

**İŞ GİRİŞİM SERMAYESİ
YATIRIM ORTAKLIĞI A.Ş.
AND ITS SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011**

*(Convenience Translation of Consolidated Financial Statements and
Related Disclosures and Footnotes
Originally Issued in Turkish)*

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi
12 April 2012

*This report contains 2 pages of independent auditors'
report and 78 pages of financial statements and
notes to the consolidated financial statements*

**Convenience Translation of the Independent Auditors' Report
As at 31 December 2011 Originally Prepared and Issued in Turkish (See Note 2.1)**

To the Board of Directors of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi,

We have audited the accompanying consolidated statement of financial position of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and its subsidiary (together "Group") as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Group Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and its subsidiary as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards promulgated by Capital Markets Board (Note 2).

Istanbul, 12 April 2012

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

Orhan Akova

Partner

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying consolidated interim 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.

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İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(In Turkish Lira ("TL"))

	Note	Audited 31 December 2011	Audited 31 December 2010
ASSETS			
Current Assets		125,020,730	86,362,021
Cash and cash equivalents	4	40,159,085	14,443,298
Financial assets	5	75,586,568	63,073,597
Trade receivables	7	7,772,978	6,984,070
- <i>Trade receivables from related parties</i>		69,171	48,428
- <i>Other trade receivables</i>		7,703,807	6,935,642
Other receivables	8	913	-
Inventories	9	260,478	175,742
Other current assets	15	1,240,708	1,685,314
Non Current Assets		51,389,301	54,181,084
Other receivables	8	26,853	22,298
Investments in equity accounted investees	10	51,135,382	53,901,005
Property, plant and equipment	11	184,913	133,891
Intangible assets	12	42,153	123,890
TOTAL ASSETS		176,410,031	140,543,105

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

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(In Turkish Lira (“TL”))

LIABILITIES		Audited 31 December 2011	Audited 31 December 2010
Short Term Liabilities	Note	4,148,324	1,973,417
Financial liabilities	6	1,791,055	616,444
Trade payables	7	663,720	388,030
- <i>Trade payables to related parties</i>		2,472	3,909
- <i>Other trade payables</i>		661,248	384,121
Other payables	8	422,890	221,370
Employee benefits	14	1,175,651	620,569
Other short term liabilities	15	95,008	127,004
Long Term Liabilities		712,343	412,741
Financial liabilities	6	118,763	186,892
Trade Payables	7	82,554	144,128
Employee benefits	14	511,026	81,721
EQUITY		171,549,364	138,156,947
Equity attributable to owners of the Company		170,420,085	137,178,477
Share capital	16	50,400,000	50,400,000
Inflation adjustment to share capital	16	21,606,400	21,606,400
Share premium		7,000,000	7,000,000
Revaluation surplus		-	19,896
Hedging reserve		(116,655)	(15,735)
Other reserves		249,702	249,702
Translation reserve		(1,172,533)	(52,253)
Legal reserves	16	6,778,897	5,959,360
Retained earnings	16	43,651,570	40,345,542
Profit for the year		42,022,704	11,665,565
Non-controlling interests	16	1,129,279	978,470
TOTAL EQUITY AND LIABILITIES		176,410,031	140,543,105

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

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(In Turkish Lira ("TL"))

		Audited 1 January- 31 December 2011	Audited 1 January- 31 December 2010
CONTINUING OPERATIONS	Note		
Sales Revenue	17	75,959,996	17,137,107
Cost of sales (-)	17	(18,916,003)	(5,335,621)
GROSS PROFIT		57,043,993	11,801,486
Marketing, sales and distribution expenses	18-19	(2,702,839)	(1,375,236)
Administrative expenses	18-19	(9,521,736)	(6,919,604)
Research and development expenses	18-19	(2,315,752)	(1,821,408)
Other operating income	20	67,003	43,846
Other operating expenses	20	(2,622,058)	(1,272,533)
OPERATING PROFIT/ (LOSS)		39,948,611	456,551
Share of profit/(loss) of equity accounted investees	10	(4,150,742)	3,275,120
Finance income	21	12,621,873	10,461,504
Finance costs	22	(6,061,961)	(2,408,391)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		42,357,781	11,784,784
Continuing operations tax income/expense		--	--
Current tax income/(expense)	23	(124,314)	--
Deferred tax income/(expense)	23	--	--
PROFIT FROM CONTINUING OPERATIONS		42,233,467	11,784,784
PROFIT FROM DISCONTINUED OPERATIONS		--	--
PROFIT FOR THE YEAR		42,233,467	11,784,784
Other comprehensive income			
Change in foreign currency translation differences	22	(1,180,234)	(23,517)
Change in financial assets revaluation surplus	22	(19,896)	19,896
Change in cash flow hedge reserve	22	(126,150)	(19,669)
Income tax on other comprehensive income	22	25,230	3,934
Other comprehensive income for the year, net of tax		(1,301,050)	(19,356)
TOTAL COMPREHENSIVE INCOME		40,932,417	11,765,428
Profit attributable to			
Non-controlling interests		210,763	119,219
Owners of the Company		42,022,704	11,665,565
		42,233,467	11,784,784
Total comprehensive income attributable to			
Non-controlling interests	16	150,809	113,477
Owners of the Company		40,781,608	11,651,951
		40,932,417	11,765,428
Basic and Diluted Earnings per share (TL 1 nominal value)	24	0.833784	0.231460

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

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(In Turkish Lira (“TL”))

Note	Share capital	Inflation Adj. to share capital	Share premium	Revaluatin surplus	Hedging reserve	Other reserves	Legal reserves	Translation reserves	Profit/Loss for the year	Retained earnings	Total Before Non-Controlling Interest	Non-Controlling Interests	Total
Balance at 1 January 2010	25,200,000	46,806,400	7,000,000	-	-	-	5,426,630	(35,748)	8,219,850	35,693,998	128,311,130	689,544	129,000,674
Total comprehensive income													
Profit for the year	-	-	-	-	-	-	-	-	11,665,565	-	11,665,565	119,219	11,784,784
<u>Other comprehensive income</u>													
Change in non-controlling interests	-	-	-	-	-	-	(1,270)	-	-	-	(1,270)	1,270	-
Change in fair value of financial assets, net of tax	-	-	-	19,896	-	-	-	-	-	-	19,896	-	19,896
Change in cash flow hedging reserve, net of tax	-	-	-	-	(15,735)	-	-	-	-	-	(15,735)	-	(15,735)
Change in translation reserve	-	-	-	-	-	-	-	(16,505)	-	-	(16,505)	(7,012)	(23,517)
Total other comprehensive income	-	-	-	19,896	(15,735)	-	(1,270)	(16,505)	-	-	(13,614)	(5,742)	(19,356)
Total comprehensive income	-	-	-	19,896	(15,735)	-	(1,270)	(16,505)	11,665,565	-	11,651,951	113,477	11,765,428
Transfers	-	-	-	-	-	-	534,000	-	(8,219,850)	7,685,850	-	-	-
Dividend payment	-	-	-	-	-	-	-	-	-	(3,000,000)	(3,000,000)	-	(3,000,000)
Sale of non-controlling interests without a change in control	-	-	-	-	-	249,702	-	-	-	(34,306)	215,396	175,449	390,845
Issue of ordinary shares	25,200,000	(25,200,000)	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2010	50,400,000	21,606,400	7,000,000	19,896	(15,735)	249,702	5,959,360	(52,253)	11,665,565	40,345,542	137,178,477	978,470	138,156,947

Note	Share capital	Inflation Adj. to share capital	Share premium	Revaluatin surplus	Hedging reserve	Other reserves	Legal reserves	Translation reserves	Profit/Loss for the year	Retained earnings	Total Before Non-Controlling Interest	Non-Controlling Interests	Total	
Balance at 1 January 2011	50,400,000	21,606,400	7,000,000	19,896	(15,735)	249,702	5,959,360	(52,253)	11,665,565	40,345,542	137,178,477	978,470	138,156,947	
Total comprehensive income														
Profit for the year	-	-	-	-	-	-	-	-	42,022,704	-	42,022,704	210,763	42,233,467	
<u>Other comprehensive income</u>														
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	
Change in fair value of financial assets, net of tax	-	-	-	(19,896)	-	-	-	-	-	-	(19,896)	-	(19,896)	
Change in cash flow hedging reserve, net of tax	-	-	-	-	(100,920)	-	-	-	-	-	(100,920)	-	(100,920)	
Change in translation reserve	-	-	-	-	-	-	-	(1,120,280)	-	-	(1,120,280)	(59,954)	(1,180,234)	
Total other comprehensive income	-	-	-	(19,896)	(100,920)	-	-	(1,120,280)	-	-	(1,241,096)	(59,954)	(1,301,050)	
Total comprehensive income	-	-	-	(19,896)	(100,920)	-	-	(1,120,280)	42,022,704	-	40,781,608	150,809	40,932,417	
Transfers	-	-	-	-	-	-	819,537	-	(11,665,565)	10,846,028	-	-	-	
Dividend payment	16	-	-	-	-	-	-	-	-	(7,540,000)	(7,540,000)	-	(7,540,000)	
Balance at 31 December 2011	16	50,400,000	21,606,400	7,000,000	-	(116,655)	249,702	6,778,897	(1,172,533)	42,022,704	43,651,570	170,420,085	1,129,279	171,549,364

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

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

(In Turkish Lira ("TL"))

	Note	Audited 1 January-31 December 2011	Audited 1 January-31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		42,233,467	11,784,784
Interest expenses	22	125,300	136,629
Interest income on bank deposits		(1,777,314)	(727,377)
Gain on sale of investment	17	(46,495,247)	(4,233,705)
Change in investments in equity accounted investees (net)	10	4,150,742	(3,275,120)
Dividend income from investments in equity accounted investees	21	-	290,369
Change in foreign currency translation reserve of investments in equity accounted investees		-	8,310
Impairment on goodwill		-	427,002
Dividend income from investments in equity accounted investees	21	(830,543)	(830,543)
Amortization of tangible assets	11	89,106	77,656
Amortization of depleted costs of intangible assets	12	95,800	352,318
Discount of receivables and payables (net)		-	289,356
Change in fair value of investment securities (net)		(1,270,528)	(3,743,305)
Allowance for doubtful receivables (net)	20	1,340,089	54,891
Provision for employee bonuses	14	1,077,352	314,064
Increase in vacation pay liability	14	77,195	68,848
Increase in severance pay liability	14	5,692	73,851
Accrued expenses		60,094	(127,004)
Interest received		2,273,971	679,891
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in trade receivables		(2,128,997)	(901,856)
Increase in inventories		(84,736)	(102,946)
Decrease/Increase in other receivables and current assets		439,139	(177,283)
Decrease/(Increase) in trade payables		214,134	211,030
Increase in other payables		257,553	238,915
Employee severance payments	14	-	(32,797)
Employee bonus payments	14	(320,064)	(330,991)
Net cash from / (used in) operating activities		(467,795)	(55,751)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/decrease in investment securities		(11,242,443)	17,930,704
Acquisition of equity accounted investee	10	(17,500,000)	(16,705,959)
Proceeds from sale of investments	17	61,715,350	5,916,698
Proceeds from sale of shares in subsidiary		-	390,845
Dividend received from equity accounted investees	21	-	290,369
Dividend received from equity investments	21	830,543	830,543
Acquisition of property and equipment	11	(140,129)	(64,381)
Acquisition of intangible assets	12	(14,063)	(13,630)
Net cash from / (used in) investing activities		33,649,258	8,575,189
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowed funds		1,185,674	1,991,583
Repayment of financial liabilities		(79,192)	(2,419,250)
Finance costs paid	22	(125,300)	(127,382)
Dividends paid		(7,540,000)	(3,000,000)
Net cash used in financing activities		(6,558,818)	(3,555,049)
Foreign currency translation difference		(1,301,050)	(23,517)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		25,321,595	4,940,872
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		14,340,833	9,399,961
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	39,662,428	14,340,833

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

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

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

1. ORGANIZATION OF THE GROUP AND NATURE OF OPERATIONS

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (“the Company”), was established in İstanbul. The registered address of the Company is İş Kuleleri Kule 2, Kat:2, Levent, İstanbul. Türkiye İş Bankası A.Ş is the ultimate shareholder of the Group. The Company’s shares are traded in the İstanbul Stock Exchange since 2004.

The Company and its subsidiary (“Group”) have operations in two business segments: Private equity and IT, audio and communication systems. The operating segments explained below are the basis of segment reporting of the Group. The Company also has associates operating in various sectors, which are explained below.

The Group’s core business activities are as follows:

Private equity: Investing in venture capital companies which are established or will be established in Turkey and has potential to grow and need resources.

IT, audio and communication systems: Providing project consultancy, research and development of computer hardware and software, audio technologies and telecommunication systems in domestic and foreign market. Exporting, importing, distributorship, agency, installation, maintenance, after sale services, training and management, marketing of these systems and acting as the agent.

Group’s segment reporting is disclosed in Note 3.

As at 31 December 2011, the Company has 13 and the Group have 64 employees. (31 December 2010: Company: 13 and Group: 60).

