

**PENGUEN GIDA SANAYİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007  
TOGETHER WITH AUDITOR'S REPORT  
(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH**

To the Board of Directors of Penguen Gıda Sanayi A.Ş.

1. We have audited the accompanying consolidated balance sheet of Penguen Gıda Sanayi A.Ş. and its subsidiary ("the Group") as of 31 December 2007 and the related consolidated statement of income, consolidated changes in shareholders' equity, consolidated cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

Our independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Our independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

The Group's consolidated financial statements for the year ended 31 December 2006 were audited by another audit firm whose report dated 5 May 2007 expressed a qualified opinion due to the point that utilization of the deferred tax assets depends on the future taxable income of the Group.

*Opinion*

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Penguen Gıda Sanayi A.Ş. as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB.

*Emphasis of matter*

5. The financial reporting standards issued by the Capital Markets Board differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them, as described in detail in Note 2 to the accompanying financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers

**ORIGINAL TURKISH VERSION WAS SIGNED OFF**

Gökhan Yüksel, SMMM  
Partner

İstanbul, 10 April 2008

# PENGUEN GIDA SANAYİ A.Ş.

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(Amounts expressed in New Turkish Lira (“YTL”) unless otherwise indicated.)

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

PENGUEN GIDA SANAYİ A.Ş.

CONSOLIDATED BALANCE SHEETS  
AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	31 December 2007	31 December 2006
<b>ASSETS</b>			
<b>Current Assets</b>		<b>40.959.108</b>	<b>41.557.051</b>
Cash and cash equivalents	4	952.009	493.784
Marketable securities (net)	5	-	-
Trade receivables (net)	7	10.047.991	13.756.681
Leasing receivables (net)	8	-	-
Due from related parties (net)	9	465.786	437.724
Other receivables (net)	10	1.556.487	416.602
Biological assets (net)	11	-	-
Inventories (net)	12	26.000.466	23.699.365
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	1.936.369	2.752.895
<b>Non-current assets</b>		<b>33.385.644</b>	<b>33.956.698</b>
Trade receivables (net)	7	16	16
Leasing receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	-	-
Goodwill/negative goodwill (net)	17	-	-
Investment properties (net)	18	-	-
Property, plant and equipment (net)	19	31.711.664	32.665.331
Intangible assets (net)	20	116.472	143.642
Deferred tax assets	14	1.557.492	1.147.709
Other non-current assets	15	-	-
<b>TOTAL ASSETS</b>		<b>74.344.752</b>	<b>75.513.749</b>

These consolidated financial statements were approved for issue by the Board of Directors on 10 April 2008.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

PENGUEN GIDA SANAYİ A.Ş.

CONSOLIDATED BALANCE SHEETS  
AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	31 December 2007	31 December 2006
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>29.487.569</b>	<b>53.150.507</b>
Short-term borrowings	6	18.856.219	27.530.099
Current portion of long-term borrowings (net)	6	-	6.776.670
Leasing payables (net)	8	215.020	57.129
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	9.805.585	16.903.686
Due to related parties (net)	9	10.731	1.195.530
Advances received	21	-	59.872
Construction progress billings (net)	13	-	-
Provisions	23	142.801	197.350
Deferred tax liabilities	14	-	-
Other liabilities (net)	10	457.213	430.171
<b>Non-current liabilities</b>		<b>16.771.936</b>	<b>1.579.282</b>
Long-term borrowings (net)	6	15.385.789	522.809
Leasing payables (net)	8	309.837	5.886
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	1.076.310	1.050.587
Deferred tax liabilities	14	-	-
Other liabilities (net)	10	-	-
<b>Minority interest</b>	<b>24</b>	<b>(2.793)</b>	<b>-</b>
<b>Shareholders' Equity</b>		<b>28.088.040</b>	<b>20.783.960</b>
<b>Share capital</b>	<b>25</b>	<b>50.600.000</b>	<b>44.000.000</b>
<b>Adjustments to Share Capital</b>	<b>25</b>	<b>-</b>	<b>-</b>
<b>Capital reserves</b>	<b>26</b>	<b>25.692.700</b>	<b>25.032.700</b>
Share premium		1.021.210	361.210
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		-	-
Inflation adjustment to shareholders' equity		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		-	-
Investment and property sales income to be added to the capital		-	-
Translation reserve		-	-
<b>Current year profit/loss</b>		<b>44.080</b>	<b>(14.682.825)</b>
<b>Accumulated losses</b>	<b>28</b>	<b>(48.359.699)</b>	<b>(33.676.874)</b>
<b>Total shareholders' equity and liabilities</b>		<b>74.344.752</b>	<b>75.513.749</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH

PENGUEN GIDA SANAYİ A.Ş.

CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	31 December 2007	31 December 2006
<b>Operating revenue</b>			
Sales (net)	36	66.343.828	66.984.452
Cost of sales (-)	36	(51.569.920)	(55.644.326)
Service income (net)	36	-	-
Other operating income interest+dividend+rent (net)	36	-	-
<b>Gross operating profit</b>		<b>14.773.908</b>	<b>11.340.126</b>
Operating expenses (-)	37	(14.112.742)	(17.690.732)
<b>Net operating profit/(loss)</b>		<b>661.166</b>	<b>(6.350.606)</b>
Other income and gains	38	1.101.637	1.171.732
Other expenses and losses (-)	38	(956.604)	(1.238.624)
Financial income/(expenses), net	39	(1.174.695)	(7.440.770)
<b>Loss before monetary gain, taxes and minority interests</b>		<b>(368.496)</b>	<b>(13.858.268)</b>
Net monetary gain/loss	40	-	-
Minority interest gain/loss	24	2.793	250
<b>Loss before taxes</b>		<b>(365.703)</b>	<b>(13.858.018)</b>
Taxes on income	41	409.783	(824.807)
<b>Net income/(loss)</b>		<b>44.080</b>	<b>(14.682.825)</b>
<b>Earnings per share</b>	42	0,001	(0,334)

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

**PENGUEN GIDA SANAYİ A.Ş.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

	Share Capital	Share Premium	Inflation Adjustment to Shareholders' Equity	Legal Reserves	Net Income/Loss for the period	Accumulated Losses	Total Shareholders' Equity
Balance at 1 January 2006	44.000.000	361.210	24.671.490	110.959	530.648	(34.207.522)	<b>35.466.785</b>
Transfer to prior year loss	-	-	-	-	(530.648)	530.648	-
Net loss for the period	-	-	-	-	(14.682.825)	-	<b>(14.682.825)</b>
<b>Balance at 31 December 2006</b>	<b>44.000.000</b>	<b>361.210</b>	<b>24.671.490</b>	<b>110.959</b>	<b>(14.682.825)</b>	<b>(33.676.874)</b>	<b>20.783.960</b>
	Share Capital	Share Premium	Inflation Adjustment to Shareholders' Equity	Legal Reserves	Net Income/Loss for the period	Accumulated Losses	Total Shareholders' Equity
Balance at 1 January 2007	44.000.000	361.210	24.671.490	110.959	(14.682.825)	(33.676.874)	20.783.960
Capital increase (Note 25)	6.600.000	660.000	-	-	-	-	7.260.000
Transfer to prior year loss	-	-	-	-	14.682.825	(14.682.825)	-
Net income for the period	-	-	-	-	44.080	-	44.080
<b>Balance at 31 December 2007</b>	<b>50.600.000</b>	<b>1.021.210</b>	<b>24.671.490</b>	<b>110.959</b>	<b>44.080</b>	<b>(48.359.699)</b>	<b>28.088.040</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH

PENGUEN GIDA SANAYİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	1 January - 31 December 2007	1 January - 31 December 2006
<b>Cash flows from operating activities:</b>			
Income/(Loss) before tax		(365.703)	(13.858.018)
<b>Adjustments to reconcile net income to net cash provided by operating activities or used in operating activities:</b>			
Minority loss		(2.793)	-
Depreciation and amortization	19,20	2.619.865	2.574.523
Provision for unused vacation	23	82.765	-
Provision for employment termination benefits	23	458.833	373.323
Provision for doubtful receivables	7,37	50.447	1.434.037
(Income)/Loss on sale of property, plan and equipment (net)		(313.749)	(413.122)
Interest expense		3.080.328	2.462.083
Interest income		(6.708)	(114.610)
<b>Cash flows from operating activities before changes in operating assets and liabilities:</b>		<b>5.603.285</b>	<b>(7.541.784)</b>
Change in trade receivables		3.658.244	(8.269.330)
Change in due from related parties		(28.062)	5.071.791
Change in inventories		(2.301.101)	3.599.690
Change in other current assets		(323.359)	(149.017)
Change in trade payables		(7.098.100)	4.358.851
Change in due to related parties		(1.184.799)	465.178
Change in other current liabilities		(170.145)	131.510
Employment termination benefits paid	23	(433.110)	(163.534)
<b>Net cash used in operating activities</b>		<b>(2.277.147)</b>	<b>(2.496.645)</b>
<b>Investing activities:</b>			
Purchase of property, plant and equipment	19	(1.685.895)	(1.110.838)
Purchase of intangible assets	20	(46.163)	(38.648)
Proceeds from sale of property, plant and equipment		406.778	734.730
<b>Net cash used in investing activities</b>		<b>(1.325.280)</b>	<b>(414.756)</b>
<b>Financing activities:</b>			
Change in borrowings		(1.174.059)	5.301.757
Interest paid		(2.031.997)	(2.462.083)
Interest received		6.708	114.610
Capital increase		6.600.000	-
Increase in share premium		660.000	-
<b>Net cash provided from financing activities</b>		<b>4.060.652</b>	<b>2.954.284</b>
<b>Net increase in cash and cash equivalents</b>		<b>458.225</b>	<b>42.883</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>493.784</b>	<b>450.901</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>952.009</b>	<b>493.784</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PENGUEN GIDA SANAYİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

(Amounts are expressed in New Turkish Lira (“YTL”) unless otherwise stated)

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**NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS**

Penguen Gıda Sanayi A.Ş. (“Penguen Gıda” or the “Company”) was established in 1988, in Bursa on 150.000 m2 plant with 75.000 m2 closed production area and produces frozen goods, canned food, tomato paste and jam.

Penguen Pazarlama A.Ş. (“Subsidiary”) was established at 1 March 2006 in order to perform domestic and foreign trade, import and export, storage of any kind of goods, and to perform any kind of delivery in both domestic and foreign territories. The grand majority of the goods produced for foreign market by Penguen Gıda is exported by Penguen Pazarlama A.Ş.

The institutions mentioned above all together are represented as “Group”. Accompanying current period’s financial statements are prepared by full consolidation method of financial statements with the consolidation of Penguen Gıda and of Penguen Pazarlama A.Ş, the subsidiary, which has been acquired by Penguen Gıda at 1 March 2006.

Penguen Gıda used to make its foreign sales via one of the related organizations Penguen Gıda Pazarlama A.Ş. before formation of the subsidiary mentioned above, Penguen Pazarlama A.Ş. Company used to pay a commission that varies between %0,5-3 to Penguen Gıda Pazarlama A.Ş. by the years but this application has been cancelled at 1 September 2005. The grand majority of foreign sales are performed through the subsidiary, Penguen Pazarlama A.Ş., since 1 March 2006. No commission is charged for the sales mentioned above.

Production and sales of the Group fluctuates in respect of seasonality effect. The Group makes majority of the production in July, August and September.

The registered office address of the Company is as follows:

İzmir Yolu 22. Km  
Mümin Gençoğlu Cd.  
16285 Bursa

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PENGUEN GIDA SANAYİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

(Amounts are expressed in New Turkish Lira (“YTL”) unless otherwise stated)

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Accounting standards**

The consolidated financial statements of the Company have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board (“CMB”), namely “CMB Accounting Standards”. The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 “The Accounting Standards in the Capital Markets”. Accompanying financial statements and notes are prepared according to Communiqué No: XI-25, and presented conformly to the obligatory announcement of CMB as of 20 December 2004.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

The financial statements are prepared in New Turkish Lira (“YTL”) based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

**2.2 Adjustments of Financial Statements in Hyperinflationary Periods**

Inflation adjustment has not been applied for the years ended 31 December 2007 and 2006.

**2.3 Basis of Consolidation**

As of 31 December 2007, the subsidiary’s official title, share capital and parent company’s ratio in the share capital of subsidiary, which are included in the accompanying consolidated financial statements are as follows:

<u>Subsidiary’s Official Title</u>	<u>Ratio of Parent Company</u>	<u>Share Capital</u>	<u>Unpaid Capital</u>
Penguen Pazarlama A.Ş.	98%	50.000	(37.500)

- a) Consolidated financial statements include the financial statements of Penguen Gıda Sanayi A.Ş. and the subsidiary (“Group”) which has been prepared in accordance with the principles mentioned below (b) and (c). Financial statements of the subsidiary are prepared as of consolidated financial statements’ preparation date with the conformity of CMB Financial Reporting Standards by following up uniform accounting principles and applications. Operation results of the subsidiary are included or excluded at the time when the mentioned transactions are valid in accordance with purchase or sale transactions.
- b) Subsidiaries refer to the companies that the Company has the power to control the financial and operating policies for the benefits of the Company, via either (a) owing the majority voting right by having more than 50% of the subsidiary’s shares directly and/or indirectly or (b) not having the majority voting right 50%, however by controlling financial or operating policies.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PENGUEN GIDA SANAYİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

(Amounts are expressed in New Turkish Lira ("YTL") unless otherwise stated)

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

The balance sheets and statements of income of the Subsidiaries are consolidated on line-by-line basis and the carrying value of the investment held by the Company and its subsidiary is eliminated against the related shareholders' equity. Intercompany transactions and balances between the Company and its subsidiary are eliminated during the consolidation. The cost of, and the dividends arising from, shares held by the Company in its subsidiary are eliminated from shareholders' equity and income for the period, respectively.

- c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The shares of the minority shareholders in subsidiary's net assets and operating results are presented as minority shares and minority income/loss, in consolidated balance sheet and income statement, respectively.

**2.4 Comparative information and adjustment to prior period financial statements**

Where necessary comparative figures have been reclassified to confirm to changes in presentation in the current period.

**2.5 Offsetting**

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

**2.6 Significant accounting estimates and decisions**

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognised as of the balance sheet date, contingent assets and liabilities disclosed and the amount of revenue and expenses reported. Although, these estimates and assumptions rely on the Group management's best knowledge about current events and transactions, actual outcomes may vary from those estimates and assumptions.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PENGUEN GIDA SANAYİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

(Amounts are expressed in New Turkish Lira (“YTL”) unless otherwise stated)

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

**3.1 Revenue recognition**

Revenue is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, when economic benefit of related sales is possible to flow to the Company and when income amount is reliably calculated. Revenues and expenses related to the same transaction are included in the concurrent financial statements.

Revenue is the amount of cash and cash equivalents when cash and cash equivalents are received for sales. However, Group makes high portion of its sales on-term and fair value of the sales amount is determined by net present value of receivables. In order to determine the net present value of the receivables, the interest rate, which discounts nominal value of the sales amount to cash sales price of the related goods or services, is used. The difference between nominal value of the sales amount and its fair value is reflected to the related periods as interest income.

When the receivables which have been recorded as revenue become doubtful, bad debt provision is booked to the financial statements as an expense instead of correcting revenue amount.

