

**PENGUEN GIDA SANAYİ AŞ**  
**BALANCE SHEETS AS OF 31.12.2006 AND 31.12.2005**  
(Currency - YTL unless stated otherwise)

<b>ASSETS</b>	<b>Notes</b>	<b>Audited 31.12.2006</b>	<b>Audited 31.12.2005</b>
<b>Current Assets</b>		<b>41.706.815</b>	<b>43.435.750</b>
Cash and cash equivalents	4	493.784	450.901
Marketable securities	5	--	--
Trade receivables	7	13.756.681	6.921.388
Financial lease receivables	8	--	--
Due from related parties	9	437.724	5.509.515
Other receivables	10	11.604	11.691
Live assets	11	--	--
Inventories	12	23.699.365	27.299.055
Construction in progress	13	--	--
Deferred tax assets	14	149.764	234.411
Other current assets	15	3.157.893	3.008.789
<b>Non - current Assets</b>		<b>34.246.659</b>	<b>36.933.965</b>
Trade receivables	7	16	16
Financial lease receivables	8	--	--
Due from related parties	9	--	--
Other receivables	10	--	--
Financial assets	16	--	--
Positive/negative goodwill	17	--	--
Investment property	18	--	--
Tangible assets	19	32.665.331	34.381.388
Intangible assets	20	143.642	174.230
Deferred tax assets	14	1.437.670	2.378.331
Other non - current assets	15	--	--
<b>TOTAL ASSETS</b>		<b>75.953.474</b>	<b>80.369.715</b>

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

**PENGUEN GIDA SANAYİ AŞ**  
**BALANCE SHEETS AS OF 31.12.2006 AND 31.12.2005**  
(Currency - YTL unless stated otherwise)

<b>LIABILITIES</b>	<b>Notes</b>	<b>Audited 31.12.2006</b>	<b>Audited 31.12.2005</b>
<b>Current Liabilities</b>		<b>53.405.008</b>	<b>38.723.033</b>
Financial liabilities	6	27.189.905	19.717.217
Current portion of non-current financial liabilities	6	6.776.670	4.898.571
Financial lease payables	8	57.129	947
Other financial liabilities		--	--
Trade payables	7	16.903.686	12.078.580
Due to related parties	9	1.195.530	729.275
Advances received	21	59.872	198.729
Deferred billings	13	--	--
Provision for liabilities	23	537.544	249.122
Deferred tax liabilities	14	254.501	402.366
Other liabilities (net)	10	430.171	448.226
<b>Non-current Liabilities</b>		<b>1.764.506</b>	<b>6.179.897</b>
Financial liabilities (net)	6	522.809	5.101.239
Financial lease payables (net)	8	5.886	--
Other financial liabilities (net)		--	--
Trade payables (net)	7	--	--
Due to related parties (net)	9	--	--
Advances received	21	--	--
Provision for liabilities	23	1.050.587	840.798
Deferred tax liabilities	14	185.224	237.860
Other liabilities (net)	10	--	--
<b>MINORITY INTEREST</b>	<b>24</b>	<b>--</b>	<b>--</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>20.783.960</b>	<b>35.466.785</b>
<b>Share Capital</b>	<b>25</b>	<b>44.000.000</b>	<b>44.000.000</b>
<b>Investment and Share Capital Eliminating Adjustment</b>		<b>--</b>	<b>--</b>
<b>Capital Reserves</b>	<b>26</b>	<b>25.032.700</b>	<b>25.032.700</b>
Premium in access of par		361.210	361.210
Profit on cancelled shares		--	--
Revaluation fund		--	--
Revaluation reserve of financial assets		--	--
Equity restatement differences		24.671.490	24.671.490
<b>Profit Reserves</b>	<b>27</b>	<b>110.959</b>	<b>110.959</b>
Legal reserves		110.959	110.959
Statutory reserves		--	--
Extraordinary reserves		--	--
Special reserves		--	--
Income from sale of property to be added to share capital		--	--
Foreign currency translation differences		--	--
<b>Net Profit/Loss For The Period</b>		<b>(14.682.825)</b>	<b>530.648</b>
<b>Previous Years' Profits/Losses</b>	<b>28</b>	<b>(33.676.874)</b>	<b>(34.207.522)</b>
<b>TOTAL LIABILITIES</b>		<b>75.953.474</b>	<b>80.369.715</b>

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

**PENGUEN GIDA SANAYİ AŞ**  
**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006 AND 2005**  
(Currency - YTL unless stated otherwise)

	Notes	Audited 01.01.- 31.12.2006	Audited 01.01.- 31.12.2005
<b>OPERATING INCOME</b>			
Sales (net)	36	66.984.452	58.798.953
Cost of sales (-)	36	(55.644.326)	(43.976.702)
<b>GROSS PROFIT / LOSS</b>		<b>11.340.126</b>	<b>14.822.251</b>
Operating expenses (-)	37	(18.326.354)	(14.332.366)
<b>OPERATING PROFIT / LOSS</b>		<b>(6.986.228)</b>	<b>489.885</b>
Income and profits from other operations	38	2.927.280	5.375.328
Expenses and losses from other operations (-)	38	(2.195.140)	(2.543.636)
Financial expenses (-)	39	(7.604.180)	(3.036.107)
<b>ORDINARY INCOME / LOSS</b>		<b>(13.858.268)</b>	<b>285.470</b>
Monetary gain / loss	40	--	--
<b>MINORITY INCOME (LOSS)</b>	24	250	--
<b>PROFIT / LOSS BEFORE TAX</b>		<b>(13.858.018)</b>	<b>285.470</b>
Taxes	41	(824.807)	245.178
<b>NET INCOME / LOSS FOR THE YEAR</b>		<b>(14.682.825)</b>	<b>530.648</b>
<b>EARNINGS PER SHARE</b>	42	<b>(3,337)</b>	<b>0,121</b>

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

**PENGUEN GIDA SANAYİ AŞ**  
**CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 AND 2005**  
(Currency - YTL unless stated otherwise)

<b>CASH FLOWS DUE FROM OPERATING ACTIVITIES</b>	<b>01.01.- 31.12.2006</b>	<b>01.01.- 31.12.2005</b>
Profit/(loss) before tax	(13.858.018)	285.470
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>	<b>6.199.331</b>	<b>5.512.372</b>
Depreciation and amortization	2.574.523	2.349.146
Retirement pay provision	373.323	327.507
Provision for doubtful receivables	1.434.037	193.387
Gain/loss on sale of tangible assets	(413.122)	22.777
Unpaid interest on trade payables	(448.310)	(283.998)
Unearned interest on trade receivables	323.764	156.755
Unpaid interest on due to related parties	(1.077)	(2.944)
Unearned interest on due from related parties	8.720	88.512
Interest income	(114.610)	(18.990)
Interest expense	2.462.083	2.680.220
<b>Operating income before changes in assets and liabilities related with operating activities</b>	<b>(7.658.687)</b>	<b>5.797.842</b>
(Increase) / decrease in trade receivables	(8.593.094)	226.149
Increase / (decrease) in due from related parties	5.063.071	3.018.544
(Increase) / decrease in inventories	3.599.690	(2.871.382)
(Increase) / decrease in other current assets	(149.017)	(366.386)
Increase / (decrease) in trade payables	5.273.416	166.376
Increase / (decrease) in other current liabilities	131.510	(563.676)
Retirement pay paid	(163.534)	(148.687)
<b>Net cash provided by operating activities</b>	<b>(2.496.645)</b>	<b>5.258.780</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(1.110.838)	(6.502.645)
Purchase of intangible assets	(38.648)	(56.552)
Sale of tangible assets	734.730	73.312
<b>Net cash provided by (used in) investing activities</b>	<b>(414.756)</b>	<b>(6.485.885)</b>
<b>Cash flows from financing activities</b>		
Increase / (decrease) in financial liabilities	4.772.357	(15.452.769)
Increase / (decrease) in lease payables	62.068	(16.207)
Increase / (decrease) in due to related parties	467.332	(2.439.190)
Interest paid	(2.462.083)	(2.680.220)
Interest received	114.610	18.990
Cash increase	--	22.000.000
Increase in premium in access of par	--	46.992
<b>Net cash provided by (used in) financing activities</b>	<b>2.954.284</b>	<b>1.477.596</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>42.883</b>	<b>250.491</b>
Cash and cash equivalents at beginning of period	450.901	200.410
Cash and cash equivalents at end of period	493.784	450.901

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

**PENGUEN GIDA SANAYİ AŞ**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006 and 2005**  
(Currency - YTL unless stated otherwise)

	<u>Capital Reserves</u>			<u>Profit Reserves</u>		Net profit/ loss for the period	Total shareholders' equity
	Share capital	Premium in access of par	Equity restatement differences	Legal reserves	Previous years profits/ losses		
<b>01 January 2005 Balance</b>	<b>22.000.000</b>	<b>314.218</b>	<b>24.671.490</b>	<b>110.959</b>	<b>(31.815.847)</b>	<b>(2.391.675)</b>	<b>12.889.145</b>
Cash increase	22.000.000	-	-	-	-	-	22.000.000
Increase in premium in access of par	-	46.992	-	-	-	-	46.992
Transfer to accumulated losses	-	-	-	-	(2.391.675)	2.391.675	-
Net income for the year	-	-	-	-	-	530.648	530.648
<b>31 December 2005 Balance</b>	<b>44.000.000</b>	<b>361.210</b>	<b>24.671.490</b>	<b>110.959</b>	<b>(34.207.522)</b>	<b>530.648</b>	<b>35.466.785</b>
Transfer to accumulated losses	-	-	-	-	530.648	(530.648)	-
Net loss for the year	-	-	-	-	-	(14.682.825)	(14.682.825)
<b>31 December 2006 Balance</b>	<b>44.000.000</b>	<b>361.210</b>	<b>24.671.490</b>	<b>110.959</b>	<b>(33.676.874)</b>	<b>(14.682.825)</b>	<b>20.783.960</b>

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

**PENGUEN GIDA SANAYİ A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
(Currency - YTL unless stated otherwise)

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOT 1 – CORPORATE INFORMATION**

Penguen Gıda Sanayi A.Ş (the Parent Company) was established in 1988 in Bursa. The Company owns production plant with built in area of 75.000 m<sup>2</sup> erected on a site of 150.000 m<sup>2</sup>. The Company produces frozen and canned food products, tomato paste and jam.