The details of subsidiary and associates of the Company are as follows:

Subsidiary:

	Stock markets in which their shares are traded	Nature of operations	Main Business Area
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. (“Nevotek”)	None	Service	Providing project consultancy, research and development of computer hardware and, audio technologies and telecommunication systems in domestic and foreign market. Exporting, importing, distributorship, agency, installation, maintenance, after sale services, training and management, marketing of these systems and acting as the agent.
Nevotek Middle East LLC	None	Service	Audio technologies and telecommunication systems
Nevotek Inter corporation	None	Service	Audio technologies and telecommunication systems
Convera Systems FZ LLC	None	Service	Software sale and services

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

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

1. ORGANIZATION OF THE GROUP AND NATURE OF OPERATIONS (continued)

Associates:

Company Title	Stock markets in which their shares are traded	Nature of operations	Main Business Area
ODE Yalıtım Sanayi ve Ticaret A.Ş. (“Ode”)	None	Production	Production of isolation materials (waterproof, heatproof, soundproof and fireproof) for buildings and fittings that are used in construction sector.
Türkmed Diyaliz ve Böbrek Sağlığı Kurumları A.Ş. (“Türkmed”)	None	Service	Investing in companies operating in dialysis sector, supplying personnel to these companies and other activities written in its main agreement.
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. (“Ortopro”)	None	Production/ Commerce	Buying, selling, marketing, producing, exporting and importing all types of orthopedic and surgical devices and other activities written in its main agreement.
Havalimanları Yer Hizmetleri A.Ş. (“Havaş”)	None	Service	Providing ground handling services for airlines at the airports
Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş. (“Aras Kargo”)	None	Service	Local,global and transit transaction of individual and commercial property

1. ORGANIZATION OF THE GROUP AND NATURE OF OPERATIONS (continued)

Approval of Financial Statements:

The consolidated financial statements of the Group as at 31 December 2011 are approved by the Board of Directors and authorized for issue on 12 April 2012. General Assembly has the power to amend the financial statements after their issue.

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2011

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

2. BASIS OF PRESENTATION

2.1 Basis of Presentation

Basis of Preparation of Financial Statements

The Company and its subsidiary located in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles of the Turkish Commercial Code (“TCC”) and tax legislation. The entities controlled by the subsidiary operating in foreign countries maintain their books of account and prepare their statutory financial statements in the functional currency of the country, which they are operating in and in compliance with the related country’s regulations.

The accompanying consolidated financial statements of the Group is prepared in accordance with the communiqué Serial: XI, No:29 “Communiqué on Financial Reporting Standards in Capital Markets” (“Communiqué XI-29”) promulgated by Capital Markets Board of Turkey (“CMB), which is published at 9 April 2008 in the Official Gazette numbered 26842. In accordance with the communiqué Serial: XI, No: 29 the entities are required to apply “International Financial Reporting Standards (“IAS/IFRS”) as adopted by European Union (“EU”). However, until the differences between the IAS/IFRSs as adopted by EU and IAS/IFRSs as issued by IASB are declared by the Turkish Accounting Standards Board (TASB), IAS/IFRSs will be applied. In this respect the Turkish Accounting/Financial Reporting Standards (“TAS/IFRS”) promulgated by TASB, which are compatible with the applied standards will be adopted.

Until the differences between the IAS/IFRSs as adopted by EU and IAS/IFRSs as issued by IASB are declared by TASB, the financial statements are prepared in accordance with IAS/IFRSs as declared in the communiqué Serial: XI, No: 29. The accompanying consolidated financial statements and notes to the consolidated financial statements are prepared in accordance with the compulsory standard formats and recommended formats as prescribed by CMB.

With the governing decree law numbered 660 published in official gazette on 2 November 2011, the establishment article of TASB stated in the 2499 numbered law with an additional article number one has been superseded and the Council of Ministers decided to establish Public Oversight Accounting and Auditing Standards Agency (“Oversight Agency”). In accordance with the transitional article number one of the governing decree law, until the date of the issuing of standards and regulations by Oversight Agency, the existing regulations will be applied. Accordingly, as of the reporting period, the Basis of Presentation has not been changed.

The consolidated financial statements are prepared on the historical basis except for the financial assets and liabilities, which are measured at their fair values. Fair value of the amount paid to acquire assets is the basis used to determine the historical cost.

Additional paragraph for convenience translation to English:

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

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. Functional currency of Nevotek, the subsidiary of the Company, is TL. The functional currency of Havaş, the associate of the Company, is Euro. Other associates’ functional currency is TL.

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2. BASIS OF PRESENTATION (continued)

2.1 Basis of Presentation (continued)

Functional and Presentation Currency (continued)

The foreign exchange rates used by the Group as at 31 December 2011 and 31 December 2010 are as follows:

	31 December 2011	31 December 2010
US Dollar	1.8889	1.5460
Euro	2.4438	2.0491

Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey, which prepare their financial statements in accordance with CMB Financial Reporting Standards (including those applying IAS/IFRS), effective from 1 January 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying consolidated financial statements IAS/TAS 29 “Financial Reporting in Hyperinflationary Economies” was not applied.

Comparative Information

The Group’s consolidated financial statements are prepared including comparative information in order to enable readers to understand the trends in the financial position and performance of the Group. The change in presentation or reclassification of the financial statement items is applied retrospectively and the reclassifications made in the prior year financial information are disclosed in the notes to the consolidated financial statements.

Basis of Consolidation

The details of the Group’s subsidiary as at 31 December 2011 and 31 December 2010 are as follows:

Subsidiary	Purchase date	Founding and operating location	Shareholding Interest %		Voting power	Main business area
			31 December 2011	31 December 2010		
Nevotek	30 September 2003	Turkey	85.24	85.24(*)	85.24	IT, audio and communication systems

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The gains and losses results from the sale of non- controlling interests, without a change in control, for the subsidiaries acquired or sold during the period are recognized in equity.

Where necessary, adjustments are made to the financial statements of subsidiaries to make their accounting policies in line with those applied by the Group.

All intra group transactions, balances, income and expenses are eliminated for consolidation purposes.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately in the equity of the Group. Non-controlling interests comprised the sum of the shareholding amount at the date of the initial business combination and the minority’s share in the changes of equity subsequent to the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the shareholding interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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2. BASIS OF PRESENTATION (continued)

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Associates and joint ventures

Associates are the entities on which the Group has significant influence apart from subsidiaries. . Significant influence is the participation power to govern the financial and operating policies of an entity without having individually or jointly control power. The details of Group’s associates as at 31 December 2011 and 31 December 2010 are as follows:

Associate and joint ventures	Purchase date	Founding and operational location	Shareholding interest (%)		Voting power	Main business area
			31 December 2011	31 December 2010		
Ortopro	10 December 2007	Turkey	31.00	31.00	(1)	Service
Türkmed	17 December 2007	Turkey	25.78	25.78	(1)	Service
Ode	9 July 2007	Turkey	17.24	17.24	(1)	Production
Havaş	24 March 2010	Turkey	6.67	6.67	(2)	Service
Probil	23 October 2003	Turkey	-	10.00	(3)	Production-Commerce
Dr.F.Frik	3 December 2008	Turkey	-	20.00	(4)	Commerce
Joint venture	Purchase date	Founding and operational location	31 December 2011	31 December 2010	Voting power	Main business area
Aras Kargo	15 November 2011	Turkey	20.00	-	(5)	Service

- (1) Total number of Ode, Turkmed and Ortopros’ Board of Directors members is 4 and 1 member represents İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Besides, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. has power to veto some decisions.
- (2) Total number of Havaş’s Board of Directors members is 6 and 1 member represents İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Besides, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. has power to veto some decisions. Assembly quorum for Board of Directors is 5. Board of Directors decisions are taken by at least 4 affirmative votes. Important Board of Directors decisions are taken by affirmative votes of all members (2 people) nominated by Group B shareholders in which İş Girişim is included.
- (3) The Company has sold its total shares of 10% in Probil at 11 October 2011 for USD 4,000,000 (TL 7,306,400) to Netas Telekomunikasyon A.S.
- (4) The Company has sold its total shares of 20% in Dr.F.Frik at 13 September 2011 for USD 30,500,000 (TL 54,408,950) to Yeni Recordati İlac ve Hammaddeleri San.ve Tic.A.S.
- (5) Aras Kargo is Group’s joint venture. Total number of Aras Kargo’s Board of Directors members is 6 and 3 members represent İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Important Board of Directors decisions are taken by affirmative votes of all members (2 people) nominated by Group B shareholders in which İş Girişim is included. Based on the arrangements of the contracts signed by Aras Kargo’s shareholders, İş Girişim has power to select and change %50 of total number of Board of Directors.

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2. BASIS OF PRESENTATION (continued)

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in an equity-accounted investees, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discounted except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Goodwill represents the excess amount of the acquisition cost over the fair value of the associate’s the identifiable assets, liabilities and contingent liabilities at the date of the acquisition. The carrying amount of goodwill is included in the carrying amount of the investment and is tested for impairment as a part of the investment. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

2.2 Changes in Accounting Policies

There is no change in the Group's accounting policies during the current period.

2.3 Changes in Accounting Estimates and Errors

Effect of changes in accounting estimates, if it is only related to one period, is recognized in the period that the change is made, if it is related with the future periods, is recognized in the current period and also in future periods, prospectively. There is not any significant change in Group’s accounting estimates in the current period except explained in Note 7.

Material errors are corrected retrospectively and the prior period financial statements are restated accordingly.

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2. BASIS OF PRESENTATION (continued)

2.4 New standards and interpretations

New standards and interpretations adopted as at 31 December 2011

The Group applied all of the relevant and required standards and interpretations promulgated by TASB as at 31 December 2011.

New standards and interpretations not yet adopted as at 31 December 2011

Some new standards, amendments and interpretations to standards as at December 31, 2011 is not yet valid and was not applied in preparing these interim consolidated financial statements. These new standards, the following are expected to impact the Group's consolidated financial statements:

TAS 1 *Presentation of Items of Other Comprehensive Income* require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments are effective for annual periods beginning on or after 1 July 2012.

TFRS 9 *Financial Instruments* could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2013.

Other than financial measurements and classifications of assets changed by TFRS 9 Financial Instruments, consolidated financial statements not expected to have a significant impact. Group TRFS 9 standard for early adoption of the standard effect, and intend to be determined.

TFRS 10 *Consolidated Financial Statements* is replaced with TAS 27(2007) and TAS Comment 12 Consolidated – special purpose entities and become effective for annual periods beginning on or after 1 January 2013.

TFRS 11 *Joint venture* is replaced with TAS 31 and TAS 12 Consolidated – special purpose entities and become effective for annual periods beginning on or after 1 January 2013.

TFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities and becomes effective for annual periods beginning on or after 1 January 2013.

TFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual TFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.

TAS 27 *Separate Financial Statements* (2011) supersedes TAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

TAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes TAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Revenue

Private equity

Revenues are comprised of sale of subsidiary and/or associate, income from consultancy services provided to associates.

Revenues of the sale of non-controlling interests of the subsidiary without a change in control and/or associate are recognized when the sales are realized. Consultancy services given to associates are recognized at the date of the service rendered.

Dividend and interest income

Interest income is accrued by remaining principal in proportion as effective interest rate that reduces expected cash flows obtained from financial asset during its expected useful life to its carrying value in the related period.

Dividend income from equity investments and associates are recognized when shareholders have the right to receive the dividend.

Income stems from the sale of security portfolio and coupon payment and amortization income are recognized when the transaction is realized. The period end valuation income is recognized in the related accounts as at the period end.

IT, audio and communication systems

Revenue is recognized on an accrual basis by the amount of excess of the fair value if it is probable that the future economic benefits of the revenue will flow to the Company.

Group recognizes revenue when Group has available contracts with clients, product or service is delivered, amount of revenue measured reliably, and it is probable that the Group will be receiving economical benefit.

Group recognizes revenue for license and software solutions after the software is delivered and the service is started to be used by considering the conditions mentioned in the first paragraph.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost or net realizable value. Their costs, including fixed and variable production costs, are valued in accordance with the appropriate method for the related class of inventory and commonly weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed every year, with the effect of any changes in estimates accounted prospectively.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Regular repair and maintenance costs of tangible assets are recognized as expense as incurred.

The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Machinery and equipment	4-5 years
Furniture and fixtures	4-5 years
Leasehold improvements	5 years

Intangible Assets

Goodwill

Goodwill represents the excess amount of the acquisition cost over the fair value of the associate’s identifiable assets, liabilities and contingent liabilities at the date of the acquisition. The carrying amount of goodwill is included in the carrying amount of the investment and is tested for impairment as a part of the investment. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Intangible Assets (continued)

Acquired intangible assets

Intangible assets that are acquired by the Group are carried at their cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization method are reviewed at each financial year end and the effect of the changes in estimates accounted prospectively.

Computer software

Acquired computer software are recognized with their acquisition costs and the costs incurred in the period until the software is ready to use. These costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives.

Useful life for computer software is 5 years.

Intangible assets acquired through business combinations

Intangible assets acquired through business combinations are defined and accounted separately from goodwill if the fair value of intangible is measured properly and meets definition of intangible asset. The cost of such kind of an intangible asset is equal to its fair value as at the acquisition date.

Subsequent to initial recognition, the intangible assets acquired through business combinations are carried at cost less accumulated depreciation and impairment losses as the same as if intangible assets acquired separately.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Internally-generated intangible assets – research and development expenditure (continued)

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Amortization period for internally-generated intangible assets is 5 years.

The exclusion of intangible assets from the statement of financial position

If an intangible asset disposed of, or there isn't any future economic benefit expectation from the usage or sale, will be excluded from the statement of financial position. An intangible asset arising from release to non-profit or loss statement of financial position, if any, of net proceeds from disposal of assets is calculated as the difference between the book value. When this difference is taken out of the statement of financial position of the related asset, it will be recognized in profit or loss.

