

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

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 MARCH 2012**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

(In Turkish Lira ("TL"))

	<u>Notes</u>	<u>Not Audited 31 Mart 2012</u>	<u>Audited 31 Aralık 2011</u>
ASSET			
Current Assets		187,087,292	125,020,730
Cash and Cash Equivalents	4	66,704,834	40,159,085
Investment Securities	5	71,424,514	75,586,568
Trade Receivables	7	28,622,905	7,772,978
- <i>Due from related parties</i>		<i>11,800</i>	<i>69,171</i>
- <i>Other Trade Receivables</i>		<i>28,611,105</i>	<i>7,703,807</i>
Other Receivables	8	280,730	913
Inventories	9	15,628,725	260,478
Other Assets	15	4,425,584	1,240,708
Non-current Assets		51,106,092	51,389,301
Other Receivables	8	27,611	26,853
Investments in Equity Accounted Investees	10	39,663,584	51,135,382
Property and Equipment	11	6,204,167	184,913
Intangible Assets	12	223,754	42,153
Goodwill	10	3,455,578	-
Deferred Tax Asset	23	1,439,740	-
Other Assets	15	91,658	-
TOTAL ASSETS		<u>238,193,384</u>	<u>176,410,031</u>

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 MARCH 2012

(In Turkish Lira ("TL"))

		Not Audited	Audited
		31 Mart	31 Aralık
LIABILITIES	Notes	2012	2011
Short Term Liabilities		38,487,492	4,148,324
Financial Liabilities	6	13,742,545	1,791,055
Trade Payables	7	21,029,697	663,720
- Due to Related Parties		3,630	2,472
- Other Trade Payables		21,026,067	661,248
Other Payables	8	542,015	422,890
Employee Benefits	14	1,909,330	1,175,651
Other Short Term Liabilities	15	1,201,991	95,008
Tax Liabilities	23	61,914	-
Long Term Liabilities		7,144,719	712,343
Financial Liabilities	6	1,914,840	118,763
Trade Payables	7	4,471,177	82,554
Employee Benefits	14	758,702	511,026
EQUITY		192,561,173	171,549,364
Equity Attributable to Owners of the Company		186,036,150	170,420,085
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		-	-
Hedging Reserve		(128,354)	(116,655)
Other Reserves		249,702	249,702
Foreign Currency Translation Differences		1,526,612	(1,172,533)
Legal Reserves	16	6,865,185	6,778,897
Retained Earnings	16	85,674,274	43,651,570
Profit for the period		12,842,331	42,022,704
Non-controlling Interest	16	6,525,023	1,129,279
TOTAL LIABILITIES		238,193,384	176,410,031

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 MARCH 2012

(In Turkish Lira ("TL"))

		Not Audited 31 Mart 2012	Not Audited 31 Mart 2011
	Notes		
SÜRDÜRÜLEN FAALİYETLER			
Sales	17	27,070,449	1,864,693
Cost of Sales	17	(11,064,226)	(645,974)
GROSS PROFIT		16,006,223	1,218,719
Marketing, Sales and Distribution Expenses	18-19	(1,636,855)	(373,535)
Administrative Expenses	18-19	(3,894,716)	(1,728,716)
Research and Development Expenses	18-19	(729,573)	(605,453)
Other Operating Income	20	161,277	6,374
Other Operating Expenses	20	(311,718)	(76,446)
RESULTS FROM OPERATING ACTIVITIES		9,594,638	(1,559,057)
Share of Profit of Equity Accounted Investees	10	(2,494,343)	(1,804,070)
Finance Income	21	8,400,554	2,346,087
Finance Costs	22	(3,248,409)	(1,598,732)
PROFIT / LOSS FROM CONTINUING OPERATIONS BEFORE TAX		12,252,440	(2,615,772)
Tax expenses from continuing operations		85,186	-
Current period tax income / (expense)	23	(63,837)	-
Deferred tax income / (expense)	23	149,023	-
PROFIT FROM CONTINUING OPERATIONS		12,337,626	(2,615,772)
PROFIT / LOSS FROM DISCONTINUING OPERATIONS		-	-
PROFIT FOR THE PERIOD		12,337,626	(2,615,772)
Other Comprehensive Income			
Change in translation reserve	22	2,727,999	(303,735)
Change in fair value of financial asset	22	-	(2,217)
Change in cash flow hedging reserve	22	(14,624)	162,703
Tax income / expense on other comprehensive income	22	2,925	(32,541)
Other Comprehensive Income (net of tax)		2,716,300	(175,790)
TOTAL COMPREHENSIVE INCOME		15,053,926	(2,791,562)
Profit Attributable to:			
Non-controlling Interest		(504,705)	(83,129)
Owners of the Company		12,842,331	(2,532,643)
		12,337,626	(2,615,772)
Total Comprehensive Income Attributable to:			
Non-controlling Interest	16	(475,851)	(79,434)
Owners of the Company		15,529,777	(2,712,128)
		15,053,926	(2,791,562)
Basic and Diluted Earning per Share (TL 1 nominal equivalent)	24	0.254808	(0.050251)

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 MARCH 2012

(In Turkish Lira (“TL”))

	Note	Share capital	Inflation Adj to share capital	Share premium	Revaluation surplus	Hedging reserve	Other reserves	Legal reserves	Translation reserves	Profit/Loss for the period	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)	11,612,845	40,345,542	137,125,757	978,470	138,104,227
Total comprehensive income														
Profit for the period		-	-	-	-	-	-	-	-	(2,532,643)	-	(2,532,643)	(83,129)	(2,615,772)
<u>Other comprehensive income</u>														
Change in fair value of financial assets, net of tax		-	-	-	(2,217)	-	-	-	-	-	-	(2,217)	-	(2,217)
Change in cash flow hedging reserve, net of tax		-	-	-	-	130,162	-	-	-	-	-	130,162	-	130,162
Change in translation reserve		-	-	-	-	-	-	-	(307,430)	-	-	(307,430)	3,695	(303,735)
Total other comprehensive income		-	-	-	(2,217)	130,162	-	-	(307,430)	-	-	(179,485)	3,695	(175,790)
Total comprehensive income		-	-	-	(2,217)	130,162	-	-	(307,430)	(2,532,643)	-	(2,712,128)	(79,434)	(2,791,562)
Transfers		-	-	-	-	-	-	-	-	(11,612,845)	11,612,845	-	-	-
Balance at 31 March 2011	16	50,400,000	21,606,400	7,000,000	17,679	114,427	249,702	5,959,360	(359,683)	(2,532,643)	51,958,387	134,413,629	899,036	135,312,665
	Note	Share capital	Inflation Adj to share capital	Share premium	Revaluation surplus	Hedging reserve	Other reserves	Legal reserves	Translation reserves	Profit/Loss for the period	Retained earnings	Total Before Non-Controlling Interest	Non-Controlling Interests	Total
Balance at 1 January 2012		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
Total comprehensive income														
Profit for the period		-	-	-	-	-	-	-	-	12,842,331	-	12,842,331	(504,705)	12,337,626
<u>Other comprehensive income</u>														
Change in fair value of financial assets, net of tax		-	-	-	-	-	-	-	-	-	-	-	-	-
Change in cash flow hedging reserve, net of tax		-	-	-	-	(11,699)	-	-	-	-	-	(11,699)	-	(11,699)
Change in translation reserve		-	-	-	-	-	-	-	2,699,145	-	-	2,699,145	28,854	2,727,999
Total other comprehensive income		-	-	-	-	(11,699)	-	-	2,699,145	-	-	2,687,446	28,854	2,716,300
Total comprehensive income		-	-	-	-	(11,699)	-	-	2,699,145	12,842,331	-	15,529,777	(475,851)	15,053,926
Change in non-controlling interest		-	-	-	-	-	-	86,288	-	-	-	86,288	-	86,288
Acquisition of controlling interest		-	-	-	-	-	-	-	-	-	-	-	5,871,595	5,871,595
Transfers		-	-	-	-	-	-	-	-	(42,022,704)	42,022,704	-	-	-
Balance at 31 March 2012	16	50,400,000	21,606,400	7,000,000	-	(128,354)	249,702	6,865,185	1,526,612	12,842,331	85,674,274	186,036,150	6,525,023	192,561,173

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 MARCH 2012 (In Turkish Lira ("TL"))