Net sales represent the invoiced sales amount less any sales returns and allowances.

Other income realized by Group is reflected according to the following basis:

Rent and royalty income – accrual basis

Interest income – effective yield method basis

**3.2 Inventories**

Inventories are valued at the lower of cost or net realizable value. Inventory cost includes all purchasing costs, conversion costs and other costs that are necessary to make the inventory available for sale. The cost of inventories is determined on the weighted average basis. Net realizable value is calculated by deducting estimated completion cost and estimated selling expenses from estimated sales price in the regular flow of the business. Sales price estimates in foreign currency that are used in calculating net realizable value of stocks present at the report date are translated into YTL by the foreign exchange rates prevailing at the report date. If Euro/YTL rate was 10% lower/higher, current year income would be YTL 80,803 lower/higher.

For the inventory purchases on-term, acquisition cost of the asset is discounted to cash sales price. In this case, the difference between total payment amount and cash sales price is reflected to the financial statements as an interest expense during related period.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Related parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties.

Related parties of the Group are as follows:

- 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 Tüt. Tic. ve San. A.Ş.
- Gençoğlu Holding A.Ş.
- And Havacılık A.Ş.
- Hakimiyet Matbaacılık ve Gazetecilik A.Ş.
- Radyovizyon A.Ş.

3.4 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and, if it exist, permanent amount of impairment from acquisition values for the items acquired after the date of 1 January 2005. For the items acquired before 1 January 2005, the acquisition values are adjusted by the purchasing power of YTL at 31 December 2004. Depreciation is calculated using the straight- line method based on the estimated useful lives of the assets and the adjusted values of the property, plant and equipment. The estimated useful lives of property and equipment are as follows:

Land improvements	5–25 years
Buildings	50 years
Machinery and equipment	5–20 years
Motor vehicles	5–10 years
Fixture and furnitures	5–10 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the highest one of net sales price or value in use of related property, plant and equipment. Net sale price is determined by deducting selling costs from fair value of the asset. And the value in use is represented by adding surplus values to the amortised value of estimated future cash flows at the balance sheet date provided by continuing usage of the related property, plant and equipment.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated amounts and are included in the related income and expense accounts, as appropriate.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related assets. All other expenses are recorded in accrual basis to the income statement.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.5 Intangible assets**

Intangible assets are reflected in the financial statements according to the criteria of being recognizable, existence of control over related resource and existence of economical benefit expected to realize in future. In this context, expenditures related with education, advertising and promotion, full or partial reorganization and initial activities except those could include in the cost of property, plant and equipment are reflected in the financial statements as expense at the time of realization.

Intangible assets consist of acquired rights, information systems and computer softwares. Those are carried at cost less permanent amount of impairment and accumulated amortization for the items acquired after the date of 1 January 2005. For the items acquired before 1 January 2005, the acquisition values are adjusted by the purchasing power of YTL at 31 December 2004.

**3.6 Financial instruments**

Loans and receivables are composed of non-derivative financial instruments which are not quoted in an active market or which have fixed or defined payments. Loans and receivables arise when the Company supplies a debtor directly with a product or a service although Company does not have an intent to trade these loans and receivables. If terms of these loans and receivables are less than 12 months based on balance sheet date, they are categorized as current assets; if terms are longer than 12 months, they are categorized as non-current assets. Loans and receivables are included within trade receivables and other receivables at the balance sheet. Loans and receivables are recorded at their net value after deducting of transaction costs. Loans and receivables are accounted at amortised cost using the effective yield method.

**3.7 Foreign currency transactions and translation**

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at year-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statements of income.

**3.8 Earnings per share**

Earnings per share are determined by dividing net profit with the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") by the previous year income. For the purpose of earnings per share computations, such Bonus Shares issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration (Note 42).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.9 Provisions, contingent assets and liabilities**

Provisions are recognised when the Group has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the financial statements and treated as contingent assets or liabilities.

For contingent liabilities; when it is probable that there will be an outflow of resources that would provide economic benefit in the future, this contingent liability is included in the financial statements as a provision for the period in which the change is probable, except a reliable estimation cannot be made.

**3.10 Leasing transactions**

Leasing of tangible assets which the Group beared all risks and earnings of ownership is classified as financial leasing. At commencement of the lease term, finance leases are recorded as an asset at the lower of the fair value of the asset or the present value of the minimum lease payments. Every finance lease payment is apportioned between the finance charge and the reduction of the outstanding liability. During the leasing period, financing expenses are reflected to the income statement as an expense. The asset is depreciated over the estimated useful life of the asset.

Leasing transactions where considerable part of the risks and earnings related to the ownership belong to the lessee is classified as operational leasing. Payments made under operational leasing are recorded as expense in the income statement according to straight-line method during the leasing period.

**3.11 Segment reporting**

Core business of Group is to produce and sell frozen foods, canned foods, tomato paste and jam. The sales of the Group are classified as frozen foods, canned foods, tomato paste and jam.

**3.12 Investment property**

None (2006: None).

**3.13 Provisions for employment termination benefits**

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees, completion of one year of service of the employees, employees’ being calling up for military service or the death of employees calculated in accordance with the Turkish Labour Law (Not 23).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.14 Cash and cash equivalents**

Cash and cash equivalents are cash, bank deposits and the investments that can be easily converted into cash, have short term and high liquidity and whose value change risk is immaterial and whose due date is 3 months or shorter.

**3.15 Trade receivables / payables**

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost of effective interest method. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to a subsequent event occurring after the written off, it is recorded to other income in the current period.

**3.16 Borrowings**

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method Any difference between the proceeds and redemption value is recognized in the income statement over the period of the borrowings. Financial costs arises from borrowing are charged to the income statement when they incur.

**3.17 Taxes on income**

Liability on taxes income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of balance sheet date and includes adjustments related to previous years' tax liabilities. (Note 41).

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilized or deferred tax liabilities will be settled, are used to determine deferred income tax (Note 14).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

**3.18 Accounting policies, changes in accounting estimates and errors**

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

**3.19 Discontinued operations**

None (2006: None).

**3.20 Government incentives**

All government incentives including the nonmonetary ones which are recorded at their fair value are reported in the financial statements only in the case that a reasonable guarantee indicating that all the conditions are fulfilled by the entity is obtained. Demisable credits that are provided by the government are considered as government incentives in the case that a reasonable guarantee indicating that demise conditions are fulfilled by the entity is obtained.

**3.21 Pension plans**

None (2006: None).

**3.22 Agricultural operations**

None (2006: None).

**3.23 Financial instruments and financial risk management**

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

***Credit risk***

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. These risks are covered by limiting the aggregate risk from any individual counter party.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Interest rate risk*

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise by compensating interest rate sensitive assets and liabilities.

*Foreign currency risk*

The Company is exposed to the foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 29).

*Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

**3.24 Fair value of financial instruments**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, interpreting the fair values of financial instruments by evaluating the market information requires judgement. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

*Monetary assets*

The fair values of balances denominated in foreign currencies, which are translated at year end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Monetary liabilities*

Foreign exchange denominated liabilities and loans/credits are translated from the exchange rate which is valid on the balance sheet date. Thus; their fair values approximate to their carrying values. It is estimated that the book values of bank loans are close to their fair values with their accrued interests

Trade payables and other payables have been recorded at value which is close at their fair values.

**3.25 Capital issue premium and dividends**

Ordinary shares are classified as equity. Dividends on ordinary shares are deducted from retained earnings account in the period in which they are declared. Issue premium represents the difference between the nominal value and the sales value of the Company's publicly traded shares.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2007	31 December 2006
Cash	14.431	19.005
Bank		
- Demand deposit	937.578	469.509
- Time deposit	-	5.270
	<b>952.009</b>	<b>493.784</b>

The Company has a blockage amounting to YTL 465.203 on bank deposits as a provision to the cheques and bills which are given to these banks for collection as of 31 December 2007. (2006: YTL 264.664). The Company does not have any time deposits as of 31 December 2007 (2006: interest rate 3,5%).