Impairment of Assets

Assets that have infinite useful lives, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Assets held for sale

Assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale or distribution. These assets can be an operating unit, sales groups or a separate tangible asset. Assets held for sale are expected to be sold in twelve months following the reporting period. The assets held for sale are measured at the lower of their carrying amount and fair value. In the condition that the carrying amount exceeds the fair value, the impairment is recognized as a loss in the related period's profit or loss

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The capitalization of the borrowing costs ceased when all the operations are done for the preparation and the qualifying asset is ready to use. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

The Group does not have any capitalized borrowing costs.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial Assets

Financial assets, except for the financial assets classified as at fair value through profit or loss and initially measured with fair value, are recognized with total of fair values and transaction costs related with acquisition. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the time frame established by the market concerned.

Financial assets are classified into the following categories: ‘financial assets at fair value through profit or loss’ (FVTPL), ‘held-to-maturity investments’, ‘available-for-sale’ (“AFS”) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts to present value through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and although they are not initially acquired for the purpose of trading, recognized in this category at the initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated as hedging instrument.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method, less impairment.

The Group does not have any held-to-maturity investments as at the end of the reporting period.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available- for-sale financial assets and are measured at fair value. Gains and losses arising from changes in fair value, other than impairment losses, interest income calculated using effective interest method and foreign exchange gain/losses which are recognized, are recognized in other comprehensive income and accumulated under fair value reserve. When the investment is disposed or impaired, the cumulative gain or loss previously recognized in fair value reserve is recognized in profit or loss.

Dividends related to equity instruments held for sale are recognized in profit or loss when the Group has right to receive dividend.

Fair value of available for sale financial assets in foreign currency is determined in the currency it is denominated and converted by the foreign exchange rate at end of the reporting date. Foreign exchange gains/losses recognized in profit of loss statement is determined at amortized cost of monetary assets. Other foreign exchange gains/losses are recognized in the other comprehensive income.

The Group does not have any available-for-sale financial assets as at the end of the reporting period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable repayments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortized cost using the effective interest method less any impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets measured with effective interest method, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which have maturities of three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit and loss (“FVTPL”)

Financial liabilities at FVTPL are carried at fair value, with any resultant gain or loss recognized in profit or loss and reassessed at each reporting date. The net gain or loss recognized in profit or loss comprises any interest paid on the financial liability.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognized at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments to net present value through the expected life of the financial liability, or, where appropriate, a shorter period.

Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, “Business Combinations” are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, “Non-Current Assets Held for Sale and Discontinued Operations”, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, defined as the excess of the cost of the business combination over the Group’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. If, after reassessment, the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree exceeds the cost of the business combination, the excess amount is recognized in profit or loss immediately.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling’s proportion of the fair value of the assets, liabilities and contingent liabilities recognized.

Only if the fair value of acquired identifiable assets, liabilities and contingent liabilities or cost of the merger is determined temporarily, if the merger has to be done temporarily at the end of the acquisition period, provisional acquisition accounting is applied by the Company In accordance with TFRS 3 "Business Combinations", the provisional acquisition accounting process must be completed within 12 months from the date of transaction. Provisional acquisition accounting of net identifiable assets, liabilities and contingent liabilities Havaş Havaalanları Yer Hizmetleri Anonim Şirketi ("Havas") for the first time applied on 31 March 2010 is finalized on 31 March 2011. As at 31 March 2011, the merger was accounted as it was completed at the period of business combination and comparative information has been revised for the previous periods on the consolidated financial statements (Note 10).

For business combinations the excess of the cost of acquisition over the fair value of net identifiable assets, liabilities and contingent liabilities of the acquiree is recognized as goodwill. In the bargain purchase, excess of the fair value of net identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss (Note 10).

Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For consolidated financial statements, the results of operations and financial position of each entity is presented in

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

Turkish Lira (“TL”), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

When preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates at the end of the reporting periods. Non-monetary assets and liabilities denominated in foreign currencies are translated to TL with the exchange rates at the dates on which their fair values are determined. Foreign currency non-monetary items measured at historic cost are not subject to translation again.

Foreign currency translation differences, except for the cases below, are recognized as profit or loss in related period:

- Foreign exchange gains or losses included in cost of assets and adjustment in interest cost in liabilities denominated in foreign currency and also related with assets under constructions for future usage,
- Foreign exchange gains or losses from settlement of transactions to have financial protection against foreign currency risks (accounting policies provide financial protection against risks are disclosed below).
- Foreign exchange gains or losses from monetary payables and receivables of foreign operations that are part of net investment, accounted in translation reserves and related to gain or loss from sale of net investment that are not intended or possible to be paid

Group’s monetary assets and liabilities denominated in foreign currencies in foreign operations have been translated into TL at the exchange rates prevailing at the end of the reporting periods. Income and expense items are translated to TL at the exchange rates from average rate of the period if there is not significant fluctuation in exchange rate. (If so, income and expense items are translated to TL at the exchange rates at the dates of the transactions are done) Translation difference is classified to equity and transferred to Group’s foreign currency translation reserve. Those translation differences are recognized in profit or loss after the disposal of foreign operation.

Goodwill stems from acquisition of foreign operations and fair value adjustments are considered as assets and liabilities of foreign operations and translated by the foreign exchange rates at the end of the reporting period.

Earnings per share

Earnings per share disclosed in the consolidated statement of comprehensive income are calculated by dividing net earnings by the weighted average number of shares that have been outstanding during the related period concerned.

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. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retrospective effect for the year in which they were issued and each earlier year.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Events after the reporting period

Events after the reporting period are those events, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

The Group adjusts its consolidated financial statements to reflect adjusting events after the reporting period and discloses the material non-adjusting events after the reporting period in the notes to the consolidated financial statements.

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made about the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the provision is measured by using the estimated cash flows to meet the present liability, carrying amount of the concerned provision is equal to present value of related cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Segment Reporting

The Group has two operating segments. Each segment’s information is used for the evaluation and allocation of the resources separately by the management. Since these segments are affected from different economic conditions, they are managed separately (Note 3). The Group has started to apply IFRS 8 “Operating Segments” in 2009. According to internal reporting, reporting is made based on IFRS figures in two different segments named as Private equity and IT, audio and communication systems. In this respect, there is not any change in the Group’s segment reporting as compared to prior periods.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Income Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated separately for each entity.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş is exempt from Corporate Tax in accordance with the 5th /d-3 article. Besides, income from private equity is not subject to advance tax application.

With 3rd sub paragraph of 15th article of Corporate Tax Law and with the decree of the Council of Ministers, the income arises from venture capital investment company will be subject to 0% withholding tax.

The Company's subsidiary, Nevotek, is an income and corporate taxpayer in Turkey. Nevotek is a corporate taxpayer operating in Technology Development Area with the Article No. 4691/2 of Technology Development Area and the Article No.5035. Nevotek's income from R&D activities and software in this area is exempt from income and corporate tax until 31 December 2013. With the decision of amendment to Technology Development Area Law No 6170, this exemption period is extended until 31 December 2023.

Navotek does not have any tax liability related with other operating results other than the income from research and development and software in the current period. Therefore there isn't any current tax liability recognized in the accompanying consolidated financial statements.

The subsidiaries' income in United Arab Emirates is not exposed to corporate tax.

The subsidiary's income in California in United States of America, is exposed to both federal and state income tax. The federal tax rate is gradual and between 15%- 35%, the state tax rate is 8,84%. However; the subsidiary does not have any taxable income and does not make any tax payments

There is not any estimated tax liability related with other operating results other than the income from research and development and software in the current period in Nevotek. Therefore there isn't any current tax liability recognized in the accompanying consolidated financial statements.

Current Tax

Current tax liability is calculated on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

Deferred tax (continued)

there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into consideration in calculating goodwill or determining the excess cost of the acquirer’s interest over fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities.

Employee Benefits

Employee Severance Pay Liability

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 “Employee Benefits” (“TMS 19”).

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligations. The actuarial gains and losses are recognized in profit or loss

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Employee Benefits

Employee bonuses

Group makes provision if there is a contractual obligation or constructive obligation caused by previous applications.

Other short-term employee benefits

Other short-term employee benefits include vacation pay liability. In Turkey, according to the legislation, the employer has to make payments for unused vacation days when the personnel leave the company. Vacation pay liability is the undiscounted amount calculated over the unused vacation days of the employee.

Post Employment Plans

The Group does not have any retirement or post employment benefit plans.

Statements of cash flows

In the statement of cash flows, cash flows are classified as operating, investing and financing activities. Cash flows from operating activities represent the Group’s cash flows generated from operating activities.

Cash flows from operating activities represent the cash flows provided from Group’s private equity and IT, audio and communication systems.

Cash flows from investing activities represent the group’s cash flows used in/provided from investing activities (fixed investments and financial investments)

Cash flows from financing activities represent the Group’s funds used in and repayment of the funds during the year.

Share capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are deducted from retained earnings and reclassified as dividend payable in the period that the dividend distribution decision is taken.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Accounting estimates

The preparation of consolidated financial statements in accordance with Communiqué XI-29 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Note 10	Investments in equity accounted investees (*)
Note 11–12	Useful lives of property and equipment and intangible assets
Note 13	Provisions, Contingent Assets and Liabilities
Note 14	Employee benefits
Note 23	Tax assets

(*) Impairment loss on goodwill

Group performs impairment test annually according to the accounting policy explained in Note 2.5. Recoverable amount of cash generating units are determined with the applicable measurement techniques. These computations require the use of estimates.

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3. SEGMENT REPORTING

For the year ended 31 December 2011:

	Private equity	IT, audio and communication systems	Total continuing operations	
	1 January- 31 December 2011	1 January- 31 December 2011	1 January- 31 December 2011	
Revenue				
Sales revenue	61,963,803	13,996,193	75,959,996	
Cost of sales	(15,220,104)	(3,695,899)	(18,916,003)	
Marketing, sales and distribution expenses	-	(2,702,839)	(2,702,839)	
Administrative expenses	(6,458,867)	(3,062,869)	(9,521,736)	
Research and development expenses	-	(2,315,752)	(2,315,752)	
Other operating income	50,412	16,591	67,003	
Other operating expenses	(12)	(2,622,046)	(2,622,058)	
Share of profit / (loss) of equity accounted investees	(4,150,742)	-	(4,,150,742)	
Finance income	8,860,931	3,760,942	12,621,873	
Finance costs	(4,240,198)	(1,821,763)	(6,061,961)	
Profit before tax	40,805,223	1,522,558	42,357,781	
Tax expense	-	(124,314)	(124,314)	
Profit from continuing operations	40,805,223	1,428,244	42,233,467	
Non-controlling interests Owners of the Company			210,763	
			42,022,704	
			42,233,467	
Other information				
	Private equity	IT, audio and communication systems	Consolidation adjustments	Total Continuing Operations
	1 January- 31 December 2011	1 January- 31 December 2011	1 January- 31 December 2011	1 January- 31 December 2011
Amortization and depreciation expenses	(24,559)	(160,348)	-	(184,907)
Acquisition of property and equipment and intangible assets	58,272	95,920	-	154,192
As at 31 December 2011				
	Private equity	IT, audio and communication systems	Consolidation adjustments	Total continuing operations
	1 January- 31 December 2011	1 January- 31 December 2011	1 January- 31 December 2011	1 January- 31 December 2011
Statement of Financial Position				
Segment assets	169,554,499	10,787,657	(3,932,125)	176,410,031
Segment liabilities	(1,725,433)	(3,135,234)	-	(4,860,667)

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3. SEGMENT REPORTING (continued)

For the year ended 31 December 2010:

	Private equity	IT, audio and communication systems	Total continuing operations	
	1 January- 31 December 2010	1 January- 31 December 2010	1 January- 31 December 2010	
Revenue				
Sales revenue	6,243,154	10,893,953	17,137,107	
Cost of sales	(1,682,993)	(3,652,628)	(5,335,621)	
Marketing, sales and distribution expenses	-	(1,375,236)	(1,375,236)	
Administrative expenses	(4,431,690)	(2,487,914)	(6,919,604)	
Research and development expenses	-	(1,821,408)	(1,821,408)	
Other operating income	18,837	25,009	43,846	
Other operating expenses	(427,863)	(844,670)	(1,272,533)	
Share of profit / (loss) of equity accounted investees	3,275,120	-	3,275,120	
Finance income	8,452,094	2,009,410	10,461,504	
Finance costs	(469,760)	(1,938,631)	(2,408,391)	
Profit before tax	10,976,899	807,885	11,784,784	
Tax expense	-	-	-	
Profit from continuing operations	10,976,899	807,885	11,784,784	
Non-controlling interests Owners of the Company			119,219	
			11,665,565	
			11,784,784	
Other information				
	Private equity	IT, audio and communication systems	Consolidation adjustments	Total Continuing Operations
	1 January- 31 December 2010	1 January- 31 December 2010	1 January- 31 December 2010	1 January- 31 December 2010
Share capital increase	25,200,000	-	-	25,200,000
Amortization and depreciation expenses	(17,465)	(412,510)	-	(429,975)
Acquisition of property and equipment and intangible assets	15,048	62,963	-	78,011
As at 31 December 2010	Private equity	IT, audio and communication systems	Consolidation adjustments	Total continuing operations
	1 January- 31 December 2010	1 January- 31 December 2010	1 January- 31 December 2010	1 January- 31 December 2010
Statement of Financial Position				
Segment assets	144,385,482	8,225,910	(12,068,287)	140,543,105
Segment liabilities	(790,701)	(1,595,457)	-	(2,386,158)

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4. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash on hand	1,578	2,516
Cash at banks (Note 25)	34,311,545	14,356,101
<i>Demand deposit</i>	1,862,353	354,676
<i>Time deposits with maturities less than 3 months</i>	32,449,192	14,001,425
B type liquid fund (Note 25)	5,845,962	84,681
	<u>40,159,085</u>	<u>14,443,298</u>

Reconciliation between the elements comprises cash and cash equivalents in the statement of financial position and statement of cash flows:

	31 December 2011	31 December 2010
Cash and cash equivalents	40,159,085	14,443,298
Less: Accrued interests	(496,657)	(102,465)
	<u>39,662,428</u>	<u>14,340,833</u>

As at 31 December 2011 and 31 December 2010, interest and maturity details of the bank deposits are as follows:

	31 December 2011			
	Interest Rate %	Maturity	Currency	Amount TL
TL Time deposit	11.00	9 January 2012	TL	21,627,533
TL Time deposit	12.20	27 January 2012	TL	10,821,659
				<u>32,449,192</u>

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4. CASH AND CASH EQUIVALENTS (continued)

	31 December 2010			
	Interest Rate	Maturity	Currency	Amount
	%			TL
TL Time deposit	8.50	21 January 2011	TL	1,500,566
TL Time deposit	9.10	3 January 2011	TL	12,500,869
				<u>14,001,425</u>

The details of B Type liquid funds and receivables from reverse repurchase agreements classified as cash and cash equivalents are as follows:

	31 December 2011	
	Nominal (*)	Fair Value
B type liquid fund	319.081.252	5,845,962
		<u>5,845,962</u>
	31 December 2010	
	Nominal (*)	Fair Value
B type liquid fund	760	84,681
		<u>84,681</u>

(*) Investment fund is presented in units.

