Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Financial statements as of December 31, 2010 together with report of independent auditors

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

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ERNST & YOUNG

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Report of independent auditors

To the Shareholders of
Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi:

We have audited the accompanying financial statements of Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2010, and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

January 31, 2011
İstanbul, Turkey

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Balance sheet
as of December 31, 2010
(Currency – TL)

Assets	Notes	December 31, 2010	December 31, 2009
Current assets			
Cash and cash equivalents	3	**292,356**	306,693
Trade and other receivables	4	**44,113,867**	36,945,680
Inventories	5	**13,876,124**	13,274,430
Prepayments and other current assets	6	**6,837,917**	6,252,202
Total current assets		**65,120,264**	56,779,005
Non-current assets			
Property, plant and equipment, net	7	**157,951,253**	157,765,995
Intangible assets, net	8	**333,901**	287,355
Deferred tax asset	19	**6,932,781**	8,920,006
Non-current assets	9	**4,227,732**	8,806,300
Total non-current assets		**169,445,667**	175,779,656
Total assets		**234,565,931**	232,558,661

Liabilities and equity	Notes	December 31, 2010	December 31, 2009
Current liabilities			
Short term borrowings	13	**38,495,231**	52,375,574
Current portion of long term borrowings	13	**40,105,383**	32,871,460
Trade and other payables	10	**15,052,930**	11,532,029
Other current liabilities and accrued expenses	11	**3,302,543**	1,971,077
Total current liabilities		**96,956,087**	98,750,140
Non-current liabilities			
Long-term borrowings	13	**79,485,955**	95,146,036
Employee termination benefits	12	**469,725**	218,980
Total non current liabilities		**79,955,680**	95,365,016
Equity			
Share capital	14	**76,000,000**	76,000,000
Accumulated losses		**(18,345,836)**	(37,556,495)
Total equity		**57,654,164**	38,443,505
Total liabilities and equity		**234,565,931**	232,558,661

The accompanying policies and explanatory notes on pages 6 through 39 form an integral part of the financial statements.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Comprehensive income statement
for the year ended December 31, 2010
(Currency – TL)

	Notes	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Sales	18	**151,912,897**	116,443,917
Cost of sales	18	**(123,699,760)**	(104,046,698)
Gross profit		**28,213,137**	12,397,219
Selling and marketing expenses	18	**(2,148,875)**	(1,570,597)
Administrative expenses	18	**(6,944,103)**	(6,348,486)
Other operating income	18	**7,767,546**	6,661,064
Other operating expense	18	**(1,442,894)**	(614,119)
Profit from operations		**25,444,811**	10,525,081
Financial income	18	**23,358,056**	25,946,768
Financial expense	18	**(27,604,983)**	(39,849,946)
Profit/(Loss) before tax		**21,197,884**	(3,378,097)
Income tax	19	**(1,987,225)**	639,523
Net gain/(loss)		**19,210,659**	(2,738,574)
Other comprehensive income / (loss)		**-**	-
Total comprehensive gain/(loss) for the year, net of tax		**19,210,659**	(2,738,574)

The accompanying policies and explanatory notes on pages 6 through 39 form an integral part of the financial statements.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Statement of changes in equity
for the year ended December 31, 2010
(Currency – TL)

	Share capital	Accumulated losses	Total
At December 31, 2008	76,000,000	(34,817,921)	41,182,079
Other comprehensive loss	-	(2,738,574)	(2,738,574)
At December 31, 2009	76,000,000	(37,556,495)	38,443,505
Other comprehensive profit	**-**	**19,210,659**	**19,210,659**
At December 31, 2010	**76,000,000**	**(18,345,836)**	**57,654,164**

The accompanying policies and explanatory notes on pages 6 through 39 form an integral part of the financial statements.

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Cash flows statement for the year ended December 31, 2010
(Currency – TL)

	Notes	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Cash flows from operating activities			
Profit / (loss) before income tax		**21,197,884**	(3,378,097)
Adjustments for:			
Depreciation and amortization	7,8	**7,210,365**	6,969,527
Provision for employee termination benefits	12	**322,411**	243,900
Gain on sale of property, plant and equipment		**(61,386)**	1,501
Unrealized foreign exchange losses		**(7,171,935)**	1,219,908
Interest expense	18	**10,531,261**	12,486,546
Operating profit before changes in operating assets and liabilities		**32,028,600**	17,543,285
Working capital changes in:			
Trade and other receivables		**(7,168,187)**	(3,891,899)
Inventories		**(601,694)**	810,174
Prepayment and other current assets		**(585,715)**	(2,301,270)
Non-current assets		**4,578,568**	5,405,219
Trade and other payables		**3,520,901**	5,055,837
Other current liabilities and accrued expenses		**1,331,466**	93,111
Employee termination benefits paid		**(71,666)**	(67,979)
Net cash provided by operating activities		**33,032,273**	22,646,478
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	7,8	**(7,557,918)**	(2,330,101)
Proceeds from property, plant and equipment disposals		**177,135**	22,797
Net cash used in investing activities		**(7,380,783)**	(2,307,304)
Cash flows from financing activities			
Proceeds from borrowings		**30,994,505**	59,379,713
Repayment of borrowings		**(45,488,104)**	(65,914,694)
Interest paid		**(11,172,228)**	(14,119,631)
Net cash used in financing activities		**(25,665,827)**	(20,654,612)
Net decrease in cash and cash equivalents		**(14,337)**	(315,438)
Cash and cash equivalents at beginning of the period		**306,693**	622,131
Cash and cash equivalents at end of the period		**292,356**	306,693

The accompanying policies and explanatory notes on pages 6 through 39 form an integral part of the financial statements.

