

# **Adoçim imento Beton Sanayi ve Ticaret Anonim Őirketi**

**Financial statements as of December 31, 2011  
together with report of independent auditors**

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

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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, 2011, 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
January 31, 2012  
İstanbul, Turkey

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Balance sheet as of December 31, 2011 (Currency – TL)

<b>Assets</b>	<b>Notes</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Current assets</b>			
Cash and cash equivalents	3	155,173	292,356
Trade and other receivables	4	56,489,328	44,113,867
Inventories	5	20,269,151	13,876,124
Prepayments and other current assets	6	4,386,919	6,837,917
<b>Total current assets</b>		<b>81,300,571</b>	<b>65,120,264</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	7	165,082,147	157,951,253
Intangible assets, net	8	269,431	333,901
Deferred tax asset	19	6,093,601	6,932,781
Non-current assets	9	4,064,656	4,227,732
<b>Total non-current assets</b>		<b>175,509,835</b>	<b>169,445,667</b>
<b>Total assets</b>		<b>256,810,406</b>	<b>234,565,931</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short term borrowings	13	40,766,024	38,495,231
Current portion of long term borrowings	13	75,322,851	40,105,383
Trade and other payables	10	17,397,991	15,052,930
Other current liabilities and accrued expenses	11	8,714,076	3,302,543
<b>Total current liabilities</b>		<b>142,200,942</b>	<b>96,956,087</b>
<b>Non-current liabilities</b>			
Long-term borrowings	13	51,357,860	79,485,955
Employee termination benefits	12	545,013	469,725
<b>Total non current liabilities</b>		<b>51,902,873</b>	<b>79,955,680</b>
<b>Equity</b>			
Share capital	14	76,000,000	76,000,000
Accumulated losses		(13,293,409)	(18,345,836)
<b>Total equity</b>		<b>62,706,591</b>	<b>57,654,164</b>
<b>Total liabilities and equity</b>		<b>256,810,406</b>	<b>234,565,931</b>

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, 2011 (Currency – TL)

	Notes	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Sales	18	<b>172,902,405</b>	151,912,897
Cost of sales	18	<b>(127,556,422)</b>	(123,699,760)
<b>Gross profit</b>		<b>45,345,983</b>	28,213,137
Selling and marketing expenses	18	<b>(2,312,317)</b>	(2,148,875)
Administrative expenses	18	<b>(6,914,444)</b>	(6,944,103)
Other operating income	18	<b>8,409,394</b>	7,767,546
Other operating expense	18	<b>(866,533)</b>	(1,442,894)
<b>Profit from operations</b>		<b>43,662,083</b>	25,444,811
Financial income	18	<b>11,046,245</b>	23,358,056
Financial expense	18	<b>(48,816,721)</b>	(27,604,983)
<b>Profit before tax</b>		<b>5,891,607</b>	21,197,884
Income tax	19	<b>(839,180)</b>	(1,987,225)
<b>Net profit for the year</b>		<b>5,052,427</b>	19,210,659
Other comprehensive income / (loss)		-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>5,052,427</b>	19,210,659

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, 2011  
(Currency – TL)**

	Share capital	Accumulated losses	Total
At December 31, 2009	76,000,000	(37,556,495)	38,443,505
Other comprehensive loss	-	19,210,659	19,210,659
At December 31, 2010	76,000,000	(18,345,836)	57,654,164
Other comprehensive profit	-	5,052,427	5,052,427
At December 31, 2011	76,000,000	(13,293,409)	62,706,591

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 cash flows for the year ended  
December 31, 2011  
(Currency – TL)**