	Notes	Not Audited 1 January-31 March 2012	Audited 1 January-31 March 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		12,337,626	(2,615,772)
Finance costs	22	981,587	26,288
Finance income		(809,406)	(216,395)
Gain on sale of investment	17	(13,217,194)	-
Change in investments in equity accounted investees (net)	10	2,494,343	1,804,070
Dividend income from investments in equity accounted investees	21	(1,025,168)	-
Dividend received from equity investments	21	-	(830,543)
Depreciation of tangible assets	11	441,057	19,274
Amortization of intangible assets	12	50,823	69,238
Change in fair value of investment securities (net)		2,032,728	717,682
Allowance for doubtful receivables (net)	7	897,169	54,891
Change in deferred tax asset	23	(1,439,740)	-
Increase in provision for employee bonuses	14	155,670	-
Increase in vacation pay liability	14	71,518	37,774
Increase in severance pay liability	14	156,776	13,993
Accrued expenses	15	57,848	65,247
Interest received		1,095,191	241,736
(Increase)/Decrease in trade receivables		(21,747,096)	60,470
Increase in inventories		(15,368,247)	(43,576)
Decrease/Increase in other receivables and current assets		(3,557,109)	187,139
Decrease/(Increase) in trade payables		24,754,600	(280,270)
Increase/Decrease in other payables		2,177,222	(62,734)
Employee severance payments	14	(96,713)	(1,553)
Employee bonus payments	14	(314,303)	(276,521)
Net cash used in operating activities		(9,870,818)	(1,029,562)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/decrease in investment securities		2,129,326	912,929
Proceeds from sale of investments	17	18,813,900	-
Dividend income from investments in equity accounted investees	21	1,025,168	-
Acquisition of property and equipment	11	(823,236)	(65,035)
Acquisition of intangible assets	12	-	(18,702)
Net cash provided from investing activities		21,145,158	829,192
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowed funds		13,747,567	803,569
Repayment of financial liabilities		-	(12,555)
Finance costs paid	22	(981,587)	(26,288)
Net cash provided from financing activities		12,765,980	764,726
Foreign currency translation difference		2,716,300	25,034
NET INCREASE IN CASH AND CASH EQUIVALENTS		26,756,620	589,390
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		39,662,428	14,340,833
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	66,419,048	14,930,223

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 MARCH 2012

(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 Istanbul Stock Exchange since 2004.

The Company and its subsidiary ("Group") have operations in three business segments: Private equity and IT, audio and communication systems and production and trading of orthopedics, medical, surgical equipments. 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.

Production and trading of orthopedics, medical, surgical equipments: Purchasing-selling, marketing, producing, exporting, importing of orthopedics, medical, surgical equipments and performing the others written in main contract.

Group's segment reporting in basis of operating fields is disclosed in Note 3.

As at 31 March 2012, the Company has 14 and the Group have 153 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 FZ LLC	None	Service	Audio technologies and telecommunication systems
Nevotek Intercorporation	None	Service	Audio technologies and telecommunication systems

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 MARCH 2012**

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

Convera Systems FZ LLC None Service

Subsidiaries:

	Stock markets in which their shares are traded	Nature of operations	Main Business Area
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. (“Ortopro”)	None	Production/ Commerce	Purchasing-selling, marketing, producing, exporting, importing of orthopedics, medical, surgical instruments and performing the others written in main contract.
Orsem Ortopedik Aletler ve Medikal Cihazlar San. ve Tic.A.Ş.	None	Commerce	Exporting, importing of orthopedics implant equipments and performing the others written in main contract.
Covision Medical Technologies Limited	None	Commerce	Trade of medical instrument and equipment

Associates :

Company Title	Stock markets in which their shares are traded	Nature of operations	Main Business Area
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.
Havalimanları Yer Hizmetleri A.Ş. (“Havaş”)	None	Service	Providing ground handling services for airlines at the airports.

İş Ortaklığı

Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş. (“Aras Kargo”)	None	Service	Local,global and transit transaction of individual and commercial property.
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İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2012

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

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

Approval of Financial Statements:

The consolidated financial statements of the Group as at 31 March 2012 are approved by the Board of Directors and authorized for issue on 18 May 2012. General Assembly has the power to amend the financial statements after their issue.

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, for implementation of the 5th substance of the communiqué 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) in accordance with provisional article 2 of the communiqué, IAS/IFRSs will be applied. In this respect the Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") promulgated by TASB, which are compatible with the applied standards will be adopted. As According with this consolidated financial statements are prepared as of 31 March 2012, in compatible with TAS/TFRS

Basis of Preparation of Financial Statements (continued)

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).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2012

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

2. BASIS OF PRESENTATION (continued)

2.1 Basis of Presentation (continued)

Functional and Presentation Currency (continued)

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 and Ortopro, the subsidiaries of the Company, is TL. The functional currency of Havaş, the associate of the Company, is Euro. Other associates' functional currency is TL.

The foreign exchange rates used by the Group as at 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
US Dollar	1,7729	1.8889
Euro	2,3664	2.4438

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 March 2012 and 31 December 2011 are as follows:

Subsidiary	Acquisition date	Founding and operating location	Shareholding Interest (%)		Voting power	Main business area
			31 March 2012	31 December 2011		
Nevotek	30 September 2003	Türkiye	81.24	85.24	81.24	IT, audio and communication systems
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro") (*)	10 December 2007	Türkiye	32.50	31.00	50.00	Purchasing-selling, marketing, producing, exporting, importing of orthopedics, medical, surgical instruments

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AS AT AND FOR THE YEAR ENDED 31 MARCH 2012
(Amounts are expressed in Turkish Lira (“TL”), unless otherwise stated)

2. BASIS OF PRESENTATION (continued)

2.1 Basis of Presentation (continued)

Associates and joint ventures (continued)

- (1) Total number of Ode, Turkmed and Ode’ 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. All shares owned in Ode has sold at 26 March 2012.
- (2) Total number of Havas’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) 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, rights to buy and transfer shares.

Investments in associates and jointly ventures 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 as of 1 January 2012 .

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.

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

2.4 New standards and interpretations as of 31 March 2012

Some new standards, amendments and interpretations to standards as at 31 March 2012 is not effective yet and was not applied in preparing these consolidated financial statements. The following new standards are expected to impact the Group's consolidated financial statements:

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2. BASIS OF PRESENTATION (continued)

2.4 New standards and interpretations as of 31 March 2012 (continued)

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

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

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

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

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

IFRS 9 *Financial Instruments* could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.

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

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

IFRS 9 *Financial Instruments* could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.

Group has not determined the effects of the implementation of these standards yet.

2.5 Summary of Significant Accounting Policies

Revenue

Private equity

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

Private equity (continued)

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.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Revenue (continued)

Dividend and interest income (continued)

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.

Sector of Orthopedics and medical equipments

Revenues are calculated by received payments or fair value of payments which will be received. Estimated refunds, discounts, and provisions are deducted from the mentioned amount.

Goods sold

Revenue is recognised when the following conditions are fulfilled:

- The significant risks and rewards of have been transferred to the customer,
- There is no continuing management involvement with the goods,
- The amount of revenue can be measured reliably,
- Possible return of goods can be estimated reliably, and
- The associated costs can be estimated reliably.

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs involved in inventories is comprised of direct material, direct labour used for bringing inventories to their existing condition if applicable and production overheads. Weighted average cost method is used in calculating cost of inventories for information sector and appropriate method according to the class related to the inventories and mainly first-in-first-out method is used for the sector of orthopedics and medical equipment. Net realisable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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.

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2. FİNANSAL TABLOLARIN SUNUMUNA İLİŞKİN ESASLAR (devamı)

2.5 Summary of Significant Accounting Policies (continued)

Property and equipment (continued)

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

Leased assets are depreciated over the shorter of the lease term and their useful life ans as if property and equipment.

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

	Useful life
Machinery and equipment	3-15 years
Furniture and fixtures	3-15 years
Leasehold improvements	3-10 years

Intangible Assets

Goodwill

Goodwill represents the excess amount of the acquisition cost over the fair value of the subsidiary/associate’s identifiable assets, liabilities and contingent liabilities at the date of the acquisition. The carrying amount of goodwill result from association and joint ventures is included in the “Equity accounted investees” and is tested for impairment as a part of the investment. Goodwill that result from acquisition of subsidiary 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.

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.

2. FİNANSAL TABLOLARIN SUNUMUNA İLİŞKİN ESASLAR (devamı)

2.5 Summary of Significant Accounting Policies (continued)

Intangible Assets (continued)

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.

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 3-10 years.

Derecognition of intangible assets

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.

Finance Leases

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases, the other leases except finance lease is classified as operational lease.

On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Liability against lessor is presented as financial lease liability in statement of financial position. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability through principal payment and provide interest calculation with fixed rate on the rest of principal after payment. Within the Group's borrowing policy financial expenses except capitalized part is recognized in profit/loss.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Impairment of Non- Financial 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 period.

