 and 31 December 2011. The foreign currency assets and liabilities kept by the Company in TL are as follows:

30 June 2012	TL equivalent (functional currency)	USD	EURO
Monetary financial assets (Cash, bank balances included)	3	-	1
Total assets	3	-	1
Short-term funds borrowed	9,948,238	1,874,450	2,885,430
Long-term funds borrowed	106,880,712	22,244,301	29,327,404
Other liabilities	111,679	-	49,107
Total liabilities	116,940,629	24,118,751	32,261,941
Net foreign currency position	(116,940,626)	(24,118,751)	(32,261,940)
31 December 2011	TL equivalent (functional currency)	USD	EURO
Monetary financial assets (Cash, bank balances included)	2,886	-	1,181
Total assets	2,886	-	1,181
Short-term funds borrowed	10,733,923	1,739,315	3,047,930
Long-term funds borrowed	110,685,024	19,250,001	30,413,167
Other liabilities	104,263	-	42,664
Total liabilities	121,523,210	20,989,316	33,503,761
Net foreign currency position	(121,520,324)	(20,989,316)	(33,502,580)

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

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

23.3. Market risk (continued)

Foreign currency risk (continued)

Foreign currency sensitivity

A 10% appreciation / depreciation of TL against the foreign currencies at 30 June 2012 and 31 December 2011 would have changed other comprehensive income and profit or loss by the amounts shown below:

	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
30 June 2012				
10% change of the USD against TL				
1- Net USD asset/liability	(4,357,053)	4,357,053	(4,357,053)	4,357,053
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(4,357,053)	4,357,053	(4,357,053)	4,357,053
10% change of the EURO against TL				
4- Net EURO asset/liability	(7,337,010)	7,337,010	(7,337,010)	7,337,010
5- Hedged portion of TL against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	(7,337,010)	7,337,010	(7,337,010)	7,337,010
TOTAL (3+6)	(11,694,063)	11,694,063	(11,694,063)	11,694,063

	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2011				
10% change of the USD against TL				
1- Net USD asset/liability	(3,964,672)	3,964,672	(3,964,672)	3,964,672
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(3,964,672)	3,964,672	(3,964,672)	3,964,672
10% change of the EURO against TL				
4- Net EURO asset/liability	(8,187,360)	8,187,360	(8,187,360)	8,187,360
5- Hedged portion of TL against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	(8,187,360)	8,187,360	(8,187,360)	8,187,360
TOTAL (3+6)	(12,152,032)	12,152,032	(12,152,032)	12,152,032

^(*) Profit/loss effect is included.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

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

23.3. 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 at 30 June 2012 and 31 December 2011:

	30 June 2012	31 December 2011
Financial instruments with fixed interest rates		
Financial assets	18,806,306	15,136,440
Financial liabilities	-	-
Financial instruments with variable interest rates		
Financial liabilities	116,828,950	121,418,947

Interest rates which are applied to financial instruments as at 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012		31 December 2011	
Financial instruments				
Banks-Time	TL	11.53%	TL	11.43%
Receivables from reverse repo	-	-	TL	9.26%
Bank borrowings	USD	4.68%	USD	4.56%
Bank borrowings	EURO	4.84%	EURO	5.35%

Interest rate sensitivity

As at 30 June 2012, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The analysis is performed on the same basis for 30 June 2011.

	Profit/loss		Equity^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2012				
Financial liabilities with variable interest rates	(526,870)	527,029	(526,870)	527,029
	Profit / loss		Equity^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2011				
Financial liabilities with variable interest rates	(480,713)	480,773	(480,713)	480,773

(*) Profit/loss effect is included.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

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

23.4. 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.

24. 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 cash and cash equivalents and 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.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

25. COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS

According to the Communiqué Serial: VI, No. 11 promulgated by CMB, “Communiqué on Principles Regarding Real Estate Investment Companies”, compliance control of the portfolio restrictions of the Company is as follows:

The main accounts of separate financial statements	Related regulation	30 June 2012	31 December 2011
A Capital and money market instruments	Serial:VI, No:11, Article 27 / (b)	18,873,371	15,153,604
B Real estates, rights supported by real estates and real estate projects	Serial:VI, No:11, Article 27 / (a)	312,105,164	309,835,000
C Subsidiaries ^(*)	Serial:VI, No:11, Article 27 / (b)	-	-
Due from related parties (other receivables)	Serial:VI, No:11, Article 24 / (g)	-	-
Other assets		14,814,196	15,575,660
D Total assets	Serial:VI, No:11, Article 4 / (i)	345,792,731	340,564,264
E Funds borrowed	Serial:VI, No:11, Article 35	116,828,950	121,418,947
F Other financial liabilities	Serial:VI, No:11, Article 35	-	-
G Financial lease obligations	Serial:VI, No:11, Article 35	-	-
H Due to related parties (other payables)	Serial:VI, No:11, Article 24 / (g)	-	-
I Equity	Serial:VI, No:11, Article 35	227,378,809	218,096,201
Other liabilities		1,584,972	1,049,116
D Total liabilities and equity	Serial:VI, No:11, Article 4 / (i)	345,792,731	340,564,264
Other separate financial information	Related regulation	30 June 2012	31 December 2011
A1 Capital and money market instruments amount held for 3-year real estate payments	Serial:VI, No:11, Article 27 / (b)	-	-
A2 Time balances / demand balances TL / foreign currency	Serial:VI, No:11, Article 27 / (b)	18,872,922	10,999,447
A3 Foreign capital market instruments	Serial:VI, No:11, Article 27 / (c)	-	-
B1 Foreign real estates, rights supported by real estates and real estate projects	Serial:VI, No:11, Article 27 / (c)	-	-
B2 Inactive land	Serial:VI, No:11, Article 27 / (d)	-	-
C1 Foreign subsidiaries	Serial:VI, No:11, Article 27 / (c)	-	-
C2 Participating to operating company	Serial:VI, No:11, Article 32 / A	-	-
J Non-cash loans	Serial:VI, No:11, Article 35	-	-
K Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	Serial:VI, No:11, Article 25 / (n)	-	-

(*) According to the Communiqué Serial: VI, No: 11, Article 37, Adana Otel Projesi Adi Ortaklığı is not considered as subsidiary and this joint venture is not subject to portfolio restrictions. Therefore, financial information presented above the table does not contain the equity-accounted joint venture amount.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

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

25. COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS (continued)

Portfolio restrictions	Related regulation	30 June 2012	31 December 2011	Max / Min ratio
1 Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	Serial:VI, No:11, Article 25 / (n)	0%	0%	10%
2 Real estates, rights supported by real estates and real estate projects	Serial:VI, No:11, Article 27 / (a),(b)	90%	91%	50%
3 Capital and money market instruments and subsidiaries	Serial:VI, No:11, Article 27 / (b)	5%	4%	50%
4 Foreign real estates, rights supported by real estates and real estate projects, subsidiaries and capital market instruments	Serial:VI, No:11, Article 27 / (c)	0%	0%	49%
5 Inactive land	Serial:VI, No:11, Article 27 / (d)	0%	0%	20%
6 Participating to operating company	Serial:VI, No:11, Article 32 / A	0%	0%	10%
7 Borrowings limits	Serial:VI, No:11, Article 35	51%	57%	500%
8 Time balances / demand balances tl / foreign currency	Serial:VI, No:11, Article 27 / (b)	5%	3%	10%