NOTE 5 - MARKETABLE SECURITIES

None (2006: None).

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NOTE 6 - FINANCIAL LIABILITIES

	<b>31 December 2007</b>		
	<b>Weighted average annual interest rate %</b>	<b>Original amount</b>	<b>YTL</b>
<b>Short term borrowings</b>			
YTL loans	19,60		874.031
EURO loans	7,04	10.409.221	17.801.849
Interest accrual of loan			180.339
			<b>18.856.219</b>
	<b>31 December 2007</b>		
	<b>Weighted average annual interest rate %</b>	<b>Original amount</b>	<b>YTL</b>
<b>Long term borrowings</b>			
YTL loans	14,4		277.097
EURO loans	10,5	8.128.000	13.900.506
Interest accrual of loan			1.208.186
			<b>15.385.789</b>
<b>Total borrowings</b>			<b>34.242.008</b>

Long term EURO loans are to be paid in 3 equal installments starting from 2009 until 2011.

A five year loan agreement amounting to EURO 8.128.000 and a capital increase agreement are made between the Company and Asia Special Situations which is one of the subsidiaries's of ADM Capital Group on 28 February 2007. The share capital has been increased by YTL 6.600.000 with a premium unit price per share YTL 1,10, by restricting all the pre-emptive rights of present shareholders. The amount stated in the EURO loans comprises the credit mentioned above.

The guarantees that the Company presents for the loans are as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Collateral	76.453.001	51.475.643
Guaranteed bill of exchange	2.955.241	5.220
Letter of guarantee	1.449.164	8.016.310
	<b>80.857.406</b>	<b>59.497.173</b>

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

<b>31 December 2006</b>			
	<b>Weighted average annual interest rate %</b>	<b>Original amount</b>	<b>YTL</b>
<b>Short term borrowings</b>			
EURO loans	4,15-8	11.778.829	21.808.502
Factoring debt			3.458.923
YTL loans	0-26		1.922.480
Interest accrual of loan			340.194
			<b>27.530.099</b>
<b>31 December 2006</b>			
	<b>Weighted average annual interest rate %</b>	<b>Original amount</b>	<b>YTL</b>
<b>Short term portion of the long term borrowings</b>			
EURO loans	5,16-7	3.534.754	6.544.597
YTL loans	14,4-21		232.073
			<b>6.776.670</b>
<b>31 December 2006</b>			
	<b>Weighted average annual interest rate %</b>	<b>Original amount</b>	<b>YTL</b>
<b>Long term borrowings</b>			
YTL loans	14,4-21		522.809
			<b>522.809</b>
<b>Total borrowings</b>			<b>34.829.578</b>

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables	31 December 2007	31 December 2006
Trade Receivables	7.806.161	8.689.237
Cheques and notes receivable	2.376.512	5.367.747
Deposits and guarantees given	29.365	23.461
Unearned credit finance income (-)	(164.047)	(323.764)
Doubtful receivables	2.098.229	2.115.166
Provision for doubtful receivables (-)	(2.098.229)	(2.115.166)
	<b>10.047.991</b>	<b>13.756.681</b>

Guarantees taken for receivables are as follows:

	31 December 2007	31 December 2006
Letter of guarantee	1.985.000	1.384.500
Collateral received	180.000	294.000
Guaranteed bill of exchange	40.000	40.000
	<b>2.205.000</b>	<b>1.718.500</b>

Long term trade receivables

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

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The movements of the provision for doubtful receivables during the periods are as follows:

	2007	2006
Opening balance -1 January	2.115.166	730.506
Increase during the period	50.447	1.434.037
Collections made during the period (-)	(67.384)	(49.377)
<b>Closing balance-31 December</b>	<b>2.098.229</b>	<b>2.115.166</b>

Short term trade payables	31 December 2007	31 December 2006
Domestic suppliers	4.886.698	10.473.846
Foreign suppliers	300.449	162.366
Cheques given	4.696.988	6.715.784
Unearned credit finance expense (-)	(78.550)	(448.310)
	<b>9.805.585</b>	<b>16.903.686</b>

Trade receivables' due dates are generally between 1 and 3 months and due dates for trade payables are between 1 and 4 months. Both trade receivables and trade payables are discounted by an average annual rate of 16,01% on 31 December 2007. Details of the foreign exchange balances in trade receivables and trade payables are demonstrated in Note 29.

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

Leasing payables	31 December 2007	31 December 2006
Short term leasing payables	215.020	57.129
Long term leasing payables	309.837	5.886
	<b>524.857</b>	<b>63.015</b>

Payment plan of the long term leasing payables are as follows:

	YTL
2009	231.773
2010	77.617
2011	447
	<b>309.837</b>

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NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES

i) Due to and due from related parties as of 31 December 2007 and 31 December 2006

Due from related parties

	31 December 2007	31 December 2006
<b>a) Due from shareholders</b>		
Gençoğlu Holding A.Ş.	197.335	157.443
Turhan Gençoğlu	61.609	-
Orhan Ümit Gençoğlu	33.218	-
Morsan Tekstil San. A.Ş.	-	4.420
<b>b) Due from other related parties</b>		
Penguen Gıda Dış Ticaret A.Ş.	125.514	133.250
Penguen Gıda Pazarlama A.Ş.	25.208	134.536
Penkon Penguen Konsantre Sanayi A.Ş.	22.902	-
MEK Marmara Karadeniz Ege Tüt. Tic. A.Ş.	-	7.574
And Havacılık A.Ş.	-	9.221
	<b>465.786</b>	<b>446.444</b>
Unearned credit finance income (-)	-	(8.720)
<b>Due from related parties, net</b>	<b>465.786</b>	<b>437.724</b>

Due to related parties

	31 December 2007	31 December 2006
<b>a) Due to shareholders</b>		
DEG	5.122	-
Orhan Ümit Gençoğlu	-	572.206
Turhan Gençoğlu	-	516.406
<b>b) Due to other related parties</b>		
Hakimiyet Gazetecilik-Matbaacılık A.Ş.	5.520	33.266
Penguen Gıda Pazarlama A.Ş.	89	74.729
Unearned credit finance expense (-)	-	(1.077)
<b>Due to related parties, net</b>	<b>10.731</b>	<b>1.195.530</b>

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NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES (Continued)

ii) Major sales made to related parties and major purchases from related parties for the periods ending in 1 January - 31 December 2007 and 2006 are as follows:

**Product sales to related parties**

	1 January 2007- 31 December 2007	1 January 2006- 31 December 2006
<b>Group companies</b>		
Penkon Penguen Konsantre Sanayi A.Ş.	554.498	722
Penguen Gıda Pazarlama A.Ş.	154.664	7.468.940
	<b>709.162</b>	<b>7.469.662</b>

**Product purchases from related parties**

	1 January 2007- 31 December 2007	1 January 2006- 31 December 2006
<b>Group companies</b>		
Hakimiyet Gazetecilik Matbaacılık A.Ş.	68.473	147.744
Penkon Penguen Konsantre Sanayi A.Ş.	15.391	102.506
Penguen Gıda Pazarlama A.Ş.	1.875	-
	<b>85.739</b>	<b>250.250</b>

**Service purchases from related parties**

	1 January 2007- 31 December 2007	1 January 2006- 31 December 2006
<b>Group companies</b>		
Hakimiyet Gazetecilik Matbaacılık A.Ş.	55.967	-
Penkon Penguen Konsantre Sanayi A.Ş.	19.603	7.917
Penguen Gıda Pazarlama A.Ş.	-	9.849
	<b>75.570</b>	<b>17.766</b>