1. Corporate information

General

Adoçim Çimento Beton Sanayi ve Ticaret A.Ş. (a Turkish corporation - the Company) was established in 2005 and the registered office address of the Company is Eski Büyükdere Caddesi Tahirağa Çeşme Sok. Ayazağa İş Merkezi İstanbul - Turkey.

The Company is a joint venture of Salentijn Properties (ultimate parent of which is Titan Cement Company S.A.) and Turkish resident real persons (mainly members of Sak Family (See Note 14).

The financial statements of the Company are authorized for issue by the management on January 31, 2011. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

Nature of activities of the Company

The Company is engaged in the production of clinker and cement for domestic and foreign construction markets, The Company has 3 production facilities located in Antalya, Artova-Tokat and Sultanköy-Tekirdağ.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost conversion.

The Company maintains its books of account and prepares its statutory financial statements ("statutory financial statements") in Turkish Lira (TL) in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared from the statutory financial statements of the Company and presented in accordance with IFRS with certain adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

2.2 Functional currency and reporting currency

The functional and presentation currency of the Company is TL.

2.3 Changes in accounting policies

New and amended standards and interpretations applicable to December 2010 year-end

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for the adoption of new standards and interpretations noted below.

IFRIC 17 Distributions of Non-cash Assets to Owners

The interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

The interpretation is not relevant to the Company's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

The standard is not relevant to the Company's financial statements.

IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)

This amendment clarifies the accounting for group cash-settled share-based payment transactions and how such transactions should be arranged in the individual financial statements of the subsidiary.

The standard is not relevant to the Company's financial statements.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognising subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The standard is not relevant to the Company's financial statements.

2.3 Changes in accounting policies (continued)

Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Company

- *IFRS 2 Share-based payment*
- *IFRS 5 Non-current assets held for sale and discontinued operations*
- *IFRS 8 Operating segment information*
- *IAS 1 Presentation of financial statements*
- *IAS 7 Statement of Cash Flows*
- *IAS 17 Leases*
- *IAS 18 Revenue*
- *IAS 36 Impairment of Assets*
- *IAS 38 Intangible Assets*
- *IAS 39 Financial Instruments: Recognition and Measurement*
- *IFRIC 9 Reassessment of Embedded Derivatives*
- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation*

These amendments did not have an effect on the accounting policies, financial position or performance of the Company.

Standards, interpretations and amendments to published standards that are not yet effective and not early adopted

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Company has not early adopted, as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

- *IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)*

The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. The earlier application permitted and must be applied retrospectively. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

2.3 Changes in accounting policies (continued)

- *IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement*
  The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

- *IAS 32 Classification on Rights Issues (Amended)*
  The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

- *IAS 24 Related Party Disclosures (Revised)*
  The revision is effective for annual periods beginning on or after 1 January 2011.This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

- *IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for the first time adopters (Amended)*
  The amendment is effective for annual periods beginning on or after 1 July 2010. This amendment was issued on January 28, 2010 and exempts first-time adopters of IFRSs from providing the additional disclosures introduced by IFRS 7 on March 3, 2009.

- *IAS 12 Income Taxes: Recovery of Underlying Assets (Amended)*
  The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. As a result of the amendments, SIC-21 Income Taxes—Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The Company does not expect that the amendment will have impact on the financial position or performance of the Company

- *In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning July 1, 2010. Early application is permitted in all cases.*

  - *IFRS 1 First-time adoption, effective for annual periods beginning on or after 1 January 2011. This improvement clarifies the treatment of accounting policy changes in the year of adoption* after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.

2.3 Changes in accounting policies (continued)

- *IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010*
  This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets. Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

- *IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2011*
  This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

- *IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January 2011*
  This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- *IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010*
  This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

- *IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after 1 January 2011*
  This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

- *IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 January 2011*
  This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

2.3 Changes in accounting policies (continued)

- *IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)*
  The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

2.4 Summary of significant accounting policies

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using monthly weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Property and equipment

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs include the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Like wise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Buildings and improvements	10-50 years
Machinery and equipment	4-40 years
Motor vehicles	4-7 years
Furniture and fixtures	5-20 years

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern at economic benefits from items of PPE.

All costs incurred for the construction of property, plant and equipment are capitalized and are not depreciated until the asset is ready for use.

2.4 Summary of significant accounting policies (continued)

An item of PPE is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated income statements in the year the asset is derecognized.

Intangible assets

Intangible assets which mainly comprise software rights and trademarks are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets are amortized on a straight line basis over their estimated useful lives which is 3 to 15 years. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Impairment of assets

At each balance sheet date, the Company assesses whether there is any indication that book value of property and equipment and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication of impairment exists, the Company estimates the recoverable amount of such assets. When individual recoverable value of assets can not be measured, recoverable value of cash generating unit of that asset is measured.

Recoverable amount is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit by using discount rates before taxes that reflects risks related with that asset. The main estimates that are used during these analysis comprise expected inflation rates, expected increase in sales and cost of sales, expected changes in export-domestic market composition and expected growth rate of the country.

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset's carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive statement of income.

Subsequent increase in the asset's (or cash generating unit) recoverable amount due to cancellation of previously impairment loss recognized cannot be higher than the previously carrying value (net of depreciation) in case had the impairment loss was not recognized. Reversal of impairment is recognized as income in the financial statements.