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.

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.

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

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 at the end of the reporting period.

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 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.

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.

2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

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, receivable from reverse repo 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.

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

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2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Business Combinations (continued)

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 Group's businesses' financial statements are presented in currency that is valid around basic economical environment (functional currency) where they are operating in. 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).

2. BASIS OF PRESENTATION (continued)

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2.5 Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

- 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. In the reporting period, there is no bonus share distribution.

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. 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.

2. BASIS OF PRESENTATION (continued)

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2.5 Summary of Significant Accounting Policies (continued)

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 three 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). According to internal reporting, reporting is made based on IFRS figures in three different segments named as Private equity, IT, audio and communication systems and orthopedics and medical equipments.

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.

Income tax expense is comprised of current tax and deferred tax expense.

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 and earning from portfolio management withholding rate is determined as %0.

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 at 12 March 2011, this exemption period is extended until 31 December 2023.

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.

2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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 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 IAS 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.

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.

2. BASIS OF PRESENTATION (continued)

2.5 Summary of Significant Accounting Policies (continued)

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Employee Benefits (continued)

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 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.

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:

Not 10	Investments in equity accounted investees (*)
Not 11-12	Useful lives of property and equipment and intangible assets
Not 13	Provisions, Contingent Assets and Liabilities
Not 14	Employee benefits
Not 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.

3. SEGMENT REPORTING

For the period ended 31 March 2012:

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	Private equity	IT, audio and communication systems	Orthopedics, medical and surgical equipments	Total continuing operations
	1 January-31 March 2012	1 January-31 March 2012	1 January-31 March 2012	1 January-31 March 2012
Revenue				
Sales revenue	18,876,840	1,980,624	6,212,985	27,070,449
Cost of sales	(5,596,706)	(1,033,950)	(4,433,570)	(11,064,226)
Marketing, sales and distribution expenses	-	(536,469)	(1,100,386)	(1,636,855)
Administrative expenses	(1,934,063)	(787,835)	(1,172,818)	(3,894,716)
Research and development expenses	-	(685,960)	(43,613)	(729,573)
Other operating income	98	69,393	91,786	161,277
Other operating expenses	(663)	(254,300)	(56,755)	(311,718)
Share of profit / (loss) of equity accounted investees	(2,494,343)	-	-	(2,494,343)
Finance income	5,957,038	441,712	2,001,804	8,400,554
Finance costs	(458,597)	(943,983)	(1,845,829)	(3,248,409)
Profit before tax	14,349,604	(1,750,768)	(346,396)	12,252,440
Tax expense	-	-	(63,837)	(63,837)
Deferred tax asset	-	-	149,023	149,023
Profit from continuing operations	14,349,604	(1,750,768)	(261,210)	12,337,626
Non-controlling interests				(504,705)
Owners of the Company				12,842,331
				<u>12,337,626</u>

Other information

	Private equity	IT, audio and communication systems	Orthopedics, medical and surgical equipments	Consolidation adjustments	Total continuing operations
	1 January-31 March 2012	1 January-31 March 2012	1 January-31 March 2012	1 January-31 March 2012	1 January-31 March 2012
Amortization and depreciation expenses	(18,796)	(36,548)	(436,536)	-	(491,880)
Acquisition of property and equipment and intangible assets	669,711	6,370	147,155	-	823,236
As at 31 March 2012:					
Statement of Financial Position					
Segment assets	185,673,710	8,671,190	49,354,079	(5,505,595)	238,193,384
Segment liabilities	(1,532,441)	(3,654,916)	(40,444,854)	-	(45,632,211)

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3. SEGMENT REPORTING

For the period ended 31 March 2011:

	Private equity	IT, audio and communication systems	Total continuing operations
	1 January-31 March 2011	1 January-31 March 2011	1 January-31 March 2011
Revenue			
Sales revenue	83,639	1,781,054	1,864,693
Cost of sales	-	(645,974)	(645,974)
Marketing, sales and distribution expenses	-	(373,535)	(373,535)
Administrative expenses	(1,055,964)	(672,752)	(1,728,716)
Research and development expenses	-	(605,453)	(605,453)
Other operating income	1,291	5,083	6,374
Other operating expenses	-	(76,446)	(76,446)
Share of profit / (loss) of equity accounted investees	(1,804,070)	-	(1,804,070)
Finance income	1,885,722	460,365	2,346,087
Finance costs	(1,163,075)	(435,657)	(1,598,732)
Profit before tax	(2,052,457)	(563,315)	(2,615,772)
Vergi gideri	-	-	-
Loss / (Profit) from continuing operations	(2,052,457)	(563,315)	(2,615,772)
Non-controlling interests			(83,129)
Owners of the Company			(2,532,643)
			(2,615,772)

Other information

	Private equity	IT, audio and communication systems Sistemleri	Consolidation adjustments	Total continuing operations
	1 January-31 March 2011	1 January-31 March 2011	1 January-31 March 2011	1 January-31 March 2011
Amortization and depreciation expenses	(4,342)	(84,170)	-	(88,512)
Acquisition of property and equipment and intangible assets	53,010	30,728	-	83,738

As at 31 December 2011:

	Private equity	IT, audio and communication systems Sistemleri	Consolidation adjustments	Total continuing operations
	31 December 2011	31 December 2011	31 December 2011	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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4. CASH AND CASH EQUIVALENTS

	31 March 2012	31 December 2011
Cash on hand	25,140	1,578
Cash at banks (Note 25)	55,831,133	34,311,545
<i>Demand deposit</i>	2,009,188	1,862,353
<i>Time deposits with maturities less than 3 months</i>	53,821,944	32,449,192
B type liquid fund (Note 25)	3,093,334	5,845,962
Reverse repo	7,755,227	-
	<u>66,704,834</u>	<u>40,159,085</u>

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

	31 March 2012	31 December 2011
Cash and cash equivalents	66,704,834	40,159,085
Less: Accrued interests	(285,785)	(496,657)
	<u>66,419,048</u>	<u>39,662,428</u>

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

	31 March 2012			
	Interest Rate %	Maturity	Currency	Amount TL
TL Time deposit	10.50	2 Nisan 2012	TL	11,003,193
TL Time deposit	10.50	16 Nisan 2012	TL	21,717,738
TL Time deposit	10.30	2 Mayıs 2012	TL	2,001,688
USD Dolar Deposit	1.50	27 Nisan 2012	USD	471,516
USD Dolar Deposit	4.05	27 Nisan 2012	USD	18,627,809
				<u>53,821,944</u>

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4. CASH AND CASH EQUIVALENTS (continued)

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

The details of B Type liquid funds and reverse repo classified as cash and cash equivalents are as follows:

	31 March 2012	
	Nominal (*)	Fair value
B type liquid fund	111,226,870	3,093,334
Reverse repo (02.04.2012 vd)	-	7,755,227
		<u>10,848,561</u>
	31 December 2011	
	Nominal (*)	Gerçeğe Uygun Değer
B type liquid fund	319,081,252	5,845,962
		<u>5,845,962</u>

(*) Investment fund is presented in units.

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

As at 31 December 2012 and 31 December 2011 there are not any blockages on cash and cash equivalents.

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5. INVESTMENT SECURITIES

	31 March 2012	31 December 2011
Financial assets designated at fair value through profit or loss	71,424,514	75,586,568
	<u>71,424,514</u>	<u>75,586,568</u>

	31 March 2012	
	Nominal(*)	Fair Value
Government bonds	37,475,000	39,086,673
Investment funds (Note 25)	176,285,150	5,341,733
Eurobond (private sector)	1,500,000	2,434,414
Private sector bonds and notes (Note 25)	18,124,500	18,436,443
Shares quoted to stock exchange (Note 25)	5,190,891	6,125,251
		<u>71,424,514</u>

	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	18,726,500	18,658,326
Shares quoted to stock exchange (Note 25)	5,190,891	4,723,711
		<u>75,586,568</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.

As at 31 March 2012, interest rates of private sector bonds and government bonds held for trading are between the rates 2.95 % and 12.97 % per annum. (31 December 2011: 3.15%-14.86%)

Eurobonds issued by private sector are denominated in US Dollar and has coupon payments. As at 31 December 2012, annual interest income from the Group’s investment in Eurobond is 9.25%. (31 December 2011: 9.25%).