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NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES (Continued)

iii) Financial income and expense concerned to the related parties and significant transactions made with related parties for the periods ending in 1 January - 31 December 2007 and 2006 are as follows:

**Foreign exchange income**

	1 January 2007- 31 December 2007	1 January 2006- 31 December 2006
<b>a) Shareholders</b>		
Gençoğlu Holding A.Ş.	-	2.829
Morsan Tekstil San. Tic. A.Ş.	-	845
<b>b) Group companies</b>		
Penguen Gıda Pazarlama A.Ş.	3.000	546.562
Penguen Gıda Dış Tic. A.Ş.	-	2.829
MEK Marmara Ege Karadeniz Tüt. Tic. A.Ş.	-	775
And Havacılık A.Ş.	-	948
	<b>3.000</b>	<b>554.788</b>

**Foreign exchange and commission expenses**

	1 January 2007- 31 December 2007	1 January 2006- 31 December 2006
<b>a) Shareholders</b>		
DEG	-	200.797
<b>b) Group companies</b>		
Penguen Gıda Pazarlama A.Ş.	-	485.023
	-	<b>685.820</b>

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NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES (Continued)

iv) Other income and expense concerned with the related parties and significant transactions made with related parties for the periods ending in 1 January - 31 December 2007 and 2006 are as follows:

Other income from related parties

	1 January 2007- 31 December 2007	1 January 2006- 31 December 2006
<b>a) Shareholders</b>		
Gençoğlu Holding A.Ş.	2.400	1.800
Morsan Tekstil San. Tic. A.Ş.	2.400	1.800
DEG	-	2.110
<b>b) Group companies</b>		
Penguen Gıda Pazarlama A.Ş.	-	450
Penkon Penguen Konsantre Sanayi A.Ş.	60.720	81.234
MEK Marmara Ege Karadeniz Tüt. Tic. A.Ş.	2.400	1.800
Penguen Gıda Dış Tic. A.Ş.	2.400	1.800
And Havacılık A.Ş.	2.400	1.800
	<b>72.720</b>	<b>92.794</b>

v) Bails and liabilities given to the Group: None (2006: None).

vi) Remuneration paid to the Board of Directors and the top management personnel is YTL 1.183.496 (1 January 2006 – 31 December 2006: YTL 1.235.965).

NOT 10 - OTHER RECEIVABLES AND PAYABLES

Other receivables	31 December 2007	31 December 2006
Value added tax (VAT) receivables	1.488.491	244.790
Salary advances given to personnel	45.617	45.479
Job advances given to personnel	11.280	18.675
Other receivables	11.099	107.658
	<b>1.556.487</b>	<b>416.602</b>
<b>Other payables</b>		
Payables to personnel	247.454	163.278
Taxes and funds payable	120.075	152.624
Social security payables	89.684	114.269
	<b>457.213</b>	<b>430.171</b>

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NOTE 11 - BIOLOGICAL ASSETS

None (2006: None).

NOTE 12 - INVENTORIES

	31 December 2007	31 December 2006
Raw materials	3.255.350	2.867.793
Semi-finished goods	11.622.101	7.306.815
Finished goods	11.282.010	12.948.472
Trade goods	-	225.539
Other inventories	-	260.207
Advances given	609.374	90.539
	26.768.835	23.699.365
Less: Provision for net realizable value of inventories	(768.369)	-
	<b>26.000.466</b>	<b>23.699.365</b>

As of 31 December 2007, amount of insurance on inventories is YTL 34.375.020 (2006: YTL 34.993.350).

For the period from 1 January 2007 to 31 December 2007, a portion amounting to YTL 39.795.972 of the cost of goods sold is related to raw material and supplies usage. (2006: YTL 40.311.697)

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

None (2006: None).

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

**Deferred Taxes**

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for communiqué No:XI-25 and their statutory tax financial statements.

The Company has tax carry forward losses amounting to YTL 27.072.468 (2006: YTL 25.284.822) as of 31 December 2007 that can be carried forward for 5 years from the date which they incur. According to the projection made, total amount of the taxable income expected to be earned in the next five years is YTL 7.237.592 (2006: YTL 6.109.729). Deferred tax asset is accounted on YTL 7.237.592 (2006: YTL 6.109.729) which represents the Group's tax carry forward losses as of 31 December 2007 at the accompanying consolidated financial statements.

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NOTE 14- DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2007 and 31 December 2006 using the enacted tax rates, is as follows:

	Cumulative temporary Differences		Deferred tax assets/ (liabilities)	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Net difference between the carrying value and tax base of property, plant and equipment and intangible assets	(751.242)	(898.085)	(150.248)	(179.617)
Calculation of bank loan rediscount according to the effective yield rate method	-	28.034	-	5.607
Unearned financial expense	(78.550)	(449.387)	(15.710)	(89.877)
Unearned financial income	164.047	324.391	32.809	64.878
Expense provision for sales premium	60.036	197.350	12.007	39.470
Provision for doubtful receivables	(120.000)	(20.647)	(24.000)	(4.129)
Provision for employment termination benefit	1.076.310	1.050.587	215.262	210.117
Freight incentive premium	(587.036)	(830.509)	(117.407)	(166.102)
Tax carry forward losses	7.237.592	6.109.729	1.447.518	1.221.946
Net difference between the carrying value and tax base of inventories	768.369	-	153.674	-
Other adjustments	17.934	227.086	3.587	45.416
Deferred tax liabilities	(1.536.828)	(2.198.628)	(307.365)	(439.725)
Deferred tax assets	9.324.288	7.937.177	1.864.857	1.587.434
<b>Deferred tax assets-net</b>	<b>7.787.460</b>	<b>5.738.549</b>	<b>1.557.492</b>	<b>1.147.709</b>

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NOTE 14- DEFERRED TAX ASSETS AND LIABILITIES (Continued)

	2007	2006
<b>Balance at 1 January</b>	<b>1.147.709</b>	<b>1.972.516</b>
Current period deferred tax income/expense -net (Note 41)	409.783	(824.807)
<b>Balance at 31 December</b>	<b>1.557.492</b>	<b>1.147.709</b>
	<b>31 December 2007</b>	<b>31 December 2006</b>
<b>Deferred tax assets</b>		
Deferred tax assets to be utilised within 12 months	215.044	149.764
Deferred tax assets to be utilised more than 12 months	1.662.780	1.437.670
	<b>1.877.824</b>	<b>1.587.434</b>
<b>Deferred tax liabilities</b>		
Deferred tax liabilities to be realized within 12 months	(170.084)	(254.501)
Deferred tax liabilities to be realized more than 12 months	(150.248)	(185.224)
	<b>(320.332)</b>	<b>(439.725)</b>

NOTE 15- OTHER CURRENT/NON-CURRENT ASSETS AND OTHER CURRENT/NON CURRENT LIABILITIES

a) Other current assets:	31 December 2007	31 December 2006
VAT Receivable	1.049.257	1.524.537
Receivables arising from export incentive premium	587.036	830.509
Prepaid expenses	300.076	358.182
Other	-	39.667
	<b>1.936.369</b>	<b>2.752.895</b>

NOTE 16- FINANCIAL ASSETS

None (2006: None).

NOTE 17- POSITIVE / NEGATIVE GOODWILL

None (2006: None).

NOTE 18- INVESTMENT PROPERTIES

None (2006: None).