2.4 Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the comprehensive statement of income 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. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses 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 profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 Summary of significant accounting policies (continued)

Employee benefits

a) Defined benefit plan:

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Company has reflected a liability using the "Projected Unit Credit Method". The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate.

All actuarial gain and loss is recognized in the statement of comprehensive income at the amount that exceeds 10% of net present value of provision for employee termination benefits to be amortized in remaining years to average retirement of current employees by using corridor method in accordance with IAS 19.

In the balance sheet, employee termination benefits are reflected under non-current liabilities as a separate line.

(b) Defined contribution plans:

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is:

- cash,
- a contractual right to receive cash or another financial asset from another enterprise,
- a contractual right to exchange financial instruments from another enterprise under conditions that are potentially favorable, or,
- an equity instrument of another enterprise.

A financial liability that is a contractual obligation:

- to deliver cash or another financial asset to another enterprise, or
- to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

When a financial asset or financial liability is recognized initially, it is measured at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in case of a liability) for it. Transaction costs are included (deducted for financial liabilities) in the initial measurement of all financial assets and liabilities.

2.4 Summary of significant accounting policies (continued)

Fair value of financial instruments

The fair value is the amount for which a financial instrument could be exchanged in a current transaction between ceiling parties, other than in a faced sale or liquidation, and this best evidenced by a quoted market price, if one exist.

Financial assets

Cash and cash equivalents

For the purposes of the presentation of cash flows statement, cash and cash equivalents comprise cash on hand, cash in banks and short-term deposits with an original maturity of three months or less.

Notes and trade receivable

Notes and trade receivable are reflected net of unearned interest and allowance for credit losses. Allowance for credit losses are set up based on management estimation of probable losses that might result from uncollectible receivables and are measured at amortized cost using the effective interest rate method.

Impairment on financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Company's that share similar credit risk characteristics. All impairment losses are recognized in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost, the reversal is recognized in the statement of comprehensive income.

Financial liabilities

Financial liabilities are recognized initially at fair value and at directly attributable transaction costs and after initial recognition; financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

Effective interest rate method is the amortized cost method and allocation of the related interest expenses to the related periods. Effective interest rate is the rate reducing the future expected cash payments to present value of the financial liability within the expected life of the asset or in a shorter period.

2.4 Summary of significant accounting policies (continued)

Trade payables

Trade and other payables are carried at amortized cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Bank borrowings

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 statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the trade date, in other words, the date the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset and when risk and benefit related to property. The Company derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.4 Summary of significant accounting policies (continued)

Related parties

Parties are considered to be related if any of the conditions stated below exists:

(a) directly, or indirectly through one or more intermediaries, the party:
  (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
  (ii) has an interest in the Company that gives it significant influence over the Company; or
  (iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are stated net of discounts and value added taxes.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and using the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Electricity incentive income

The Company receives back from Government 40% of its electricity expenses related with Artova plant. Revenue is recognized when the electricity invoice is issued.

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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

Contingent asset and liabilities

Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

2.4 Summary of significant accounting policies (continued)

Subsequent events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Company (should any evidence come about events that were prior to the balance sheet date or should new events come about) is explained in the relevant note.

Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognised in equity in the period in which they are approved and declared.

Leases

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Financial leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.5 Significant accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 Significant accounting judgments, estimates and assumptions (continued)

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of liabilities within the next financial year and the significant judgments with the most significant effect on amounts recognized in the financial statements are discussed in the relevant sections below, which are mainly related with provision for employee termination benefits, assessment of economic useful lives of property, plant and equipment and intangibles, and recognition of deferred tax assets.

Foreign currency transactions

Transactions in foreign currencies (currencies other than Turkish Lira) are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

Foreign currency rates as of year-ends are as follows:

Buying rates	**TL/USD**	**TL/EURO**
December 31, 2010	**1,5460**	**2,0491**
December 31, 2009	1,5057	2,1603

3. Cash and cash equivalents

	2010	2009
Cash at banks	**264,778**	280,900
Cash on hand	**27,578**	25,793
	292,356	306,693

As of December 31, 2010 and 2009, cash at banks consists of demand deposits.

4. Trade and other receivables

	2010	2009
Checks and notes receivable	**23,815,431**	19,135,922
Trade receivables	**16,914,534**	14,402,682
Electricity incentive receivables	**4,884,022**	4,146,196
Other receivables	**-**	-
Less: Allowance for doubtful receivables	**(1,500,120)**	(739,120)
	44,113,867	36,945,680

4. Trade and other receivables (continued)

As at December 31, 2010 and 2009 the aging analysis of trade receivables and checks and notes receivable is as follows:

			Past due but not impaired					
	Total	Neither past due nor impaired	< 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	>1 year
2010	**44,113,867**	**33,086,661**	**2,391,754**	**1,251,199**	**298,990**	**2,110,134**	**1,063,500**	**3,911,629**
2009	36,945,680	25,410,390	1,664,911	2,178,557	2,162,296	3,458,057	479,427	1,592,042

As of December 31, 2010 and 2009, pledge, mortgage and letter of guarantees obtained from customers against outstanding receivables are as follows:

	2010	2009
Guarantee check	**450,000**	400,000
Pledge	**3,822,827**	3,401,757
Mortgage	**11,395,250**	9,180,010
Letter of guarantee	**12,209,000**	10,555,000
Total	**27,877,077**	23,536,767

Movement of allowance for doubtful receivables is as follows:

	2010	2009
At January 1	**739,120**	739,120
Additional provision (Note 18)	**761,000**	-
At December 31	**1,500,120**	739,120

5. Inventories

	2010	2009
Raw materials	**4,235,143**	3,492,076
Work-in-process	**2,772,828**	3,070,943
Finished goods	**598,947**	1,125,780
Spare parts and supplies	**5,514,522**	5,039,287
Packing materials and other	**754,684**	546,344
	13,876,124	13,274,430

6. Prepayments and other current assets

	2010	2009
VAT receivable	**3,943,421**	4,845,021
Advances given to suppliers	**2,365,262**	910,308
Prepaid expenses	**523,840**	487,941
Advances given to personnel	**5,394**	8,932
	6,837,917	6,252,202

7. Property, plant and equipment

	December 31, 2009	Additions	Transfers	Disposals	December 31, 2010
Cost					
Land	4,094,767	3,006,351	-	(9,460)	7,091,658
Buildings and improvements	55,362,641	171,752	271,220	-	55,805,613
Machinery and equipment	106,354,330	634,868	1,133,160	(700)	108,121,658
Vehicles	5,271,290	1,746,605	-	(366,373)	6,651,522
Furniture and fixtures	849,207	83,161	11,791	-	944,159
Construction-in-progress	470,522	1,790,345	(1,416,171)	-	844,696
	172,402,757	**7,433,082**	**-**	**(376,533)**	**179,459,306**
Less: Accumulated depreciation					
Buildings and improvements	5,014,469	2,541,213	-	-	7,555,682
Machinery and equipment	7,006,299	3,475,596	-	(12)	10,481,883
Vehicles	2,243,852	949,250	-	(260,772)	2,932,330
Furniture and fixtures	372,142	166,016	-	-	538,158
	14,636,762	**7,132,075**	**-**	**(260,784)**	**21,508,053**
Net book value	**157,765,995**				**157,951,253**

	December 31, 2008	Additions	Transfers and reclassifications	Disposals	December 31, 2009
Cost					
Land	4,119,267	29,143	(53,643)	-	4,094,767
Buildings and improvements	54,469,088	71,955	821,598	-	55,362,641
Machinery and equipment	106,465,294	586,705	(691,573)	(6,096)	106,354,330
Vehicles	3,387,141	47,289	1,859,741	(22,881)	5,271,290
Furniture and fixtures	774,841	74,366	-	-	849,207
Construction-in-progress	1,097,072	1,309,573	(1,936,123)	-	470,522
	170,312,703	**2,119,031**	**-**	**(28,977)**	**172,402,757**
Less: Accumulated depreciation					
Buildings and improvements	2,507,323	2,507,146	-	-	5,014,469
Machinery and equipment	4,241,620	3,369,162	(604,381)	(102)	7,006,299
Vehicles	764,647	879,401	604,381	(4,577)	2,243,852
Furniture and fixtures	208,821	163,321	-	-	372,142
	7,722,411	**6,919,030**	**-**	**(4,679)**	**14,636,762**
Net book value	**162,590,292**				**157,765,995**

7. Property, plant and equipment (continued)

As of December 31, 2010 and 2009 there are mortgages amounting to EUR 108,000,000 on land and factory buildings of Artova plant and land of Sultanköy plant for the loan from TSKB-YKB consortium, amounting to EUR 72,000,000.

As of December 31, 2010 and 2009, the Company does not have any fully depreciated asset.

As of December 31, 2010, machinery and equipment with net carrying amount of TL 1,946,698 (December 31, 2009 - TL 2,662,863) have been acquired through financial leasing.

8. Intangible assets

	December 31, 2009	Additions	Transfers	Disposals	December 31, 2010
Cost					
Software	372,282	121,467	-	-	493,749
Trademarks	30,000	-	-	-	30,000
Other intangibles	1,734	3,370	-	-	5,104
	404,016	**124,837**	**-**	**-**	**528,853**
Less: Accumulated amortization					
Software	111,216	75,475	-	-	186,691
Trademarks	4,000	2,000	-	-	6,000
Other intangibles	1,445	816	-	-	2,261
	116,661	**78,291**	**-**	**-**	**194,952**
Net book value	**287,355**				**333,901**

	December 31, 2008	Additions	Transfers	Disposals	December 31, 2009
Cost					
Software	161,212	211,070	-	-	372,282
Trademarks	30,000	-	-	-	30,000
Other intangibles	1,734	-	-	-	1,734
	192,946	**211,070**	**-**	**-**	**404,016**
Less: Accumulated amortization					
Software	63,964	47,252	-	-	111,216
Trademarks	2,000	2,000	-	-	4,000
Other intangibles	200	1,245	-	-	1,445
	66,164	**50,497**	**-**	**-**	**116,661**
Net book value	**126,782**				**287,355**

9. Non current receivables

	2010	2009
Prepaid electricity	**4,146,012**	4,760,695
Vat receivable	**-**	3,939,406
Other	**81,720**	106,199
	4,227,732	8,806,300

10. Trade and other payables

	2010	2009
Trade payables	**15,052,930**	11,532,029
	15,052,930	11,532,029

11. Other current liabilities and accrued expenses

	2010	2009
Advances taken	**1,962,577**	650,794
Salaries and wages payable	**475,611**	460,452
Withholding and other taxes payable	**164,564**	161,974
Social security premiums payable	**156,268**	149,828
Vacation pay liability	**327,910**	215,860
Other	**215,613**	332,169
	3,302,543	1,971,077