Penguen Pazarlama A.Ş. (the subsidiary) was established in Bursa on 1 March 2006 to import and export, to store and to transport every type of product. A substantial portion of the overseas sales of the Parent Company are marketed to abroad through Penguen Pazarlama A.Ş.

The companies mentioned above are called as “the Group”. In the accompanying current year financial statements the Parent Company and the subsidiary (Penguen Pazarlama A.Ş.) acquired on 01.02.2006 are fully consolidated as of 31.12.2006.

Before the establishment of Penguen Pazarlama A.Ş., the Parent Company has realized the overseas sales through Penguen Gıda Pazarlama A.Ş. (another related company). The Parent Company has paid commissions over the sales made to Penguen Gıda Pazarlama A.Ş. at a rate changing between 0,5-3% per years. As from the date of 01.09.2005 the Company has ended to pay commission and the overseas sales of the Group were realized through the subsidiary Penguen Pazarlama A.Ş. No commission is paid to Penguen Pazarlama A.Ş. for the said sales.

The number of personnel employed in the Group as of 31 December 2006 is 211 (31 December 2005: 224). In heavy production period, number of employees reach 1.000 with subcontractor workers.

Related companies, which have indirect capital and managerial relationship with the Company, are listed below:

- Penguen Gıda Pazarlama A.Ş.
- Penguen Gıda Dış Ticaret A.Ş.
- Penkon Penguen Konsantre Sanayi A.Ş.
- Morsan Tekstil Sanayi A.Ş.
- MEK Marmara Ege Karadeniz Tütün Ticaret ve San. A.Ş.
- Gençoğlu Holding A.Ş.
- And Havacılık A.Ş.
- Hakimiyet Matbaacılık ve Gazetecilik A.Ş.
- Radyovizyon A.Ş.

**PENGUEN GIDA SANAYİ A.Ş.**  
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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1) Accounting standards**

The Group maintains its books of account and prepares its statutory financial statements in Turkish currency (YTL) in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and prepares its financial statements in accordance with the accounting principles of the Capital Market Board. The accompanying financial statements have been prepared from historical statutory financial statements of the Group with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The Communiqué of the Capital Market Board No:XI/25 in respect of “Financial Reporting Standards in Capital Markets” dated 15 November 2003 has become operative for the annual and interim periods beginning on and after 1 January 2005. In addition, Section 34 (Various Provisions) Temporary Article 1 of this Communiqué states that during the period until the beginning of the first accounting period the financial statements will have to meet the requirements of the Communiqué, financial statements prepared and presented in accordance with International Financial Reporting Standards (IFRS) will be regarded as complying with the accounting requirements of this Communiqué.

In accordance with Law No. 5083 in respect of “the Currency of the Turkish Republic” published in the Legal Gazette dated 31 January 2004, numbered 25363, which came into force from 1 January 2005, a new local measurement and reporting currency unit has been introduced as YTL and YKR and one YTL is equal to 100 YKR. Turkish Lira (TL) currency units formerly used have been converted to new Turkish Liras (YTL) at the rate of 1.000.000 TL= 1 YTL. Both notes and coins of the former (TL) as well as the new currency units (YTL) will be in circulation during 2005.

**2.2) Inflation Accounting**

The Capital Market Board issued a statement dated 17 March 2005, numbered 11/367 to discontinue the presentation of financial statements in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) during the reporting periods in 2005, indicating that in the light of objective criteria the economy ceased to be hyperinflationary and factors characterizing the existence of hyperinflation were eliminated to a large extent. Based on this resolution the financial statements as of 31 December 2006 and 2005 have not been restated.

**2.3) Basis of consolidation**

The subsidiary included in consolidation and the effective shareholding percentages of the Group as of 31.12.2006 is as follows:

<u>Subsidiary</u>	<u>Parent Company's Percentage</u>	<u>Capital</u>	<u>Unpaid Capital</u>
Penguen Pazarlama A.Ş.	%98	50.000	(37.500)

The accompanying consolidated financial statements incorporate the financial statements of the Parent Company and the entity controlled by the Parent Company.

**PENGUEN GIDA SANAYİ A.Ş.**  
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The consolidated financial statements incorporate the financial statements of the Parent Company and the entity controlled by the Parent Company (its subsidiary). Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with those promulgated by the Capital Market Board Communiqué.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The acquisition of subsidiary is 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 interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of the accompanying financial statements are summarized below:

#### **3.1) Revenue**

Revenue is recognized upon the performance of services and to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. When an uncertainty arises about the collectibility of an amount already included in revenue, the uncollectible amount or the amount in respect of which recovery has ceased to be probable is recognized as an allowance expense, rather than as an adjustment of the amount of revenue already recognized.

Net sales are stated as net of discounts, returns.

#### **3.2) Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads (based on normal operating capacity) that have been incurred in bringing the inventories to their present location and condition but excludes borrowing cost. Cost is calculated by using the weighted average method. Net realizable value

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represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### **3.3) Related parties**

For the purpose of the accompanying financial statements, the shareholders of the Group, its directors and the companies identified by the Group as being controlled by/affiliated with them are considered and referred to as related parties. Transactions with related parties have been carried out in normal course of business at arms length basis.

### **3.4) Tangible Assets**

Property, plant, equipment are carried at restated cost, less accumulated depreciation and impairment. Depreciation is provided on the restated amounts of property, plant and equipment on straight line basis. The depreciation periods for property, plant, equipment which approximate the economic useful lives of such assets, are as follows:

	<u>Years</u>
Land improvements	5-25
Buildings	50
Machinery and equipment	5-20
Motor vehicles	5-10
Furniture and fixtures	5-10

The gain or loss arising from the disposal or otherwise derecognition of an item of property, plant and equipment which is the difference between the net sales proceeds, if any, and the restated carrying amount is recognized in profit or loss.

The costs of an item of property, plant and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner as intended by management. Other directly attributable costs are those arising directly from the construction or acquisition of an item of property, plant and equipment, costs of site preparation, initial delivery and handling costs, installation and assembly costs. Costs subsequent to the acquisition of an item of property, plant and equipment may be capitalized if they increase the economic useful lives of the assets. All other repair and maintenance costs are expensed.

Costs of operating a new facility, costs of introducing a new product or service (including costs of advertising and promotional activities); costs of conducting business in new locations or with a new class of customer including costs of staff training; administration and other general overhead costs are not costs of an item of property, plant and equipment and are not included in the carrying amount of property, plant and equipment.

### **3.5) Intangible Assets**

An intangible asset is recognized if it meets the identifiability criterion of intangibles, control exists over the asset, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the costs can be measured reliably. Expenditure on training activities, expenditure on advertising and promotional activities, expenditure on relocating or recognizing part or all of an entity and start up costs unless the expenditure is allowed to be included in the costs of an item of property, plant and equipment are recognized as an expense when it is incurred.

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### **3.6) Financial Instruments and Financial Risk Management**

The Company's principal financial instruments comprise overdrafts, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

*Classification:*

Financial assets of the Company are comprised of cash and cash equivalent and receivables. Financial liabilities are comprised trade and other payables.

*Accounting and Measurement:*

Financial assets and financial liabilities are recognized upon the transfer to/from the Company.

*Interest rates risk*

Interest rate risk comprises the interest risk that results from borrowing mostly short term loans at variable rates.

*Liquidity Risk*

Liquidity risk arises from the fact that the Company may not receive financial instruments from its counterparties at the expected time. This risk is managed by maintaining a balance between continuity of funding and flexibility through the use of overdrafts, finance leases and other funds.

*Foreign Currency Risk*

The Company operates locally, but is also exposed to transactional and contractual foreign exchange risks resulting from currency exposures primarily with respect to EUR and USD. The Company manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

*Credit Risk*

Credit risk arises because counterparty may fail to perform its obligations. Credit risk is managed by trading with recognized, creditworthy third parties and securing sufficient collateral. With respect to credit risk arising from the other financial assets of the Company, comprising cash and cash equivalents, the Company's exposure to credit risk arises from default of the other party, with a maximum exposure equal to the carrying amount of these instruments.

### **3.7) Financial Assets**

Financial assets can be divided into the following categories:

- a) Held for trading financial assets,
- b) Held to maturity investments,
- c) Available for sale investments.

**Held for trading investments:**

Financial assets held to gain profit from short term price fluctuating are recognized as held for trading investments and classified in current assets.

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**Held to maturity investments**

Investments are classified as held-to maturity if it is the intention of the Group's management to hold them until maturity. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity.

**Available for sale investments**

All financial assets within this category are originally recorded at cost and subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

Participating interest acquired over 20% was not accounted for on equity basis on the grounds of immateriality and was carried at restated cost less any sustained decline in value.

**3.8) Foreign Currency Transactions and Translation**

Transactions in foreign currencies during the year have been translated at the rates ruling at the dates of transactions. Balance sheet and income statement items denominated in foreign currencies have been translated at the rates of exchange prevailing at the balance sheet date.

**3.9) Earnings Per Share**

Earnings per share requires that earnings per share information be presented by enterprises whose ordinary shares or potential ordinary shares are publicly traded and by enterprises that are in the process of issuing ordinary shares or potential ordinary shares in public securities markets. The calculation of the basic and diluted earnings per share is based on net profit for the related year/interim period ended divided by weighted average number of ordinary shares outstanding during the year or the interim period. If the number of ordinary or potential ordinary shares outstanding increases as a result of capitalization or bonus issue or share split or decreases as a result of reverse share split, the calculation of basic and diluted earnings per share for all periods presented should be adjusted retrospectively.

**3.10) Provisions, contingent liabilities and contingent assets**

Other provisions are recognized when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation.

Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the balance. Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

**3.11) Finance leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

**3.12) Segment reporting**

Company produces frozen food, canned product, tomato paste and jam. Company categorizes product as frozen food, canned product, tomato paste and jam.

**3.13) Investment properties**

Investment property held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business is initially measured at cost less accumulated depreciation (except land). The cost of purchased investment property comprises its purchase price and directly attributable expenditure. The cost of self constructed investment property is the cost at the date the construction is complete and is transferred to investment property.

