

**İzocam Ticaret ve Sanayi  
Anonim Şirketi**  
Convenience Translation into  
English of  
Financial Statements As at and  
For The Year Ended  
31 December 2009  
With Independent Auditor's  
Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.  
February 2010

*This report includes 2 pages of independent  
auditors' report and 52 pages of financial  
statements together with their explanatory  
notes.*



**Akis Bağımsız Denetim ve Serbest  
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## **Independent Auditors' Report**

To the Board of Directors of  
İzocam Ticaret ve Sanayi Anonim Şirketi

We have audited the accompanying financial statements of İzocam Ticaret ve Sanayi Anonim Şirketi, which comprise the balance sheet as at 31 December 2009, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Company Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of İzocam Ticaret ve Sanayi Anonim Şirketi as at 31 December 2009, and the related statements of comprehensive income, changes in equity and cash flows in accordance with the financial reporting standards (please see Note 2) promulgated by CMB.

*Additional paragraph for convenience translation to English*

As explained in note 2.1, the accompanying financial statements are not intended to present the financial position and results of its operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

İstanbul, 2 March 2009

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Ruşen Fikret Selamet, Partner,  
İstanbul, Türkiye

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# İzocam Ticaret ve Sanayi Anonim Şirketi

## Balance Sheet as at 31 December 2009

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

	Note	Audited	
		31 December 2009	31 December 2008
<b>ASSETS</b>			
<b>Current Assets</b>		<b>114.542.147</b>	<b>113.058.727</b>
Cash and Cash Equivalents	4	45.772.392	29.975.676
Accounts Receivables	6	48.909.675	61.295.895
<i>Due From Related Parties</i>	25	523.175	81.756
<i>Other Accounts Receivable</i>		48.386.500	61.214.139
Inventory	8	17.203.638	21.150.103
Other Current Assets	14	2.656.442	637.053
<b>Non-Current Assets</b>		<b>59.345.931</b>	<b>69.604.141</b>
Other Receivables	7	2.868	2.804
Property, Plant and Equipment	9	59.265.725	69.542.874
Intangible Assets	10	77.338	58.183
Other Non-Current Assets	14	--	280
<b>TOTAL ASSETS</b>		<b>173.888.078</b>	<b>182.662.868</b>
<b>LIABILITIES</b>			
<b>Short-Term Liabilities</b>		<b>23.949.133</b>	<b>23.178.533</b>
Bank Borrowings	5	357.214	--
Accounts Payable	6	16.705.573	17.639.565
<i>Due To Related Parties</i>	25	1.181.093	484.780
<i>Other Accounts Payable</i>		15.524.480	17.154.785
Other Payables	7	3.646	31.240
Taxes on Income	23	2.008.708	3.048.369
Expense Accruals	11	1.751.802	149.029
Other Short-Term Liabilities	14	3.047.596	2.241.061
Employee Benefits	13	74.594	69.269
<b>Long-Term Liabilities</b>		<b>5.238.892</b>	<b>6.436.631</b>
Employee Benefits	13	3.390.062	3.992.155
Deferred Tax Liability	23	1.848.830	2.444.476
<b>EQUITY</b>		<b>144.700.053</b>	<b>153.047.704</b>
Paid-in Capital	15	24.534.143	24.534.143
Inflation Adjustment on Capital		25.856.460	25.856.460
Share Premium		1.092	1.092
Restricted Reserves		21.683.827	17.906.498
Retained Earnings		41.972.182	40.483.845
Net Profit For The Period		30.652.349	44.265.666
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>173.888.078</b>	<b>182.662.868</b>

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

**İzocam Ticaret ve Sanayi Anonim Şirketi**  
**Comprehensive Income Statement for the Year Ended**  
**31 December 2009**

*Amounts expressed in TL unless otherwise stated.*

	Note	Audited	
		31 December 2009	31 December 2008
Revenues	16	206.440.161	247.589.198
Cost of Sales (-)	16	(138.323.013)	(162.450.680)
<b>GROSS PROFIT</b>		<b>68.117.148</b>	<b>85.138.518</b>
Selling, Marketing and Distribution Expenses (-)	17	(24.869.201)	(28.357.617)
Administrative Expenses (-)	18	(9.142.843)	(10.912.702)
Other Operating Income	20	451.247	353.692
Other Operating Expense (-)	20	(2.213.723)	(679.590)
<b>OPERATING PROFIT</b>		<b>32.342.628</b>	<b>45.542.301</b>
Finance Income	21	6.389.897	10.253.658
Finance Costs (-)	22	(93.232)	(490.067)
<b>PROFIT BEFORE TAX</b>		<b>38.639.293</b>	<b>55.305.892</b>
Current Tax Expense	23	(8.582.590)	(11.192.741)
Deferred Tax Credit	23	595.646	152.515
<b>NET PROFIT FOR THE YEAR</b>		<b>30.652.349</b>	<b>44.265.666</b>
Other Comprehensive Income		--	--
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>30.652.349</b>	<b>44.265.666</b>
Earnings per share ("Kr")	24	0.01249	0.01804