12. Employee termination benefits

In accordance with existing social legislation, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2,517 and TL 2,365 at December 31, 2010 and 2009, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements As of December 31, 2010 and 2009, the Company reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

12. Employee termination benefits (continued)

The principal actuarial assumptions used at the balance sheet dates are as follows:

	2010	2009
Discount rate (%)	**10%**	11%
Expected rate of salary / limit increase (%)	**5.1%**	4.8%

The movement in provision for retirement pay liability recognized in the balance sheet is as follows is as follows:

	2010	2009
At January 1	**218,980**	43,059
Interest cost	**21,898**	4,736
Service cost	**116,371**	20,469
Paid	**(71,666)**	(67,979)
Actuarial loss	**184,142**	218,695
At December 31	**469,725**	218,980

13. Borrowings

					2010
	Interest rate	Original currency		TL Equivalent	Maturity
Short-term					
Short-term bank borrowings	9%-12,10%	TL	21,272,791	21,272,791	2011
	4%-6%	USD	11,140,000	17,222,440	2011
Total short-term borrowings				**38,495,231**	
Long-term					
Long-term bank borrowings	Euribor+2.6 –Euribor+3.2	EUR	43,615,566	89,372,657	2012-2014
	12,10%	TL	13,303,125	13,303,125	2011-2012
	5,57	USD	10,375,000	16,039,750	2011-2012
Obligations under finance leases	6%-8%	EUR	427,410	875,806	2010-2012
				119,591,338	
Less: Current portion of long-term bank borrowings and finance lease obligations		EUR	13,732,588	28,139,446	
		TL	6,651,562	6,651,562	
		USD	3,437,500	5,314,375	
				40,105,383	
Total long-term borrowings				**79,485,955**	

13. Borrowings (continued)

						2009
	Interest rate	**Original currency**		**TL Equivalent**		**Maturity**
Short-term						
Short-term bank borrowings	6%-11%	EUR	4,223,375	9,123,757		2010
	10%-12%	TL	28,330,331	28,330,330		2010
	5.5%-10.5%	USD	9,910,000	14,921,487		2010
Total short-term borrowings				**52,375,574**		
Long-term						
Long-term bank borrowings	Euribor+2.6 –Euribor+3.2	EUR	57,033,087	123,208,577		2012-2014
	23.4%-28.8%	TL	2,896,157	2,896,157		2010
Obligations under finance leases	6%-8%	EUR	845,685	1,826,934		2010-2012
	17%-19%	TL	73,170	73,170		2010
	6%-7%	USD	8,406	12,658		2010
				128,017,496		
Less: Current portion of long-term bank borrowings and finance lease obligations		EUR	13,835,799	29,889,476		
		TL	2,969,327	2,969,327		
		USD	8,406	12,657		
				32,871,460		
Total long-term borrowings				**95,146,036**		

Repayment plan of the long term borrowings as of December 31, 2010 and 2009 is as follows:

	2010	2009
2010	-	32,871,460
2011	**40,105,383**	29,666,513
2012	**44,391,683**	28,480,762
2013	**24,216,673**	25,530,857
2014	**10,877,599**	11,467,904
Total	**119,591,338**	128,017,496

14. Share capital

As of December 31, 2010 and 2009 the Company's paid in share capital is TL 76,000,000 (historical terms) comprising 760,000 shares of TL 100 par value.

The movement of share capital from January 1, 2009 to December 31, 2009 and from January 1, 2010 to December 31, 2010 is as follows;

	Number of common shares	(historical - TL)
At January 1, 2009 (Common shares, TL100, par value)	760,000	76,000,000
Share capital increase	-	-
At December 31, 2009 (Common shares, TL100, par value)	760,000	76,000,000
Share capital increase	-	-
At December 31, 2010 (Common shares, TL100, par value)	**760,000**	**76,000,000**

As of December 31, 2010 and 2009, the composition of shareholders and their respective % of ownership is as follows:

	December 31, 2010		December 31, 2009	
	Share (%)	TL	Share (%)	TL
Salentijn properties	50.00	38,000,000	50.00	38,000,000
Cem Sak	25.00	19,000,000	25.00	19,000,000
Mustafa Sak	24.00	18,240,000	24.00	18,240,000
Ali Turgut	0.25	190,000	0.25	190,000
Ayşe Sak	0.50	380,000	0.50	380,000
Gülsüm Dağyar	0.25	190,000	0.25	190,000
	100.00%	**76,000,000**	**100.00%**	**76,000,000**

15. Accumulated deficit

Accumulated deficit 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 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.

16. Related party disclosures

In the course of conducting its business, the Company conducted various business transactions with related parties on arm's length commercial terms. The most significant of these transactions as of December 31, 2010 and during the year then ended are as follows:

Related party	Rent income	Rent expense	Interest expense	Interest income	Purchases	Sales
Ado İmar İnş. A.Ş. Ve Portisan San. Tic. A.Ş. Adi Ort. (1)	-	-	-	-	-	-
Ado İmar İnş. Mlz. İnş. Taah. San. Tic. A.Ş. (1)	-	-	-	-	-	-
Ado Madencilik Elektrik Ürt. San. Tic. A.Ş. (1)	-	494,479	-	-	400	43,930
Ado Elektrik Enerjisi İth. ve Toptan Satış	-	-	-	-	11,125,025	-
Adopen Plastik İnşaat San. A.Ş. (1)	-	-	-	-	741	7,749
Yurt Çimento Sanayi Ve Ticaret A.Ş. (1)	-	-	-	-	20,189	1,851,649
Yurt Enerji Üretim Sanayi Ve Tic. Ltd. Şti. (1)	-	-	-	-	-	17,429
Alexandria Portland Cement	-	-	-	-	-	3,243,466
Titan Cement Company S.A.	-	-	-	-	1,035	-
Titan Cement Egypt Co.	-	-	-	-	-	-
	-	494,479	-	-	11,147,390	5,164,223