**3.14) Provision for retirement pay liability**

Under the provision of Turkish Labor Law, employers are required to make certain lump-sum payments to employees whose employment ceases due to retirement or due to reasons other than misconduct or resignation. Such payments are determined on basis of an agreed formula and are subject to certain upper limit (ceiling) which is revised twice a year.

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**3.15) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at banks, other short-term liquid investments. The amounts paid under the reverse purchase agreements are included in the cash and cash equivalents.

**3.16) Trade receivables / payables**

Trade receivables/payables are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**3.17) Financial Liabilities**

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net profit or loss when the liabilities are derecognized, as well as through the amortization process.

**3.18) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax liability or asset is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**3.19) Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and liability simultaneously.

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The Group has prepared its financial statements as of 31 December 2005 and 2004 in accordance with CMB Communiqué No: XI/25. In this respect there have been no changes in accounting policies or accounting estimates made or no fundamental errors.

The effect of a change in accounting policy is applied retrospectively. Adjustments relating to prior periods are made to the opening balance of retained earnings. The change in accounting policy should be applied prospectively only when the amount of the adjustment to the opening balance of retained earnings cannot be reasonably determined.

The effect of a change in an accounting estimate should be included in the determination of net profit or loss in the period of the change, if the change affects the period only; or the period of the change and future periods, if the change affects both.

The correction of fundamental errors that relate to the current period is normally included in the determination of net profit or loss for the current period. The correction of fundamental errors that relate to prior periods requires the restatement of the comparative information or the presentation of additional pro forma information. The amount of the correction of a fundamental error that relates to prior periods should be reported by adjusting the opening balance of retained earnings. Comparative information should be restated, unless it is impracticable to do so.

### **3.21) Discontinued Operations**

The Group presents and discloses information that enables users of financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets, in the event the Group has become a party to a legally binding agreement directly related to the disposal of a discontinued operation, there is board approval for a formal coordinated plan to dispose of a line of business or geographical area of operation and a formal plan has been announced. Discontinued operations are recognized and measured in accordance with criteria governing provisions, contingent assets and liabilities, non-current assets and employee benefits.

### **3.22) Government Incentives and Subsidies**

These are reflected in the financial statements when the Group has complied with all of the requirements and reasonable assurance is formed that incentive or assistance will be obtained. Liabilities to Governmental departments which may be forgone by the Authorities are accepted as Government incentives when reasonable assurance is formed that such liabilities will not be paid because the Group has complied with all the requirements related to the liability.

### **3.23) Benefit plans**

The Group does not have any benefits plans.

### **3.24) Agricultural operations**

The Group has no agricultural operations.

### **3.25) Cash flow statement**

Cash flows for period are reported by classifying based on main operations, investments and financial operations. Cash and cash equivalents included in the cash flow statement comprise cash and bank deposits and financial assets which mature in less than three months.

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**NOTE 4 – CASH AND CASH EQUIVALENTS**

	<u>31.12.2006</u>	<u>31.12.2005</u>
Cash	19.005	5.122
Demand deposits at banks	469.509	376.784
Time deposits at banks	5.270	68.995
<b>Total</b>	<b><u>493.784</u></b>	<b><u>450.901</u></b>

As of 31 December 2006 the Group has blocked its deposits at bank amounting YTL 264.664 (31 December 2005: YTL 21.924) for guarantee of checks and notes given to banks. Interest rate of bank deposits is 3,5% (31 December 2005: 2,5%- 3,3%). The maturity of deposits at banks is 12 January 2007(31 December 2005: 17 January 2006 - 18 February 2006).

**NOTE 5 - MARKETABLE SECURITIES**

None (31 December 2005 – None).

**NOTE 6 – FINANCIAL LIABILITIES**

**31.12.2006**

**Current financial liabilities**

	<u>Rate (%)</u>	<u>Maturity</u>	<u>Amount of</u> <u>Foreign currency</u>	<u>YTL</u>
EUR credits	4,15 - 8	05.01.2007 - 22.12.2007	11.778.829	21.808.502
YTL credits	0 - 26	15.02.2007 - 28.02.2007		1.922.480
Factoring payables				3.458.923
<b>Total</b>				<b><u>27.189.905</u></b>

**Current Portion of Non-current Financial Liabilities:**

EUR credits	5,16 - 7	15.03.2007 - 12.03.2007	3.534.754	6.544.597
YTL credits	14,4 - 21	01.01.2005 - 05.12.2007		232.073
<b>Total</b>				<b><u>6.776.670</u></b>

**Non-Current financial liabilities:**

YTL credits	14,4 - 21	05.10.2008-04.01.2010		522.809
<b>Total</b>				<b><u>522.809</u></b>

The guarantees given for above loans are summarized below:

<u>31.12.2006</u>	<u>31.12.2005</u>
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Mortgage	51.475.643	49.454.190
Guarantee letters	5.220	5.220
Promissory notes	8.016.310	8.016.310
<b>Total</b>	<b><u>59.497.173</u></b>	<b><u>57.475.720</u></b>

Besides, shareholders Turhan Gençoğlu and Orhan Gençoğlu has given personnel guarantee.

A loan agreement has been signed between the Parent Company and Asia Special Situations, a related party of ADM Capital Group, on the date of 28.02.2007 amounting to EUR 8.000.000 with a repayment period of 5 years and a capital increasing agreement at a nominal value of YTL 6.600.000 with a share premium price of YTL 1,10 per share.

**31.12.2005**

**Current financial liabilities:**

	<b>Rate</b> <b>(%)</b>	<b>Maturity</b>	<b>Amount of</b> <b>Foreign currency</b>	<b>YTL</b>
EUR credits	4,15 - 9	01.02.2006 - 23.12.2006	10.974.683	17.422.309
YTL credits	0 - 21	23.02.2006 - 30.03.2006		971.058
Factoring payables				1.323.850
<b>Total</b>				<b><u>19.717.217</u></b>

**Current Portion of Non-current Financial Liabilities:**

EUR credits	5,16 - 7	30.01.2006 - 30.07.2006	3.085.714	4.898.571
<b>Total</b>				<b><u>4.898.571</u></b>

**Non-Current financial liabilities:**

EUR credits	4,83 - 7	06.06.2007 - 02.08.2008	3.213.379	5.101.239
<b>Total</b>				<b><u>5.101.239</u></b>

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**NOTE 7 – TRADE RECEIVABLES AND TRADE PAYABLES**

**Trade receivables**

	<u><b>31.12.2006</b></u>	<u><b>31.12.2005</b></u>
Trade debtors	8.689.237	4.847.512
Notes receivable	5.367.747	2.215.523
Deposits and guarantees given	23.461	15.108
Unearned financial income (-)	(323.764)	(156.755)
Doubtful trade receivables	2.115.166	730.506
Allowance for doubtful receivables (-)	(2.115.166)	(730.506)
<b>Total</b>	<u><u><b>13.756.681</b></u></u>	<u><u><b>6.921.388</b></u></u>

Nature and amount of guarantees are listed below:

Mortgage received	294.000	456.000
Letter of guarantee	1.384.500	1.504.500
Check of guarantee	40.000	55.000
<b>Total</b>	<u><u><b>1.718.500</b></u></u>	<u><u><b>2.015.500</b></u></u>

**Non-current Trade Receivables**

Deposits and guarantees given	16	16
	<u><u><b>16</b></u></u>	<u><u><b>16</b></u></u>

Transactions of provision for doubtful receivables are listed below:

Beginning of period	730.506	572.473
Additions	1.434.037	193.387
Cash receipt during period (-)	(49.377)	(35.354)
<b>End of period balance</b>	<u><u><b>2.115.166</b></u></u>	<u><u><b>730.506</b></u></u>

**Trade payables**

Trade creditors	10.636.212	8.958.410
Notes payable	6.715.784	3.404.168
Unpaid financial income (-)	(448.310)	(283.998)
<b>Total</b>	<u><u><b>16.903.686</b></u></u>	<u><u><b>12.078.580</b></u></u>

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**NOTE 8 – FINANCIAL LEASE RECEIVABLES AND PAYABLES**

<b>Current financial lease payables</b>	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>
Financial lease payables	59.507	2.399
Deferred financial lease payable (-)	(2.378)	(1.452)
<b>Total</b>	<b><u>57.129</u></b>	<b><u>947</u></b>
<b>Non-current financial lease payables</b>		
Financial lease payables	8.192	--
Deferred financial lease payable (-)	(2.306)	--
<b>Total</b>	<b><u>5.886</u></b>	<b><u>--</u></b>

**NOTE 9 – DUE FROM AND DUE TO RELATED PARTIES**

<b>Current Receivables</b>		
Trade receivables	267.786	5.476.227
Non-trade receivables	178.658	121.800
Unearned financial income (-)	(8.720)	(88.512)
<b>Total</b>	<b><u>437.724</u></b>	<b><u>5.509.515</u></b>
<b>Current Payables</b>		
Trade payables	107.837	313.729
Non-trade payables	1.088.770	418.490
Unpaid financial expense (-)	(1.077)	(2.944)
<b>Total</b>	<b><u>1.195.530</u></b>	<b><u>729.275</u></b>

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**a) Due From Related Parties:**

	<u>31 December 2006</u>		<u>31 December 2005</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
<b>1) Shareholders</b>				
Gençoğlu Holding A.Ş.	--	157.443	--	111.060
Morsan Tekstil San. A.Ş.	--	4.420	--	3.703
	-----	-----	-----	-----
Total	--	161.863	--	114.763
	-----	-----	-----	-----
<b>2) Intra-Group Companies</b>				
Penguen Gıda Pazarlama A.Ş.	134.536	--	5.342.830	--
Penkon Penguen Konsantre Sanayi A.Ş.	--	--	11.649	--
MEK Marmara Karadeniz Ege Tüt. Tic. A.Ş.	--	7.574	--	3.019
Penguen Gıda Dış Ticaret A.Ş.	133.250	--	121.748	--
And Havacılık A.Ş.	--	9.221	--	4.018
	-----	-----	-----	-----
Total	267.786	16.795	5.476.227	7.037
	-----	-----	-----	-----
<b>Grand total</b>	<b>267.786</b>	<b>178.658</b>	<b>5.476.227</b>	<b>121.800</b>
	=====	=====	=====	=====