The currency, interest rate and sensitivity analyses are disclosed in Note 26.

As at 31 December 2011 and 31 December 2010 there are not any blockages on cash and cash equivalents.

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5. INVESTMENT SECURITIES

	31 December 2011	31 December 2010
Financial assets designated at fair value through profit or loss	75,586,568	63,073,597
	<u>75,586,568</u>	<u>63,073,597</u>

Financial Assets at Fair Value through Profit or Loss:

	31 December 2011	
	Nominal(*)	Fair Value
Government bonds	6,900,000	8,012,531
Investment funds (Note 25)	1,664,957,950	41,532,782
Eurobond (private sector)	1,500,000	2,659,218
Private sector bonds and notes (Note 25)	18,726,500	18,658,326
Shares quoted to stock exchange (Note 25)	5,190,891	4,723,711
		<u>75,586,568</u>

	31 December 2010	
	Nominal(*)	Fair Value
Government bonds	11,500,000	13,407,605
Investment funds (Note 25)	1,146,526,350	34,796,887
Eurobond (private sector)	1,500,000	2,130,099
Private sector bonds and notes	5,481,500	5,679,394
Shares quoted to stock exchange (Note 25)	5,190,891	7,059,612
		<u>63,073,597</u>

(*) Investment funds and securities quoted in an active market are presented in units, government bonds and private sector bonds are presented in Turkish Liras and Eurobond is presented in foreign currency nominal value.

Interest rates of private sector bonds and government bonds held for trading are between the rates 3.15 % and 14.86 % per annum. (31 December 2010: 1.40%-9.22%)

Eurobonds issued by private sector are denominated in US Dollar and has coupon payments. As at 31 December 2011, annual interest income from the Group’s investment in Eurobond is 9.25%. (31 December 2010: 9.25%).

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6. FINANCIAL LIABILITIES

Financial Liabilities	31 December 2011	31 December 2010
Short term bank loans	1,555,780	616,444
Short term factoring payables (Note 25)	235,275	-
Total Short Term Financial Liabilities	1,791,055	616,444
Long term bank loans	118,763	186,892
Total Long Term Financial Debts	118,763	186,892
Total	1,909,818	803,336

Bank and Other Borrowings:

31 December 2011			
Currency	Interest rate (%)	Short term	Long term
Secured US Dollar	-(*)	79,175	118,763
Unsecured TL	16.00	1,476,605	-
Factoring payables	17.00	235,275	-
		1,791,055	118,763

31 December 2010			
Currency	Interest rate (%)	Short term	Long term
Secured US Dollar	-(*)	28,170	169,018
Unsecured TL	10.6	588,274	17,874
		616,444	186,892

(*) Group has an interest free borrowing taken from Technology Development Foundation of Turkey on project basis.

The maturity of bank borrowings is as follows:

	31 December 2011	31 December 2010
0-1 year	1,791,055	616,444
1-2 years	79,175	74,213
2-3 years	39,588	112,679
	1,909,818	803,336

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6. FINANCIAL LIABILITIES (continued)

Significant bank borrowings of the Group are summarized as follows:

As at 31 December 2011, revolving borrowings amounting TL 1,430,000 with interest rates between 12.5% and 17% have been utilized. TL 360, 000 of these loans with interest rate 12.3% has been utilized from Türkiye İş Bankası which is a related party for short-term financing (Note 25).

As at 31 December 2011, the Group also has spot loan amounting to TL 235,275 with 17 % interest rate for short-term financing from İş Faktoring Anonim Şirketi (31 December 2010: None).

As at 31 December 2011, There are interest-free loan amounting USD 104,840 (TL 197,938) taken from Technology Development Foundation of Turkey on project basis.The repayments will be done semi-annually by 5 installments.

There is a security bill amounting to USD 143,972 (TL 271,949) given against for the loans of the Group as collateral (Note 13).

7. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

As at the end of the reporting period, the details of trade receivables are as follows:

	31 December 2011	31 December 2010
Current trade receivables		
Trade Receivables	7,703,807	6,935,642
Due from related parties (Note 25)	69,171	48,428
Doubtful receivables	1,394,980	54,891
Provision for doubtful receivables (-)	(1,394,980)	(54,891)
	<u>7,772,978</u>	<u>6,984,070</u>

As at 31 December 2011, the amount of Group’s receivables that are highly probable to collect and not due is amounting to TL 5,651,940. (31 December 2010: TL 5,401,480). Average collection maturity of the Company’s subsidiary’s service sales is 210 days. (31 December 2010: 219 days)

As at the end of the reporting period, TL 2,121,038 of the Group’s trade receivables is overdue but not impaired (31 December 2010: TL 1,582,590). Trade receivables consist of various customers, from which the Group has not faced any collection risk recently.

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7. TRADE RECEIVABLES AND PAYABLES (continued)

a) Trade Receivables (continued)

Aging of trade receivables, which are overdue but not impaired, is as follows:

	31 December 2011	31 December 2010
Up to 1 month	168,639	76,746
Up to 3 months	329,908	141,229
Between 3-12 months	860,441	1,174,895
More than 12 months	762,050	189,720
	<u>2,121,038</u>	<u>1,582,590</u>

As at 31 December 2011, the Group has allowance for possible losses on trade receivables amounting to TL 1,394,980 (31 December 2010: 54,891). The movement of Group’s allowance for doubtful receivables is as follows:

	1 January- 31 December 2011	1 January- 31 December 2010
<u>Movement of allowance for doubtful receivables</u>		
Opening balance	(54,891)	-
Allowance provided during the year(*)	(1,340,089)	(54,891)
Closing balance	<u>(1,394,980)</u>	<u>(54,891)</u>

(*) As at 31 December 2011, Nevotek which is Group’s subsidiary has reviewed its all receivables individually and provided allowance for the receivables not in legal proceedings, however for which their collectibility becomes doubtful and it is not certain whether they become worthless or not.

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7. TRADE RECEIVABLES AND LIABILITIES (continued)

b) Trade Payables:

As at the end of the reporting period, the details of trade payables are as follows:

	31 December 2011	31 December 2010
<u>Short term trade payables</u>		
Trade payables	462,148	314,168
Notes payable	199,100	69,953
Trade payables to related parties (Note 25)	2,472	3,909
	<u>663,720</u>	<u>388,030</u>
	31 December 2011	31 December 2010
<u>Long term trade payables</u>		
Notes payable	82,554	144,128
	<u>82,554</u>	<u>144,128</u>

8. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

	31 December 2011	31 December 2010
<u>Other short term receivables</u>		
Other receivables	913	-
	<u>913</u>	<u>-</u>
	31 December 2011	31 December 2010
<u>Other long term receivables</u>		
Deposits and guarantees given	26,853	22,298
	<u>26,853</u>	<u>22,298</u>

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8. OTHER RECEIVABLES AND PAYABLES (continued)

b) Other Payables:

	31 December 2011	31 December 2010
Other Short Term Payables		
Taxes and funds payable	348,191	141,319
Social security contributions	61,082	49,102
Other miscellaneous payables	13,617	30,949
	422,890	221,370

9. INVENTORIES

	31 December 2011	31 December 2010
Trading goods	260,478	175,742
	260,478	175,742

10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

As at 31 December 2011, the details of the Group's associates are as follows:

Associates	Shareholding interest (%)		Voting Power	Main Business Area
	31 December 2011	31 December 2010		
Ode	17.24	17.24	(*)	Production
Türkmed	25.78	25.78	(*)	Service
Ortopro	31.00	31.00	(*)	Production-
Havaş	6.67	6.67	(*)	Commerce
Probil (**)	-	10.00	(*)	Service
Dr. F. Frik (***)	-	20.00	(*)	Commerce
Aras Kargo (****)	20.00	-	(*)	Service

(*) Voting power is disclosed in Section 2 in Note 2.1.

(**)The Company has sold all shares owned in Probil to Netaş Telekominyasyon A.Ş. amounting to USD 4,000,000 (TL 7,306,400) at 11 October 2011. Group has made profit of TL 6,215,920 on related sales.

(***)The Company has sold all of Dr.F.Frik's shares to Yeni Recordati İlaç ve Hammaddeleri Sanayi ve Ticaret A.Ş amounting to USD 30,000,000 (TL 54,408,950) at 13 September 2011. Group has made profit of TL 40,279,326 on related sales.

(****) As of 15 November 2011, Group has collaborated in Aras Kargo amounting TL 17,500,000

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10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

Summary financial information of the Group's associates is as follows:

	31 December 2011	31 December 2010
Total assets	1,044,553,858	926,784,286
Total liabilities	(678,687,892)	(483,271,425)
Net assets	365,865,966	443,512,861
Group's share in associates' net assets	26,861,048	42,962,026
Goodwill in equity accounted investees	24,274,334	10,938,979
Investments in equity accounted investees	51,135,382	53,901,005
	31 December 2011	31 December 2010
Revenue	1,160,509,217	676,185,954
Profit/ (loss) for the year	32,153,094	17,832,116
Group's share of profit /(loss) of associates (*)(**)	(4,150,742)	3,275,120

(*) The Group share of financial performance until reclassification to asset held for sale of Dr.F.Frik sold at 13 September 2011 and Probil sold at 11 October 2011 has been included.

(*) The Company has acquired 6.67% of shares of Havaş Holding with an amount of Euro 8,000,000, which has been paid in cash on 24 March 2010. As a result of this transaction, the Group has recognized bargain purchase gain amounting to TL 4,543,113 in profit or loss.

Associates	Goodwill	
	31 December 2011	31 December 2010
Türkmed	1,616,818	1,616,818
Ortopro	3,455,578	3,455,578
Aras Kargo	19,201,938	-
Dr. F. Frik(*)	-	5,866,583
	24,274,334	10,938,979

(*) Group has sold Dr.F.Frik to Yeni Recordati İlaç ve Hammaddeleri Sanayi ve Ticaret A.Ş. which had book value amounting to TL 14,129,624 including goodwill in consolidated financials at 13 September 2011.

Group has calculated recoverable amount by using discounted cash flow method and average value received with multiplier obtained by division of the value of companies that have similar business activities to net sales or to net profit before tax interest and amortization. Group annually assesses to determine whether goodwill is impaired or not at the year ends. As of 31 December 2011, there is no impairment.

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10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

Group has calculated recoverable amount by using discounted cash flow method and average value received with multiplier obtained by division of the value of companies that have similar business activities to net sales or to net profit before tax interest and amortization. Group annually assesses to determine whether goodwill is impaired or not at the year ends.

The Company transferred a capital of Euro 8,000,000 (TL 16,705,959) to Havaş Havalimanları Yer Hizmetleri Yatırım Holding Anonim Şirketi (“Havaş Holding”). Besides, Havaş Holding has obtained a cash loan amounting Euro 60,000,000 from Türkiye İş Bankası AŞ with the loan agreement signed on 24 March 2010 and with this borrowed fund, Havaş Holding acquired the total shares of Havaalanları Yer Hizmetleri A.Ş. (“Havaş”) from the current shareholders with an amount of Euro 180,000,000. The merger of Havaş Holding and Havaş was completed with the registration of the General Assembly resolutions on 28 December 2010 to the Trade Registry. Consequently, the Company has direct shareholding interest in Havaş shares of 6.67%.