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6. FINANCIAL LIABILITIES

Financial Liabilities	31 March 2012	31 December 2011
Short term bank loans	12,810,951	1,555,780
Short term finance lease liabilities	696,319	-
Short term factoring payables (Note 25)	235,275	235,275
Total Short Term Financial Liabilities	13,742,545	1,791,055
Long term bank loans	111,469	118,763
Long term finance lease liabilities	1,803,371	-
Total Long Term Financial Liabilities	1,914,840	118,763
Total	15,657,385	1,909,818

Bank and Other Borrowings:

31 March 2012			
Currency	Interest rate (%)	Short term	Long term
Secured US Dollar	-(*)	74,313	111,469
Unsecured TL	16.55%	3,177,586	-
Unsecured EUR	9.48%	48,052	-
Secured TL	16.55%	9,511,000	-
Leasing payables	11.00%	696,319	1,803,371
Factoring payables	17.00%	235,275	-
		13,742,545	1,914,840
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

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

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6. FINANCIAL LIABILITIES (continued)

The repayment plans of bank borrowings and factoring payables are as follows:

	31 March 2012	31 December 2011
	<hr/>	<hr/>
0-1 year	13,742,545	1,791,055
1-2 years	74,313	79,175
2-5 years	1,840,527	39,588
	<hr/>	<hr/>
	15,657,385	1,909,818

Significant bank borrowings of the Group are summarized as follows:

As at 31 December 2012, short term revolving borrowings amounting TL 1,591,743 with interest rates between 14% and 17% have been utilized. TL 435, 000 of these loans with interest rate 15% has been utilized from Türkiye İş Bankası which is a related party for short-term financing.

The Group also has spot loan amounting to 11,058,048 TL with interest rate between 14.90% and 18.90% from Türkiye İş Bankası A.Ş., has used 2,832,868 TL of the spot loan with 15.5% interest rate from (Note:25).

As of 31 March 2012 the Group has provided short term financing through the receivables amounting to TL 235,275 is factored with %17 interest rate by İş Faktoring A.Ş. (31 December 2011: TL 235,275).

As at 31 March 2012, There are interest-free loan amounting USD 104,840 (TL 185,782) taken from Technology Development Foundation of Turkey on project basis.The repayments will be done semi-annually by 5 installments.

There is a letter of guarantee amounting to USD 143,972 (TL 255,248) given against for the loans of the Group as collateral (Note 13).

Consumer loan is borrowed amounting to TL 56,783 at 25 November 2009. Repayment of the loan has begun on 18 May 2010 and will have ended on 18 November 2012.

7. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

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

	31 March 2012	31 December 2011
	<hr/>	<hr/>
Current trade receivables		
Trade Receivables	14,327,709	7,703,807
Due from related parties (Note 25)	11,800	69,171
Notes Receivable	14,227,646	-
Doubtful receivables	2,347,899	1,394,980
Provision for doubtful receivables (-)	(2,292,149)	(1,394,980)

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28,622,905

7,772,978

7. TRADE RECEIVABLES AND PAYABLES (continued)

As at 31 March 2012, the amount of Group's receivables that are highly probable to collect and not due is amounting to TL 25,829,913. (31 December 2010: TL 5,651,940). Average collection maturity of the Group's receivables from IT, audio and communication systems operations is 210 days. (31 December 2011: 210 days) Average collection maturity of the Group's receivables from orthopedics and medical equipments is 150 days.

As at the end of the reporting period, TL 2,792,992 of the Group's trade receivables is overdue but not impaired (31 December 2011: TL 2,121,038). Trade receivables consist of various customers, from which the Group has not faced any collection risk recently.

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

	31 March 2012	31 December 2011
Up to 1 month	102,997	168,639
Up to 3 months	877,722	329,908
Between 3-12 months	1,150,127	860,441
More than 12 months	662,146	762,050
	<u>2,792,992</u>	<u>2,121,038</u>

As at 31 March 2012, the Group has allowance for possible losses on trade receivables amounting to TL 2,292,149 (31 December 2011: TL 1,394,980). The movement of Group's allowance for doubtful receivables is as follows:

	1 January- 31 March 2012	1 January- 31 March 2011
<u>Movements of provision for doubtful receivables</u>		
Opening balance	(1,394,980)	(54,891)
Business combination	(897,169)	-
	-	-
Closing balance	<u>(2,292,149)</u>	<u>(54,891)</u>

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7. TRADE RECEIVABLES AND PAYABLES (continued)

b) Trade Payables:

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

	31 March 2012	31 December 2011
Short Term Trade Payables		
Trade payables	17,186,054	462,148
Notes payable	3,840,013	199,100
Due to related parties (Not 25)	3,630	2,472
	21,029,697	663,720

	31 March 2012	31 December 2011
Long Term Trade Payables		
Notes payable	4,471,177	82,554
	4,471,177	82,554

8. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

	31 March 2012	31 December 2011
Other Short Term Receivables		
Deposits and guarantees given	186,121	-
Other receivables	94,609	913
	280,730	913

	31 March 2012	31 December 2011
Other Long Term Receivables		
Deposits and guarantees given	27,611	26,853
	27,611	26,853

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8. OTHER RECEIVABLES AND PAYABLES (continued)

b) Other Payables:

	31 March 2012	31 December 2011
<u>Other Short Term Payables</u>		
Taxes and funds payable	280,596	348,191
Social security contributions	215,370	61,082
Other miscellaneous payables	46,049	13,617
	<u>542,015</u>	<u>422,890</u>

9. INVENTORIES

	31 March 2012	31 December 2011
Trading goods	10,684,404	260,478
Rawm materials and supplies	544,008	-
Semi-finished goods	4,037,654	-
Finished goods	908,343	-
Allowance for impairment of inventories	(545,684)	-
	<u>15,628,725</u>	<u>260,478</u>

	31 March 2012	31 December 2011
<u>Movements of allowance for impairment of inventories</u>		
Opening balance	(123,831)	-
Charge fort he year	(421,853)	-
Closing balance	<u>(545,684)</u>	<u>-</u>

10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

As at 31 December 2012, the details of the Group’s associates are as follows:

Associates	Shareholding interest (%)		Voting Power	Main Business Area
	31 March 2012	31 December 2011		
Ode(**)	-	17.24	(*)	Production
Türkmed	25.78	25.78	(*)	Service
Havaş	6.67	6.67	(*)	Service
Aras Kargo (***)	20.00	20.00	(*)	Service

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

(**) As of 26 March 2012 the Group has sold all shares owned in Ode amounting to USD 10,500,000

(***) As of 15 November 2011, Group has acquired shareholding interest in Aras Kargo by paying TL 17,500,000

10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

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

	31 March 2012 2012	31 December 2011
Total assets	869,150,488	1,044,553,858
Total liabilities	(556,620,736)	(678,687,892)
Net assets	312,529,752	365,865,966
Group's share in associates' net assets	18,844,828	26,861,048
Goodwill in equity accounted investees	20,818,756	24,274,334
Investments in equity accounted investees	39,663,584	51,135,382
	1 Ocak- 31 Mart 2012	1 Ocak- 31 Mart 2011
Revenue	239,011,445	185,941,538
Profit for the year	(9,196,174)	(8,262,382)
Group's share of profit /(loss) of associates	(2,494,343)	(1,804,070)
<u>Associates</u>	<u>Goodwill</u>	<u>31 December 2011</u>
	31 March 2012	
Türkmed	1,616,818	1,616,818
Ortopro	-	3,455,578
Aras Kargo	19,201,938	19,201,938
	20,818,756	24,274,334

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.

With considering requirement of strong capital for getting the most out of processive potential of orthopedics market in both domestic and foreign countries through incentives given for supporting local production, negotiations with third parties has started in order to find new shareholders through capital increase for Ortopro. As of 5 March 2012 Erol Frik has become shareholder with holding %20 of the shares through transferring USD 4,5 million to Ortopro through capital increase by limiting existing shareholders' stock warrant. Simultaneous with capital increase, İş Girişim has purchased bonus share at the rate of %6.5 from Tolga Yalçınkaya, shareholder of Ortopro, and İş Girişim's owned shares in Ortopro have been maintained at the rate of %32.5. İş Girişim's claim of appointment for Board of Director increased from 1 to 2 related to the capital increase. As of 31 March 2012 Ortopro is reclassified as subsidiary due change in structure of board of director and the new rights given related with management and Ortopro's goodwill, amounting to TL 3,445,578 is included in consolidated statement of financial position.

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10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

The Company acquired 20% of the shares of Aras Kargo with a consideration paid in cash amounting to TL 17,500,000 on 15 November 2011. Due to immateriality of the operations between the acquisition date and 31 December 2011, the acquisition date was accepted as 31 December 2011.