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

**İzocam Ticaret ve Sanayi Anonim Şirketi**  
**Statement of Changes in Equity for the Year Ended 31 December 2009**

*Amounts expressed in TL unless otherwise stated.*

	Notes	Capital	Inflation Adjustment on Capital	Share Premium	Restricted Reserves			Retained Earnings	Net profit for the year	Total Equity
					Legal Reserves	Special Reserves	Total			
<b>Balances at 1 January 2008</b>		24.534.143	25.856.460	1.092	12.329.123	46	12.329.169	51.370.014	51.691.160	165.782.038
<b>Total comprehensive income</b>										
Net profit for the year	15	--	--	--	--	--	--	--	44.265.666	44.265.666
Transfer to reserves	15	--	--	--	5.577.329	--	5.577.329	46.113.831	(51.691.160)	--
Other comprehensive income		--	--	--	--	--	--	--	--	--
<b>Total comprehensive income</b>		--	--	--	5.577.329	--	5.577.329	46.113.831	44.265.666	44.265.666
<b>Transactions with owners, recorded directly in equity</b>										
Contributions by and distributions to owners										
Dividends to equity holder	15	--	--	--	--	--	--	(57.000.000)	--	(57.000.000)
<b>Total transactions with owners</b>		--	--	--	--	--	--	(57.000.000)	--	(57.000.000)
<b>Balances at 31 December 2008</b>		24.534.143	25.856.460	1.092	17.906.452	46	17.906.498	40.483.845	44.265.666	153.047.704
<b>Total comprehensive income</b>										
Net profit for the year	15	--	--	--	--	--	--	--	30.652.349	30.652.349
Transfer to reserves	15	--	--	--	3.777.329	--	3.777.329	40.488.337	(44.265.666)	--
Other comprehensive income		--	--	--	--	--	--	--	--	--
<b>Total comprehensive income</b>		--	--	--	3.777.329	--	3.777.329	40.488.337	30.652.349	30.652.349
<b>Transactions with owners, recorded directly in equity</b>										
Contributions by and distributions to owners										
Dividends to equity holder	15	--	--	--	--	--	--	(39.000.000)	--	(39.000.000)
<b>Total transactions with owners</b>		--	--	--	--	--	--	(39.000.000)	--	(39.000.000)
<b>Balances at 31 December 2009</b>		24.534.143	25.856.460	1.092	21.683.781	46	21.683.827	41.972.182	30.652.349	144.700.053

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

**İzocam Ticaret ve Sanayi Anonim Şirketi**  
**Statement of Cash Flows for the Year Ended**  
**31 December 2009**

*Amounts expressed in TL unless otherwise stated.*

	Note	Audited	
		Current Period	Prior Period
		31 December 2009	31 December 2008
<b>Cash flows from operating activities</b>			
Net profit for the period		30.652.349	44.265.666
<b>Adjustments to:</b>			
Depreciation and amortization	9,10	11.874.717	12.074.576
Current tax expense	23	8.582.590	11.192.741
Deferred tax	23	(595.646)	(152.515)
Provision for Competition Institution's penalty	11	1.317.714	--
(Increase)/decrease in provision for employee severance indemnity	13	(119.761)	780.505
Increase in vacation pay liability		166.205	83.404
Finance income	21	(6.146.093)	(7.632.349)
Finance cost	22	93.232	490.067
Net losses from sale of fixed assets	20	3.337	106.160
Allowance for trade receivables	6	591.142	268.452
Other non-monetary provisions		431.341	148.773
<b>Cash flows before the changes in equity</b>		<b>46.851.127</b>	<b>61.625.480</b>
Decrease in account receivables	6	12.236.497	2.272.954
(Increase)/decrease in due from related parties	25	(441.419)	35.518
Increase in other receivables		(64)	--
(Increase)/decrease in inventory	8	3.946.465	(429.415)
(Increase)/decrease in other current assets	14	(2.019.389)	394.806
Increase/(decrease) in accounts payable	6	(1.630.305)	1.868.240
(Increase)/decrease in other non current assets		280	--
Increase/(decrease) in due to related parties	25	676.595	(22.988)
(Decrease)/increase in other payables		(27.594)	14.130
Increase in other liabilities	14	704.645	725.235
Taxes paid		(9.520.361)	(11.824.682)
Interest paid		(93.232)	(490.067)
Employee severance indemnity paid	13	(643.212)	(598.416)
Provisions paid	11	(146.282)	(61.548)
<b>Cash flows from operating activities</b>		<b>49.893.751</b>	<b>53.509.247</b>
<b>Investing activities</b>			
Additions to property, plant and equipment and intangible assets	9,10	(1.731.824)	(5.812.109)
Proceeds from sales of property, plant and equipment and intangible assets		111.764	43.906
<b>Cash flow used in investing activities</b>		<b>(1.620.060)</b>	<b>(5.768.203)</b>
<b>Financing activities</b>			
Increase/(decrease) in bank borrowings and other financial liabilities		357.214	(3.005.078)
Dividend paid	15	(38.980.282)	(56.970.838)
Interest received, net		6.113.869	7.575.556
<b>Cash flows used in financing activities</b>		<b>(32.509.199)</b>	<b>(52.400.360)</b>
Increase/(decrease) in cash and cash equivalents, net		15.764.492	(4.659.316)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>29.867.865</b>	<b>34.527.181</b>
<b>Cash and cash equivalents at the end of the period</b>	4	<b>45.632.357</b>	<b>29.867.865</b>

The accompanying notes are an integral part of these financial statements



# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Financial Statements as at and for the Year Ended 31 December 2009

*Amount expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.*

### 1 ORGANIZATION AND NATURE OF BUSINESS

İzocam Ticaret ve Sanayi Anonim Şirketi (“İzocam” or the “Company”) was established in 1965. The Company operates in production and sales of organic and inorganic insulation equipments (glass wool and stone wool, mineral wool and expanded and extruded polystyrenes, elastomeric rubber, polyethylene, insulated and noninsulated roof and front panels, partition and mezzanine).