The Company has acquired Havaş’s share of 6.67% to TL 16,705,959 on 24 March 2010. The provisional acquisition accounting applied during the measurement period is finalized as at 31 March 2011. Valuation of net identifiable assets and liabilities of Havaş as at acquisition date is completed by an independent appraisal company as at 31 March 2011 and intangible assets that acquired through the business combination are defined separately from goodwill amount if its value is reliably determined and meets the definition of intangible assets. The cost of such intangible assets is the fair value as at purchase date. Accordingly, the Group revised the comparative information for prior period presented in the consolidated financial statements, including making change in amortization effects of these intangible assets recognized in completing the initial accounting. Since the Group reflected the amortization amount of intangible assets to the financial statements at the amount of TL 489,313 as at 31 December 2010, investments in equity accounted investees and share of profit of equity accounted investees are reduced with the same amount.

Due to the business combination in 2010, the Group has recognized the excess amount of fair value of net identifiable assets of associate over purchasing price amounted TL 4,543,113, as gain on a bargain purchase for the year ended 31 December 2010. The amount that was recognized as gain on a bargain purchase is not changed after the completion of acquisition.

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10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

Final accounting of acquisition is completed as at 31 March 2011 and the fair values of net identifiable assets, liabilities and contingent liabilities are as follows:

	31 March 2011		
	Carrying value	Fair value	Share of parent company
Cash and cash equivalents	52,997,711	52,997,711	3,533,181
Trade and other receivables	21,480,465	21,480,465	1,432,031
Inventories	3,762,244	3,762,244	250,816
Other assets	15,247,842	15,247,842	1,016,523
Property and equipment	44,614,225	44,614,225	2,974,282
Intangible assets	429,018,203	429,018,203	28,601,214
Financial liabilities	(164,486,617)	(164,486,617)	(10,965,774)
Trade payables	(67,085,193)	(67,085,193)	(4,472,346)
Other liabilities	(16,812,796)	(16,812,796)	(1,120,855)
Net assets	318,736,084	318,736,084	21,249,072
Consideration paid in cash			(16,705,959)
Bargain purchase gain			(4,543,113)

Due to the fact that the management of the Group is proceeding with determination of the fair values of net identifiable assets and liabilities of the acquired entity, the acquisition accounting is not finalized and the provisional acquisition accounting is applied as at 31 December 2011.

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10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES(continued)

The Company participated 20% of the shares of Aras Kargo by transferring capital amounted to TL 17,500,000 on November 15, 2011. Due to immateriality of the operations between the participation date and 31 December 2011, the purchase date was accepted as December 31,2011.

According to 'IFRS 3: Business Combination', the Company took a new revaluation report for the purpose of measuring the fair value of Aras Kargo's identifiable assets and liabilities from an independent revaluation company. This report was prepared on the basis of audited consolidated financial statements as of December 31, 2011.

	31 Aralık 2011		
	Carrying Value	Fair Value	Share of parent Company
Cash and cash equivalent	21,838,684	21,838,648	4,367,730
Trade and other receivables	51,274,269	51,274,287	10,254,857
Inventories	2,063,474	2,063,474	412,695
Other assets	6,471,065	6,471,065	1,294,213
Financial investments	362,550	362,550	72,510
Investment property	10,062,757	10,130,000	2,026,000
Property and equipment	83,738,036	83,738,036	16,747,607
Intangible assets	2,788,988	64,738,988	12,947,798
Financial liabilities	(100,197,872)	(100,197,872)	(20,039,574)
Trade liabilities	(95,328,024)	(95,328,024)	(19,065,605)
Other liabilities	(49,066,004)	(49,066,004)	(9,813,202)
Deferred tax liabilities	-	(4,534,836)	(906,967)
Net asset	(65,992,077)	(8,509,688)	(1,701,938)
Consideration paid in cash			(17,500,000)
Goodwill			19,201,938

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11. PROPERTY AND EQUIPMENT

	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<u>Cost</u>				
Opening balances at 1 January 2011	346,785	464,106	446,560	1,257,451
Additions	76,680	63,448	-	140,128
Disposals	(2,172)	-	-	(2,172)
Closing balances at 31 December 2011	421,293	527,554	446,560	1,395,407
<u>Accumulated Depreciation</u>				
Opening balances at 1 January 2011	(269,198)	(415,848)	(438,514)	(1,123,560)
Charge for the year	(54,386)	(31,236)	(3,484)	(89,106)
Disposal	2,172	-	-	2,172
Closing balances at 31 December 2011	(321,412)	(447,084)	(441,998)	(1,210,494)
Net carrying value at 31 December 2011	99,881	80,470	4,562	184,913
Net carrying value at 1 January 2011	77,587	48,258	8,046	133,891
<u>Cost</u>				
Opening balances at 1 January 2010	300,751	446,601	445,718	1,193,070
Additions	46,034	17,505	842	64,381
Closing balances at 31 December 2010	346,785	464,106	446,560	1,257,451
<u>Accumulated Depreciation</u>				
Opening balances at 1 January 2010	(226,632)	(384,529)	(434,743)	(1,045,904)
Charge for the year	(42,566)	(31,319)	(3,771)	(77,656)
Closing balances at 31 December 2010	(269,198)	(415,848)	(438,514)	(1,123,560)
Net carrying value at 31 December 2010	77,587	48,258	8,046	133,891
Net carrying value at 1 January 2010	74,119	62,072	10,975	147,166

Total current year depreciation expenses amounting to TL 89,106 is included in administrative expenses (31 December 2010: TL 77,656).

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12. INTANGIBLE ASSETS

<u>Cost</u>	<u>Capitalized development expenses</u>	<u>Software</u>	<u>Total</u>
Opening balances at 1 January 2011	2,503,665	147,430	2,651,095
Additions	-	14,064	14,064
Closing balances at 31 December 2011	<u>2,503,665</u>	<u>161,494</u>	<u>2,665,159</u>
<u>Accumulated Amortization</u>			
Opening balances at 1 January 2011	(2,393,002)	(134,204)	(2,527,206)
Charge for the year	<u>(85,195)</u>	<u>(10,605)</u>	<u>(95,800)</u>
Closing balances at 31 December 2011	<u>(2,478,197)</u>	<u>(144,809)</u>	<u>(2,623,006)</u>
Net carrying value at 31 December 2011	25,468	16,685	42,153
Net carrying value as at 1 January 2011	110,663	13,227	123,890
<u>Cost</u>	<u>Capitalized development expenses</u>	<u>Software</u>	<u>Total</u>
Opening balances at 1 January 2010	2,503,665	133,801	2,637,466
Additions	-	13,630	13,630
Closing balances at 31 December 2010	<u>2,503,665</u>	<u>147,431</u>	<u>2,651,096</u>
<u>Accumulated Amortization</u>			
Opening balances at 1 January 2010	(2,053,799)	(121,089)	(2,174,888)
Charge for the year	<u>(339,203)</u>	<u>(13,115)</u>	<u>(352,318)</u>
Closing balances as at 31 December 2010	<u>(2,393,002)</u>	<u>(134,204)</u>	<u>(2,527,206)</u>
Net carrying value as at 31 December 2010	110,663	13,227	123,890
Net carrying value as at 1 January 2010	449,866	12,712	462,578

For the year ended 31 December 2011, the amortization expenses amounting to TL 85,195 (31 December 2010: TL 339,203) is included in research and development expenses and TL 10,605 (31 December 2010: TL 13,115) is included in administrative expenses.

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13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2011			31 December 2010		
	Total TL Equivalent	Original Amount		Total TL Equivalent	Original Amount	
		TL Amount	USD Amount		TL Amount	USD Amount
A. CPM given for companies own legal personality (*)	395,283	10,000	203,972	546,472	10,000	347,006
B. CPM given in behalf of fully consolidated companies	-	-	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other CPM's	-	-	-	-	-	-
i. Total amount of CPM's given on behalf of majority shareholder	-	-	-	-	-	-
ii. Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
Total	395,283	10,000	203,972	546,472	10,000	347,006

As of 31 December 2011 the ratio of other TRI given from Group to Group's equity is 0 % (31 December 2010 : 0 %)

(*) As at 31 December 2011, TL 271,949 comprise of security bill given as collateral against the borrowed funds from Türkiye Teknoloji Geliştirme Vakfı for financing of project by the Company's subsidiary.

14. EMPLOYEE BENEFITS

	31 December 2011	31 December 2010
Short term		
Vacation pay liability	354,269	277,074
Provision for employee bonuses	653,739	320,064
Employee salaries payable	167,643	23,431
	<u>1,175,651</u>	<u>620,569</u>
Long term		
Reserve for employee severance pay liability	87,413	81,721
Provision for employee bonuses	423,613	-
	<u>511,026</u>	<u>81,721</u>

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose employment is terminated by gaining the right to receive the termination benefits. In addition, based on the amended 60th article of the current Social Insurance Law's numbered 506 together with amendments dated 6 March 1981, numbered 2422, dated 25 August 1999 and numbered 4447, the Group is obliged to pay termination benefits to the employees who are quitted by gaining right to receive their termination benefits. Some provisions for the pre-retirement service conditions are abolished from the law with amendment on 23 May 2002. The reserve for severance pay liability as at 31 December 2011 is based on the monthly ceiling amounting to TL 2,731.85 (31 December 2010: TL 2,517.01)

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14. EMPLOYEE BENEFITS (continued)

The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the actuarial assumptions explained in the following paragraph were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel to the change in inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2011, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the end of the reporting period is calculated assuming an annual inflation rate of 5% and a discount rate of 8.76%, resulting in a net discount rate of approximately 4.48% (31 December 2010: 5.1% net discount rate is calculated assuming an annual inflation rate of 4.66% and a discount rate of 10%).The probability of voluntarily eaves is also considered in the calculation.

The movement of reserve for employee severance pay liability

	1 January- 31 December 2011	1 January- 31 December 2010
Provision as at 1 January	81,721	40,667
Cost of services	14,330	20,619
Interest cost	7,112	11,704
Paid severance indemnity	-	(32,797)
Actuarial difference	15,750	41,528
Provision as at 31December	<u>87,413</u>	<u>81,721</u>

The movement of provision for employee bonuses

	1 January- 31 December 2011	1 January- 31 December 2010
Provision as at 1 January	320,064	336,991
Charge for the year	1,077,352	314,064
Employee bonuses paid	(320,064)	(330,991)
Provision as at 31 December	<u>1,077,352</u>	<u>320,064</u>

The movement of vacation pay liability

	1 January- 31 December 2011	1 January- 31 December 2010
Provision as at 1 January	277,074	208,226
Charge for the year	77,195	68,848
Provision as at 31 December	<u>354,269</u>	<u>277,074</u>

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15. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2011	31 December 2010
Prepaid taxes and funds	301,992	936,644
VAT receivables	329,040	302,742
Job advances	247,762	287,624
Prepaid expenses	139,357	112,164
Advances given for inventories	222,557	46,140
	1,240,708	1,685,314
Other Short Term Liabilities	31 December 2011	31 December 2010
Accrued expenses	66,910	127,004
Advances received	28,098	-
	95,008	127,004

16. CAPITAL AND RESERVES

a) Share Capital

As at 31 December 2011 and 31 December 2010 the Company's share capital structure is as follows:

Shareholders	Group	%	31 December 2011	%	31 December 2010
İş Yatırım Menkul Değerler A.Ş.	A	8.9	4,480,000	8.9	4,480,000
İş Yatırım Menkul Değerler A.Ş.	B	20.1	10,139,423	20.1	10,139,423
Türkiye Teknoloji Geliştirme Vakfı	B	11.1	5,600,000	11.1	5,600,000
Türkiye Sınai Kalkınma Bankası					
A.Ş.	B	16.7	8,400,000	16.7	8,400,000
Other	B	12	6,048,000	12	6,048,000
Publicly held	B	31.2	15,732,577	31.2	15,732,577
Nominal capital		100	50,400,000	100	50,400,000

As at 31 December 2011 the Company's share capital consists of 5.040.000.000 unit shares (31 December 2010: 5.040.000.000 shares). The par value of each share is TL 0.01 (31 December 2010: TL 0.01 per share).

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16. CAPITAL AND RESERVES (continued)

a) Share Capital (continued)

The nominal share capital of the Company amounting to TL 50,400,000 comprised of Group A and Group B shares, amounting to TL 4,480,000 and TL 45,920,000, respectively. Group A shareholders have the privilege during the BOD election to nominate 6 members of the total 10 members. In addition, one of the members of the Board representing Group B, is elected among the candidates nominated by Türkiye Teknoloji Geliştirme Vakfı.

During the capital increase, in exchange for Group A shares Group A, in exchange for Group B shares Group B shares is issued. During the capital increase through the restriction of pre-emption rights, only the Group B shares can be issued.

No preferred shares can be issued, except for the preferred shares giving the right to suggest candidate while electing the two thirds of the BOD members or giving dividend right. The fractional number is rounded when calculating the two thirds of the BOD members. After going to public, no preferences can be created including the preference to suggest candidate to the BOD membership and preference for taking dividend.

b) Inflation Adjustment to Share Capital

As at 31 December 2011, the Company has inflation adjustment to share capital amounting TL 21,606,400 arising from the inflation accounting application until 2004 (31 December 2010: TL 21,606,400).

c) Share Premium

Excess amount of selling price and nominal value for each share was recorded as share premium in equity.

d) Revaluation surplus

The revaluation surplus comprises the cumulative net change in the fair value of non-current assets that are not recognized in profit or loss.

e) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged forecast transaction that have not yet occurred.