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

	31 December 2011		
	Carrying Value	Fair Value	Share of Parent Company
Cash and cash equivalents	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
Investment Securities	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 payables	(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 assets	(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

	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvement</u>	<u>Other</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Cost</u>							
Opening balances at 1 January 2012	421,293	-	527,554	446,560	-	-	1,395,407
Business combination	208,900	352,381	9,639,114	642,743	281,898	202,994	11,328,030
Additions	6,370	-	212,621	604,245	-	-	823,236
Disposals/Sales	-	(203,273)	(112,409)	-	-	(187,696)	(503,378)
Closing balances at 31 March 2012	636,562	149,108	10,266,880	1,693,548	281,898	15,298	13,043,295
<u>Accumulated Depreciation</u>							
Opening balances at 1 January 2012	(321,412)	-	(447,084)	(441,998)	-	-	(1,210,494)
Business combination	(84,743)	(98,501)	(4,465,321)	(418,851)	(281,703)	-	(5,349,120)
Additions	(15,505)	(12,504)	(372,437)	(40,611)	-	-	(441,057)
Disposals/Sales	-	63,415	98,127	-	-	-	161,542
Closing balances at 31 March 2012	(421,660)	(47,590)	(5,186,715)	(901,460)	(281,703)	-	(6,839,128)
Net carrying value at 31 March 2012	214,902	101,518	5,080,165	792,088	195	15,298	6,204,167
Net carrying value at 1 January 2012	99,881	-	80,470	4,562	-	-	184,913

Total current year depreciation expenses amounting to TL 100,646 is included in cost of sales, TL 268,712 is included in marketing, sales and distribution expenses, TL 71,699 is included administrative expenses (31 March 2011: TL 19,274).

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11. PROPERTY AND EQUIPMENT (continued)

	<u>Machinery and Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvement</u>	<u>Total</u>
<u>Cost</u>				
Opening balances at 1 January 2011	346,784	464,105	446,560	1,257,449
Additions	11,097	53,939	-	65,036
Closing balances at 31 March 2011	357,881	518,044	446,560	1,322,485
<u>Accumulated Depreciation</u>				
Opening balances at 1 January 2011	(269,197)	(415,849)	(438,513)	(1,123,559)
Charge for the year	(10,701)	(7,720)	(853)	(19,274)
Closing balances at 31 March 2011	(279,898)	(423,569)	(439,366)	(1,142,833)
Net carrying value at 31 March 2011	77,983	94,475	7,194	179,652
Net carrying value at 1 January 2011	77,587	48,258	8,046	133,891

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12. INTANGIBLE ASSETS

Cost	Capitalized development expenses	Other	Total
Opening balances at 1 January 2012	2,503,665	161,494	2,665,159
Business combination	-	463,271	463,271
Additions	-	-	-
Closing balances at 31 March 2012	2,503,665	624,765	3,128,430
Accumulated Amortization			
Opening balances at 1 January 2011	(2,478,197)	(144,809)	(2,623,006)
Business combination	-	(230,846)	(230,846)
Charge for the year	(25,468)	(25,355)	(50,823)
Closing balances at 31 March 2012	(2,503,665)	(401,010)	(2,904,675)
Net carrying value at 31 March 2012	0	223,755	223,755
Net carrying value at 1 January 2012	25,468	16,685	42,153

Total current year depreciation expenses amounting to TL 25,468 is included in research and development expenses (31 March 2011: TL 65,302) and TL 25,355 is included in administration expenses (31 March 2011: TL 3,936).

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12. INTANGIBLE ASSETS (continued)

<u>Cost</u>	<u>Capitalized development expenses</u>	<u>Software</u>	<u>Total</u>
Opening balances at 1 January 2011	2,503,665	147,431	2,651,096
Additions	-	18,702	18,702
Closing balances at 31 March 2011	<u>2,503,665</u>	<u>166,133</u>	<u>2,669,798</u>
<u>Accumulated Amortization</u>			
Opening balances at 1 January 2011	(2,393,002)	(134,204)	(2,527,206)
Charge for the year	<u>(65,205)</u>	<u>(4,033)</u>	<u>(69,238)</u>
Closing balances at 31 March 2011	<u>(2,458,207)</u>	<u>(138,237)</u>	<u>(2,596,444)</u>
Net carrying value at 31 March 2011	45,458	27,896	73,354
Net carrying value at 1 January 2011	110,663	13,227	123,890

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13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Collateral / Pledge / Mortgage (“CPM”)

As of 31 March 2012 and 31 December 2011 the Group’s collateral, pledge and mortgage (CPM) position is disclosed in the following chart:

	31 March 2012			31 December 2011		
	Total TL Equivalent	Original Amount		Total Equivalent	Orijinal Bakiyeler	
		TL Amount	USD Amount		TL Amount	USD Amount
A. . CPM given for companies own legal personality (*)	561,609	10,000	311,134	395,283	10,000	203,972
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	561,609	10,000	311,134	395,283	10,000	203,972

As of 31 March 2012 the ratio of other TRİ given from Group to Group’s equity is 0 % (31 December 2010: 0 %)

(*) As at 31 March 2012, TL 255,248 comprise of letter of guarantee given as collateral against the borrowed funds from Türkiye Teknoloji Geliştirme Vakfı for project financing.

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14. EMPLOYEE BENEFITS

	31 March 2012	31 December 2011
Short term		
Employee salaries payable	869,561	167,643
Vacation pay liability	544,663	354,269
Provision for employee bonuses	495,106	653,739
	<u>1,909,330</u>	<u>1,175,651</u>
Long term		
Reserve for employee severance payments	335,089	87,413
Provision for employee bonuses	423,613	423,613
	<u>758,702</u>	<u>511,026</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 March 2012 is based on the monthly ceiling amounting to TL 2,805.04 (31 December 2011: TL 2,731.85)

The reserve has been calculated by estimating the present value of the future probable obligation of the Group 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 March 2012, 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 5.1% and a discount rate of 11%, resulting in a net discount rate of approximately 5.61% (31 December 2011: 4.66% net discount rate is calculated assuming an annual inflation rate of 5% and a discount rate of 8.76%). The probability of voluntarily eaves is also considered in the calculation.

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14. EMPLOYEE BENEFITS (continued)

The movement of reserve for employee severance payments

	1 January- 31 March 2012	1 January- 31 March 2011
Provision as at 1 January	87,413	81,721
Business combination	187,614	-
Cost of services	12,924	11,195
Interest cost	2,795	4,604
Paid severance indemnity	(96,713)	(1,553)
Actuarial difference	141,056	(1,806)
Provision as at 31March	<u>335,089</u>	<u>94,161</u>

The movement of provision for employee bonuses

	1 January- 31 March 2012	1 January- 31 March 2011
Provision as at 1 January	1,077,352	320,064
Charge for the year	155,670	-
Employee bonuses paid	(314,303)	(276,521)
Provision as at 31 December	<u>918,719</u>	<u>43,543</u>

The movement of vacation pay liability

	1 January- 31 March 2012	1 January- 31 March 2011
Provision as at 1 January	354,269	277,074
Business combination	118,876	-
Charge for the year	71,518	37,774
Provision as at 31 December	<u>544,663</u>	<u>314,848</u>

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15. OTHER ASSETS AND LIABILITIES

	31 March 2012	31 December 2011
Other Current Assets		
VAT receivables	2,692,108	329,040
Prepaid taxes and funds	435,433	301,992
Job advances	304,362	247,762
Advances given for inventories	743,957	222,557
Prepaid expenses	182,112	139,357
Accrued income	67,612	-
	<u>4,425,584</u>	<u>1,240,708</u>
Other Non-current Assets		
	31 Mart 2012	31 Aralık 2011
Prepaid insurance	91,658	-
Other Short Term Liabilities		
	31 March 2012	31 December 2011
Accrued expenses	124,758	66,910
Advances received	1,077,233	28,098
	<u>1,201,991</u>	<u>95,008</u>

16. CAPITAL AND RESERVES

a) Share Capital

As at 31 March 2012 and 31 December 2011 the Company's share capital structure is as follows:

Shareholders	Group	%	31 March 2012		31 December 2011	
				%		%
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 March 2012 the Company's share capital consists of 5.040.000.000 unit shares (31 December 2011: 5.040.000.000 shares). The par value of each share is TL 0.01 (31 December 2011: TL 0.01 per share).

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 unless their share in issued capital is below TL 2,000,000.

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16. CAPITAL AND RESERVES (continued)

a) Shared capital (continued)

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 March 2012, the Company has inflation adjustment to share capital amounting TL 21,606,400 arising from the inflation accounting application until 31 December 2004 (31 December 2011: TL 21,606,400).