	Notes	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
<b>Cash flows from operating activities</b>			
Profit before income tax		5,891,607	21,197,884
<b>Adjustments for:</b>			
Depreciation and amortization	7, 8	7,345,505	7,210,365
Provision for employee termination benefits	12	235,881	322,411
Gain on sale of property, plant and equipment		(11,719)	(61,386)
Unrealized foreign exchange losses		24,664,342	(7,171,935)
Interest expense	18	11,696,863	10,531,261
<b>Operating profit before changes in operating assets and liabilities</b>		<b>49,822,479</b>	<b>32,028,600</b>
<b>Working capital changes in:</b>			
Trade and other receivables		(12,375,461)	(7,168,187)
Inventories		(6,393,027)	(601,694)
Prepayment and other current assets		2,450,998	(585,715)
Non-current assets		163,075	4,578,568
Trade and other payables		2,345,061	3,520,901
Other current liabilities and accrued expenses		5,411,533	1,331,466
Employee termination benefits paid		(160,593)	(71,666)
<b>Net cash provided by operating activities</b>		<b>41,264,065</b>	<b>33,032,273</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	7, 8	(15,046,685)	(7,557,918)
Proceeds from property, plant and equipment disposals		646,476	177,135
<b>Net cash used in investing activities</b>		<b>(14,400,209)</b>	<b>(7,380,783)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		161,972,149	30,994,505
Repayment of borrowings		(177,685,871)	(45,488,104)
Interest paid		(11,287,317)	(11,172,228)
<b>Net cash used in financing activities</b>		<b>(27,001,039)</b>	<b>(25,665,827)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(137,183)</b>	<b>(14,337)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>292,356</b>	<b>306,693</b>
<b>Cash and cash equivalents at end of the period</b>		<b>155,173</b>	<b>292,356</b>

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

## Notes to the financial statements

December 31, 2011

(Currency – In TL)

### 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, 2012. 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:

The accounting policies adopted in preparation of the financial statements as at 31 December 2011 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.



## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2011**

**(Currency – In TL)**

#### **2.3 Changes in accounting policies (continued)**

**The new standards, amendments and interpretations which are effective as at 1 January 2011 are as follows:**

##### **IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction— Prepayments of a Minimum Funding Requirement (Amended)**

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.

##### **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

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 derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. The adoption of the interpretation did not have any impact on the financial position or performance of the Company.

##### **IAS 32 Financial Instruments: Presentation - Classifications on Rights Issues (Amended)**

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Company because the Company does not have these types of instruments.

##### **IAS 24 Related Party Disclosures (Revised)**

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

##### **Improvements to IFRSs**

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 adoption of the following amendments resulted in changes to accounting policies and disclosures, but no impact on the financial position or performance of the Company. There are separate transitional provisions for each standard. The amendments that are effective as at 1 January 2011 are as follows:

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 2.3 Changes in accounting policies (continued)

##### *IFRS 3 Business Combinations*

- i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

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).

- ii) Measurement of non-controlling interests

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.

- iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement 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 paid and post combination expenses.

##### *IFRS 7 Financial Instruments: Disclosures*

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets.

##### *IAS 1 Presentation of Financial Statements*

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*

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.

## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2011**

**(Currency – In TL)**

#### **2.3 Changes in accounting policies (continued)**

##### *IAS 34 Interim Financial Reporting*

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets.

##### *IFRIC 13 Customer Loyalty Programmes*

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.

#### **Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are 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.

#### **IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income**

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

#### **IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)**

The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

#### **IAS 19 Employee Benefits (Amended)**

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2011**

**(Currency – In TL)**

#### **2.3 Changes in accounting policies (continued)**

##### **IAS 27 Separate Financial Statements (Amended)**

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

##### **IAS 28 Investments in Associates and Joint Ventures (Amended)**

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

##### **IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

##### **IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)**

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), 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. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after 1 July 2011. Comparative disclosures are not required. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

##### **IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)**

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2011**

**(Currency – In TL)**

#### **2.3 Changes in accounting policies (continued)**

##### **IFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

##### **IFRS 10 Consolidated Financial Statements**

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

##### **IFRS 11 Joint Arrangements**

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

##### **IFRS 12 Disclosure of Interests in Other Entities**

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 2.3 Changes in accounting policies (continued)

#### IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

#### IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard has not yet been endorsed by the EU. The interpretation is not applicable for the Company and will not have any 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

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 2.4 Summary of significant accounting policies (continued)

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.

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.

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 2.4 Summary of significant accounting policies (continued)

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.

#### **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.



## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2011**

**(Currency – In TL)**

#### **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.

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 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 forced 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.

## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2011**

**(Currency – In TL)**

#### **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.

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 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.

## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2011**

**(Currency – In TL)**

#### **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.

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 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:

<b>Buying rates</b>	<b>TL/USD</b>	<b>TL/EURO</b>
<b>December 31, 2011</b>	<b>1,8889</b>	<b>2,4438</b>
December 31, 2010	1,5460	2,0491

### 3. Cash and cash equivalents

	<b>2011</b>	<b>2010</b>
Cash at banks	<b>121,704</b>	264,778
Cash on hand	<b>33,469</b>	27,578
	<b>155,173</b>	292,356

As of December 31, 2011 and 2010, cash at banks consists of demand deposits.