	Due from related parties (*)	Due to related parties(**)
Ado Madencilik Elektrik Ürt.San. Tic. A.Ş. (1)	32,475	13,189
Adopen Plastik İnşaat San .A.Ş. (1)	-	9,212
Ado Elektrik Enerjisi İth. ve Toptan Satış	-	1,811,444
Yurt Çimento Sanayi Ve Ticaret A.Ş. (1)	-	68,993
Titan Cement Egypt Co.	-	1,035
	32,475	1,903,873

The most significant of these transactions as of December 31, 2009 and during the year then ended are as follows:

Related party	Rent income	Rent expense	Interest expense	Interest income	Purchases	Sales
Ado İmar İnş. A.Ş. Ve Portisan San. Tic. A.Ş. Adi Ort. (1)	-	-	-	-	-	6.210
Ado İmar İnş. Mlz. İnş. Taah. San. Tic. A.Ş. (1)	-	-	-	-	-	2.312
Ado Madencilik Elektrik Ürt. San. Tic. A.Ş. (1)	-	492.446	3.487	182	62.811	304.647
Adopen Plastik İnşaat San. A.Ş. (1)	-	-	5.629	-	1.000	353
Yurt Çimento Sanayi Ve Ticaret A.Ş. (1)	5.783	-	692	-	-	33.684
Yurt Enerji Üretim Sanayi Ve Tic. Ltd. Şti. (1)	-	-	2.637	-	-	2.804
Titan Cement Company S.A.	-	-	-	-	174.716	-
Titan Cement Egypt Co.	-	-	-	-	-	3.663.639
	5.783	492.446	12.445	182	238.527	4.013.649

(*) Due from related parties are included in trade and other receivables.
(**) Due to related parties are included in trade and other payables.

(1) Companies controlled by shareholders of Company.

16. Related party disclosures (continued)

	Due from related parties (*)	Due to related parties(**)
Ado Madencilik Elektrik Ürt. San. Tic. A.Ş. [1]	-	23.011
Adopen Plastik İnşaat San. A.Ş. [1]	-	5.029
Yurt Çimento Sanayi ve Ticaret A.Ş. [1]	30.121	-
Titan Cement Egypt Co.	3.663.639	-
	3.693.760	28.040

(*) Due from related parties are included in trade and other receivables.
(**) Due to related parties are included in trade and other payables.

(1) Companies controlled by shareholders of Company.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2010 and 2009, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

For the year ended December 31, 2010 compensation provided to top management of the Company is TL 763,000 (December 31, 2009 - TL 730,000).

17. Financial instruments

Financial risk management objectives and polices

The Company's principal financial instruments comprise bank loans, 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 financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarized below.

17. Financial instruments (continued)

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) In loan interest rates	Effect on loss before tax
December 31, 2010	**+5%**	**(446,863)**
	(5%)	**446,863**
December 31, 2009	+5%	(615,570)
	(5%)	615,570

Liquidity risk

The Company monitors its risk to a shortage of funds by considering the maturity of both its accounts receivable and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2010 and 2009 based on contractual undiscounted payments:

Year ended December 31, 2010	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Short term borrowings	-	3,119,233	37,793,791	-	-	40,913,024
Current portion of the long term borrowings	-	8,262,106	37,568,995	-	-	45,831,101
Long term borrowings	-	-		83,519,808	-	83,519,808
Trade and other payables	-	-	15,052,930	-	-	15,052,930
Other current liabilities and accrued expenses	-	796,443	2,506,100	-	-	3,302,543
Total	**-**	**12,177,782**	**92,921,816**	**83,519,808**	**-**	**188,619,406**

Year ended December 31, 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Short term borrowings	-	11,250,715	42,277,198	-	-	53,527,913
Current portion of the long term borrowings	-	10,649,211	27,614,537	-	-	38,263,748
Long term borrowings	-	-	-	103,114,607	-	103,114,607
Trade and other payables	-	-	11,532,029	-	-	11,532,029
Other current liabilities and accrued expenses	-	772,254	1,198,823	-	-	1,971,077
Total	-	22,672,180	82,622,587	103,114,607	-	208,409,374

17. Financial instruments (continued)

Foreign currency risk

As of December 31, 2010 and 2009, the foreign currency position of the Company is summarized below:

Year ended December 31, 2010		Original currency	**TL equivalent**
Cash and cash equivalents	EUR	2,654	5,438
	USD	99,849	154,366
			159,804
Trade and other receivables	EUR	1,229,350	2,519,062
	USD	239,714	370,598
	GBP	9,750	23,289
			2,912,949
Total of assets in foreign currency			**3,072,753**
Short-term borrowings	USD	(11,140,000)	(17,222,440)
			(17,222,440)
Current portion of long term bank borrowings and financial lease obligations	EUR	(13,732,588)	(28,139,446)
	USD	(3,437,500)	(5,134,375)
			(33,453,821)
Trade and other payables	EUR	(122,514)	(251,044)
	USD	(1,672,957)	(2,586,392)
			(2,837,436)
Long term borrowings and obligations under finance leases	EUR	(30,310,388)	(62,109,017)
	USD	(6,937,500)	(10,725,375)
			(72,834,392)
Total of liabilities in foreign currency			**(126,348,089)**
Net foreign currency position			**(123,275,336)**