Şirket’in 31 Mart 2012 tarihi itibarıyla sermaye düzeltmesi farkları 31 Aralık 2004 tarihine kadar enflasyon muhasebesi uygulamasından kaynaklanan 21,606,400 TL tutarında enflasyon düzeltmesi farklarından oluşmaktadır (31 Aralık 2011: 21,606,400 TL).

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.

f) Other Reserves

Other reserves comprise of profits or losses from sale of subsidiary shares without a change in control.

g) Legal reserves

Legal reserves:

	<u>31 March 2012</u>	<u>31 December 2011</u>
Legal reserves	6,865,185	6,778,897
	<u>6,865,185</u>	<u>6,778,897</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.

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16. CAPITAL AND RESERVES (continued)

h) Retained Earnings

As at 31 March 2012 the Group has retained earnings amounting to TL 85,674,274 (31 December 2011: TL 43,651,570).

Grup’un 31 Mart 2012 tarihi itibarıyla 85,674,274 TL tutarındaki geçmiş yıllar karı bulunmaktadır (31 Aralık 2011: 43,651,570 TL).

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 decisions dated 29 April 2011 and November 2011, the Company distributed dividends from prior year’s profit amounting to TL 7,540,000 (31 December 2010: 3,000,000) in 2011.

In accordance with the resolution dated May 7, 2012 in General Assembly of the Group, total of TL 20,160,000 have been decided to be distributed as TL 12,600,000 in cash and TL 7,560,000 bonus share. The distribution in cash has started on May 11, 2012, completed on May 15, 2012. Capital Market Boards have been applied in order to issue bonus shares. (31 December 2011: TL 7,540,000 dividend in cash)

i) Translation Reserve

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

j) 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 March 2012 the Group's non-controlling interests in equity is amounting to TL 6,525,023 (31 December 2011: TL 1,129,279). As of 31 December 2011 shares of net profit of the subsidiary that are directly or indirectly not under control of the owners of the Company amounting to TL (475,851) has been classified as “non-controlling interests” in the consolidated statement of comprehensive income (31 March 2011: TL (79,434)).

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17. SALES AND COST OF SALES

	1 January- 31 March 2012	1 January- 31 March 2011
a) Sales		
Domestic sales	24,214,919	18,451
Sale of investments in equity accounted investees (*)	18,813,900	-
Other	5,401,019	18,451
Foreign sales	2,746,647	1,630,806
Other	2,746,647	1,630,806
Other sales income	221,988	217,631
Sales returns (-)	(113,105)	-
Sales reductions (-)	-	(2,195)
	<u>27,070,449</u>	<u>1,864,693</u>
b) Cost of sales		
Cost of investments in equity accounted investees (*)	(5,596,706)	-
Cost of merchandise sold	(2,034,554)	(163,173)
Cost of goods sold	(2,868,423)	-
Personnel expenses	(405,965)	(324,901)
Travelling expenses	(87,450)	(54,830)
Communication expenses	(39,053)	(33,641)
Rent expenses	(21,561)	(19,663)
Other expenses	(10,513)	(49,766)
	<u>(11,064,225)</u>	<u>(645,974)</u>

(*) The Group sold all shares owned in Ode amounting to TL 5,596,706 to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. for TL 18,813,900 (USD 10,500,000).

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

	1 January- 31 March 2012	1 January- 31 March 2011
Research and development expenses (-)	(729,573)	(605,453)
Marketing, sales and distribution expenses (-)	(1,636,855)	(373,535)
Administrative expenses (-)	(3,894,715)	(1,728,716)
	<u>(6,261,143)</u>	<u>(2,707,704)</u>

19. EXPENSES BY NATURE

	1 January- 31 March 2012	1 January- 31 March 2011
a) The details of research and development expenses		
Personnel expenses	(617,264)	(487,180)
Traveling expenses	(57,482)	(36,397)
Consultancy expenses	(9,160)	-
Amortization expenses	(25,468)	(65,302)
Other expenses	(20,199)	(16,574)
	<u>(729,573)</u>	<u>(605,453)</u>
b) The details of marketing, sales, and distribution expenses		
Personnel expenses	(694,071)	(278,994)
Depreciation and amortization expenses	(268,712)	-
Advertising and marketing expenses	(148,251)	-
Traveling expenses	(100,654)	(94,541)
Other expenses	(425,166)	-
	<u>(1,636,855)</u>	<u>(373,535)</u>

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19. EXPENSES BY NATURE (continued)

	1 January- 31 March 2012	1 January- 31 March 2011
c) The details of administrative expenses		
Personnel expenses	(2,142,403)	(1,029,512)
Audit and consultancy expenses	(307,210)	(119,495)
Outsourced benefits and services	(137,627)	(109,108)
Salaries of board of directors	(138,000)	(103,800)
Rent expenses	(197,613)	(44,616)
Travel expenses	(52,469)	(42,538)
Depreciation and amortization expenses	(97,054)	(23,210)
Hosting and travel expenses	(80,485)	(6,859)
Severance indemnity expenses	(5,631)	(13,993)
Other expenses	(736,223)	(235,585)
	<u>(3,894,715)</u>	<u>(1,728,716)</u>

20. OTHER OPERATING INCOME / EXPENSES

The details of other operating income and expenses for the period ended 31 March 2012 are as follows:

	1 January- 31 March 2012	1 January- 31 March 2011
Other Operating Income		
Previous period expenses	-	5,004
Scrap sales	11,836	-
Other	149,441	1,370
	<u>161,277</u>	<u>6,374</u>
Other Operating Expense		
Expenses related to written-off receivables	(254,300)	-
Previous period expenses	-	(76,437)
Other	(57,418)	(9)
	<u>(311,718)</u>	<u>(76,446)</u>

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21. FINANCE INCOME

	1 January- 31 March 2012	1 January- 31 March 2011
Financial assets value increase	2,569,401	339,469
Interest income on:	1,452,826	703,199
Bank deposit	798,688	216,497
Reverse repurchase agreements	10,718	102
Financial assets designated at fair value through profit and loss	643,420	486,600
Dividend income	1,025,168	830,543
Foreign exchange gain	2,076,884	379,538
Trading income	1,034,436	7,720
Income accruals	241,839	85,618
	<u>8,400,554</u>	<u>2,346,087</u>

22. FINANCE COSTS

	1 Ocak- 31 Mart 2012	1 Ocak- 31 Mart 2011
Impairment on investment securities	(87,582)	(983,196)
Foreign exchange losses	(1,970,524)	(264,252)
Loss from sale of securities	-	(178,439)
Interest expenses on bank loans	(981,587)	(26,288)
Accrued interest expenses	(208,716)	(146,557)
	<u>(3,248,409)</u>	<u>(1,598,732)</u>

For the period ended 31 March 2012 and 31 March 2011, the finance income/costs recognized in other comprehensive income are as follows:

	1 January- 31 March 2012	1 January- 31 March 2011
Change in translation reserve	2,727,999	(303,735)
Change in Fair Value of financial asset	-	(2,217)
Change in cash flow hedging reserve	(14,624)	162,703
Tax income/expense on other comprehensive income	2,925	(32,541)
	<u>2,716,300</u>	<u>(175,790)</u>

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23. TAX ASSETS AND LIABILITIES

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.

Since there is no estimated tax liability, for Nevotek, the subsidiary of the Company, due to the other operating activities except from current period R&D and software was not allocated in the accompanying financial statements.

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, deducting domestic dividends received from resident companies and investment incentives not subject to tax and investment income.

Vergiye tabi kurum kazancı üzerinden tahakkuk ettirilecek kurumlar vergisi oranı, ticari kazancın tespitinde gider yazılan vergi matrahından indirilemeyen giderlerin eklenmesi ve yurtiçinde yerleşik şirketlerden alınan temettüleri, vergiye tabi olmayan gelirler ve kullanılan yatırım indirimleri düşüldükten sonra kalan matrah üzerinden hesaplanmaktadır.

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.

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 2011: 20%).

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23. TAX ASSETS AND LIABILITIES (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.

Deferred tax (assets)/liabilities:	31 March 2012	31 December 2011
Differences in depreciation of tangible and intangible assets	(177,274)	10,457
Severance pay liability	(56,648)	(8,239)
Vacation pay liability	(49,996)	(21,140)
Discount on receivables/payables	(249,606)	(51,888)
Allowance and expenses on inventories	(430,061)	-
Bad debt allowance	(279,976)	(268,018)
Current year losses	(566,659)	-
Other	(13,208)	(24,137)
Deferred tax asset (net)	(1,823,428)	(362,965)
Tax asset	(1,439,740)	-
Unrecognized tax asset	(383,688)	(362,965)

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. On 12 March 2011 with amendment to Technology Development Area Law No 6170, the exemption period is extended until 31 December 2023.