### 4. Trade and other receivables

	<b>2011</b>	<b>2010</b>
Checks and notes receivable	<b>31,412,208</b>	23,815,431
Trade receivables	<b>22,642,417</b>	16,914,534
Electricity incentive receivables	<b>3,934,823</b>	4,884,022
Less: Allowance for doubtful receivables	<b>(1,500,120)</b>	(1,500,120)
	<b>56,489,328</b>	44,113,867

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 4. Trade and other receivables (continued)

As at December 31, 2011 and 2010 the aging analysis of trade receivables and checks and notes receivable is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					
			< 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	>1 year
2011	56,489,328	46,326,087	2,383,473	519,495	182,120	2,475,081	79,500	4,523,572
2010	44,113,867	33,086,661	2,391,754	1,251,199	298,990	2,110,134	1,063,500	3,911,629

As of December 31, 2011 and 2010, pledge, mortgage and letter of guarantees obtained from customers against outstanding receivables are as follows:

	2011	2010
Guarantee check	810,190	450,000
Pledge	4,540,122	3,822,827
Mortgage	9,925,250	11,395,250
Letter of guarantee	17,809,000	12,209,000
<b>Total</b>	<b>33,084,562</b>	<b>27,877,077</b>

Movement of allowance for doubtful receivables is as follows:

	2011	2010
At January 1	1,500,120	739,120
Additional provision (Note 18)	-	761,000
At December 31	1,500,120	1,500,120

### 5. Inventories

	2011	2010
Raw materials	4,610,070	4,235,143
Work-in-process	6,571,255	2,772,828
Finished goods	1,311,469	598,947
Spare parts and supplies	6,902,880	5,514,522
Packing materials and other	873,477	754,684
<b>Total</b>	<b>20,269,151</b>	<b>13,876,124</b>

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 6. Prepayments and other current assets

	2011	2010
Advances given to suppliers	2,383,170	2,365,262
Prepaid expenses	1,549,268	523,840
VAT receivable	437,395	3,943,421
Advances given to personnel	17,086	5,394
	<b>4,386,919</b>	<b>6,837,917</b>

### 7. Property, plant and equipment

	December 31, 2010	Additions	Transfers and reclassifications	Disposals	December 31, 2011
<b>Cost</b>					
Land	7,091,658	18,414	-	-	7,110,072
Buildings and improvements	55,805,613	428,437	2,059,305	-	58,293,355
Machinery and equipment	108,121,658	62,844	10,911,196	(442,678)	118,653,020
Vehicles	6,651,522	5,344	268,653	(231,893)	6,693,626
Furniture and fixtures	944,159	1,827	53,234	-	999,220
Construction-in-progress	844,696	14,516,997	(13,292,388)	-	2,069,305
	<b>179,459,306</b>	<b>15,033,863</b>	<b>-</b>	<b>(674,571)</b>	<b>193,818,598</b>
<b>Less: Accumulated depreciation</b>					
Buildings and improvements	7,555,682	2,553,187	-	-	10,108,869
Machinery and equipment	10,481,883	3,688,472	-	(18,315)	14,152,040
Vehicles	2,932,330	881,796	-	(21,501)	3,792,625
Furniture and fixtures	538,158	144,759	-	-	682,917
	<b>21,508,053</b>	<b>7,268,214</b>	<b>-</b>	<b>(39,816)</b>	<b>28,736,451</b>
<b>Net book value</b>	<b>157,951,253</b>				<b>165,082,147</b>

	December 31, 2009	Additions	Transfers and reclassifications	Disposals	December 31, 2010
<b>Cost</b>					
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
	<b>172,402,757</b>	<b>7,433,082</b>	<b>-</b>	<b>(376,533)</b>	<b>179,459,306</b>
<b>Less: Accumulated depreciation</b>					
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
	<b>14,636,762</b>	<b>7,132,075</b>	<b>-</b>	<b>(260,784)</b>	<b>21,508,053</b>
<b>Net book value</b>	<b>157,765,995</b>				<b>157,951,253</b>



# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 7. Property, plant and equipment (continued)

As of December 31, 2011 and 2010 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, 2011, there is new second degree mortgage, amounting to EUR 7,500,000 on Sultanköy plant for the loan from TSKB, amounting to EUR 5,000,000.