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the year ending on 31 December 2007 is as follows:

Cost	1 January 2007	Addition	Disposals	31 December 2007
Land	7.222.699	-	(1.661)	7.221.038
Land improvements	2.746.724	-	-	2.746.724
Buildings	14.663.477	480.931	-	15.144.408
Machinery and equipment	41.528.361	1.076.526	(90.221)	42.514.666
Motor vehicles	2.093.468	26.233	(138.720)	1.980.981
Furniture and fixture	4.404.817	29.828	(9.514)	4.425.131
Other tangible assets	2.685.195	72.377	(13.965)	2.743.607
	<b>75.344.741</b>	<b>1.685.895</b>	<b>(254.081)</b>	<b>76.776.555</b>
<b>Accumulated Depreciation</b>				
Land improvements	(1.870.759)	(109.442)	-	(1.980.201)
Buildings	(3.208.408)	(252.267)	-	(3.460.675)
Machinery and equipment	(31.881.472)	(1.542.526)	90.221	(33.333.777)
Motor vehicles	(965.977)	(288.907)	62.715	(1.192.169)
Furniture and fixture	(2.916.095)	(221.342)	3.729	(3.133.708)
Other tangible assets	(1.836.699)	(132.048)	4.386	(1.964.361)
	<b>(42.679.410)</b>	<b>(2.546.532)</b>	<b>161.051</b>	<b>(45.064.891)</b>
<b>Net book value</b>	<b>32.665.331</b>			<b>31.711.664</b>

The depreciation charges incurred for the year ending at 31 December 2007 was accounted for in the following accounts; YTL1.872.991 cost of goods sold, YTL 673.541 operating expenses.

Financial Leasing

Details of the motor vehicle leasing agreement between the Company and Garanti Finansal Kiralama A.Ş. are as follows:

	31 December 2007		31 December 2006	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Machinery and equipment	763.507	17.656	-	-
Motor vehicles	83.677	22.314	83.677	5.579
	<b>847.184</b>	<b>39.970</b>	<b>83.677</b>	<b>5.579</b>

Depreciation expense on the leasing assets is YTL 34.391. (2006: YTL 5.579).

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	1 January 2006	Addition	Disposals	31 December 2006
Land	7.231.190	-	(8.491)	7.222.699
Land improvements	2.677.020	69.704	-	2.746.724
Buildings	14.655.989	133.488	(126.000)	14.663.477
Machinery and equipment	41.168.301	360.060	-	41.528.361
Motor vehicles	2.278.119	229.344	(413.995)	2.093.468
Furniture and fixtures	4.295.706	112.493	(3.382)	4.404.817
Other tangible assets	2.481.103	205.749	(1.657)	2.685.195
	<b>74.787.428</b>	<b>1.110.838</b>	<b>(553.525)</b>	<b>75.344.741</b>
<b>Accumulated Depreciation</b>				
Land improvements	(1.768.284)	(102.475)	-	(1.870.759)
Buildings	(2.958.119)	(250.499)	210	(3.208.408)
Machinery and equipment	(30.363.069)	(1.518.403)	-	(31.881.472)
Motor vehicles	(898.823)	(300.365)	233.211	(965.977)
Furniture and fixtures	(2.697.811)	(219.076)	792	(2.916.095)
Other tangible assets	(1.719.948)	(118.367)	1.616	(1.836.699)
	<b>(40.406.054)</b>	<b>(2.509.185)</b>	<b>235.829</b>	<b>(42.679.410)</b>
<b>Net book value</b>	<b>34.381.374</b>			<b>32.665.331</b>

As of 31 December 2007, amount of insurance on the tangible assets is YTL 63.165.733. (2006: YTL 77.775.913).

As shown at Note 31(b) there is a total amount of YTL 76.453.001 (2006: YTL 51.475.643) collateral over the land of the Group as of 31 December 2007. Those collaterals are arranged on the basis of loan agreements used by the Group.

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NOTE 20 - INTANGIBLE ASSETS

Cost	1 January 2007	Addition	Disposals	31 December 2007
Rights	88.396	14.014	-	102.410
Computer software	510.408	32.149	-	542.557
Other intangible assets	177.575	-	-	177.575
	<b>776.379</b>	<b>46.163</b>	-	<b>822.542</b>
<b>Accumulated amortization</b>				
Rights	(59.704)	(17.224)	-	(76.928)
Computer software	(395.458)	(56.109)	-	(451.567)
Other intangible assets	(177.575)	-	-	(177.575)
	<b>(632.737)</b>	<b>(73.333)</b>	-	<b>(706.070)</b>
<b>Net book value</b>	<b>143.642</b>			<b>116.472</b>

Amortization is included in operating expenses in the consolidated financial statements as of 31 December 2007.

Cost	1 January 2006	Addition	Disposals	31 December 2006
Rights	88.396	-	-	88.396
Computer software	471.760	38.648	-	510.408
Other intangible assets	177.575	-	-	177.575
	<b>737.731</b>	<b>38.648</b>	-	<b>776.379</b>
<b>Accumulated amortization</b>				
Rights	(42.819)	(16.885)	-	(59.704)
Computer software	(343.108)	(52.350)	-	(395.458)
Other intangible assets	(177.575)	-	-	(177.575)
	<b>(563.502)</b>	<b>(69.235)</b>	-	<b>(632.737)</b>
<b>Net book value</b>	<b>174.229</b>			<b>143.642</b>

Amortization is included in operating expenses in the consolidated financial statements as of 31 December 2006.

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NOTE 21 - ADVANCES RECEIVED

	31 December 2007	31 December 2006
Advances received for purchases	-	59.872
	-	59.872

NOTE 22 - RETIREMENT PLANS

None (2006: None).

NOTE 23 - PROVISIONS

a) Short Term Provisions:

	31 December 2007	31 December 2006
Provision for unused vacation	82.765	-
Provision for sales premium	60.036	197.350
<b>Total</b>	<b>142.801</b>	<b>197.350</b>

b) Long-Term Provisions:

Provision for employment termination benefits	1.076.310	1.050.587
	<b>1.076.310</b>	<b>1.050.587</b>

**Provision for employment termination benefits:**

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of YTL 2.030,19 for each year of service as of 31 December 2007 (2006: YTL 1.857,44).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IFRS require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the provision:

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NOTE 23 - PROVISIONS (Continued)

	31 December 2007	31 December 2006
Discount rate (%)	5,71	5,71
Turnover rate to estimate the probability of retirement (%)	99	99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL 2.087,92 effective from 1 January 2008 (1 January 2007: YTL 1.960,69) has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

Movements in the provision for employment termination for the period ended in 31 December are as follows:

	2007	2006
1 January	1.050.587	840.798
Increase during the year-reflected to the income statement	458.833	373.323
Payments	(433.110)	(163.534)
<b>31 December</b>	<b>1.076.310</b>	<b>1.050.587</b>

Increase on the provision for employment termination benefits during the year is reflected to operating expenses and included in personnel salaries and expenses.

NOTE 24 - MINORITY INTEREST/MINORITY INCOME-LOSS

As of 31 December 2007, minority interests of consolidated subsidiaries are follows:

	2007
1 January	-
Net minority loss	(2.793)
<b>31 December</b>	<b>(2.793)</b>

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NOTE 25 - CAPITAL/ ADJUSTMENT TO SHARE CAPITAL

	<u>31 December 2007</u>		<u>31 December 2006</u>	
	Share (%)	YTL	Share (%)	YTL
Gençoğlu Holding A.Ş.	39,25	19.860.674	45,14	19.860.674
Asia Special Situations M3TR1 BV	13,04	6.600.000	-	-
DEG Deutsche Investitions und Entwicklungsgesellschaft mbH	12,74	6.447.830	14,65	6.447.830
Turhan Gençoğlu	2,57	1.301.915	2,96	1.301.915
Orhan Ümit Gençoğlu	2,57	1.301.915	2,96	1.301.915
Morsan Tekstil Sanayii A.Ş.	0,53	261.782	0,59	261.782
Public quotation	29,30	14.825.884	33,70	14.825.884
<b>Total</b>	<b>100,00</b>	<b>50.600.000</b>	<b>100,00</b>	<b>44.000.000</b>
Adjustment to share capital		23.412.213		23.412.213
<b>Total paid- in capital</b>		<b>74.012.213</b>		<b>67.412.213</b>

An agreement of capital increase, with a nominal value of YTL 6.600.000 with premium unit price per share YTL 1,10 each, which restrict all pre-emptive rights of present shareholders, was signed between the Group and Asia Special Institutions, one of the subsidiaries of ADM Capital Group as of 28 February 2007. Procedures of capital increase were accomplished as of the report date and in this context, capital of the Company increased by YTL 6.600.000 and the share premium increased by YTL 660.000.