As of 31 March 2012 the Group has TL 61,914 tax liability. Current tax expense is TL 63,837 and deferred tax asset is TL 149,023.

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24. EARNING PER SHARE

	1 January- 31 March 2012	1 January- 31 March 2011
Earning 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/loss for the year	<u>12,842,331</u>	<u>(2,532,643)</u>
Basic and diluted earnings per share (TL 1 nominal value)	<u>0.254808</u>	<u>(0.050251)</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 are free of interest.

Key management compensation:

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

	1 January- 31 March 2012	1 January- 31 March 2011
Wages and other benefits	1,347,457	909,519
	<u>1,347,457</u>	<u>909,519</u>

Key management compensation includes wage, bonus, insurance and some 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 March 2012	31 December 2011
İş Yatırım Menkul Değerler AŞ A Tipi Fon	2,912,630	2,636,239
İş Yatırım Menkul Değerler AŞ Libera Avantaj B Tipi Değişken Fon	1,502,934	-
İş Yatırım Menkul Değerler AŞ Arbitraj Serbest Fon	586,295	22,690,538
İş Yatırım Menkul Değerler AŞ B Tipi Değişken Fon	339,874	15,420,379
Türkiye İş Bankası AŞ Anapara Korumalı 22. Alt Fon	-	785,625
	5,341,733	41,532,781
Private Sector Bonds	31 March 2012	31 December 2011
T. İş Bankası AŞ	944,290	3,570,783
İş Finansal Kiralama AŞ	1,750,116	1,451,862
	2,694,406	5,022,645
Shares quoted to stock exchange	31 March 2012	31 December 2011
İş Yatırım Ortaklığı AŞ	6,125,251	4,723,711
Cash and cash equivalents	31 March 2012	31 December 2011
Türkiye İş Bankası A.Ş. Vadeli mevduat	29,631,002	32,449,192
İş Yatırım Menkul Değerler A.Ş. B Tipi Kısa Vd.Tahvil Bono Fonu	2,029,949	5,700,683
Türkiye İş Bankası A.Ş. Vadesiz mevduat	1,747,658	592,477
Türkiye İş Bankası AŞ Likit Fon	1,063,385	145,278
	34,471,994	38,887,630

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25. RELATED PARTIES (continued)

			31 March 2012	
Bank borrowings and factoring payables to related parties	Original currency	Interest rate (%)	Short term	Long term
Türkiye İş Bankası A.Ş.	TL	15-15.5%	3,277,010	
İş Faktoring Fin. Hizm. A.Ş.	TL	17%	235,275	
Türkiye Teknoloji Geliştirme Vakfı	US Dollar	-	74,313	111,469
			<u>3,586,598</u>	<u>111,469</u>
			31 December 2011	
Borrowings from related parties	Original currency	Interest rate (%)	Short term	Long term
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
			<u>683,459</u>	<u>118,763</u>

					31 March 2012				
Balances with related parties		Receivables Short term		Payables Short term					
		Trade	Other	Trade	Other				
Türkmed		11,800	-		-				
Anadolu Anonim Türk Sigorta Şirketi			-	(1,656)	-				
İş Merkezleri Yönetim ve İşletim A.Ş.			-	(1,974)	-				
		<u>11,800</u>	<u>-</u>	<u>(3,630)</u>	<u>-</u>				
					31 December 2011				
Balances with related parties		Receivables Short term		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)	-				
		<u>69,171</u>	<u>-</u>	<u>(2,472)</u>	<u>-</u>				

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25. RELATED PARTIES (continued)

1 January – 31 March 2012

Transactions with related parties	Interest received	Interest paid	Service costs	Insurance costs	Transaction and advisory commission expenses	Rent expense	Other income	Other expenses
Turkmed	-	-	-	-	-	-	6,000	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A.Ş.	-	-	(313)	-	-	-	56,940	-
T. İş Bankası A.Ş.	675,851	(160,742)	-	-	(615)	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	(11,865)	-	-	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	-	(94,724)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	-	(72,624)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	-	(35,030)
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	(10,913)	-	-	-	-
ATT Technology Management BV	-	-	-	-	-	-	-	(99,988)
Meg Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-	-	-	-	(2,104)
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	(1,694)	-	-	-	-	-
	<u>675,851</u>	<u>(172,607)</u>	<u>(2,007)</u>	<u>(10,913)</u>	<u>(73,240)</u>	<u>(94,724)</u>	<u>62,940</u>	<u>(137,123)</u>

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25. RELATED PARTIES (continued)

	1 January – 31 March 2011							
Transactions with related parties	Interest received	Interest paid	Service costs	Insurance costs	Transaction and advisory commission expenses	Rent expense	Other income	Other expenses
Ode	-	-	-	-	-	-	4,500	-
Ortopro	-	-	-	-	-	-	14,235	-
Turkmed	-	-	-	-	-	-	6,000	-
Dr. F. Frik	-	-	-	-	-	-	58,903	-
T. İş Bankası A.Ş.	214,408	(13,610)	-	-	(829)	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	-	-	-	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	-	(42,890)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	-	(59,234)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	-	(17,197)
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	(9,868)	-	-	-	-
ATT Technology Management BV	-	-	-	-	-	-	-	(2,928)
Meg Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	(1,694)	-	-	-	-	-
Probil	-	-	-	-	(1,699)	-	-	-
	<u>214,408</u>	<u>(13,610)</u>	<u>(1,694)</u>	<u>(9,868)</u>	<u>(61,762)</u>	<u>(42,890)</u>	<u>83,638</u>	<u>(20,125)</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.

Finansal risk faktörleri

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 and is insured if it is needed.

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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 March 2012						
Maximum net credit risk at the end of the reporting period (*)	11,800	28,611,105	-	308,341	66,679,694	65,299,263
- The portion of maximum risk under guarantee with collateral, etc.		1,880,000				
A. Net carrying value of financial assets that are neither past due nor impaired	11,800	25,818,113	-	308,341	66,679,694	65,299,263
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	-	2,792,992	-	-	-	-
- under guarantee with collateral, etc.						
D. Net carrying value of impaired assets						
- Past due (gross carrying amount)	-	2,292,149	-	-	-	-
- Impairment (-)		(2,292,149)				
- The portion of net carrying value under guarantee with collateral, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net carrying value under guarantee with collateral, etc.	-	-	-	-	-	-
E. Off-statement of financial position items with credit risk						

(*) Items like guarantees taken which increase reliability of loans have been ignored when determining the amount. (**) Cash on hand is not included.

(***) Equity securities is not included.

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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 as 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 impaired	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	-	2,121,038	-	-	-	-
C. Net carrying value of financial assets that are past due but not impaired						
- under guarantee with collateral, etc.		1,394,980				
D. Net carrying value of impaired assets	-	(1,394,980)	-	-	-	-
- Past due (gross carrying amount)	-		-	-	-	-
- Impairment (-)	-		-	-	-	-
- The portion of net carrying value under guarantee with collateral, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of net carrying value under guarantee with collateral, etc.						
E. Off-statement of financial position items with credit risk						

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

(**) Cash on hand is not included.

(***) Equity securities is not included.

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26. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Management (continued)

Aging of overdue but not yet impaired receivables as follows:

31 March 2012	<u>Trade Receivables</u>	<u>Other Receivables</u>	<u>Total</u>
Past due 1-30 days	102,997	-	102,997
Past due 1-3 months	877,722	-	877,722
Past due 3-12 months	1,150,127	-	1,150,127
Past due 1-5 years	662,146	-	662,146
Past due more than 5 years	-	-	-
Total past due receivables	<u>2,792,992</u>	<u>-</u>	<u>2,792,992</u>
The portion under guarantee with collateral	-	-	-
31 December 2011	<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	-	-	-

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” and “Orthopedics, surgery, medical appliances”, 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.

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26. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk management (continued)

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 March 2012

Contractual Maturities	Carrying Value	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	15,657,385	15,809,415	9,311,287	4,484,392	2,013,736	-
Trade payables	25,500,874	25,748,132	21,189,149	87,806	4,471,177	-
Other payables (*)	46,049	46,049	46,049	-	-	-
Total liabilities	41,204,308	41,603,597	30,546,485	4,572,197	6,484,913	-

(*)Taxes and other duties payables are excluded.

31 December 2011

Contractual Maturities	Carrying Value	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.

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 and balancing assets and liabilities in terms of foreign exchange.