As at 31 December 2009, by collection of shares traded on İstanbul Stock Exchange (“ISE”) and collected shares of İzocam Holding in İzocam have reached to 95,07 percent. Together with 1.501.330.396 shares representing 61,1574 percent of paid-in capital of İzocam not traded on ISE and which İzocam Holding purchased from Koç Group on 29 November 2006 and 10 July 2007, 831.117.304 shares being traded on ISE and representing 33,9126 percent of paid-in capital of İzocam, the shares of İzocam Holding in İzocam is 95,07 percent. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by 50 percent each.

The Company conducts some of its operations with the related party namely Saint Gobain Group and Alghanim Group of companies. The Company has several related parties as their customers and suppliers (Note 25). The Company is registered at CMB and its shares are listed in ISE since 15 April 1981. As at 31 December 2009, 38,85 percent of the shares of İzocam are publicly traded at ISE.

As at 31 December 2009, the average number of employees of the Company is 433 in which 189 (31 December 2008: 195) is comprised of white collar employees and 244 (31 December 2008: 252) is comprised of blue collar employees.

The address of the registered office of the Company is as follows:

Organize Sanayi Bölgesi  
3. Cadde No.4 Yukarı Dudullu  
34775 Ümraniye İSTANBUL

The head office address of the Company is as follows:

Dilovası Mevkii 41499 Gebze/Kocaeli

# İzocam Ticaret ve Sanayi Anonim Şirketi

## Notes to the Financial Statements as at and for the Year Ended 31 December 2009

*Amount expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.*

## **2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

### **2.1 Basis of Presentation**

#### **2.1.1 Statement of compliance**

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

The accompanying financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by CMB ("CMB Financial Reporting Standards"). CMB published Communiqué No: XI-29 "Basis for Financial Reporting in the Capital Markets" ("Communiqué No: XI-29"). In Communiqué No: XI-29, CMB determines the principles, procedures and basis for composing financial reports. Communiqué No: XI-29 is effective from the first interim period reporting after 1 January 2008 which supersedes Communiqué No: XI-25 "The Accounting Standards in Capital Markets" ("Communiqué No: XI-25"). In accordance with Communiqué No: XI-29, the companies are required to prepare their financial statements in accordance with the International Financial Reporting Standards as accepted the European Union ("EU GAAP"). However, until Turkish Accounting Standards Board ("TASB") publishes the differences between the European Union accepted IAS/IFRS and International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"), IAS/IFRS has to be applied by the companies. Within the above mentioned scope, Turkish Financial Reporting Standards ("TFRS") issued by TASB will be applied if there is not inconsistency in the standards applied. The Company has prepared its prior year/period financial statements in accordance with IFRS according to the Communiqué No: XI-25 and 27, which are superseded by Communiqué XI-29 issued on 9 April 2008, in which applying IFRS issued by IASB is accepted as an alternative to conform to the CMB Accounting Standards.

As at the date of this report, the differences between EUGAAP and IFRS issued by IASB has not been issued by TASB, the accompanying financial statements have been prepared in accordance with TFRS which are identical to IAS/IFRS to conform with Communiqué No: XI-29. The financial statements and notes to the financial statements have been presented in accordance with Communiqué XI-29 issued by CMB on 9 April 2008, which advises the templates to be used for financial statements and notes to the financial statements.

The accompanying financial statements of the Company have been approved by the board of directors of the Company on 27 October 2009. The general assembly and legal authorities are competent to change the accompanying financial statements.

#### **2.1.2 Basis of presentation of financial statements**

With the resolution taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards.

The equity items including paid-in capital, share premium, legal reserves and special reserves are presented in accordance with the Turkish Commercial Code basis amounts and the effects of inflation over those equity items as at 31 December 2004 are reflected in retained earnings.

The financial statements are prepared in TL based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

**İzocam Ticaret ve Sanayi Anonim Şirketi**  
**Notes to the Financial Statements as at and for the Year Ended**  
**31 December 2009**

*Amount expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.*

**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.1 Basis of Presentation (Continued)**

**2.1.3 Functional and presentation currency**

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

These financial statements are presented in TL, which is the Company's functional currency. All financial information presented in TL unless otherwise stated. All other currencies are stated full unless otherwise stated.

**2.1.4 Comparative information**

The accompanying financial statements are prepared comparatively to represent the tendency in the financial position, financial performance and cash flows of the Company. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassified and material differences are explained.

For the year ended 31 December 2008 currency exchange losses amounting to TL 2.927.237 presented under operating expenses are netted off with currency exchange gains presented under operating gains.