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16. CAPITAL AND RESERVES (continued)

f) Other Reserves

Other reserves comprise of profits or losses from sale of subsidiary shares.

g) Legal Reserves

	31 December 2011	31 December 2010
Legal Reserves	<u>6,778,897</u>	<u>5,959,360</u>
	<u>6,778,897</u>	<u>5,959,360</u>

In accordance with Turkish Commercial Code, legal reserves consist of first and second legal reserves. First legal reserves are generated by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of historical based paid-in share capital (not adjusted for the effects of inflation). Second legal reserve is generated by 10% over the total of cash dividend distribution after the first legal reserves and dividend distributions.

h) Retained Earnings

As at 31 December 2011 the Group has retained earnings amounting to TL 43,651,570 (31 December 2010: TL 40,345,542).

Dividend distribution

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") regulations explained below:

According to CMB's decision on 27 January 2010 numbered 02/51, corporations traded on the stock exchange market are not obliged to distribute a specified amount of dividends derived from the profits of 2009. For corporations that will distribute dividends, in relation to the resolutions in their general assembly meeting the dividends may be in cash, may be free by adding the profit into equity, or may be partially from both, it is also permitted not to distribute determined first party dividends falling below 5 percent of the paid-in capital of the company but, corporations that increased capital before distributing the previous year's dividends and as a result their shares are separated as "old" and "new" are obliged to distribute 1st party dividends in cash.

With the General Assembly decision dated 29 April 2011, the Company distributed dividends from prior year's profit amounting to TL 7,540,000 (31 December 2010: 3,000,000) in 2010.

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16. CAPITAL AND RESERVES (continued)

i) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to TL.

f) Non-controlling Interests

Shares of net assets of the subsidiary that are directly or indirectly not under control of the Equity holders of the Company is classified as “non-controlling interests” in the statement of financial position.

As at 31 December 2011 the Group's non-controlling interests in equity is amounting to TL 1,129,279 (31 December 2010: TL 978,470). Shares of net loss of the subsidiary that are directly or indirectly not under control of the owners of the Company amounting to TL 150,809 has been classified as “non-controlling interests” in the consolidated statement of comprehensive income (31 December 2010: TL 113,477).

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17. REVENUE AND COST OF SALES

	1 January- 31 December 2011	1 January- 31 December 2010
a) Sales		
Domestic sales	62,837,720	795,667
Sale of investments in equity accounted investees (*)	61,715,350	-
Other	1,122,370	795,667
Foreign sales	12,317,096	15,943,470
Sale of investments in equity accounted investees (*)	-	5,916,698
Other	12,317,096	10,026,772
Other sales income	983,399	426,968
Sales returns (-)	(154,083)	(15,446)
Sales reductions (-)	(24,136)	(13,552)
	<u>75,959,996</u>	<u>17,137,107</u>
	1 January- 31 December 2011	1 January- 31 December 2010
b) Cost of sales		
Cost of investments in equity accounted investees (*)	(15,220,104)	(1,682,993)
Cost of trading goods sold	(1,824,386)	(1,904,020)
Personnel expenses	(1,320,545)	(974,201)
Traveling expenses	(267,452)	(165,053)
Communication expenses	(142,750)	(161,456)
Rent expenses	(84,589)	(145,821)
Other expenses	(56,177)	(302,077)
	<u>(18,916,003)</u>	<u>(5,335,621)</u>

(*) The Group sold ITD's shares to Asseco South Eastern Europe S.A amounting to USD 3,936,068 (TL 5,916,698) on 30 July 2010. The Group sold Dr.F.Frik's shares book value TL 14,129,624 to Yeni Recordati İlaç ve Hammaddeleri Sanayi ve Ticaret A.Ş. amounting to USD 30,500,000 (TL 54,408,950) at 13 September 2011. The Group sold Probil's shares book value TL 1,090,480 to Netaş Telekomünikasyon A.Ş. amounting to USD 4,000,000 (TL 7,306,400). Group has derived profit as TL 40,279,326 and TL 6,215,920 of sales Dr.F.Frik and Probil.

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18. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING SALES AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

	1 January- 31 December 2011	1 January- 31 December 2010
Research and development expenses	(2,315,752)	(1,821,408)
Marketing, sales and distribution expenses	(2,702,839)	(1,375,236)
Administrative expenses	(9,521,736)	(6,919,604)
	<u>(14,540,327)</u>	<u>(10,116,248)</u>

19. EXPENSES BY NATURE

	1 January- 31 December 2011	1 January- 31 December 2010
a) The details of research and development Expenses		
Personnel expenses	(1,975,194)	(1,386,542)
Amortization expenses	(85,195)	(339,203)
Traveling expenses	(199,914)	(20,852)
Other expenses	(55,449)	(74,811)
	<u>(2,315,752)</u>	<u>(1,821,408)</u>
b) The details of marketing, sales and distribution expenses		
Personnel expenses	(1,172,042)	(939,722)
Traveling expenses	(292,014)	(220,287)
Advertising and marketing expenses	(1,055,239)	(178,974)
Other expenses	(183,544)	(36,253)
	<u>(2,702,839)</u>	<u>(1,375,236)</u>

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19. EXPENSES BY NATURE (continued)

	1 January- 31 December 2011	1 January - 31 December 2010
c) The details of administrative expenses		
Personnel expenses	(5,515,055)	(3,575,431)
Audit and consultancy expenses	(731,437)	(957,258)
Salaries of board of directors	(506,400)	(403,600)
Travel expenses	(276,266)	(271,524)
Outsourced benefits and services	(638,279)	(359,191)
Rent expenses	(455,530)	(220,792)
Tax and duty expenses	(500,356)	(125,618)
Depreciation and amortization expenses	(99,711)	(90,771)
Severance indemnity expenses	(35,978)	(73,851)
Communication expenses	(38,924)	(30,298)
Other expenses	(723,800)	(811,270)
	<u>(9,521,736)</u>	<u>(6,919,604)</u>

20. OTHER OPERATING INCOME / EXPENSES

The details of other operating income and expenses for the year ended 31 December 2011 and 2010 are as follows:

	1 January- 31 December 2011	1 January- 31 December 2010
<u>Other operating income</u>		
Released provisions	30,289	25,696
Other income	36,714	18,150
	<u>67,003</u>	<u>43,846</u>

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20. OTHER OPERATING INCOME / EXPENSES (continued)

	1 January- 31 December 2011	1 January- 31 December 2010
<u>Other operating expenses</u>		
Expenses related to written-off receivables	(1,245,459)	(809,137)
Impairment loss on goodwill(Note 10)	-	(427,002)
Provision expenses	1,340,089	-
Other	(36,510)	(36,394)
	<u>(2,622,058)</u>	<u>(1,272,533)</u>

21. FINANCE INCOME

	1 January- 31 December 2011	1 January- 31 December 2010
Foreign exchange gain	6,254,949	2,014,313
Interest income on:	3,405,690	2,186,811
Bank deposit	1,699,515	727,377
Reverse repurchase agreements	77,799	16,222
Financial assets designated at fair value through profit and loss	1,628,376	1,443,212
Dividend income	830,543	1,120,912
Financial assets value increase	1,960,450	3,878,807
Trading income	170,241	876,871
Income accruals	-	383,790
	<u>12,621,873</u>	<u>10,461,504</u>

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22. FINANCE COSTS

	1 January- 31 December 2011	1 January- 31 December 2010
Impairment on investment securities	(3,206,772)	(75,868)
Foreign exchange losses	(2,536,625)	(1,834,110)
Interest expenses on bank loans	(125,300)	(136,629)
Accrued interest expenses	-	(303,798)
Loss from sale of securities	(192,470)	(27,799)
Other	(794)	(30,187)
	<u>(6,061,961)</u>	<u>(2,408,391)</u>

For the year ended 31 December 2011 and 2010, the finance income/costs recognized in other comprehensive income are as follows:

	1 January- 31 December 2011	1 January- 31 December 2010
Change in translation reserve	(1,180,234)	(23,517)
Change in Fair Value of financial asset	(19,896)	19,896
Change in cash flow hedging reserve	(126,150)	(19,669)
Tax income	25,230	3,934
	<u>(1,301,050)</u>	<u>(19,356)</u>

23. INCOME TAXES

İş Girişim Sermayesi Yatırım Ortaklığı AŞ is exempt from corporate taxes in accordance with 5th/d-3 article of Corporate Tax Law. In addition, income from venture capital activities is not subject to advance corporate tax.

With 3 sub paragraph of 15th article of Corporate Tax Law and with the decree of the Council of Ministers, the income arises from venture capital investment company will be subject to 0% withholding tax.

The Company's subsidiary, Nevotek, is an income and corporate taxpayer in Turkey. However, according to Law No. 5035 and temporary 2. article of Law No. 4691 of the Technology Development Zones, income and corporate taxpayers who are operating in Technology Development Zone, and software R & D activities in this area exclusively derived from the earnings are exempt from income and corporation tax until 31 December 2013. In addition, Researchers workers, software engineers and R&D personnel costs related with their activities in this area are exempt from all taxes until 31 December 2013. With the decision of amendment to Technology Development Area Law No 6170, the exemption period is extended until 31 December 2023.

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23 INCOME TAXES (continued)

Since there is no estimated tax liability, for the subsidiary of the Company, due to the other operating activities except from current period R&D and programmed operations, tax provision was not allocated in the accompanying financial statements. Nevotek which is subsidiary of the Company paid taxes amounting TL 124,314 due to earnings of acquired software outside Technology Development Zone and R&D activities.

Corporate tax rate that accrued on taxable corporate income is calculated on remaining base after the addition of expenditures in the determination of profit that cannot be deducted from the tax base and, deducting domestic dividends received from resident companies, not subject to tax and investment income.

In Turkey, advance corporate tax returns are calculated as quarterly and accrued. Tax Losses, can be carried forward up to five years in order to be deducted from possible future taxable income. Tax losses cannot be deducted retrospectively from the profits of the previous' years.

In Turkey, there is no accurate and definite agreement procedure on tax assessment. Companies prepare their corporate tax return between 1-25 April subsequent to the closing of the related year. It is possible to examine the historical five years' records of the corporate tax return and can be changed by the tax office.

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23. INCOME TAXES (continued)

Withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% between the dates 24 April 2003 and 23 July 2006. This rate was changed with the decision of Council of Ministers to 15% effective from 23 July 2006. Undistributed dividends added into the share capital are not subject to income withholding taxes.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for CMB purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with CMB and tax legislation. The tax rate applied in the calculation of deferred tax assets and liabilities is 20% (31 December 2010: 20%).

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23. INCOME TAXES (continued)

Deferred Tax (continued)

As the entities cannot declare consolidated corporate tax, deferred tax assets of subsidiaries cannot be offset with deferred tax liabilities of other subsidiaries and presented separately.

	31 December 2011	31 December 2010
Deferred tax (assets)/liabilities:		
Differences in depreciation of tangible and intangible assets	10,457	(9,110)
Severance pay liability	(8,239)	(6,427)
Vacation pay liability	(21,140)	(14,322)
Discount on receivables/payables	(51,888)	(66,668)
Accrued interest expenses	-	(74)
Bad debt allowance	(268,018)	-
Provision for employee bonuses	-	(8,709)
Tax losses	-	(172,423)
Other	(24,137)	-
Unrecognized deferred tax assets (net)	(362,965)	(277,733)

Deferred tax assets is not recognized in the accompanying consolidated financial statements, since Nevotek's income from software and R&D operations is exempt from corporate tax until 31 December 2013 in accordance with Turkish Law numbered as 5035 and Research and Technological Development Law numbered as 4691's 2nd article. With the decision of amendment to Technology Development Area Law No 6170, the exemption period is extended until 31 December 2023.

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24. EARNINGS PER SHARE

	1 January- 31 December 2011	1 January- 31 December 2010
Earnings per share		
Weighted average number of shares available during the period (full amount)	50,400,000	50,400,000
Total	<u>50,400,000</u>	<u>50,400,000</u>
Net profit for the year	42,022,704	11,665,565
Earnings per share (TL 1 nominal value)	<u>0.833784</u>	<u>0.231460</u>

25. RELATED PARTIES

The Company's ultimate shareholder is Türkiye İş Bankası A.Ş.

Since the transactions made between the Company and its subsidiary is eliminated during consolidation, they are not disclosed in this note.

Trade receivables from related parties generally stem from sales transactions and their maturities are approximately 2 months. Receivables are unsecured by their nature and free of interest.

Trade payables to related parties generally stem from purchase operations and their approximate maturities are 2 months. Payables free of interest.

Key management compensation:

Benefits provided to key management during the year is as follows:

	1 January- 31 December 2011	1 January- 31 December 2010
Salaries and other short term liabilities	3,317,067	2,592,159
	<u>3,317,067</u>	<u>2,592,159</u>

The compensation disclosed above includes, bonuses, insurance and other similar benefits.

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25. RELATED PARTIES (continued)

The details of the transactions between the Group and other related parties are as follows:

Investment Fund	31 December 2011	31 December 2010
İş Yatırım Menkul Değerler AŞ Arbitraj Serbest Fonu	22,690,538	-
İş Yatırım Menkul Değerler AŞ B Tipi Değişken Fon	15,420,379	15,163,837
İş Yatırım Menkul Değerler AŞ A Tipi Fon	2,636,239	1,991,529
Türkiye İş Bankası AŞ Anapara Korumalı 22. Alt Fon	785,625	832,230
İş Yatırım Menkul Değerler AŞ B Tipi Tahvil Bono Fonu (*)	-	16,293,443
Türkiye İş Bankası AŞ Anapara Korumalı 8. Alt Fon	-	515,848
	41,532,781	34,796,887

(*) In 2011, İş Yatırım Menkul Değerler AŞ Type –B Bills and Bonds Fund’s contents were modified and converted to İş Yatırım Menkul Değerler AŞ Type-B Short-Term Bills and Bonds Fund, therefore the investment fund has been appreciated in cash and cash equivalents.