**b) Due to Related Parties:**

	<u>31.12.2006</u>		<u>31.12.2005</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
<b>1) Shareholders</b>				
Turhan Gençoğlu	--	516.406	--	259.073
Orhan Ümit Gençoğlu	--	572.206	--	159.417
	-----	-----	-----	-----
Total	--	1.088.612	--	418.490
	-----	-----	-----	-----
<b>2) Intra-Group Companies</b>				
Penguen Gıda Pazarlama A.Ş.	74.571	158	278.560	--
Hakimiyet Gazetecilik-Matbaacılık A.Ş.	33.266	--	35.169	--
	-----	-----	-----	-----
Total	107.837	158	313.729	--
	-----	-----	-----	-----
<b>Grand total</b>	<b>107.837</b>	<b>1.088.770</b>	<b>313.729</b>	<b>418.490</b>
	=====	=====	=====	=====

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**c) Sales to Related Parties:**

	<b>01.01.-31.12.2006</b>			
	<b><u>Goods</u></b>	<b><u>Services</u></b>	<b><u>Fixed Assets</u></b>	<b><u>Other</u></b>
<b>1) Shareholders</b>				
Gençoğlu Holding A.Ş.	--	--	--	1.800
Morsan Tekstil San. Tic. A.Ş.	--	--	--	1.800
DEG Deutsche Investitions	--	--	--	2.110
	-----	-----	-----	-----
Total	--	--	--	5.710
	-----	-----	-----	-----
<b>2) Intra-Group Companies</b>				
Penguen Gıda Pazarlama A.Ş.	7.468.940	--	--	450
Penkon Penguen Konsantre Sanayi A.Ş.	722	--	--	81.234
Penguen Gıda Dış Tic. A.Ş.	--	--	--	1.800
MEK Marmara Karadeniz Ege Tüt. Tic. A.Ş.	--	--	--	1.800
And Havacılık A.Ş.	--	--	--	1.800
	-----	-----	-----	-----
Total	7.469.662	--	--	87.084
	-----	-----	-----	-----
<b>Grand total</b>	<b>7.469.662</b>	<b>--</b>	<b>--</b>	<b>92.794</b>
	=====	=====	=====	=====
	<b>01.01.-31.12.2005</b>			
	<b><u>Goods</u></b>	<b><u>Services</u></b>	<b><u>Fixed Assets</u></b>	<b><u>Other</u></b>
<b>1) Shareholders</b>				
Gençoğlu Holding A.Ş.	--	--	--	1.500
Morsan Tekstil San. Tic. A.Ş.	--	--	--	1.500
	-----	-----	-----	-----
Total	--	--	--	3.000
	-----	-----	-----	-----
<b>2) Intra-Group Companies</b>				
Penguen Gıda Pazarlama A.Ş.	32.501.051	--	--	1.500
Penkon Penguen Konsantre Sanayi A.Ş.	242.986	--	--	29.069
Penguen Gıda Dış Tic. A.Ş.	--	--	--	1.500
MEK Marmara Karadeniz Ege Tüt. Tic. A.Ş.	--	--	--	1.500
And Havacılık A.Ş.	--	--	--	1.500
	-----	-----	-----	-----
Total	32.744.037	--	--	35.069
	-----	-----	-----	-----
<b>Grand total</b>	<b>32.744.037</b>	<b>--</b>	<b>--</b>	<b>38.069</b>
	=====	=====	=====	=====

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**d) Purchases from Related Parties:**

	<b><u>01.01.-31.12.2006</u></b>			
	<b><u>Goods</u></b>	<b><u>Services</u></b>	<b><u>Fixed Assets</u></b>	<b><u>Other</u></b>
<b>1) Intra-Group Companies</b>				
Penguen Gıda Pazarlama A.Ş.	--	9.849	--	--
Penkon Penguen Konsantre Sanayi A.Ş.	102.506	7.917	--	--
Hakimiyet Gazetecilik-Matbaacılık A.Ş.	147.744	--	--	--
	-----	-----	-----	-----
Total	250.250	17.766	--	--
	-----	-----	-----	-----
	<b><u>01.01.-31.12.2005</u></b>			
	<b><u>Goods</u></b>	<b><u>Services</u></b>	<b><u>Fixed Assets</u></b>	<b><u>Other</u></b>
<b>1) Intra-Group Companies</b>				
Penguen Gıda Pazarlama A.Ş.	297.450	--	--	19.849
Penkon Penguen Konsantre Sanayi A.Ş.	111.872	--	--	-
	-	-	-	-
Hakimiyet Gazetecilik-Matbaacılık A.Ş.	-	75.853	--	--
	-----	-----	-----	-----
Total	409.322	75.853	--	19.849
	-----	-----	-----	-----

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**e) Financial Income**

**1) Shareholders**

	<b>01.01.- 31.12.2006</b>	<b>01.01.- 31.12.2005</b>
Gençoğlu Holding A.Ş.		
- Exchange difference gain and interest received	2.829	923
Morsan Tekstil Sanayi A.Ş.		
- Exchange difference gain and interest received	845	106
	-----	-----
Total	3.674	1.029
	-----	-----

**2) Intra-Group Companies**

Penguen Gıda Pazarlama A.Ş.		
- Exchange difference gain and interest received	546.562	407.868
Penguen Gıda Dış Ticaret A.Ş.		
- Exchange difference gain and interest received	2.829	503
MEK Marmara Ege Karadeniz Tütün Tic. ve San. A.Ş.		
- Exchange difference gain and interest received	775	81
And Havacılık A.Ş.		
- Exchange difference gain and interest received	948	--
	-----	-----
Total	551.114	408.452
	-----	-----
<b>Grand total</b>	<b>554.788</b>	<b>409.481</b>
	=====	=====

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**f) Financial Expenses**

**1) Shareholders**

	<b><u>01.01.-</u></b> <b><u>31.12.2006</u></b>	<b><u>01.01.-</u></b> <b><u>31.12.2005</u></b>
DEG Deutsche Investitions		
- Exchange difference loss, interest and commission paid	200.797	1.276.807
Morsan Tekstil A.Ş.		
- Exchange difference loss, interest paid	--	173
Gençoğlu Holding A.Ş.		
- Exchange difference loss	--	1.672
	-----	-----
Total	200.797	1.278.652
	-----	-----

**2) Intra-Group Companies**

Penguen Gıda Pazarlama A.Ş.		
- Commissions paid	256.872	558.949
- Exchange difference loss and interest paid	228.151	870.885
Penguen Gıda Dış Ticaret A.Ş.		
- Exchange difference loss and interest paid	--	1.033
MEK Marmara Ege Karadeniz Tüt. A.Ş.		
- Exchange difference loss and interest paid	--	132
	-----	-----
Total	485.023	1.430.999
	-----	-----
<b>Grand total</b>	<b><u>685.820</u></b>	<b><u>2.709.651</u></b>
	=====	=====

**g) Guarantees given to related parties**

None. (31 December 2005- None.)

**h)** The total remuneration of the chairman and the members of the Board of Directors, General Manager, General Coordinator, Assistant General Managers, Managers and other top management personnel amounted to YTL 1.235.965 (01.01.-31.12..2005 - YTL 1.246.897).

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**NOTE 10 – OTHER RECEIVABLES AND PAYABLES**

<b>Other receivables</b>	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>
Other miscellaneous receivables	11.604	11.691
<b>Total</b>	<b><u>11.604</u></b>	<b><u>11.691</u></b>
<b>Other payables</b>		
Social security and taxes payable	266.893	291.796
Due to personnel	163.278	155.246
Others	--	1.184
<b>Total</b>	<b><u>430.171</u></b>	<b><u>448.226</u></b>

**NOTE 11 – LIVE ASSETS**

None. (31 December 2005 – None)

**NOTE 12 - INVENTORIES**

Raw materials	2.867.793	3.129.095
Work in process	7.306.815	9.412.689
Finished goods	12.948.472	14.187.485
Trade goods	225.539	152.547
Other receivables	260.207	181.282
Order advances given	90.539	235.957
<b>Total</b>	<b><u>23.699.365</u></b>	<b><u>27.299.055</u></b>

As of 31 December 2006, inventories have been insured for YTL 34.993.350. (31 December 2004: YTL 30.638.750)

**NOTE 13 – CONSTRUCTION IN PROGRESS AND DEFERRED BILLINGS**

None (31 December 2005 – None).

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**NOTE 14 – DEFERRED TAX ASSETS AND LIABILITIES**

**Deferred taxes**

The Group recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported for Communiqué of the Capital Market Board No: XI/25 and its statutory tax financial statements.

As of 31 December 2006, the Parent Company has unused tax losses of YTL 25.284.822 (31.12.2005: YTL 26.262.068) that can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years. Based on the projections prepared by the Company, the expected taxable income for the five year consecutive period amount to YTL 6.109.729 (31.12.2005: YTL 7.086.975). In the financial statements as of 31 December 2006, a deferred tax asset of YTL 6.109.729 (31.12.2005 – YTL 7.086.975) has been recognized on the carry forward of unused tax losses. The realizability of deferred tax assets depends as to whether taxable profits will be available against which the unused tax losses can be utilized.

Cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at 31 December 2006 and 31 December 2005 using the expected future tax rates were as follows:

	<b>Time Differences</b>		<b>Deferred Tax Asset / (Liability)</b>	
	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>
Net difference between carrying values and tax bases of tangible and intangible assets	(898.085)	(792.874)	(179.617)	(237.860)
Unpaid interest on bank loans based on effective interest rate method	28.034	(25.084)	5.607	(7.525)
Unearned financial income	(449.387)	(286.942)	(89.877)	(86.083)
Unpaid financial expense	324.391	245.267	64.878	73.580
Provision for expenses	197.350	103.825	39.470	31.148
Provision for doubtful receivables	(20.647)	(120.000)	(4.129)	(36.000)
Retirement pay provision	1.050.587	840.798	210.117	252.239
Freight subsidy	(830.509)	(909.194)	(166.102)	(272.758)
Tax losses carried	6.109.729	7.086.975	1.221.946	2.126.092
Other	227.086	432.273	45.416	129.683
Deferred tax liabilities	(2.198.628)	(2.134.094)	(439.725)	(640.226)
Deferred tax assets	7.937.177	8.709.138	1.587.434	2.612.742
<b>Deferred tax assets/(liabilities), net</b>	<b><u>5.738.549</u></b>	<b><u>6.575.044</u></b>	<b><u>1.147.709</u></b>	<b><u>1.972.516</u></b>

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<b>Deferred tax asset</b>	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>
Non-current (realizable in more than one year)	149.764	234.411
Current (realizable in less than one year)	1.437.670	2.378.331
<b>Total</b>	<b><u>1.587.434</u></b>	<b><u>2.612.742</u></b>
<b>Deferred tax liability</b>		
Non-current (realizable in more than one year)	(254.501)	(402.366)
Current (realizable in less than one year)	(185.224)	(237.860)
<b>Total</b>	<b><u>(439.725)</u></b>	<b><u>(640.226)</u></b>

**NOTE 15 – OTHER CURRENT/ NONCURRENT ASSETS AND CURRENT/ NON-CURRENT LIABILITIES**

<b>Other current assets</b>	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>
Prepaid expenses	358.181	409.351
Prepaid taxes	--	4.717
Advances given for business purposes	154.398	95.329
Advances given to personnel	45.479	26.532
Deferred VAT receivable	1.524.537	1.175.118
Export incentive premium receivable (Note 30)	830.509	909.194
Deferred VAT	244.789	386.890
Other	--	1.658
<b>Total</b>	<b><u>3.157.893</u></b>	<b><u>3.008.789</u></b>

**NOTE 16 – FINANCIAL ASSETS**

None. (31 December 2005 – None)

**NOTE 17 – INVESTMENT PROPERTY**

None. (31 December 2005 – None)

**NOTE 18 – INVESTMENT PROPERTY**

None (31 December 2004 – None).

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**NOTE 19 – TANGIBLE ASSETS**

As of 31 December 2006, tangible assets and their accumulated depreciation comprised of the following:

	Land YTL	Infrastructure and land improvement YTL	Buildings YTL	Property, plant and equipment YTL	Vehicles YTL	Furniture and fittings YTL	Other tangible assets YTL	Total YTL
<u>Cost Value</u>								
01.01.2006	7.231.190	2.677.020	14.655.989	41.168.330	2.278.120	4.295.666	2.481.135	74.787.450
Additions	--	69.704	133.488	360.060	313.021	112.493	122.072	1.110.838
Disposals	(8.491)	--	(126.000)	--	(413.995)	(3.382)	(1.688)	(553.556)
31.12.2006	<u>7.222.699</u>	<u>2.746.724</u>	<u>14.663.477</u>	<u>41.528.390</u>	<u>2.177.146</u>	<u>4.404.777</u>	<u>2.601.519</u>	<u>75.344.732</u>
<u>Accumulated Depreciation</u>								
01.01.2006	--	(1.768.280)	(2.958.119)	(30.363.076)	(898.823)	(2.697.806)	(1.719.958)	(40.406.062)
Additions	--	(102.435)	(250.499)	(1.518.404)	(302.061)	(219.062)	(112.826)	(2.505.287)
Disposals	--	--	210	--	229.329	782	1.627	231.948
31.12.2006	<u>--</u>	<u>(1.870.715)</u>	<u>(3.208.408)</u>	<u>(31.881.480)</u>	<u>(971.555)</u>	<u>(2.916.086)</u>	<u>(1.831.157)</u>	<u>(42.679.401)</u>
<b>31.12.2006</b>								
<b>Net book value</b>	<u><b>7.222.699</b></u>	<u><b>876.009</b></u>	<u><b>11.455.069</b></u>	<u><b>9.646.910</b></u>	<u><b>1.205.591</b></u>	<u><b>1.488.691</b></u>	<u><b>770.362</b></u>	<u><b>32.665.331</b></u>

As of 31 December 2006, tangible assets have been insured for YTL 71.278.819 (31.12.2005: YTL 63.909.407).

As of 31 December 2006, mortgages totaling to YTL 51.475.643 were instituted upon the aforementioned land, to secure the loan agreements made (Note 31-b).

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As of 31 December 2005, tangible assets and their accumulated depreciation comprised of the following:

	Land YTL	Infrastructure and land improvement YTL	Buildings YTL	Property, plant and equipment YTL	Vehicles YTL	Furniture and fittings YTL	Other tangible assets YTL	Construction in progress YTL	Total YTL
<u>Cost Value</u>									
01.01.2005	1.927.190	2.572.145	14.655.989	41.288.858	1.658.580	4.276.226	2.265.114	10.000	68.654.102
Additions	5.304.000	46.040	--	161.287	659.034	67.428	216.021	48.835	6.502.645
Disposals	--	--	--	(281.815)	(39.494)	(47.988)	--	--	(369.297)
Transfer	--	58.835	--	--	--	--	--	(58.835)	--
31.12.2005	<u>7.231.190</u>	<u>2.677.020</u>	<u>14.655.989</u>	<u>41.168.330</u>	<u>2.278.120</u>	<u>4.295.666</u>	<u>2.481.135</u>	<u>--</u>	<u>74.787.450</u>
<u>Accumulated Depreciation</u>									
01.01.2005	--	(1.671.052)	(2.708.476)	(29.097.807)	(772.650)	(2.508.016)	(1.647.931)	--	(38.405.932)
Additions	--	(97.228)	(249.643)	(1.500.324)	(145.920)	(208.196)	(72.027)	--	(2.273.338)
Disposals	--	--	--	235.055	19.747	18.406	--	--	273.208
31.12.2005	<u>--</u>	<u>(1.768.280)</u>	<u>(2.958.119)</u>	<u>(30.363.076)</u>	<u>(898.823)</u>	<u>(2.697.806)</u>	<u>(1.719.958)</u>	<u>--</u>	<u>(40.406.062)</u>
<b>31.12.2005</b>									
<b>Net Book Value</b>	<u><b>7.231.190</b></u>	<u><b>908.740</b></u>	<u><b>11.697.870</b></u>	<u><b>10.805.254</b></u>	<u><b>1.379.297</b></u>	<u><b>1.597.860</b></u>	<u><b>761.177</b></u>	<u><b>--</b></u>	<u><b>34.381.388</b></u>

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**NOTE 20 – INTANGIBLE ASSETS**

As of 31 December 2006, intangible assets and their accumulated amortization comprised of the following:

	Rights <u>YTL</u>	Computer software <u>YTL</u>	Other intangible assets <u>YTL</u>	Total <u>YTL</u>
<u>Cost Value</u>				
01.01.2006	88.396	471.760	177.575	737.731
Additions	--	38.648	--	38.648
Disposals	--	--	--	--
31.12.2006	<u>88.396</u>	<u>510.408</u>	<u>177.575</u>	<u>776.379</u>
<u>Accumulated Amortization</u>				
01.01.2006	(42.818)	(343.108)	(177.575)	(563.501)
Additions	(16.886)	(52.350)	--	(69.236)
Disposals	--	--	--	--
31.12.2006	<u>(59.704)</u>	<u>(395.458)</u>	<u>(177.575)</u>	<u>(632.737)</u>
<b>31.12.2006</b>				
<b>Net book value</b>	<b><u>28.692</u></b>	<b><u>114.950</u></b>	<b><u>--</u></b>	<b><u>143.642</u></b>

31 December 2005, intangible assets and their accumulated amortization comprised of the following:

	Rights	Computer software	Other intangible assets	Total
<u>Cost Value</u>				
01.01.2005	88.396	415.208	177.575	681.179
Additions	--	56.552	--	56.552
Disposals	--	--	--	--
31.12.2005	<u>88.396</u>	<u>471.760</u>	<u>177.575</u>	<u>737.731</u>
<u>Accumulated Depreciation</u>				
01.01.2005	(25.463)	(284.655)	(177.575)	(487.693)
Additions	(17.355)	(58.453)	--	(75.808)
Disposals	--	--	--	--
31.12.2005	<u>(42.818)</u>	<u>(343.108)</u>	<u>(177.575)</u>	<u>(563.501)</u>
<b>31.12.2005</b>				
<b>Net Book Value</b>	<b><u>45.578</u></b>	<b><u>128.652</u></b>	<b><u>--</u></b>	<b><u>174.230</u></b>

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**NOTE 21 – ADVANCES RECEIVED**

	<u><b>31.12.2006</b></u>	<u><b>31.12.2005</b></u>
Advances received	59.872	198.729
<b>Total</b>	<u><b>59.872</b></u>	<u><b>198.729</b></u>

**NOTE 22 – RESERVE FOR EMPLOYEE TERMINATION BENEFIT**

None (31 December 2005 – None).

**NOTE 23 – PROVISION FOR PAYABLES**

**Current Provision for Payables**

Provision for unpaid interest accrued on bank borrowings	340.194	145.297
Provision for turnover premium	197.350	103.825
<b>Total</b>	<u><b>537.544</b></u>	<u><b>249.122</b></u>

**Non-current Provision for Payables**

Retirement pay provision	1.050.587	840.798
<b>Total</b>	<u><b>1.050.587</b></u>	<u><b>840.798</b></u>

**Reserve for Retirement Pay**

The Group has no retirement commitment agreement except legal obligation.

According to Turkish Laws, the Group has to pay seniority indemnity to each employee who leaves after completion of one year's service provided that the employee has completed 25 years of service and reached the retirement age of 60 for men and 58 for women or the employee has been asked to leave or is called for military service. The amount of indemnity is the equivalent of one month's salary for each year of service subject to a ceiling. This ceiling amount is YTL 1.857,44 (31.12.2005: YTL 1.727,15).

The provision for retirement pay is not funded and there is no legal requirement in respect of such funding. The related provision is calculated on basis of the estimated present value of the probable liability which may arise in the future as a result of the severance of the employee of the Group.

The basic assumption is the ceiling amount will increase proportional with inflation. The Communiqué numbered XI/25 foresees the development actuarial valuation methods for the estimation of the severance pay provision.