For the year ended 31 December 2008 transportation expenses amounting to TL 551.818 has been reclassified under selling and marketing expenses.

As at 31 December 2008, short term portion of vacation pay liability amounting to TL 69.269 that had been presented under long term liabilities is reclassified under employee benefits presented under short term liabilities.

For the year ended 31 December 2008 guarantee letter expenses presented under finance expense amounting to TL 752.687 have been reclassified under selling and marketing expenses.

As at 31 December 2008, other non-cash provision expenses amounting to TL 87.225 presented under adjustments to the cash flow statement is presented as gross amounting to TL 148.773.

**2.2 Changes in Accounting Policies**

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements. The Company consistently recognizes measures and presents the transactions, other events and situations with the same nature. Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements.

As explained in footnote 2.4.1 the Company adopted Revised TAS "Presentation of Financial Statements". As a result of this adoption, the Company started to present the statement of changes in equity with transactions with shareholders. To be in line with revised TAS 1 the change is also applied retrospectively. The change in accounting standards only affects the presentation of financial statements and does not have an effect on earnings per share.

**2.3 Changes in Accounting Estimates and Errors**

Effect of changes in accounting estimates affecting current period (if any) is recognized in the current period; effect of changes in accounting estimates affecting current and future periods is recognized in the current and also in future periods.

**İzocam Ticaret ve Sanayi Anonim Şirketi**  
**Notes to the Financial Statements as at and for the Year Ended**  
**31 December 2009**

*Amount expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.*

**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Changes in IFRS**

**2.4.1 *New Standards and Interpretations Adopted in 2009 that have no effect on the Company's financials***

Revised IAS 1 "Presentation of Financial Statements" introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The interpretations are effective for the periods beginning or after 1 January 2009. The Company provides comprehensive income for its 2009 financial statements on a single basis.

Revised IAS 23 "Borrowing Costs" removes the option to expense borrowing costs and requires that an entity capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 is applied on the 2009 financial statements of the Company and do not have any effect on the financial statements of the Company.

IFRS 8 "Operating Segments" introduces the "management approach" to segment reporting. IFRS 8 requires the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Since the Company does not make segment reporting, the standard does not have any impact on the financial statements of the Company.

IFRS 2 "Share-based Payment - Vesting Conditions and Cancellations" clarifies the definition of vesting conditions, introduces the concept of "non vesting conditions", requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments are effective for the periods beginning or after 1 January 2009 with and do not have any effect on the financial statements of the Company.

IAS 32 "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation" require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments are applied on the 2009 financial statements of the Company and do not have any effect on the financial statements of the Company.

**İzocam Ticaret ve Sanayi Anonim Şirketi**  
Notes to the Financial Statements as at and for the Year Ended  
31 December 2009

*Amount expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.*

**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Changes in IFRS (Continued)**

**2.4.1 New Standards and Interpretations Adopted in 2009 that have no effect on the Company's financials (Continued)**

*IFRIC 15 "Agreements for the Construction of Real Estate"* will standardize accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses before construction is complete. The interpretation is applied on the 2009 financial statements of the Company and does not have any effect on the financial statements of the Company.

*IFRIC 16 Hedges of a Net Investment in a Foreign Operation* clarifies that has been applied on the 2009 financial statements of the Company does not have any effect on the financial statements of the Company.

Amendments to *IAS 16 "Property, Plant and Equipment"* bring changes for presentation issues that arise from assets that are rented and then subsequently sold on a routine basis. The amendment results in such assets being transferred to inventories at their carrying amount when they cease to be rented and become held for sale and the proceeds from the sale of such assets would be recognized as revenue in accordance with *IAS 18 Revenue*. The amendment is effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, and do not have any impact on the financial statements of the Company.

The amendments to *IAS 29 Financial Reporting in Hyperinflationary Economies* require reflecting the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment is effective for annual periods beginning on or after 1 January 2009, and do not have any impact on the financial statements of the Company.

Amendments to *IAS 19 Employee Benefits*:

- specify that the distinction between short-term and long-term employee benefits is that short-term employee benefits are those that are due to be settled within 12 months of the end of the period in which the employee renders the related service. As a result, the amendment replaces in *IAS 19* the term "fall due" in the definition of short-term employee benefits with
- the term "due to be settled" and replaces the term "do not fall due" in the definition of other long-term employee benefits with the term "are not due to be settled".
- clarify that the deduction of plan administration costs is appropriate only to the extent that they are not reflected in the measurement of the defined benefit obligation. In other words, costs of administering the plan may be either recognized in the return on plan assets or included in the actuarial assumptions used to measure the defined benefit obligation.
- clarify that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Changes in IFRS (Continued)**

**2.4.1 New Standards and Interpretations Adopted in 2009 that have no effect on the Company's financials (Continued)**

Amendments to *IFRS 7 "Financial Instruments: Disclosures"* are to improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. The amendments to IFRS 7 apply for annual periods beginning on or after 1 January 2009, but it does not bring a change on the financial statements of the Company.

Amendments to *IAS 36 "Impairment of Assets"* require that disclosures equivalent to those for value-in-use calculation should be made, where fair value less costs to sell is calculated on the basis of discounted cash flows. The amendment is effective for annual periods beginning on or after 1 January 2009, and do not have any impact on the financial statements of the Company.