Özel sektör tahvili	31 Aralık 2011	31 Aralık 2010
T. İş Bankası AŞ	3,570,783	-
İş Finansal Kiralama AŞ	1,451,862	-
	5,022,645	-

Shares quoted to stock exchange	31 December 2011	31 December 2010
İş Yatırım Ortaklığı AŞ	4,723,711	7,007,703
	31 December 2011	31 December 2010
Türkiye İş Bankası A.Ş. Demand deposit	592,477	238,104
Time deposit	32,449,192	8,924,909
Türkiye İş Bankası AŞ 801 Liquid Fund	145,278	84,681
İş Yatırım Menkul Değerler A.Ş. B Tipi Kısa Vd.Tahvil Bono Fonu	5,700,683	-
	38,887,630	14,324,210

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25. RELATED PARTIES (continued)

<u>Borrowings from related parties</u>	<u>Original currency</u>	<u>Interest rate</u>	<u>Short term</u>	<u>Long term</u>
Türkiye İş Bankası A.Ş.	TL	0-12.30	369,009	-
İş Faktoring Fin. Hizm. A.Ş.	TL	17.00	235,275	-
Türkiye Teknoloji Geliştirme Vakfı	US Dollar	-	79,175	118,763
			683,459	118,763
31 December 2010				
<u>Borrowings from related parties</u>	<u>Original currency</u>	<u>Interest rate</u>	<u>Short term</u>	<u>Long term</u>
		9.00-		
Türkiye İş Bankası A.Ş.	TL	10.00	200,000	-
Türkiye İş Bankası A.Ş.	TL	-	9,650	-
Türkiye Teknoloji Geliştirme Vakfı	ABD Doları	-	28,170	169,018
			237,820	169,018

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25. RELATED PARTIES (continued)

Balances with related parties	31 December 2011			
	Receivables Current		Payables Short term	
	Trade	Other	Trade	Other
Ortopro	49,701	-	-	-
Ode	12,390	-	-	-
Türkmed	7,080	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	1,902	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	570	-
	69,171	-	2,472	-

Balances with related parties	31 December 2010			
	Receivables Current		Payables Short term	
	Trade	Other	Trade	Other
Ortopro	31,692	-	-	-
ATT Technology Management BV	10,246	-	-	-
Türkmed	4,720	-	-	-
Ode	1,770	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	2,857	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	1,052	-
	48,428	-	3,909	-

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25. RELATED PARTIES (continued)

Transactions with related parties	1 January – 31 December 2011							
	Interest received	Interest paid	Service costs	Insurance costs	Transaction and advisory commission expenses	Rent expense	Other income	Other expenses
Ode	-	-	-	-	-	-	18,000	-
Ortopro	-	-	-	-	-	-	60,904	-
Türkmed	-	-	-	-	-	-	24,000	-
Dr. F. Frik.	-	-	-	-	-	-	117,757	-
T. İş Bankası A.Ş.	1,601,847	(42,406)	-	-	(2,108)	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	(24,011)	-	-	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	-	(185,373)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	-	(301,611)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	-	(71,119)
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	(119,860)	-	-	-	-
ATT Technology Management BV	-	-	-	-	-	-	-	(80,595)
Meg Elektrik Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-	-	-	-	(451)
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	(9,420)	-	-	-	-	-
Probil	-	-	-	-	(5,687)	-	-	-
	<u>1,601,847</u>	<u>(66,417)</u>	<u>(9,420)</u>	<u>(119,860)</u>	<u>(309,406)</u>	<u>(185,373)</u>	<u>220,661</u>	<u>(152,165)</u>

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25. RELATED PARTIES (continued)

Transactions with related parties	1 January – 31 December 2010							
	Interest received	Interest paid	Service costs	Insurance costs	Transaction and advisory commission expenses	Rent expense	Other income	Other expenses
Ode	-	-	-	-	-	-	18,000	-
Ortopro	-	-	-	-	-	-	54,500	-
Türkmed	-	-	-	-	-	-	24,000	-
Dr. F. Frik.	-	-	-	-	-	-	229,955	-
T. İş Bankası A.Ş.	720,578	(43,489)	-	-	(2,755)	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	(24,467)	-	-	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	-	(154,242)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	-	(433,167)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	-	(67,577)
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	(105,150)	-	-	-	-
ATT Technology Management BV	-	-	-	-	-	-	-	(81,538)
Meg Elektrik Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-	-	-	-	(773,903)
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	(5,830)	-	-	-	-	-
Probil	-	-	-	-	(5,624)	-	290,369	-
	<u>720,578</u>	<u>(67,956)</u>	<u>(5,830)</u>	<u>(105,150)</u>	<u>(441,546)</u>	<u>(154,242)</u>	<u>616,824</u>	<u>(923,018)</u>

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26. FINANCIAL RISK MANAGEMENT

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

Group's fund structure comprises of the liabilities with the loans disclosed in Note 6, cash and cash equivalents, issued capital, reserves and retained earnings.

Group aims to balance its overall capital structure through the payment of dividends and new share issues as well as the by using of new borrowings or by redemption of existing borrowing.

Financial Risk Factors

The risks of the Group, resulted from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally focuses on minimizing the effects of uncertainty in financial market on financial performance of the Group.

Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss of the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group continuously monitors its credit risk exposure and its customers' credibility. Credit risk is controlled through the customer limits, which the Risk Management Board annually evaluates and approves.

Trade receivables comprise many customers that operate in various industries and locations. Credit risk evaluation is continuously performed for the trade receivables from customers.

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26. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Management (continued)

	Receivables				Cash and Cash Equivalents(**)	Investment Securities(***)
	Trade receivables		Other receivables			
	Related parties	Other	Related parties	Other		
31 December 2011						
Maximum net credit risk at the end of the reporting period(*)	69,171	7,703,807	-	27,766	40,157,507	70,862,857
- The portion of maximum risk under guarantee with collateral, etc.						
A. Net carrying value of financial assets that are neither past due nor	69,171	5,582,769	-	27,766	40,157,507	70,862,857
B. Net carrying value of financial assets that are negotiated, if not that will be accepted as past due or impaired	-		-	-	-	-
C. Net carrying value of financial assets that are past due but not impaired		2,121,038				
- under guarantee with collateral, etc.	-		-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	1,394,980	-	-	-	-
- Impairment (-)	-	(1,394,980)	-	-	-	-
- The portion of net book value under guarantee with collateral, etc.						
- Not past due (gross carrying amount)						
- Impairment (-)						
- The portion of net book value under guarantee with collateral, etc.						
E. Off-balance sheet items with credit risk						

(*) Items like guarantees taken which increase reliability of loans have been ignored when determining the amount.

(**) Does not include cash on hand.

(***) Does not include shares quoted to stock exchange

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26. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Management (continued)

	Receivables				Cash and Cash Equivalents(**)	Investment securities(***)
	Trade receivables		Other receivables			
	Related parties	Other	Related parties	Other		
31 December 2010						
Maximum net credit risk as at the end of the reporting period(*) (*)	48,428	6,935,642	-	22,298	14,440,782	56,013,985
- The portion of maximum risk under guarantee with collateral, etc.	-	-	-	-	-	-
A. Net carrying value of financial assets that are neither past due nor	48,428	5,353,052	-	22,298	14,440,782	56,013,985
B. Net carrying value of financial assets that are negotiated, if not that	-	-	-	-	-	-
will be accepted as past due or impaired	-	-	-	-	-	-
C. Net carrying value of financial assets that are past due but not impaired	-	1,582,590	-	-	-	-
under guarantee with collateral, etc.	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	54,891	-	-	-	-
- Impairment (-)	-	(54,891)	-	-	-	-
- The portion of net book value under guarantee with collateral, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net book value under guarantee with collateral, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Items like guarantees taken which increase reliability of loans have been ignored when determining the amount.

(**) Does not include cash on hand.

(***) Does not include shares quoted to stock exchange

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26. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Management (continued)

Aging of overdue but not yet impaired receivables:

<u>31 December 2011</u>	<u>Trade Receivables</u>	<u>Other receivables</u>	<u>Total</u>
Past due 1-30 days	168,639	-	168,639
Past due 1-3 months	329,908	-	329,908
Past due 3-12 months	860,441	-	860,441
Past due 1-5 years	762,050	-	762,050
Past due more than 5 years	-	-	-
Total past due receivables	<u>2,121,038</u>	<u>-</u>	<u>2,121,038</u>

The portion under guarantee with collateral

-	-	-
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31 December 2010

<u>31 December 2010</u>	<u>Trade Receivables</u>	<u>Other receivables</u>	<u>Total</u>
Past due 1-30 days	76,746	-	76,746
Past due 1-3 months	141,229	-	141,229
Past due 3-12 months	1,174,895	-	1,174,895
Past due 1-5 years	189,720	-	189,720
Past due more than 5 years	-	-	-
Total past due receivables	<u>1,582,590</u>	<u>-</u>	<u>1,582,590</u>

The portion under guarantee with collateral

-	-	-
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26. FINANCIAL RISK MANAGEMENT (continued)

Credit risk management (continued)

At the end of the reporting period, there isn't any collateral taken against the overdue trade receivables either impaired or not impaired.

Liquidity risk management

Liquidity risk management responsibility mainly belongs to the top management. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. In part "IT, audio and communication Systems", in order to minimize the risk of liquidity the details of unused loans, in case of need, as at the end of the reporting period are disclosed in Note 6. "Private Equity" operating segment is financed through equity. Investments in equity companies are financed through security portfolio or funds in time deposit. Securities in portfolio have secondary market and have high liquidity and maturity is arranged according to liquidity requirements.

The table below shows the maturity profile of Group's non-derivative financial liabilities. The non derivative financial instruments is presented on an undiscounted cash flow basis and according to the earliest date of the payments required to be done. The table includes both cash flows of interest and principal.

31 December 2011

Contractual Maturities	Carrying amount	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial Liabilities	1,909,818	1,965,599	1,831,705	15,131	118,763	-
Trade payables	746,276	750,876	570,171	93,551	87,154	-
Other payables (*)	13,617	13,617	13,617	-	-	-
Total liabilities	2,669,711	2,730,092	2,415,493	108,682	205,917	-

(*) Taxes and other duties payables are excluded.

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26. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk management (continued)

31 December 2010

Contractual maturities	Carrying amount	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial Liabilities	803,336	812,413	568,956	50,087	193,370	-
Trade payables	532,158	534,886	346,219	44,539	144,128	-
Other payables (*)	30,949	30,949	30,949	-	-	-
Total liabilities	1,366,443	1,378,248	946,124	94,626	337,498	-

(*)Taxes and other duties payables are excluded.

Market risk management

The Group is exposed to financial risks related to foreign currency changes based on its operations.

Group's exposure to market risks is measured in accordance with sensitivity analysis.

There has been no change in the Group's exposure to market risks or the manner which it manages and measures the risk compared to previous year.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The foreign currency denominated assets and liabilities of monetary and non-monetary items as at the end of the reporting period are as follows:

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26. FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency risk management (continued)

	31 December 2011					
	TL (Functional currency)	USD	Euro	JPY	GBP	Other
1. Trade receivables	7,437,068	3,198,955	569,233	-	-	14,153
2a. Monetary Financial Assets	4,335,611	1,974,134	216,505	-	-	151,126
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. CURRENT ASSETS	11,772,679	5,173,089	785,738	-	-	165,279
5. Trade receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-	-	-
9. TOTAL ASSETS	11,772,679	5,173,089	785,738	-	-	165,279
10. Trade payables	(395,378)	(192,595)	(11,110)	-	(1,500)	-
11. Financial liabilities	(79,175)	(41,916)	-	-	-	-
12a. Other Monetary Financial Liabilities	(34,476)	(12,750)	(4,250)	-	-	-
12b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
13. SHORT TERM LIABILITIES	(509,029)	(247,261)	(15,360)	-	(1,500)	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	(118,763)	(62,874)	-	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
17. LONG TERM LIABILITIES	(118,763)	(62,874)	-	-	-	-
18. TOTAL LIABILITIES	(627,792)	(310,135)	(15,360)	-	(1,500)	-
19. Net asset/liability position of the off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-	-
19.a Amount of asset type, off balance sheet foreign currency derivatives	-	-	-	-	-	-
19b. Amount of liability type, off balance sheet foreign currency derivatives	-	-	-	-	-	-
20. Net foreign currency asset liability position	11,144,887	4,862,954	770,378	-	(1,500)	165,279
21. Monetary items, net foreign currency asset/liability position (1+2a+5+6a-10-11-12a-14-15-16a)	11,144,887	4,862,954	770,378	-	(1,500)	165,279
22. Total fair value of financial instruments used to hedge foreign currency	-	-	-	-	-	-
23. The portion of the hedged amount of the foreign currency assets	-	-	-	-	-	-
24. The portion of the hedged amount of the foreign currency liabilities	-	-	-	-	-	-
23. Export	12,317,097	5,986,954	998,486	-	-	-
24. Import	303,637	5,712	124,760	-	-	-

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26. FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency risk management (continued)