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Accordingly, the forested actuarial rates used in calculation of total severance pay provision are shown below:

	<u><b>31.12.2006</b></u>	<u><b>31.12.2005</b></u>
Discount rate	% 5,71	% 5,49

Movement of retirement pays liabilities in during period:

Balance at the beginning of the period	840.798	661.978
Increase in provision in the current period	373.323	327.507
Payments	(163.534)	(148.687)
<b>Total</b>	<u><u><b>1.050.587</b></u></u>	<u><u><b>840.798</b></u></u>

**NOTE 24 – MINORITY INTEREST**

As of 31.12.2006 the shareholders equity of consolidated subsidiary and minority interest is a shown below:

	<u><b>31.12.2006</b></u>
Share capital	250
Net profit for the year	<u>(94.992)</u>
Total shareholders equity	<u><u><b>(94.742)</b></u></u>
Rate of minority interest	2%
Minority interest	--
Minority profit/(loss)	(250)

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**NOTE 25 – SHARE CAPITAL**

As of 31 December 2006 and 31 December 2005, the composition of shareholders and their respective percentage of ownership are summarized as follows:

<u>Shareholders</u>	31.12.2006		31.12.2005	
	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>
Gençoğlu Holding A.Ş.	%45,14	19.860.674	%45,14	19.860.674
Turhan Gençoğlu	%2,96	1.301.915	%2,96	1.301.915
Orhan Ümit Gençoğlu	%2,96	1.301.915	%2,96	1.301.915
Morsan Tekstil San. A.Ş.	%0,59	261.782	%0,59	261.782
DEG	%14,65	6.447.830	%14,65	6.447.830
Public	%33,70	14.825.884	%33,70	14.825.884
<b>Total</b>	<b>%100,00</b>	<b>44.000.000</b>	<b>%100,00</b>	<b>44.000.000</b>
Inflation adjustment to share capital (*)		23.412.213		23.412.213
<b>Total share capital</b>		<b><u><u>67.412.213</u></u></b>		<b><u><u>67.412.213</u></u></b>

(\*) Inflation adjustment to share capital represents the cumulative restatement differences arising between the historical cost of share capital and the corresponding restated value.

The registered share capital of the Parent Company is YTL amounted. Privileges are listed below:

<u>Sequence</u>	<u>Group</u>	<u>Registered / Bearer</u>	<u>Nominal</u>	<u>Privilege</u>
1	A	Bearer	0,001 YTL	**
2	B	Bearer	0,001 YTL	None
4	A	Bearer	0,001 YTL	**
3	B	Bearer	0,001 YTL	None
5	A	Bearer	0,001 YTL	**
5	B	Bearer	0,001 YTL	None
7	A	Bearer	0,001 YTL	**
7	B	Bearer	0,001 YTL	None

(\*\*): The majority of the members of the board of directors and the board of statutory auditors are elected from among the nominees of these groups of shareholders.

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**NOTE 26 – CAPITAL RESERVES**

The historic and restated values of share capital and profit reserves (which are shown at historic in the accompanying financial statements) are as follows:

**31.12.2006**

	<b><u>Historic Values</u></b>	<b><u>Restated Values</u></b>	<b><u>Equity Restatement Difference</u></b>
Capital	44.000.000	67.412.213	23.412.213
Premium in access of par	361.210	559.020	197.810
Legal reserves	110.959	1.172.426	1.061.467
<b>Total</b>	<b>44.472.169</b>	<b>69.143.659</b>	<b>24.671.490</b>

**31.12.2005**

Capital	44.000.000	67.412.213	23.412.213
Premium in access of par	361.210	559.020	197.810
Legal reserves	110.959	1.172.426	1.061.467
<b>Total</b>	<b>44.472.169</b>	<b>69.143.659</b>	<b>24.671.490</b>

**NOTE 27 – PROFIT RESERVES**

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above.

In accordance with Capital Market Board Communiqué No. XI/25, the components of shareholders equity (comprising share capital, share premium, legal reserves, statutory reserves, special reserves and extraordinary reserves) are shown at the historic book values and the cumulative restatement differences arising from such items are included in equity restatement difference" under shareholders equity.

As of 30 June 2006 and 31 December 2005 the historic and restated values of legal reserves are as follows:

	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>
Legal reserves	110.959	110.959
<b>Total</b>	<b>110.959</b>	<b>110.959</b>

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**NOTE 28 – PREVIOUS YEARS’ PROFITS / LOSSES**

To prepare its first financial statements in content of Communiqué of Capital Market Board No: XI-25 as of 31.12.2005, the Company restated its beginning balance sheet dated 31.12.2004 in accordance with article numbered 718 of this Communiqué as it has been prepared from the beginning. As of 31.12.2005 in accordance with the Communiqué of Capital Market Board No: XI-25, previous years’ loss of the Group is YTL 34.207.522.

<b>Balance at 31 December 2005</b>	<b>(34.207.522)</b>
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Net profit for the year 2005	(530.648)
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<b>Balance at 31 December 2006</b>	<b>(33.676.874)</b>
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**NOTE 29 – FOREIGN CURRENCY POSITION**

	<u>31.12.2006</u>	<u>31.12.2005</u>
Foreign currency assets	3.694.913	51.216
Foreign currency liabilities	(29.119.096)	(27.546.334)
<b>Foreign currency position (net)</b>	<b>(25.424.183)</b>	<b>(27.495.118)</b>

	<u>31.12.2006</u>			
	<u>USD</u>	<u>EURO</u>	<u>GBP</u>	<u>Total YTL</u>
Liquid Assets	4.353	45.479	5	90.337
Trade receivables	81.188	1.307.623	387.897	3.604.576
<b>Total foreign currency assets</b>	<b>85.541</b>	<b>1.353.102</b>	<b>387.902</b>	<b>3.694.913</b>
Financial liabilities	--	15.313.583	--	28.353.099
Trade payables	228.540	207.210	21.924	765.326
Advances received	--	362	--	671
<b>Total foreign currency liabilities</b>	<b>228.540</b>	<b>15.521.155</b>	<b>21.924</b>	<b>29.119.096</b>

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	<b>31.12.2005</b>			
	<b><u>USD</u></b>	<b><u>EURO</u></b>	<b><u>GBP</u></b>	<b><u>Total YTL</u></b>
Liquid Assets	35.237	2.472	5	51.216
<b>Total foreign currency assets</b>	<b>35.237</b>	<b>2.472</b>	<b>5</b>	<b>51.216</b>
Financial liabilities	--	17.273.776	--	27.422.119
Trade payables	--	77.262	676	124.215
<b>Total foreign currency liabilities</b>	<b>--</b>	<b>17.351.038</b>	<b>676</b>	<b>27.546.334</b>

**NOTE 30 – GOVERNMENT GRANTS**

**Freight Subsidy Income:**

The Company accrued for a freight subsidy of YTL 830.509 (31.12.2005: YTL 909.193) related to its exports during the period 01.01-31.12.2005 and has reflected USD 1.258.025 in its income for the current period. Such freight subsidy has been approved by the Turkish Export Association and a request regarding the payment of the said amount has been submitted to the Turkish Central Bank.

**NOTE 31 – OTHER PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

a) As of 31.12.2006 and 31.12.2005 the detail of the lawsuits filed by/against the Group is as follows:

As of 31.12.2006, there were court cases ongoing against customers of the Company. The total amount claimed, after the deduction of the guarantees given, was YTL 2.113.166 (31.12.2005: YTL 730.506) against which provision has been aside in full.

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b) Mortgages and collaterals on assets as of 31.12.2006:

<u>Mortgage/ Guarantee</u>	<u>Degree of Mortgage</u>	<u>Counter Party</u>	<u>Purpose of Mortgage</u>	<u>Registration Date</u>	<u>Term of Mortgage</u>	<u>Currency Type</u>	<u>Currency Amount</u>	<u>YTL Amount</u>
Mortgage	1	Alternatifbank A.Ş.	Loan	24.08.2004	Indefinite	--	--	1.000.000
Mortgage	1	Alternatifbank A.Ş.	Loan	11.07.2005	Indefinite	--	--	1.000.000
Mortgage	2	Yapı ve Kredi Bankası A.Ş.	Loan	12.07.1994	Indefinite	--	--	100.000
Mortgage	2	Yapı ve Kredi Bankası A.Ş.	Loan	12.07.1994	Indefinite	--	--	100.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	23.06.1994	Indefinite	--	--	250.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	23.06.1994	Indefinite	--	--	250.000
Mortgage	3	T.Garanti Bankası A.Ş.	Loan	12.10.1998	Indefinite	--	--	500.000
Mortgage	5	T.Garanti Bankası A.Ş.	Loan	12.10.1998	Indefinite	--	--	1.700.000
Mortgage	7	T.Garanti Bankası A.Ş.	Loan	14.08.2000	Indefinite	--	--	2.000.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	1.500.000
Mortgage	4	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	1.000.000
Mortgage	11	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	2.500.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	2.500.000
Mortgage	4	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	100.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	02.05.2001	Indefinite	--	--	1.000.000
Mortgage	2	T.Halk Bankası A.Ş.	Loan	28.01.2005	Indefinite	--	--	1.600.000
Mortgage	1	T.Halk Bankası A.Ş.	Loan	28.01.2005	Indefinite	--	--	1.800.000
Mortgage	9	T.Halk Bankası A.Ş.	Loan	18.09.2000	Indefinite	--	--	2.000.000
Mortgage	6	T.Halk Bankası A.Ş.	Loan	02.09.1999	Indefinite	--	--	3.000.000
Mortgage	8	T.Halk Bankası A.Ş.	Loan	08.09.2000	Indefinite	--	--	1.600.000
Mortgage	1	T.Halk Bankası A.Ş.	Loan	28.01.2005	Indefinite	EURO	2.000.000	3.703.000
Mortgage	3	T.Halk Bankası A.Ş.	Loan	28.01.2005	Indefinite	EURO	2.000.000	3.703.000
Mortgage	13	T.Halk Bankası A.Ş.	Loan	09.12.2003	Indefinite	EURO	1.000.000	1.851.500
Mortgage	4	T. Vakıflar Bankası A.Ş.	Loan	19.08.1998	Indefinite	--	--	362.000
Mortgage	10	T. Vakıflar Bankası A.Ş.	Loan	17.11.2000	Indefinite	--	--	6.000.000
Mortgage	12	T. Vakıflar Bankası A.Ş.	Loan	17.05.2001	Indefinite	--	--	6.138.000
Mortgage	3	T. Vakıflar Bankası A.Ş.	Loan	19.08.1998	Indefinite	EURO	1.278.230	2.366.643
Mortgage	1	T. Vakıflar Bankası A.Ş.	Loan	10.11.2004	Indefinite	EURO	500.000	925.750
Mortgage	1	T. Vakıflar Bankası A.Ş.	Loan	15.09.2005	Indefinite	EURO	500.000	925.750
<b>Total</b>								<b>51.475.643</b>