Amendments to *IAS 38 "Intangible Assets"* clarify that:

- expenditure in respect of advertising and promotional activities should be recognized as an expense when the benefit of those goods or services is available to the entity; for example, in respect of the acquisition of goods, an expense should be recognized when the entity has the right to access those goods;
- a prepayment should be recognized only for payments made in advance of the receipt of the corresponding goods or services; and
- catalogues are considered to be a form of advertising and promotional material rather than inventory.

Amendments to *IAS 38 "Intangible Assets"* remove the observation that there is rarely, if ever, persuasive evidence to support an amortization method for intangible assets with finite useful lives that results in a lower amount of accumulated amortization than under the straight-line method. The IASB has deleted this observation in order to avoid giving the impression that the units-of-production amortization method is not allowed if it results in a lower amount of accumulated amortization than under the straight-line method. The amendment is effective for annual periods beginning on or after 1 January 2009, and do not have any impact on the financial statements of the Company.

Improvements in IFRS published on May 2008; are described to resolve the inconsistencies and to make more meaningful expressions to the changes by IASB. Different implementation processes are determined for any change in standards, and varied application dates are set. The earliest application date has been set as 1 January 2009.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Changes in IFRS (Continued)**

**2.4.1 New Standards and Interpretations Adopted in 2009 that have no effect on the Company's financials. (Continued)**

Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Accounting and Measurement” requires to evaluate the separation of the embedded derivatives from the financial assets ‘at fair value through profit or loss’ category, it is forbidden to separate the embedded derivative from the financial assets ‘at fair value through profit or loss’ category if the fair value of the embedded derivative can not be distinguished reliably. The amendments set out in Embedded Derivatives are required to be applied for annual periods ending on or after 30 September 2009 and do not have any impact on the financial statements of the Company.

IFRIC 18 “Transfers of Assets from Customers” is particularly relevant for the utility sector. It clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer which must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IASB rearranged the part of IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements” related to the reclassification of financial assets and liabilities that can be withdrawn in terms of bankruptcy. As a result of this, some financial liabilities defined as financial instruments and that presents the additional rights over the net assets of the Company will be reclassified to shareholder’s equity. The amendments for financial assets and liabilities that can be withdrawn in terms of bankruptcy will be effective on or after 1 February 2010. The amendments to IAS 32 are not expected to have a significant impact on the financial statements.

*IFRIC 17 “Distributions of Non-cash Assets to Owners”* The Interpretation clarifies that:

- A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
- An entity should measure the dividend payable at the fair value of the net assets to be distributed.
- An entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. Recognising the difficulty that entities would face in recognising past distributions at their fair values the IFRIC requires prospective application of the guidance. The Interpretation is effective for annual periods beginning on or after 1 January 2009. The amendments are not expected to have a significant impact on the financial statements.

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## Notes to the Financial Statements as at and for the Year Ended 31 December 2009

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### 2.4.2 *New Standards and Interpretations Not Yet Adopted As at 31 December 2009*

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB's International Financial Reporting Interpretation Committee ("IFRIC") which are effective as at 31 December 2009. Some new standards, amendments to standards and interpretations which are not effective as at 31 December 2009 have not been applied during the preparation of the accompanying financial statements.

The collective improvements declared by IASB on April 2009 are to clarify the discrepancies and to make more meaningful explanations. Effective dates of these changes shows differences with an earliest adoption date of 1 January 2009.

*IFRS 9 "Financial Instruments"* has been issued on November 2009, by the IASB as the first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The amendment is effective for annual periods beginning on or after 1 January 2013, although entities are permitted to adopt them earlier. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2013.

Revised IFRS 3 "*Business Combinations*", which becomes mandatory for the Company's 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Company's 2010 financial statements.

Amended IAS 27 "*Consolidated and Separate Financial Statements*" requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The changes are not expected to affect the Company's financials.

Amendments to IAS 39 "*Financial Instruments: Recognition and Measurement*" – Eligible Hedged Items clarify the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Company's 2010 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.



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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.4 Changes in IFRS (Continued)**

**2.4.2 New Standards and Interpretations Not Yet Adopted As at 31 December 2009 (Continued)**

Amendments to IFRS 2 “Share Based Payment” applies to share-based payment transactions in which the entity receives or acquires goods or services. The amendments are effective for annual periods beginning on or after 1 January 2010; early application is permitted. The interpretation is not expected to have any effect on the financial statements of the Company.

The amendment is to IFRIC 14, which is itself an interpretation of IAS 19 “*Employee Benefits*”. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment, *Prepayments of a Minimum Funding Requirement*, has an effective date for mandatory adoption of 1 January 2011, with early adoption permitted for 2009 year-end financial statements.

The revised *IAS 24 “Related Party Disclosures”* amends the definition of a related party and modifies certain related party disclosure requirements government-related entities. The main changes to IAS 24 are:

- A partial exemption from the disclosure requirements for transactions between a government-controlled reporting entity and that government or other entities controlled by that government; and
- Amendments to the definition of a related party.