Capital inflation adjustment represents the effect of cash capital increase indexation with the purchasing power as of 31 December 2004 (Note 28).

There are 5.060.000.000 (2006: 4.400.000.000) shares with a nominal value of YTL 0,01 each.

Registered capital ceiling of the Company is YTL 100.000.000. The privileges granted to the shares represent capital of the Group:

<u>Array</u>	<u>Group</u>	<u>To the name/To the bearer</u>	<u>Privilege</u>
1	A	To the bearer	*
2	B	To the bearer	None
4	A	To the bearer	*
3	B	To the bearer	None
5	A	To the bearer	*
5	B	To the bearer	None
7	A	To the bearer	*
7	B	To the bearer	None
8	A	To the bearer	*

(\*): More than the half of the member of board of supervisors and directors is chosen among candidates determined by group A shareholders.

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**NOTE 26-27-28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS**

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the Communiqué No: XI-25 Section 15 paragraph 399, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with CMB’s profit distribution regulations, are considered to be deductive when computing the distributable profit. The accumulated deficit will first be netted-off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and shareholders’ equity restatement differences.

In accordance with the Capital Market Board decision number 4/138 on 8 January 2008 the minimum profit distribution ratio requirement for incorporated companies listed on the Stock Exchange shall be applied as 20% (2006: 20%), effective from 1 January 2008. Accordingly this distribution, in line with decisions taken by the general assemblies, can be made either in cash, as shares to be issued by adding dividends to capital or as a combination of both. The related amount is not required to be distributed, in case the amount of initial dividend amount is less than 5% paid in capital. Nevertheless the companies which have increased their share capital without distributing profits from prior periods as their shares are reclassified as “old” and “new” shares, the initial profit distribution from net income from 2007 operations is required to be distributed in cash.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders’ equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders’ equity in total as restatement difference.

Restatement difference of shareholders’ equity can only be netted-off against prior years’ losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years’ losses, used in distribution of bonus shares and distributions of dividends to shareholders.

In accordance with the Communiqué No: XI-25, at 31 December 2007 and 31 December 2006, the shareholders’ equity schedule, based on which the dividend will be distributed, is as follows:

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NOTE 26-27-28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

	31 December 2007	31 December 2006
Share capital	50.600.000	44.000.000
Share premium	1.021.210	361.210
Legal Reserves	110.959	110.959
Inflation adjustment to shareholders' equity	24.671.490	24.671.490
Net income/(loss) for the period	44.080	(14.682.825)
Accumulated losses (-)	(48.359.699)	(33.676.874)
<b>Total shareholders' equity</b>	<b>28.088.040</b>	<b>20.783.960</b>

Values of aforementioned items adjusted according to purchasing power of YTL as of 31 December 2004 and shareholders' equity inflation adjustment differences as 31 December 2007 and 31 December 2006 are as follows:

	31 December 2007		
	Historic values	Restated amounts	Restatement differences
Share capital	50.600.000	74.012.213	23.412.213
Share Premium	1.021.210	1.219.020	197.810
Legal reserves	110.959	1.172.426	1.061.467
<b>Total</b>	<b>51.732.169</b>	<b>76.403.659</b>	<b>24.671.490</b>
	31 December 2006		
	Historic values	Restated amounts	Restatement differences
Share capital	44.000.000	67.412.213	23.412.213
Share Premium	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>

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(Amounts are expressed in New Turkish Lira ("YTL") unless otherwise stated)

NOTE 29 - FOREIGN CURRENCY POSITION

The Company's foreign currency denominated assets and liabilities at 31 December 2007 and 31 December 2006 are as follows:

	31 December 2007	31 December 2006
Assets	4.015.675	3.694.912
Liabilities	(33.467.191)	(29.119.096)
<b>Net foreign currency position</b>	<b>(29.451.516)</b>	<b>(25.424.184)</b>

YTL equivalent of the Company's foreign currency denominated assets and liabilities as of 31 December 2007 and 31 December 2006 are as follows:

	31 December 2007				Total Foreign Currency
	USD	EUR	GBP	CHF	
Cash and cash equivalents	3	109.953	9	-	109.965
Trade receivables	161.863	3.139.313	556.251	48.283	3.905.710
<b>Total assets</b>	<b>161.866</b>	<b>3.249.266</b>	<b>556.260</b>	<b>48.283</b>	<b>4.015.675</b>
Bank borrowings	-	33.049.244	-	-	33.049.244
Trade payables	51.828	336.222	29.897	-	417.947
<b>Total Liabilities</b>	<b>51.828</b>	<b>33.385.466</b>	<b>29.897</b>	<b>-</b>	<b>33.467.191</b>
<b>Net foreign currency assets/(liabilities) position</b>	<b>110.038</b>	<b>(30.136.200)</b>	<b>526.363</b>	<b>48.283</b>	<b>(29.451.516)</b>

  

	31 December 2006			Total Foreign Currency
	USD	EUR	GBP	
Cash and cash equivalents	6.119	84.204	14	90.337
Trade receivables	114.118	2.421.064	1.069.393	3.604.575
<b>Total assets</b>	<b>120.237</b>	<b>2.505.268</b>	<b>1.069.407</b>	<b>3.694.912</b>
Bank borrowings	-	28.353.099	-	28.353.099
Trade payables	321.236	383.649	60.442	765.327
Advances received	-	670	-	670
<b>Total Liabilities</b>	<b>321.236</b>	<b>28.737.418</b>	<b>60.442</b>	<b>29.119.096</b>
<b>Net foreign currency assets/(liabilities) position</b>	<b>(200.999)</b>	<b>(26.232.150)</b>	<b>1.008.965</b>	<b>(25.424.184)</b>

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NOTE 30 - GOVERNMENT GRANTS

Freight Incentives Premium Income

In accordance with the Communiqué No 2005/1, which is related with export refund grants over agricultural products, of Money-Credit and Coordination Board, freight incentive premium is granted to the exporters as a proportion of foreign sales. The Group has right to obtain freight incentive premium amounting to USD 678.837 related to exports for the period between 1 January - 31 December 2007. Freight incentive premium receivable amounts to YTL 587.036 (2006: YTL 830.509) as of 31 December 2007.

NOTE 31 - PROVISION, COMMITMENTS AND CONTINGENT LIABILITIES

a) Statement about lawsuits and disputes against the Group as of 31 December 2007 and 31 December 2006 as follows:

Lawsuits related to trade receivables continue as of 31 December 2007. After deducting collaterals taken related with those trade receivables; a provision is accounted for the remaining amount of YTL 2.098.229 (2006: YTL 2.115.166).

b)

Guarantee letters given	31 December 2007		
	Currency	Original amount	YTL
	YTL	2.855.659	2.855.659
	USD	85.500	99.582
			<b>2.955.241</b>
Guarantees or collaterals over real estate	Currency	Original amount	YTL
	YTL	33.698.001	33.698.001
	EUR	25.000.000	42.755.000
			<b>76.453.001</b>
Security bonds given	Currency	Original amount	YTL
	YTL	1.449.164	1.449.164
			<b>1.449.164</b>

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NOTE 31 - PROVISION, COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

	31 December 2006		
Guarantee letters given	Currency	Original amount	YTL
	YTL	1.146.897	1.146.897
	USD	307.510	432.236
	EUR	200.000	370.300
			<b>1.949.433</b>
Guarantees or mortgages over real estate	Currency	Original amount	YTL
	YTL	38.000.000	38.000.000
	EUR	7.278.230	13.475.643
			<b>51.475.643</b>
Security bonds given	Currency	Original amount	YTL
	YTL	9.340.010	9.340.010
			<b>9.340.010</b>

NOTE 32 - BUSINESS COMBINATIONS

None (2006: None).