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Mortgages and collaterals on assets of parent company as of 31.12.2005:

<u>Mortgage/ Guarantee</u>	<u>Degree of Mortgage</u>	<u>Counter Party</u>	<u>Purpose of Mortgage</u>	<u>Registration Date</u>	<u>Term of Mortgage</u>	<u>Currency Type</u>	<u>Currency Amount</u>	<u>YTL Amount</u>
Mortgage	1	Alternatifbank A.Ş.	Loan	24.08.2004	Indefinite	--	--	1.000.000
Mortgage	1	Alternatifbank A.Ş.	Loan	11.07.2005	Indefinite	--	--	1.000.000
Mortgage	2	Yapı ve Kredi Bankası A.Ş.	Loan	12.07.1994	Indefinite	--	--	100.000
Mortgage	2	Yapı ve Kredi Bankası A.Ş.	Loan	12.07.1994	Indefinite	--	--	100.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	02.05.2001	Indefinite	--	--	1.000.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	1.500.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	23.06.1994	Indefinite	--	--	250.000
Mortgage	3	T.Garanti Bankası A.Ş.	Loan	12.10.1998	Indefinite	--	--	500.000
Mortgage	4	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	1.000.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	23.06.1994	Indefinite	--	--	250.000
Mortgage	5	T.Garanti Bankası A.Ş.	Loan	12.10.1998	Indefinite	--	--	1.700.000
Mortgage	7	T.Garanti Bankası A.Ş.	Loan	14.08.2000	Indefinite	--	--	2.000.000
Mortgage	11	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	2.500.000
Mortgage	1	T.Garanti Bankası A.Ş.	Loan	27.03.2001	Indefinite	--	--	2.500.000
Mortgage	1	T.Halk Bankası A.Ş.	Loan	28.01.2005	Indefinite	--	--	1.800.000
Mortgage	2	T.Halk Bankası A.Ş.	Loan	28.01.2005	Indefinite	--	--	1.600.000
Mortgage	6	T.Halk Bankası A.Ş.	Loan	02.09.1999	Indefinite	--	--	3.000.000
Mortgage	9	T.Halk Bankası A.Ş.	Loan	18.09.2000	Indefinite	--	--	2.000.000
Mortgage	8	T.Halk Bankası A.Ş.	Loan	08.09.2000	Indefinite	--	--	1.600.000
Mortgage	1	T.Halk Bankası A.Ş.	Loan	28.01.2005	Indefinite	EURO	2.000.000	3.175.000
Mortgage	3	T.Halk Bankası A.Ş.	Loan	28.01.2005	Indefinite	EURO	2.000.000	3.175.000
Mortgage	13	T.Halk Bankası A.Ş.	Loan	09.12.2003	Indefinite	EURO	1.000.000	1.587.500
Mortgage	4	T. Vakıflar Bankası A.Ş.	Loan	19.08.1998	Indefinite	--	--	362.000
Mortgage	10	T. Vakıflar Bankası A.Ş.	Loan	17.11.2000	Indefinite	--	--	6.000.000
Mortgage	12	T. Vakıflar Bankası A.Ş.	Loan	17.05.2001	Indefinite	--	--	6.138.000
Mortgage	3	T. Vakıflar Bankası A.Ş.	Loan	19.08.1998	Indefinite	EURO	1.278.230	2.029.190
Mortgage	1	T. Vakıflar Bankası A.Ş.	Loan	28.01.2005	Indefinite	EURO	500.000	793.750
Mortgage	1	T. Vakıflar Bankası A.Ş.	Loan	15.09.2005	Indefinite	EURO	500.000	793.750
<b>Total</b>								<b>49.454.190</b>

**PENGUEN GIDA SANAYİ A.Ş.**  
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c) Commitments of the Group are listed below::

**31.12.2006:**

<u>Nature of Guarantee</u>	<u>Term</u>	<u>Purpose of Guarantee</u>	<u>Beneficiary</u>	<u>Currency Type</u>	<u>Foreign Currency Amount</u>	<u>YTL Amount</u>
Guarantee Letter	Debt Repayment	Work Guarantee	Bağfaş Gübre A.Ş.	USD	43.560	61.228
Guarantee Letter	29.03.2007	Work Guarantee	Koç Statoil	EURO	200.000	370.300
Guarantee Letter	Debt Repayment	Work Guarantee	Anadolu Cam	-	-	815.000
Guarantee Letter	Debt Repayment	Work Guarantee	Hewlett Packard	USD	14.400	20.241
Guarantee Letter	Debt Repayment	Guarantee for fees and expenses	Tax offices	-	-	178.866
Guarantee Letter	Debt Repayment	Guarantee for fees and expenses	Customs	-	-	50.699
Guarantee Letter	Debt Repayment	For loans obtained	TSKB	-	-	5.220
Guarantee Letter	Debt Repayment	Work Guarantee	TEDAŞ- TEK	-	-	93.555
Guarantee Letter	Debt Repayment	Work Guarantee	Türk Hava Yolları	-	-	3.557
Guarantee Letter	Debt Repayment	Work Guarantee	Konya Ereğli Şeker Fabrikası	USD	61.000	85.742
Guarantee Letter	Debt Repayment	Work Guarantee	Eskişehir Şeker Fabrikası	USD	60.500	85.039
Guarantee Letter	Debt Repayment	Work Guarantee	Ankara Şeker Fabrikası	USD	34.550	48.563
Guarantee Letter	Debt Repayment	Work Guarantee	Afyon Şeker Fabrikası	USD	93.500	131.424
<b>Total Guarantee Letter</b>						<b>1.949.434</b>
Guarantee Notes	Debt Repayment	Work Guarantee	Various trade creditors	-	-	1.323.700
Guarantee Notes	Debt Repayment	For loans obtained	T. Halk Bankası A.Ş.	-	-	5.174.410
Guarantee Notes	Debt Repayment	For loans obtained	Alternatifbank A.Ş.	-	-	2.841.900
<b>Total Guarantee Notes</b>						<b>9.340.010</b>
<b>Total</b>						<b>11.289.444</b>

**PENGUEN GIDA SANAYİ A.Ş.**  
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**31.12.2005:**

<u>Nature of Guarantee</u>	<u>Term</u>	<u>Purpose of Guarantee</u>	<u>Beneficiary</u>	<u>Foreign Currency Type</u>	<u>Foreign Currency Amount</u>	<u>YTL Amount</u>
Guarantee Letter	Debt Repayment	Guarantee for fees and expenses	Customs	-	-	50.284
Guarantee Letter	Debt Repayment	For law suits	Courts	-	-	105
Guarantee Letter	Debt Repayment	For loans obtained	Maersk A.Ş.	EURO	220.000	349.250
Guarantee Letter	Debt Repayment	For loans obtained	Anadolu Cam	-	-	815.000
Guarantee Letter	Debt Repayment	Work Guarantee	Tax offices	-	-	178.961
Guarantee Letter	Debt Repayment	For loans obtained	TSKB	-	-	5.220
Guarantee Letter	Debt Repayment	Work Guarantee	TEDAŞ - TEK	-	-	93.555
Guarantee Letter	Debt Repayment	Work Guarantee	Burdur Şeker Fabrikası	USD	22.000	29.520
Guarantee Letter	Debt Repayment	Work Guarantee	Konya İlgın Şeker Fabrikası	USD	65.000	87.217
Guarantee Letter	Debt Repayment	Work Guarantee	Konya Ereğli Şeker Fabrikası	USD	61.000	81.850
Guarantee Letter	Debt Repayment	Work Guarantee	Eskişehir Şeker Fabrikası	USD	-	27.000
Guarantee Letter	Debt Repayment	Work Guarantee	Eskişehir Şeker Fabrikası	USD	65.500	87.888
Guarantee Letter	Debt Repayment	Work Guarantee	Ankara Şeker Fabrikası	USD	34.550	46.359
Guarantee Letter	Debt Repayment	Work Guarantee	Koç Statoil	EURO	200.000	317.500
Guarantee Letter	Debt Repayment	Work Guarantee	Airports	-	-	5.915
Guarantee Letter	Debt Repayment	For loans obtained	Hewlett Packard	USD	59.472	79.728
Guarantee Letter	Debt Repayment	Work Guarantee	Türkiye Şeker Fabrikaları	-	-	160.140
<b>Total Guarantee Letter</b>						<b>2.415.564</b>
Guarantee Notes	Debt Repayment	Work Guarantee	Various trade creditors	-	-	1.222.999
Guarantee Notes	Debt Repayment	For loans obtained	T. Halk Bankası A.Ş.	-	-	5.174.410
Guarantee Notes	Debt Repayment	For loans obtained	Alternatifbank A.Ş.	-	-	2.841.900
Guarantee Notes	Debt Repayment	For loans obtained	Anadolu Cam	-	-	750.000
<b>Total Gurantee Notes</b>						<b>9.989.309</b>
<b>Total</b>						<b>12.404.873</b>

**PENGUEN GIDA SANAYİ A.Ş.**  
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**NOTE 32 – BUSINESS COMBINATIONS**

None (31 December 2005 None).

**NOTE 33 – SEGMENT REPORTING**

As of 31.12.2006 and 31.12.2005 composition of sales and cost of sales of the Group are listed below:

**01.01.-31.12.2006:**

<u>Product Type</u>	<u>Unit</u>	<u>Sales Quantity</u>	<u>Net Sales Amount</u>	<u>Net Sales (%)</u>	<u>Cost of Sales</u>	<u>Gross Profit</u>
Canned product	Kg	12.564.243	32.996.138	49	30.091.110	2.905.028
Jam	Kg	5.672.484	15.490.633	23	11.112.869	4.377.764
Tomato paste	Kg	3.599.875	7.070.596	11	6.186.020	884.576
Frozen	Kg	8.671.013	11.427.085	17	8.254.327	3.172.758
<b>Total</b>			<b>66.984.452</b>	<b>100</b>	<b>55.644.326</b>	<b>11.340.126</b>

**01.01.-31.12.2005:**

Canned product	Kg	12.341.191	32.339.424	55	23.653.559	8.685.865
Jam	Kg	4.300.238	10.583.812	18	7.307.315	3.276.497
Tomato paste	Kg	3.131.161	5.291.906	9	4.493.092	798.814
Frozen	Kg	7.852.344	10.583.811	18	8.522.736	2.061.075
<b>Total</b>			<b>58.798.953</b>	<b>100</b>	<b>43.976.702</b>	<b>14.822.251</b>

Sales of the Group consists of 48% (01.01.-31.12.2005: 49%) domestic, 52% (01.01.-31.12.2005: 51%) exports.