IASB agreed that the partial exemption from the disclosure requirements should be required to be made retrospectively, because this should result in a reduction of 'clutter' in the footnotes and an identification of better information about the nature and extent of significant transactions with the government.

In addition, IASB agreed that the definition of a related party should also be applied retrospectively from the effective date.

In addition, the Board agreed that an entity should be permitted to adopt the partial exemption for government-controlled entities before the effective date even if it does not adopt the amended definition of related party until a later date.

Amendments to *IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The amendment is effective for annual periods beginning on or after 1 July 2010 and earlier application is permitted. It is not expected to have any impact on the financial statements.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.5 Summary of Significant Accounting Policies**

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

**2.5.1 Foreign currency**

Transactions in foreign currencies have been translated to TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the income statement. 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.

**2.5.2 Financial instruments**

*Non-derivative financial instruments*

The Company initially recognizes the receivables on the date they are originated. All other financial instruments are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the inflows.

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

Non derivative financial instruments consist of trade and other receivables, cash and cash equivalents, loans, trade and other payables, receivables and payables from related parties and short term liabilities. Non derivative financial instruments are recognized at their initial costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Accounts receivable and payables are measured on their initial costs after netting off the transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method by recognizing in the income statement through the maturity of them. In case of a situation that the Company cannot collect an amount, an impairment provision is made for accounts receivable. Other than the doubtful receivables, an impairment provision is made for the accounts receivable that are overdue in the relevant period or in the process of legal follow up or notified in written statement to the counter parties more than once. In respect of receivables, impairment losses are reversed if there is a subsequent increase in the recoverable amount of that receivable and such kind of subsequent increase can be associated with the subsequent events after the impairment loss has been recognized.

Cash and cash equivalents comprise of cash, deposits with maturity periods of less than three-months and highly liquid investments with maturity periods of less than three-months and having no conversion risk exposure other than the impact of foreign currency changes.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.5 Significant Accounting Policies (Continued)**

**2.5.2 Financial instruments (Continued)**

*Non-derivative financial instruments (continued)*

Short term accounts receivables and payables are measured at cost.

Financial liabilities are recognized on their initial costs after netting off the transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method by recognising the differences between the initial costs in the income statement through the maturity of the financial liabilities.

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Other non-financing derivative instruments are measured at fair value by recognising the differences in fair value of the instrument in income statement.

Financial instruments are derecognized when the Company's right to receive the cash flows from the financial asset based on an agreement ends or when the Company loses control on that financial asset, or when the risk and the gains from that asset are transferred to another party. The ordinary purchase or sale of the financial assets is recognized on the date that the Company commits to buy or sell. Financial liabilities are derecognized when they are expired, delayed or paid.

As at 31 December 2009, the Company has no derivative financial instruments (2008: None).

**2.5.3 Property, plant and equipment**

The costs of tangible assets purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after 31 December 2004 are carried at cost less accumulated depreciation and impairment losses (Note 9).

Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains or losses on disposals of property plant and equipment are included in the relevant income and expense accounts and the cost and accumulated depreciation of property, plant and equipment has been written off from the relevant accounts as appropriate. When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

*Subsequent costs*

The cost of replacing part of an item of property plant and equipment together with the repair and maintenance costs can be capitalised. Subsequent cost can be capitalised if it is probable that the future economic benefits will flow to the Company. All other expense items are recognized in the comprehensive income statement on an accrual basis.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.5 Significant Accounting Policies (Continued)**

**2.5.3 Property, plant and equipment (Continued)**

*Depreciation*

Depreciation is recognized on a straight-line basis over the useful lives of the property, plant and equipment from the date of acquisition or assembly. Leasehold improvements are depreciated on a straight-line basis over the lease term.

The expected useful lives of property plant and equipment are as follows:

Buildings and land improvements	5-50 years
Machinery and equipment	4-25 years
Leasehold improvements	5-6 years
Furniture and fixtures	4-15 years

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation method, economic useful lives and residual values of tangible assets are revised at each financial year end.

**2.5.4 Intangible assets**

Intangible assets are comprised of acquired software rights. The costs of intangible assets purchased before 1 January 2005 are restated for the effects of inflation current at 31 December 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after 31 December 2004 are carried at cost less accumulated amortization and impairment losses. The carrying amount of an intangible asset is reduced to its recoverable amount if there is impairment (Note 10).

*Amortization*

Intangible assets are amortized on a straight-line basis in the income statement over their estimated useful lives for a period between three and six years from the date of acquisition.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.5 Significant Accounting Policies (Continued)**

**2.5.5 Leases**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon 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. Finance lease payments are presented at amortized cost of the minimum lease payments.

Assets leased under agreements that do not transfer substantially all the risks and rewards associated with ownership to the Company, other than the legal title, are classified as operating leases. Lease payments are recognized in the comprehensive income statement with straight line method through the term of the lease.

**2.5.6 Inventories**

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are all procurement costs, conversion costs and all other relevant costs in bringing the inventories into their current state of manufacture and location. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 8). The cost of inventories is determined on the moving monthly average basis.