17. Financial instruments (continued)

Year ended December 31, 2009		Original currency	TL equivalent
Cash and cash equivalents	EUR	18,072	39.042
	USD	5,642	8.496
			47.538
Trade and other receivables	EUR	736,262	1.590.547
	USD	2,682,365	4.038.837
			5.629.384
Total of assets in foreign currency			**5.676.922**
Short-term borrowings	EUR	(4,223,375)	(9.123.757)
	USD	(9,910,000)	(14.921.487)
			(24.045.244)
Current portion of long term bank borrowings and financial lease obligations	EUR	(13,835,799)	(29.889.476)
	USD	(8,406)	(12.657)
			(29.902.133)
Trade and other payables	EUR	(148,292)	(320.356)
	USD	(2,232,971)	(3.362.185)
			(3.682.541)
Long term borrowings and obligations under finance leases	EUR	(43,197,288)	(93.319.101)
	USD	-	-
			(93.319.101)
Total of liabilities in foreign currency			**(150.949.019)**
Net foreign currency position			**(145,272,097)**

The following table demonstrates the sensitivity to reasonably possible changes in U.S Dollar and Euro exchange rates, with all other variables held constant, of the Company's loss before tax due to changes in the fair value of monetary assets and liabilities.

		Increase in foreign exchange rates		Decrease in foreign exchange rates	
December 31, 2010	**US Dollar**	**+5%**	**(1,766,181)**	**(5%)**	**1,766,181**
	Euro	**+5%**	**(4,398,750)**	**(5%)**	**4,398,750**
	GBP	**+5%**	**1,164**	**(5%)**	**(1,164)**
December 31, 2009	US Dollar	+5%	(712,450)	(5%)	712,450
	Euro	+5%	(6,551,155)	(5%)	6,551,155

17. Financial instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and trade receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The Company seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. It is the Company's policy to enter into financial instruments with a diversity of creditworthy counterparties.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company make yearly and 5 years plans considering the necessary investments and supported with a yearly cash plan submitted to the board and may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the required working capital to the Company.

Fair value of financial assets and liabilities

Fair value is the amount for 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, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could 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:

Financial assets

Monetary assets for which the fair value approximates carrying value, balances denominated in foreign currencies are translated at year end exchange rates. The fair values of certain financial assets carried at cost are considered to approximate their respective carrying values due to their short-term nature.

Financial liabilities

Trade payables and other short term monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

17. Financial instruments (continued)

The carrying and fair value of the long-term borrowings as of December 31, 2010 and 2009 is as follows:

	December 31, 2010		December 31, 2009	
	Carrying value	**Carrying value**	Carrying value	Fair value
Long-term borrowings	**119,591,338**	**119,591,338**	128,017,496	128,017,496

18. Revenues and expenses

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Revenues		
Domestic sales	**135,134,957**	96,243,499
Export sales	**16,777,940**	20,200,418
	151,912,897	116,443,917

Cost of sales

The breakdown of cost of sales is as follows:

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Distribution cost	**25,672,457**	20,671,203
Variable cost	**75,469,991**	61,747,695
Fixed cost	**10,818,025**	8,880,677
Packing cost	**5,053,590**	6,221,493
Depreciation and amortization	**6,685,697**	6,525,630
Total	**123,699,760**	104,046,698

18. Revenues and expenses (continued)

Selling and marketing expenses

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Salaries and related expenses	**1,289,626**	1,044,825
Car expenses	**326,700**	169,055
Travelling expenses	**56,711**	93,142
Other	**475,838**	263,575
Total	**2,148,875**	1,570,597

Administrative expenses

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Salaries and related expenses	**3,797,357**	3,346,454
Professional service fees and related expenses	**178,984**	167,856
Car expenses (car rentals, maintenance, fuel)	**176,130**	131,621
Depreciation expenses	**524,668**	443,897
Cleaning and security expenses	**365,899**	354,834
Travelling expenses	**185,896**	178,671
Telephone and post expenses	**329,331**	398,632
Consultancy expenses	**160,620**	288,914
Rent expenses	**126,689**	233,730
Advertising and promotion expenses	**4,930**	16,344
Other	**1,093,599**	787,533
Total	**6,944,103**	6,348,486

Personnel expenses

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Wages and salaries	**7,573,387**	6,514,717
Cost of defined contribution plan (employer's share of social security premiums)	**2,650,581**	2,769,773
Provision for employee termination benefits	**322,411**	243,900
	10,546,379	9,528,390

Average number of employees for the year ended December 31, 2010 is 247 (December 31, 2009 is 257).

18. Revenues and expenses (continued)

Depreciation and amortization expenses

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Cost of sales	**6,685,697**	6,525,630
General and administrative expenses	**524,668**	443,897
	7,210,365	6,969,527

Other operating income

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Electricity incentives income	**6,861,596**	5,644,291
Gain on stock count	**-**	364,806
Other	**905,950**	651,967
	7,767,546	6,661,064

The Company receives back from Government 40% of its electricity expenses related with Artova plant. Revenue is recognized when the electricity invoice is issued.