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NOTE 33 - SEGMENT REPORTING

Allocation of sales and cost of sales according to the product segments within the periods ending as of 31 December 2007 and 2006 is as follows:

**1 January 2007 - 31 December 2007**

Product type	Sales	Net Sales Ratio (%)	Cost of Sales	Gross Operating Income
Canned food	37.235.327	56	26.596.795	10.638.532
Jam	12.316.952	19	11.626.460	690.492
Tomato paste	4.745.866	7	3.860.209	885.657
Frozen foods	12.045.683	18	9.486.456	2.559.227
	<b>66.343.828</b>		<b>51.569.920</b>	<b>14.773.908</b>

**1 January 2006 - 31 December 2006**

Product type	Sales	Net Sales Ratio (%)	Costs of Sales	Gross Operating Income
Canned food	32.996.138	49	30.091.110	2.905.028
Jam	15.490.633	23	11.112.869	4.377.764
Tomato paste	7.070.596	11	6.186.020	884.576
Frozen foods	11.427.085	17	8.254.327	3.172.758
	<b>66.984.452</b>		<b>55.644.326</b>	<b>11.340.126</b>

NOTE 34 - SUBSEQUENT EVENTS

Ceiling of employment termination benefit is determined as YTL 2.087,92 YTL as of 1 January 2008.

NOTE 35 - DISCONTINUED OPERATIONS

None (2006: None).

NOTE 36 - OPERATING INCOME

	1 January-31 December-2007	1 January-31 December 2006
Domestic Sales	34.437.188	35.400.850
Foreign Sales	34.780.964	36.554.790
Other Sales	2.744.217	2.591.078
<b>Gross Sales</b>	<b>71.962.369</b>	<b>74.546.718</b>
Less: Discounts	(5.618.541)	(7.562.266)
<b>Net sales</b>	<b>66.343.828</b>	<b>66.984.452</b>
Cost of Sales (-)	(51.569.920)	(55.644.326)
<b>Gross Operating Income</b>	<b>14.773.908</b>	<b>11.340.126</b>

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NOTE 37 - OPERATING EXPENSES

	1 January- 31 December 2007	1 January- 31 December 2006
<b>Sales and marketing expenses:</b>		
Sales commissions	3.857.759	2.519.005
Freight expenses	1.476.359	2.264.405
Personnel and administration salary expenses	1.003.290	1.576.614
Transportation expenses	812.237	794.002
Sales premium	761.055	764.721
Personnel expenses for sales support	457.823	381.668
Import-Export expenses	288.397	1.343.153
Fuel expenses	174.931	307.362
Advertisement expenses	151.104	456.976
Other	453.759	657.293
	<b>9.436.714</b>	<b>11.065.199</b>
<b>General administrative expenses:</b>		
Personnel and administration salary expenses	1.807.625	2.253.849
Depreciation and amortization expenses	746.874	581.181
Provision for employment termination benefits expenses	458.833	373.323
Energy and fuel expenses	275.111	149.970
Consultancy expenses	214.846	156.882
Legal case, execution and public notary expenses	151.808	151.996
Insurance Expenses	146.943	375.824
Provision for doubtful receivables expenses	50.447	1.434.037
Other	823.541	1.148.471
	<b>4.676.028</b>	<b>6.625.533</b>
<b>Operating Expenses</b>	<b>14.112.742</b>	<b>17.690.732</b>

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NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	1 January- 31 December 2007	1 January- 31 December 2006
<b>Other Income:</b>		
Rental income	538.896	474.033
Gain on property, plant and equipment sales	319.365	489.673
Released provision for doubtful receivables	67.395	49.377
Other	175.981	158.649
	<b>1.101.637</b>	<b>1.171.732</b>
<b>Other expenses:</b>		
Obsolete inventories	(240.168)	(635.622)
Provision expenses	(232.576)	(293.046)
Loss on property, plant and equipment sales	(5.616)	(76.551)
Other	(478.244)	(233.405)
	<b>(956.604)</b>	<b>(1.238.624)</b>
<b>Other income/(expenses) - net</b>	<b>145.033</b>	<b>(66.892)</b>

NOTE 39 - FINANCIAL EXPENSE/INCOME - NET

	1 January- 31 December 2007	1 January- 31 December 2006
<b>Financial income :</b>		
Foreign exchange gains	2.830.423	52.333
Income for due date differences	459.897	1.588.605
Interest income	6.708	114.610
	<b>3.297.028</b>	<b>1.755.548</b>
<b>Financial expenses:</b>		
Interest expenses	(3.080.328)	(2.462.083)
Expense for due date differences	(768.879)	(1.541.017)
Foreign exchange expenses	(302.738)	(4.053.273)
Other	(319.778)	(1.139.945)
	<b>(4.471.723)</b>	<b>(9.196.318)</b>
<b>Financial income/(expenses) - net</b>	<b>(1.174.695)</b>	<b>(7.440.770)</b>

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**NOTE 40 - NET MONETARY POSITION GAIN/LOSSES**

None (2006: None).

**NOTE 41 - TAXES ON INCOME**

Corporation tax rate is 20% in Turkey (2006: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilised within the scope of the Income Tax Law Transitional Article 61).

In Turkey, withholding tax is not imposed on dividend payments to corporations’ resident in and to foreign-based taxpayers which draws income through their permanent representatives or a business in the country. Excluding these, withholding tax with a rate of 15% is imposed on dividend payments made to individuals and corporations. Additions of net income to capital are not deemed as dividend payment.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income and declare by the 10th of the second month following the quarter. 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.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law’s provisions, in order to apply inflation adjustment, the cumulative inflation rate (SIS-WPI) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in 2007 and 2006.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

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NOTE 41 - TAXES ON INCOME (Continued)

The Company calculated deferred tax assets on deductible tax carry forward losses amounting to YTL 7.237.592 in the financial statements as at 31 December 2007 which are prepared according to financial reporting standards issued by Capital Markets Board (Note 14).

Expiry dates of tax carry forward losses are stated below:

2008	29.412
2009	2.384.120
2010	2.624.060
<b>Total</b>	<b>7.237.592</b>

The taxation on income is as follows:

	1 January- 31 December 2007	1 January- 31 December 2006
Current year tax expenses	-	-
Deferred tax income/(expenses)	409.783	(824.807)
<b>Total tax income/(expenses)</b>	<b>409.783</b>	<b>(824.807)</b>

NOTE 42 - EARNINGS PER SHARE

Earnings per share is calculated by dividing net income of shareholders to the weighted average number of shares.

	1 January- 31 December 2007	1 January- 31 December 2006
Net income/(expense) for the period	44.080	(14.682.825)
Weighted average number of ordinary share	4.950.000.000	4.400.000.000
Earnings/(losses) per share with nominal value of YTL 0,01(YKR 1)	0,001	(0,334)

NOTE 43 - CONSOLIDATED STATEMENT OF CASH FLOW

The statement of cash flows is presented with financial statements.

NOTE 44 - DISCLOSURE OF OTHER MATTERS

None (2006: None).