**2.5.7 Impairment of assets**

*Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on items that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Company considers evidences of impairment for receivables at both a specific asset or on collective level. All individually significant receivables are assessed for specific impairment. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the comprehensive income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. The reversal of the impairment in respect of the discounted financial assets is recognized in the comprehensive income statement.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.5 Significant Accounting Policies (Continued)**

**2.5.7 Impairment of assets (Continued)**

*Non-financial assets*

In carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indications of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Impairment losses are recognized if the carrying amount of the assets or the cash generating unit exceeds its estimated recoverable amount. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses are recognized in the income statement. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of goodwill then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**2.5.8 Employee benefits**

According to the enacted laws the Company is liable to pay lump sum payments to its employees in case of retirement or the termination of the employment contract of the employees except for the rules stated in the labour laws. Such payments are computed according to the severance indemnity ceiling valid at the balance sheet date. Employee severance indemnity recognized as the present value of the estimated total reserve of the future probable obligation of the Company.

The Company makes compulsory premium payments to the Social Security Institution and does not have any other liabilities. These premium payments are accrued at the financials as they incur.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.5 Significant Accounting Policies (Continued)**

**2.5.9 Provisions, contingent liabilities and contingent assets**

A provision is recognized in the accompanying financial statements if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements (Note 12).

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

**2.5.10 Revenue**

Revenue based on the fair value of the consideration taken from the sale of goods and services is recognized on an accrual basis when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue is measured reliably, and recovery of the consideration and the inflow of economic benefits related with the transaction are probable. Net revenues represent the invoiced value of goods shipped less sales returns and sales discounts.

When the sales arrangement effectively constitutes a financing cost, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on accrual basis (Note 21).

**2.5.11 Government grants**

Government grants including the non-cash government grants are recognized in the financial statements when there is a reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grants.

Government grants are presented on the financial statements even when they comprise cash or a deduction of liabilities to the government.

**2.5.12 Finance income and expenses**

Finance income is comprised of interest income on time deposit, interest income from credit sales and foreign currency gains.

Finance expenses are comprised of interest expenses of loans and letter of guarantee commissions.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.5 Significant Accounting Policies (Continued)**

**2.5.13 Income taxes**

Income tax expense comprises current and deferred tax. Current and deferred tax liability is recorded at the profit or loss disregarding the tax effects of accounts directly recorded in the equity or in the other comprehensive income accounts.

Current tax liability includes the tax payable on the taxable income for the period, using tax rates enacted at the reporting date (Note 23).

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates based on the laws that have enacted by the reporting date. Temporary differences mainly arise from the timing differences of income and expenses accounted for reporting purposes and taxation purposes and capitalization and depreciation method differences over tangible and intangible assets.

Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent periods will be reversed. Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date 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 if there is a legally enforceable right to offset current tax liabilities and assets when they are related to the income taxes levied by the same tax authority on the same taxable entity that intend to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realized simultaneously (Note 23).

**2.5.14 Earning per share**

Earnings per share disclosed in the comprehensive income statement are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period concerned (Note 24).

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 retroactive effect for the year in which they were issued and each earlier year.

**2.5.15 Subsequent events**

Subsequent events represent the events that occur against or on behalf of the Company between the balance sheet date and the date when balance sheet was authorized for the issue. As at the balance sheet date, if the evidence with respect to such events or such events has occurred after the balance sheet date and such events require restating the financial statements; accordingly the Company restates the financial statements appropriately. If such events do not require restating the financial statements, such events have been disclosed in the related notes.



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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.5 Significant Accounting Policies (Continued)**

**2.5.16 Expenses**

Expenses are accounted for accrual basis. Operating expenses are recognized as they incur.

**2.5.17 Paid-in capital and dividends**

Ordinary shares are classified as paid-in capital (Note 15). Dividends distributed on ordinary shares are offset with retained earnings in the period in which they are declared.

**2.5.18 Cash flow statement**

In the cash flow statement, cash flows are classified as operating, investing and financing activities. Cash flows from operating activities represent the Company's cash flows generated from operating activities. The Company presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (capital expenditures)

Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

For purposes of the statement of cash flows, cash and cash equivalents include cash in hand, cheques in collection, bank deposits and other cash and cash equivalents less interest income accruals.

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**2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)**

**2.6 Use of Estimates and Judgments**

The preparation of financial statements in conformity with accounting standards 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 estimates are revised and in any future periods affected.

In preparation of the financial statements, the significant estimates and judgments used by the Company are included in the following notes:

Note 27.1 – Determination of fair values

Note 23 – Tax assets and liabilities

Note 13 – Employee benefits

Note 2.5.3 and 2.5.4 – Useful lives of property, plant and equipment and intangible assets

Note 6 – Impairment losses on accounts receivable

Note 8 – Impairment losses on inventories

Note 11 – Expense accruals

**3 SEGMENT REPORTING**

Since the Company is operating in Turkey and has operations only in isolation products, segment reporting has not been presented.

**4 CASH AND CASH EQUIVALENTS**

At 31 December, cash and cash equivalents comprised of the following:

	<u>2009</u>	<u>2008</u>
Banks		
Time deposit	44.527.023	28.877.711
Demand deposit	717.126	1.090.189
Cheques at collection	527.341	6.500
Other cash equivalents	902	1.276
	<u>45.772.392</u>	<u>29.975.676</u>

As at 31 December, there is no blockage on cash and cash equivalents.