Other operating expense

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Doubtful receivables expenses	**761,000**	-
Vacation pay liability	**112,050**	103,114
Retirement pay liability	**250,745**	175,921
Other	**319,099**	335,084
	1,442,894	614,119

18. Revenues and expenses (continued)

Financial income / (expense)

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Foreign exchange gains	**23,203,009**	25,395,949
Interest income	**155,047**	550,819
Total financial income	**23,358,056**	25,946,768
Foreign exchange losses	**(17,073,722)**	(27,363,400)
Interest expense	**(10,531,261)**	(12,486,546)
Total financial expense	**(27,604,983)**	(39,849,946)
Financial expense, net	**(4,246,927)**	(13,903,178)

19. Income taxes

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Income tax	**-**	-
Deferred tax charge	**(1,987,225)**	639,523
	(1,987,225)	639,523

a) Current tax

The Company is subject to taxation in accordance with the tax regulations and the legislation effective in Turkey.

In Turkey, the corporation tax rate as of December 31, 2010 is 20% (2009 – 20%). Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

19. Income taxes (continued)

15% (2009 - 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

A reconciliation of income tax credit to loss before income tax is as follows:

	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
Profit/Loss before taxes	**21,197,885**	(3,378,097)
Tax credit at the tax rate of 20%	**(4,239,577)**	675,619
Effect of investment incentives	**2,276,763**	-
Non-deductible expenses	**(71,196)**	(36,096)
Other	**46,785**	-
Taxation on income per income statement	**(1,987,225)**	639,523

A new regulation related to application of investment incentive has been introduced on August 1, 2010 and the time limitation on the use of the investment allowance has been removed, meanwhile the use of investment allowance is limited with 25% of the annual income. Accordingly, the taxpayers should calculate and pay 20% of corporate tax based on the remaining, after deducting the investment incentive, 75% of pretax income, The Company has unused investment incentive amounting to TL 11,383,817 as of December 31, 2010. Therefore, the Company recognized deferred tax asset amounting to TL 2,276,763 as of December 31, 2010 for the investment incentives that is going to be used in future periods.

As of December 31, 2009, the deferred tax asset of the Company recognized on tax losses amounted to TL 4,304,921. In 2010, the Company will report statutory taxable profit amounting to TL 18,575,420, therefore the deferred tax asset on tax losses reduced to TL 582,885 as of December 31, 2010.

At December 31, 2010 and 2009 the fiscal calendar years in which the carry forward tax losses of the Company will expire are as follows:

	December 31, 2010	December 31, 2009
2010	-	84,975
2011	-	850,106
2012	-	13,299,626
2013	**2,724,023**	7,099,497
2014	**190,402**	190,402
	2,914,425	21,524,606

19. Income taxes (continued)

b) Deferred tax

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as of December 31, 2010 and 2009 using the prevailing effective statutory tax rate is as follows:

	December 31, 2010		December 31, 2009	
	Cumulative temporary differences	**Deferred tax assets / (liabilities)**	Cumulative temporary differences	Deferred tax assets / (liabilities)
Unused tax losses	**2,914,425**	**582,885**	21,524,606	4,304,921
Effect of useful life and prorata adjustment on property, and equipment and intangibles	**18,067,909**	**3,613,582**	21,901,463	4,380,293
Provision for doubtful receivables	**1,500,120**	**300,024**	739,120	147,824
Provision for vacation pay liability	**327,910**	**65,582**	215,860	43,172
Provision for employee termination benefits	**469,725**	**93,945**	218,980	43,796
Investment incentives	**11,383,817**	**2,276,763**	-	-
Total deferred tax asset, net	**34,663,906**	**6,932,781**	44,600,029	8,920,006

The movement of deferred tax asset for the year ended December 31, 2010 and December 31, 2009 is as follows;

	2010	2009
Balance at January 1	**8,920,006**	8,280,483
Deferred tax (charge) / gain recognized in statement of income	**(1,987,225)**	639,523
Balance at December 31	**6,932,781**	8,920,006

20. Commitments and contingencies

As of December 31, 2010 there are mortgages amounting to EUR 108,000,000 on Artova and Sultanköy plants for the loan from TSKB-YKB consortium, amounting to EUR 72,000,000. Also there are second degree mortgages amounting to TL 52,000,000 on Artova and Sultanköy plant's same assets for the loan from YKB bank, amounting to TL 19,350,000 and USD 10,000,000.TSKB and YKB consortium has also pledges amounting to EUR 97,500,000 on 50% of shares (Sak Family shares) of the Company. As of June 30, 2009, the consortium lifted up the pledges on shares of Titan Group. (As of December 31, 2009 - shares of the Company are pledged against loans obtained from TSKB and YKB consortium amounting to EUR 97,500,000).

The Company has also given to TSKB a letter of guarantee amounting to EUR 26,688,244 (December 31, 2009 - EUR 37,121,842) and personal guarantees of shareholders amounting to EUR 108,000,000 (December 31, 2009 - EUR 108,000,000).

20. Commitments and contingencies (continued)

The Company has finance lease contracts for various machinery and equipment. The contracts have terms of purchase option at the end of the lease term and the price is determined as the residual amount. As of December 31, 2010 and 2009 future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

		2010		2009
	Minimum payments	**Present value of minimum payments**	Minimum payments	Present value of minimum payments
Within one year	**774,199**	**696,026**	1,151,519	989,427
After one year but not more than five years	**193,550**	**179,780**	1,020,267	923,335
Total financial lease debt	**967,749**	**875,806**	2,171,786	1,912,762
Less: amounts representing finance charges	**(91,943)**	**-**	(259,024)	-
Present value of minimum lease payments	**875,806**	**875,806**	1,912,762	1,912,762

21. Subsequent events

None.