**NOTE 34 – EVENTS AFTER THE BALANCE SHEET DATE**

- a) The retirement pay provision ceiling is increased to YTL 1.960,69.
- b) On the date of 07.03.2007, the Parent Company has requested from the Capital Market Board to apply the increasing of the share capital from YTL 44.000.000 to YTL 50.600.000.

**NOTE 35 – DISCONTINUED OPERATIONS**

None (31 December 2005 – None.)

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**NOTE 36 – OPERATING INCOME**

	<u><b>01.01-31.12.2006</b></u>	<u><b>01.01-31.12.2006</b></u>
<u>Produced Quantity:</u>		
Canned product	14.065.651	15.362.720
Jam	4.439.294	4.011.032
Tomato paste	602.640	351.762
Frozen	10.568.430	9.497.408
Domestic sales	36.248.999	30.927.232
Exports	36.554.790	32.539.841
Other revenue	1.742.929	1.588.187
Sales return	(2.006.957)	(1.315.585)
Sales allowance	(4.739.749)	(4.858.633)
Other discount	(815.560)	(82.089)
Sales revenue (net)	<u>66.984.452</u>	<u>58.798.953</u>
Cost of sales	(55.644.326)	(43.976.702)
<b>GROSS OPERATING PROFIT/(LOSS)</b>	<u><b>11.340.126</b></u>	<u><b>14.822.251</b></u>

**PENGUEN GIDA SANAYİ A.Ş.**  
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**NOTE 37 – OPERATING EXPENSES**

<b>Marketing, Selling and Distribution Expenses</b>	<b><u>01.01-31.12.2006</u></b>	<b><u>01.01-31.12.2005</u></b>
Personnel salaries expenses	1.576.614	1.375.671
Food expenses	94.837	99.167
Electricity and water expenses	15.983	7.055
Fuel expenses	307.362	309.606
Repair and maintenance expense	150.533	139.098
Communication expenses	57.698	55.039
Transportation expense	709.214	500.509
Freight expenses	2.264.405	1.606.854
Cargo and portage expense	84.788	83.424
Rent expense	101.848	112.289
Traveling expense	75.882	79.991
Office expense	20.244	20.689
Export – import expenses	1.343.153	125.121
Commission expenses	70.953	564.873
Advertisement expenses	456.976	87.342
Fair expenses	73.450	43.406
Turnover premium paid	764.721	598.979
Allowances for turnover premium	197.350	103.825
Stores participation pay	1.504.042	1.570.892
Analysis expenses	18.897	22.430
Sales supporting and shelf personnel expenses	381.668	73.951
Good participation pay	33.072	30.345
Other	761.509	531.476
<b>Total</b>	<b><u>11.065.199</u></b>	<b><u>8.142.032</u></b>

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<b>General Administrative expenses</b>	<b><u>01.01-31.12.2006</u></b>	<b><u>01.01-31.12.2005</u></b>
Personnel and management salaries expenses	2.253.849	1.948.904
Destroyed inventories	635.622	380.159
Provision for doubtful receivables	1.434.037	193.387
Provision for employee termination benefit	373.323	327.507
Energy and fuel expenses	149.970	792.564
Repair and maintenance expenses	116.698	101.822
Communication expenses	106.303	93.500
Transportation, freight and cargo expenses	54.848	20.391
Insurance expense	375.824	426.988
Traveling expense	126.447	87.802
Court and notary expenses	151.996	80.231
Office expenses	120.026	131.603
Disallowable expenses	186.527	188.282
Consultancy expenses	156.882	129.171
Advertisement expenses	29.804	58.293
Taxes and fees paid	143.821	286.527
Depreciation expense	581.181	693.548
Representation expense	36.087	44.967
Other	227.910	204.688
Total	<u>7.261.155</u>	<u>6.190.334</u>
<b>Total Operating Expenses</b>	<b><u>18.326.354</u></b>	<b><u>14.332.366</u></b>

**PENGUEN GIDA SANAYİ A.Ş.**  
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**NOTE 38 – INCOME/EXPENSE AND PROFIT/LOSS FROM OTHER OPERATIONS**

<b>Other operating income</b>	<b>01.01- 31.12.2006</b>	<b>01.01- 31.12.2005</b>
Provision no longer required	49.377	35.354
Foreign exchange income	52.333	3.917.140
Financial income on term sales	1.588.605	1.195.218
Interest income	114.610	18.990
Profit on sales of fixed assets	489.673	23.623
Rent income	474.033	36.879
Other	158.649	148.124
<b>Total</b>	<b>2.927.280</b>	<b>5.375.328</b>

**Other operating expenses**

Commission expense	91.397	25.484
Foreign exchange loss	51.121	6.523
Financial expense on term purchases	1.541.017	559.613
Idle capacity labor expenses	--	1.748.845
Loss on sale of fixed assets	76.551	46.400
VAT uncollectible	293.046	--
Other	142.008	156.771
<b>Total</b>	<b>2.195.140</b>	<b>2.543.636</b>

**NOTE 39 – FINANCIAL EXPENSES**

Interest expenses	2.462.083	2.680.220
Foreign exchange loss	4.002.152	--
Other	1.139.945	355.887
<b>Total</b>	<b>7.604.180</b>	<b>3.036.107</b>

**NOTE 40 – MONETARY GAIN / LOSS**

The gain or loss on the net monetary position may be derived as the difference resulting from the restatement of non-monetary assets, owners' equity and income statement items and the adjustment of index linked assets and liabilities. However as the restatement of financial statements in accordance with IAS 29 has been discontinued in effect from 1 January 2005 no gain or loss on monetary position has arisen for the period ended 31 December 2006 and 31 December 2005.

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**NOTE 41 – TAXES**

The corporation tax rate on the profits for the calendar year 2006 is 20% (2005 – 30%). Taxable profits are calculated by addition of tax disallowed expenses to and deduction of tax exemptions (investment income exemption) and deductions (investment incentive deductions) from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

According to Law No. 5024 published on 30.12.2003, concerning amendments made in the Turkish Tax Laws and Regulations, Income Tax Law and Corporation Tax Law (Law No. 5024) taxable profits effective from 01.01.2004 will be based on the statutory financial statements adjusted for the effects of inflation; such adjustments for inflation will be made in respect of each quarterly tax period during the year. The financial statements at 31.12.2003 must be adjusted for inflation likewise.

The Group has adjusted its statutory financial statements as of 31.12.2004 on the basis of Law No. 5024 and the related communiqués. No inflationary restatements were made in the statutory records during 2005 due to required conditions as per Turkish Tax Regulation article 298 were not realized.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

The exemption period granted on profits from the sale of investment shares and immovable property by Corporation Tax Law transitory articles No. 28 and 29 expired on 31.12.2004. However this exemption was re-enacted by Law No. 5281 on permanent basis in effect from 01.01.2005 and added to Corporation Tax Law article 8.

75% of the profits derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which were held for more than two full years are exempt from corporate tax, provided such profits are held in an equity fund account and has not been withdrawn from the entity for a period of 5 years. The sales proceeds must be collected up until the end of the second calendar year following the year of the sale.

Companies are allowed to deduct 40% of the value of fixed assets (exceeding TL 6 billion) purchased after 24 April 2003 (investment allowances) from their taxable profits as investment incentive. Such investment deduction is not subject to income tax withholding. The investment deductions not used in any year because of insufficient profits may be carried to future periods. The requirement to obtain an Investment Incentive Certificate in order to deduct certain allowances (named investment allowances) from taxable profits has been abolished in effect from 24 April 2003. Investment allowances related to fixed assets purchased or to be purchased under Investment Incentive Certificates granted or applied for before 24.04. 2003, may be based on up to 100% of the investment value in fixed assets, but these are subject to tax at 19.8%.

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The investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 dated 30/3/2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31.12.2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31.12.2005.

a) In the scope of the investment incentive certificates prepared related to the applications before 24.04.2003, investments to be made after 01.01.2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No.193, with Law No.4842.

b) In the scope of the abolished 19th article of Income Tax Law No.193, the investment allowance amounts to be calculated in accordance with the legislation in force at 31.12.2005 for investments which were started before 01.01.2006 and which display an economical and technical integrity.

The following clause was introduced to Tax Law No. 5228, dated 16.07.2004 in article 28/9; in effect from 31.07.2004, 40% of expenditure incurred by corporations on internal technology and information research and development will be exempt from corporation taxes as research and development deduction granted. This will not apply to research and development expenditure incurred prior to the period this Law came into effect. Research and development deduction will not be subject to withholding taxes.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. Tax returns must be filed within three and half months of the year-end and may be subject to investigation, together with their underlying accounting records, by the tax authorities at any stage during the following five years.

Tax provision for the years of 31.12.2006 and 2005 comprised:

	<u><b>01.01.-31.12.2006</b></u>	<u><b>01.01- 31.12.2005</b></u>
Current period's corporation tax charge	--	--
Deferred tax expense / (income)	(824.807)	245.178
<b>Total corporation tax charge</b>	<u><b>(824.807)</b></u>	<u><b>245.178</b></u>

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**NOTE 42 – EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on net profit for the related year/interim period ended divided by weighted average number of ordinary shares outstanding during the year or the interim period.

	<u>01.01.-31.12.2006</u>	<u>01.01- 31.12.2005</u>
Shareholders' net profit / (loss) for the period	(14.682.825)	530.648
Weighted average number of ordinary shares outstanding	4.400.000	4.400.000
Earnings per share (with a par value of 1 YTL per share)	(3,337)	0,121

**NOTE 43 – CASH FLOW STATEMENT**

The accompanying financial statements include a statement of cash flows.

**NOTE 44 – OTHER ISSUES WHICH ARE SIGNIFICANT TO THE FINANCIAL STATEMENTS OR WHICH SHOULD BE DISCLOSED FOR THE PURPOSE OF UNDERSTANDABILITY AND THE TRUE AND FAIR VIEW/PRESENTATION OF THE FINANCIAL STATEMENTS**

None.