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*Amount expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.*

**4 CASH AND CASH EQUIVALENTS (CONTINUED)**

At 31 December, demand deposits comprised of the following currencies (TL equivalents);

	<b>2009</b>	<b>2008</b>
TL	705.210	442.438
American Dollar ("USD")	11.916	622.279
European Union Currency ("Euro")	--	25.472
	<b>717.126</b>	<b>1.090.189</b>

At 31 December, time deposits comprised of the following currencies:

	<b>2009</b>	<b>2008</b>
TL	42.753.035	25.759.811
USD	1.030.899	1.512.300
Euro	743.089	1.605.600
	<b>44.527.023</b>	<b>28.877.711</b>

At 31 December 2009, time deposit are denominated in TL, USD and EURO and weighted average interest rates are 9,33 percent, 1 percent, 1 percent respectively. (31 December 2008: time deposits are denominated in TL, USD and Euro and interest rates are 19,63 percent, 3,90 percent and 3,25 percent, respectively). At 31 December, maturities of time deposits are less than one month.

For purposes of the statement of cash flows, cash and cash equivalents include bank deposits and short-term investments that are easily convertible to cash with high liquidity and with a maturity of up to three months.

Cash and cash equivalents included in the statement of cash flows for the periods ended 31 December is comprised of the followings:

	<b>2009</b>	<b>2008</b>
Banks		
Time deposit	44.527.023	28.877.711
Demand deposit	717.126	1.090.189
Cheques at collection	527.341	6.500
Other cash equivalents	902	1.276
Less: Interest accruals	(140.035)	(107.811)
	<b>45.632.357</b>	<b>29.867.865</b>

**5 BANK BORROWINGS**

At 31 December, bank borrowings comprised of the followings:

	<b>2009</b>		<b>2008</b>	
	<b>TL</b>	<b>Interest Rate %</b>	<b>TL</b>	<b>Interest Rate %</b>
<b>Short Term Bank Borrowings</b>				
Akbank TAŞ "Akbank"	357.214	--	--	--
<b>Total</b>	<b>357.214</b>		<b>--</b>	

As at 31 December 2009, short term bank borrowings are interest-free spot credits obtained from Akbank Türk Anonim Şirketi to pay withholding taxes and Social Security Institution (SGK) premiums.

**İzocam Ticaret ve Sanayi Anonim Şirketi**  
**Notes to the Financial Statements as at and for the Year Ended**  
**31 December 2009**

*Amount expressed in TL unless otherwise stated. Other currencies other than TL are expressed in full unless otherwise stated.*

**6 ACCOUNTS RECEIVABLE AND PAYABLE**

**6.1 Short-Term Accounts Receivable**

At 31 December, short-term accounts receivables comprised of the followings:

	<b>2009</b>	<b>2008</b>
Accounts receivable	29.434.338	29.097.622
Notes receivable	13.793.837	25.950.793
Cheques receivable	5.681.500	5.241.677
Cheques received	--	865.558
Doubtful receivables	1.325.530	1.120.039
Less: Allowance for doubtful receivables*	(1.325.530)	(979.794)
	<b>48.909.675</b>	<b>61.295.895</b>

At 31 December 2009, TL 523.175 of accounts receivable comprised of due from related parties (At 31 December 2008: TL 81.756) in which detailed presentation is disclosed in Note 25.

The average collection period of trade receivables is 78 days (31 December 2008: 69 days) which can change according to the type of the product and the provision of the agreement with the customer.

At 31 December, the maturity profiles Cheques and notes receivables are as follows:

	<b>2009</b>		<b>2008</b>	
	<b>Cheques</b>	<b>Notes Receivable</b>	<b>Cheques</b>	<b>Notes Receivable</b>
0 - 30 days	2.324.104	2.414.500	2.972.121	6.994.000
31 - 60 days	1.908.029	3.132.000	1.754.343	7.167.500
61-90 days	1.077.125	7.082.797	966.645	11.789.293
91 days and over	372.242	1.164.540	414.126	--
<b>Total</b>	<b>5.681.500</b>	<b>13.793.837</b>	<b>6.107.235</b>	<b>25.950.793</b>

At 31 December, the movement of allowance for doubtful receivables comprised of the followings:

	<b>2009</b>	<b>2008</b>
Beginning balance	979.794	711.342
Provision for the year	591.142	268.452
Write offs	(245.406)	--
<b>Period end</b>	<b>1.325.530</b>	<b>979.794</b>

**6.2 Short-Term Accounts Payable**

At 31 December 2009, short-term accounts payable amounts to TL 16.705.573 (31 December 2008: TL 17.639.565) arising from payable to various suppliers.

At 31 December 2009, TL 1.181.093 of accounts payable comprised of due to related parties (31 December 2008: TL 484.780) in which detailed presentation is disclosed in Note 25.

**7 OTHER RECEIVABLES AND PAYABLES**

**7.1 Long-Term Other Receivables**

At 31 December 2009, long-term receivables comprised of deposits and collaterals amounting to TL 2,868 (31 December 2008: TL 2.804).

**7.2 Short-Term Other Payables**

At 31 December 2009, short-term other payables amounting to TL 3.646 (31 December 2008: TL 31.240) comprised of the other variable payables.