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 (devami)

	31 March 2012					
	TL (Functional currency)	USD	Euro	JPY	GBP	Other
1. Trade receivables	9,211,703	4,255,169	702,346	-	-	11,793
2a. Monetary Financial Assets	23,181,802	13,062,026	5,391	-	223	22,241
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. CURRENT ASSETS	32,393,505	17,317,195	707,737	-	223	34,034
5. Trade receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-	-	-
9. TOTAL ASSETS	32,393,505	17,317,195	707,737	-	223	34,034
10. Trade payables	(13,907,541)	(6,924,729)	(687,996)	-	-	(451)
11. Financial liabilities	(766,066)	(51,555)	(285,102)	-	-	-
12a. Other Monetary Financial Liabilities	(133,506)	(56,283)	(14,250)	-	-	-
12b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
13. SHORT TERM LIABILITIES	(14,807,113)	(7,032,567)	(937,348)	-	-	(451)
14. Trade payables	-	-	-	-	-	--
15. Financial liabilities	(1,848,847)	(62,874)	(734,186)	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
17. LONG TERM LIABILITIES	(1,848,847)	(62,874)	(734,186)	-	-	-
18. TOTAL LIABILITIES	(16,655,960)	(7,095,441)	(1,721,534)	-	-	(451)
19. Net asset/liability position of the off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-	-
19a. 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	15,737,545	10,221,754	(1,013,797)	-	223	33,583
21. Monetary items, net foreign currency asset/liability position (1+2a+5+6a-10-11-12a-14-15-16a)	15,737,545	10,221,754	(1,013,797)	-	223	33,583
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	2,746,647	1,240,309	208,169	-	-	-
24. Import	2,299,675	837,556	309,032	19,195	-	-

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26. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk management (continued)

	31 Aralık 2011					
	TL Karşılığı (Fonksiyone 1 para birimi)	ABD Doları	Avro	Yen	GBP	Diğer
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)	-	-	-	-	-	-
19a. 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)

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 March 2012

	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 / depreciation of TL against the U.S. Dollar				
1 - U.S. Dollar net assets / liabilities	1,812,215	(1,812,215)	-	-
2- The part of the hedged U.S. dollar risk (-)	-	-	-	-
3- U.S. Dollar net effect (1 +2)	1,812,215	(1,812,215)	-	-
10% appreciation / depreciation of TL against the Euro				
4 - Euro net assets / liabilities	(239,905)	239,905	-	-
5 - The part of the hedged Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(239,905)	239,905	-	-
10% appreciation / depreciation of TL against the Euro				
7- Other currencies net assets / liabilities	1,692	(1,692)	-	-
8- The part of the hedged Other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7 +8)	1,692	(1,692)	-	-
TOTAL (3 + 6 +9)	1,574,002	(1,574,002)	-	-

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26. FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency risk management (continued)

Foreign currency risk sensitivity analysis (continued)

	31 March 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 / depreciation of TL against the U.S. Dollar			
1 - U.S. Dollar net assets / liabilities	680,481	(680,481)	-	-
2- The part of the hedged U.S. dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	<u>680,481</u>	<u>(680,481)</u>	<u>-</u>	<u>-</u>
	10% appreciation / depreciation of TL against the Euro			
4 - Euro net assets / liabilities	196,289	(196,289)	-	-
5 - The part of the hedged Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	<u>196,289</u>	<u>(196,289)</u>	<u>-</u>	<u>-</u>
	10% appreciation / depreciation of TL against the other currencies			
7- Other currencies net assets / liabilities	-	-	-	-
8- The part of the hedged Other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7 +8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL (3 + 6 +9)	<u>876,770</u>	<u>(876,770)</u>	<u>-</u>	<u>-</u>

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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 March 2012 and 31 December 2011 is as follows:

Interest Position Table

	31 March 2012	31 December 2011
Fixed interest rate financial instruments		
Financial assets at fair value through profit or loss	43,708,224	14,634,153
Time Deposit	53,821,944	32,449,192
Financial liabilities (*)	(15,471,603)	(1,711,880)
	<u>82,058,565</u>	<u>45,371,465</u>
Floating rate financial instruments		
Financial assets at fair value through profit or loss	16,249,306	14,695,919
Financial liabilities	-	-
	<u>16,249,306</u>	<u>14,695,919</u>

(*) The non-interest loans utilized from Türkiye Teknoloji Geliştirme Vakfı amounting to US Dollar 104,790 (185,782 TL equivalent) has been deducted from the total amount.

Fixed and variable 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. As of 31 March 2012 and 31 March 2011 according to the analysis that the Group calculated, effect on fixed and variable 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 March 2012			
Risk type	Risk rate	Risk direction	Impact on profit for the year
Interest rate risk	% 1	Increase	(1,528,417)
		Decrease	1,615,283
31 March 2011			
Risk type	Risk rate	Risk direction	Impact on profit for the year
Faiz oranı riski	% 1	Artış	(327,553)
		Azalış	401,677

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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 March 2012, 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 612,525 (31 March 2010: TL 664,434) lower/higher.

According to the consolidated financial position as at 31 March 2012, 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, net profit would be TL 84,351 (31 March 2011: TL 364,068) lower/higher.

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27. FINANCIAL INSTRUMENTS

31 March 2012	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	55,856,273	-	10,848,561	-	66,704,834	66,704,834	4
Investment securities	-	-	71,424,514	-	71,424,514	71,424,514	5
Trade receivables	-	28,622,905	-	-	28,622,905	28,622,905	7
<u>Financial liabilities</u>							
Financial liabilities	-	-	-	15,657,385	15,657,385	15,657,385	6
Trade payables	-	-	-	25,500,874	25,500,874	25,500,874	7
Other payables (*)	-	-	-	46,049	46,049	46,049	8
31 Aralık 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

(*)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:

Financial assets	31 March 2012	Fair value hierarchy at the end of the reporting period		
		1 st level TL	2 nd level TL	3 rd level TL
Financial asset at fair value through profit or loss Cash and cash equivalents (B type liquid funds)	71,424,514 10,848,561	71,424,514 10,848,561	- -	- -
Total	82,273,075	82,273,075	-	-

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

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28. OTHER SIGNIFICANT ISSUES

At 28 June 2011 Subscription and Stakeholders Engagement ("The Engagement") has signed with the purpose of becoming shareholder of Aras Kargo with holding %20 of shares and at 15 November 2011 total consideration of TL 17,500,000 has transferred.

According to board of directors' decision numbered as 294 at 19 January 2012 all shares of the Group owned in Ode, subsidiary of the Group, has decided to be sold for USD 10,500,000 to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. that most of its shares has owned by existing shareholders of Ode. General management is authorized for sales related operations and sale transaction has occurred at 26 March 2012.

The Company take over %1.5 bonus shares and İş Girişim's share owned in Ortopro increased to %32.5 based on Subscription and Stakeholders Engagement signed at 4 December 2007 with Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.

With considering requirement of strong capital for getting the most out of processive potential of orthopedics market in both domestic and foreign countries through incentives given for supporting local production, negotiations with third parties has started in order to find new shareholders through capital increase for Ortopro. As of 5 March 2012 Erol Frik has become shareholder with holding %20 of the shares through transferring USD 4,5 million to Ortopro through capital increase by limiting existing shareholders' stock warrant. Simultaneous with capital increase, İş Girişim has purchased bonus share at the rate of %6.5 from Tolga Yalçinkaya, shareholder of Ortopro, and İş Girişim's owned shares in Ortopro have been maintained at the rate of %32.5. İş Girişim's member of Board of Director increased from 1 to 2.

Nevotek has transferred %4 of paid in capital that is equivalent of 169.68 number of shares to the other shareholders' of Nevotek within the protocol of premium and dividend tied to performance signed between The Company and Nevotek, subsidiary of the Group. After the transfer İş Girişim's rate of owned shares has decreased from %85.24 to %81.24. Dividend amounted to TL 1,025,167 has acquired in cash at 14 March 2012.

29. EVENTS AFTER THE REPORTING PERIOD

Modification of article of association has approved in General Assembly at 7 May 2012 and A and B Group privileged shareholders of general assembly.

Cash dividend amounting to TL 12,600,000 and bonus shares amounting to 7,560,000 have been decided to distribute with rates respectively, %25 and %15 of paid in capital from profit for the period in accordance with General Assembly at 7 May 2012. As of 15 May 2012 distribution of cash dividend has completed. Application of capital increase through bonus issue has been sent at 15 May 2012.

All shares of Ortopro owned in Orsem Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret A.Ş., subsidiary of Ortopro, has been decided to sell to Sigma Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret Ltd. Şti. ("Sigma") for TL 700,000 unanimously by Ortopro's Bord of Director and the process has completed at 2 April 2012.