	31 December 2010					
	TL (Functional currency)	USD	Euro	JPY	GBP	Other
1. Trade receivables	5,473,724	2,252,150	972,644	-	-	-
2a. Monetary Financial Assets	2,378,374	1,460,808	58,545	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. CURRENT ASSETS	7,852,098	3,712,958	1,031,189	-	-	-
5. Trade receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-	-	-
9. TOTAL ASSETS	7,852,098	3,712,958	1,031,189	-	-	-
10. Trade payables	(33,693)	(12,830)	(6,763)	-	-	-
11. Financial liabilities	(144,129)	(93,227)	-	-	-	-
12a. Other Monetary Financial Liabilities	(19,460)	-	(9,497)	-	-	-
12b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
13. SHORT TERM LIABILITIES	(197,282)	(106,057)	(16,260)	-	-	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	(197,188)	(127,547)	-	-	-	-
16a. Other Monetary Financial Liabilities	(118,285)	(20,493)	(40,497)	-	(1,500)	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
17. LONG TERM LIABILITIES	(315,473)	(148,040)	(40,497)	-	(1,500)	-
18. TOTAL LIABILITIES	(512,755)	(254,097)	(56,757)	-	(1,500)	-
19. Net asset/liability position of the off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-	-
19.a Amount of asset type, off balance sheet foreign currency derivatives	-	-	-	-	-	-
19b. Amount of liability type, off balance sheet foreign currency derivatives	-	-	-	-	-	-
20. Net foreign currency asset liability position	7,339,343	3,458,861	974,432	-	(1,500)	-
21. Monetary items, net foreign currency asset/liability position (1+2a+5+6a-10-11-12a-14-15-16a)	7,339,343	3,458,861	974,432	-	(1,500)	-
22. Total fair value of financial instruments used to hedge foreign currency	-	-	-	-	-	-
23. The portion of the hedged amount of the foreign currency assets	-	-	-	-	-	-
24. The portion of the hedged amount of the foreign currency liabilities	-	-	-	-	-	-
23. Export	10,026,772	4,429,639	1,564,543	-	-	707,964
24. Import	1,246,704	573,573	101,296	-	-	-

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26. FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency risk management (continued)

Foreign currency risk sensitivity analysis

The Group is mainly exposed to foreign currency risks in US Dollar and Euro.

The following table shows the Group's sensitivity to a 10% increase and decrease in US Dollar and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit / loss and other equity.

	31 December 2011			
	Profit / Loss		Equity	
	The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency
	10% appreciation of TL against the U.S. Dollar			
1 - U.S. Dollar net assets / liabilities	918,563	(918,563)	-	-
2- The part of the hedged U.S. dollar risk (-)	-	-	-	-
3- U.S. Dollar net effect (1 +2)	918,563	(918,563)	-	-
	10% appreciation of TL against Euro			
4 – Euro net assets / liabilities	188,265	(188,265)	-	-
5- The part of the hedged Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	188,265	(188,265)	-	-
	10% appreciation of TL against other currencies			
7 – Other currencies net assets / liabilities	8,103	(8,103)	-	-
8- The part of the hedged Other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7 +8)	8,103	(8,103)	-	-
TOTAL (3 + 6 +9)	1,114,931	(1,114,931)	-	-

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26. FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency risk management (continued)

Foreign currency risk sensitivity analysis (continued)

	31 December 2010			
	Profit/Loss		Equity	
	The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency
	10% appreciation of TL against the U.S. Dollar			
1 - U.S. Dollar net assets / liabilities	534,740	(534,740)	-	-
2- The part of the hedged U.S. dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	534,740	(534,740)	-	-
	10% appreciation of TL against Euro			
4 – Euro net assets / liabilities	199,671	(199,671)	-	-
5- The part of the hedged Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	199,671	(199,671)	-	-
	10% appreciation of TL against other currencies			
7 – Other currencies net assets / liabilities	(476)	476	-	-
8- The part of the hedged Other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7 +8)	(476)	476	-	-
TOTAL (3 + 6 +9)	733,935	(733,935)	-	-

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26. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

Changes in market interest rates causing fluctuations in the prices of financial instruments of the Group's interest rate risk leads to the necessity to deal with. Interest rate risk sensitivity is related with the maturity mismatches of the Group's assets and liabilities.

The interest position of the Group as at 31 December 2011 and 31 December 2010 is as follows:

		Interest Position Table	
		31 December 2011	31 December 2010
Fixed interest rate financial instruments			
Financial assets	Financial assets at fair value through profit or loss	14,634,153	3,211,569
	Time Deposit	32,449,192	14,001,425
	Financial liabilities (*)	(1,711,880)	(596,498)
		<u>45,371,465</u>	<u>34,622,025</u>
Floating rate financial instruments			
	Financial assets at fair value through profit or loss	14,695,919	18,005,529
	Financial liabilities	-	-
		<u>14,695,919</u>	<u>18,005,529</u>

(*) The non-interest loans utilized from Türkiye Teknoloji Geliştirme Vakfı amounting to US Dollar 104,840 (197,938 TL equivalent) has been deducted from the total amount.

Fixed income securities that are classified as designated at fair value through profit and loss in the Group's consolidated statement of financial position are exposed to price risk depending on interest rate changes. According to the analysis that the Group calculated, effect on fixed-income securities' market value and the Group's net profit/loss, under the assumption that all other variables remain constant, in the case of 1% interest rate increase or decrease of TL denominated securities and Eurobonds, presented below:

31 December 2011			
Risk type	Risk rate	Risk direction	Impact on profit for the year
Interest rate risk	1%	Increase	(351,522)
		Decrease	412,633
31 December 2010			
Risk type	Risk rate	Risk direction	Impact on profit for the year
Interest rate risk	1%	Increase	(481,220)
		Decrease	682,835

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26. FINANCIAL RISK MANAGEMENT (continued)

Other Price Risk

Group's portfolio in equities and mutual funds, which are publicly traded, is exposed to price risk.

According to the consolidated financial position as at 31 December 2011, in case of 10% increase/decrease, if all the other variables remain constant, in the value of stock investment that are in the Group's portfolio, with the effect of equity investment designated at fair value through profit or loss and stock-indexed investment fund, net profit would be TL 472,371 (31 December 2010: TL 705,961) lower/higher.

According to the consolidated financial position as at 31 December 2011, in case of 1% increase/decrease, if all the other variables remain constant, in the value of investment fund that are in the Group's portfolio, with the effect of investment funds designated at fair value through profit or loss (stock-indexed investment funds are excluded), net profit would be TL 473,787 (31 December 2010: TL 348,816) lower/higher.

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27. FINANCIAL INSTRUMENTS

31 December 2011	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Carrying amount	Fair value	Note
<u>Financial assets</u>							
Cash and cash equivalents	34,313,123	-	5,845,962	-	40,159,085	40,159,085	4
Investment securities	-	-	75,586,568	-	75,586,568	75,586,568	5
Trade receivables	-	7,772,978	-	-	7,772,978	7,772,978	7
<u>Financial liabilities</u>							
Financial liabilities	-	-	-	1,909,818	1,909,818	1,909,818	6
Trade payables	-	-	-	746,276	746,276	746,276	7
Other payables (*)	-	-	-	13,617	13,617	13,617	8
31 December 2010	Financial assets at amortized cost	Loans and receivables	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Carrying amount	Fair value	Note
<u>Financial assets</u>							
Cash and cash equivalents	14,358,617	-	84,681	-	14,443,298	14,443,298	4
Investment securities	-	-	63,073,597	-	63,073,597	63,073,597	5
Trade receivables	-	6,984,070	-	-	6,984,070	6,984,070	7
<u>Financial liabilities</u>							
Financial liabilities	-	-	-	803,336	803,336	803,336	6
Trade payables	-	-	-	532,158	532,158	532,158	7
Other payables (*)	-	-	-	30,949	30,949	30,949	8

*Taxes and other duties payables are excluded.

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27. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- First level: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Second level: Other than the quoted prices defined in first level, the fair value of other financial assets and financial liabilities are determined in accordance with direct or indirect inputs used for the determination of observable current market transactions; and
- Third level: the fair value of financial assets and financial liabilities are determined in accordance with the inputs that are not based on observable current market transactions

Classification of fair values of financial assets and liabilities is as follows:

		Fair value hierarchy at the end of the reporting period		
		1st level	2nd level	3rd level
Financial assets	31 December 2011	TL	TL	TL
Financial asset at fair value through profit or loss	75,586,568	75,586,568	-	-
Cash and cash equivalents (B type liquid funds)	5,845,962	5,845,962	-	-
Total	81,432,530	81,432,530	-	-

		Fair value hierarchy at the end of the reporting period		
		1st level	2nd level	3rd level
Financial assets	31 December 2010	TL	TL	TL
Financial assets at fair value through profit or loss	63,073,597	63,073,597	-	-
Cash and cash equivalents (B type liquid funds)	84,681	84,681	-	-
Total	63,158,278	63,158,278	-	-

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27. OTHER SIGNIFICANT ISSUES

Regarding the sales of the shares of the company in DR.F.Frik İlaç, amounting to USD 30,500,000, to Yeni Recordati İlaç ve Hammadde Sanayi ve Ticaret A.Ş. ("Yeni Recordati) which is a subsidiary of Recordati, according to the Board of Directors decision No. 274 and dated 1 July 2011, Share Sale Agreement was signed between the shareholders of Dr. F.Frik including İş Girişim, Recordati and Yeni Recordati at July 1, 2011. The sales transaction was finalized in the amount of USD 30,500,000 (TL 54,408,950) at September 13, 2011.

Regarding the sales of the shares of the company in Probil Bilgi İşlem Destek ve Danışmanlık Sanayi ve Ticaret A.Ş., amounting to USD 4,000,000, to Netaş Telekomünikasyon A.Ş., according to the Board of Directors decision No. 280 and dated 25 August 2011 Share Transfer Agreement was signed between the shareholders of Probil including the Company, and Netaş at 25 August 2011. The sales transaction was finalized in the amount of USD 4,000,000 (TL 7,306,400) at 11 October 2011.

With the Board of Directors decision No. 273 and dated 28 June 2011, Headquarter of the Company is authorized to obtain 20% shares of Aras Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş.' ("Aras Kargo"), operated freightage transportation sector, amounting to TL 17,500,000 and İş Girişim participates the capital increase of Aras Kargo. Under this authority, the Share Purchase Agreement ("Agreement") was signed at 28 June 2011 for the purpose of getting into partnership with Aras Kargo and purchase price is transferred on 15 November 2011.

The Company's ordinary General Assembly meeting was hold at 29 April 2011. By the General Assembly it is decided to distribute dividend amounting TL 2,500,000 from the distributable net profit of the period starting from 9 May 2011. As at the end of the reporting period, dividend distribution is completed (Not 16).

The Company's extraordinary General Assembly meeting was held at 14 November 2011. By the General Assembly it is decided to distribute dividend amounting TL 5,400,000 from 10% of issued capital starting from 21 November 2011. As at the end of the reporting period, dividend distribution is completed (Not 16).

Due to the decision taken at the Company's Board of Director's meeting number 288, dated 28 December 2011, The Company was decided to change the some articles of principal agreement and applied to Capital Market Board. Regarding to related decision, the upper limit of registered capital of the Company is decided to increase from TL 200,000,000 to TL 250,000,000. The principal agreement was approved by the Capital Market Board at 29 March 2012 and T.C. Ministry of Custom and Trade General Directorate of Domestic Trade at 4 April 2012.

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2011

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

29. EVENTS AFTER THE REPORTING PERIOD

The Company had started negotiations with the existing shareholders of Ode, subsidiary of the Company, for selling of all of the shares owned in Ode and those discussions resulted as positive. By the Board of Directors decision No. 294 and dated 19 January 2012, Headquarter of the Company is authorized for the sales of the shares of the Company in Ode, amounting to USD 10,500,000 (TL 18,813,900), to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. The decision of Competition Authority about sales of the shares has been published at 23 February 2012 and the sales was occurred at 26 March 2012.

Regarding the Affiliate and Stakeholders Agreement signed between the Ortopro Tıbbi Aletler Sanayi ve Ticaret AŞ ("Ortopro") and the Company at 4 December 2007, the Company took over the 1.5% shares as free of charge and its percentage of share increased 32.5%.

Initiation of implementation of policies to support domestic production in orthopedic sector, the rapidly growing potential occurs in both domestic and overseas markets. For the purpose of taking a new partner through a capital increase to benefit from this potential, meetings were held with third parties. Finally, Mr. Erol Frik became a partner as 20% to Ortopro as of 5 March 2012. At the same time, the number of members of the Company has increased from 1 to 2 in Ortopro's Board of Director.

By the Board of Directors decision No. 299 and dated 20 March 2012, the Company's amendment draft of principal agreement was arranged again and sent to Capital Market Board in order to comply with the notification of the Capital Market for Principles of Corporate Governance, entered into force on December 30, 2011.

Within the scope of the performance-based bonus and dividend protocol, signed between the Nevotek, subsidiary of Group, and the Company, 4% of the paid-in capital of Nevotek, equivalent to 169.68 shares, were transferred to other shareholders of Nevotek at March 20, 2012. After this transfer the Company's total shares in Nevotek decreased from 85.24% to %81.24. The dividend amounting TL 1,025,167 was obtained in cash from Nevotek.

The Board of Director of Ortopro took a decision for the sales of all shares of Ortopro in Orsem Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret A.Ş, subsidiary of Ortopro, to Sigma Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret Ltd. Şti. ("Sigma") amounting to TL 700,000. The sales was completed at April 2, 2011.