As of December 31, 2011, fully depreciated/amortized tangible and intangible assets amount to TL 1,776,129 (December 21, 2010 – None).

As of December 31, 2011, machinery and equipment with net carrying amount of TL 1,430,634 (December 31, 2010 - TL 1,946,698) have been acquired through financial leasing.

### 8. Intangible assets

	December 31, 2010	Additions	Transfers	Disposals	December 31, 2011
<b>Cost</b>					
Software	493,749	10,600	-	-	504,349
Trademarks	30,000	-	-	-	30,000
Other intangibles	5,104	2,221	-	-	7,325
	528,853	12,822	-	-	541,674
<b>Less: Accumulated amortization</b>					
Software	186,691	74,283	-	-	260,974
Trademarks	6,000	2,000	-	-	8,000
Other intangibles	2,261	1,008	-	-	3,269
	194,952	77,291	-	-	272,243
<b>Net book value</b>	<b>333,901</b>				<b>269,431</b>

	December 31, 2009	Additions	Transfers	Disposals	December 31, 2010
<b>Cost</b>					
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
<b>Less: Accumulated amortization</b>					
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
<b>Net book value</b>	<b>287,355</b>				<b>333,901</b>

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 9. Non current receivables

	2011	2010
Prepaid electricity	3,728,697	4,146,012
Other	335,959	81,720
	<b>4,064,656</b>	<b>4,227,732</b>

#### 10. Trade and other payables

	2011	2010
Trade payables	17,397,991	15,052,930
	<b>17,397,991</b>	<b>15,052,930</b>

#### 11. Other current liabilities and accrued expenses

	2011	2010
Advances taken	6,254,494	1,962,577
Salaries and wages payable	504,257	475,611
Withholding and other taxes payable	957,858	164,564
Social security premiums payable	361,448	156,268
Vacation pay liability	404,253	327,910
Other	231,766	215,613
	<b>8,714,076</b>	<b>3,302,543</b>

#### 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 2,732 and TL 2,517 at December 31, 2011 and 2010, 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, 2011 and 2010, 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.

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

	2011	2010
Discount rate (%)	10%	10%
Expected rate of salary / limit increase (%)	5.1%	5.1%

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 12. Employee termination benefits (continued)

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

	2011	2010
At January 1	469,725	218,980
Interest cost	46,973	21,898
Service cost	118,620	116,371
Paid	(160,593)	(71,666)
Actuarial loss	70,288	184,142
At December 31	545,013	469,725

#### 13. Borrowings

					2011
	Interest rate	Original currency		TL equivalent	Maturity
<b>Short-term</b>					
Short-term bank borrowings	7.5%-8.5%	EUR	1,425,000	3,482,415	2012
	8%-12.5%	TL	25,369,174	25,369,174	2012
	3.7%-8.65%	USD	6,307,605	11,914,435	2012
<b>Total short-term borrowings</b>				<b>40,766,024</b>	
<b>Long-term</b>					
Long-term bank borrowings	Euribor+2.6 –Euribor+3.8	EUR	35,222,652	86,077,117	2012-2016
	12.10%-20.16%	TL	20,201,566	20,201,566	2012
	LIBOR+3.75%-4.2%	USD	10,687,500	20,187,619	2012
Obligations under finance leases	7%-8%	EUR	87,736	214,409	2012
				<b>126,680,711</b>	
Less: Current portion of long-term bank borrowings and finance lease obligations		EUR	14,294,814	34,933,666	
		TL	20,201,566	20,201,566	
		USD	10,687,500	20,187,619	
				<b>75,322,851</b>	
<b>Total long-term borrowings</b>				<b>51,357,860</b>	

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 13. Borrowings (continued)

				2010	
	Interest rate	Original currency		TL	Maturity
				Equivalent	
<b>Short-term</b>					
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
<b>Total short-term borrowings</b>				<b>38,495,231</b>	
<b>Long-term</b>					
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	2011-2012
				<b>119,591,338</b>	
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	
				<b>40,105,383</b>	
<b>Total long-term borrowings</b>				<b>79,485,955</b>	

Repayment plan of the long term borrowings as of December 31, 2011 and 2010 is as follows:

	2011	2010
2011	-	40,105,383
2012	75,322,855	44,391,683
2013	31,596,648	24,216,673
2014	15,688,186	10,877,599
2015	2,715,331	-
2016	1,357,691	-
<b>Total</b>	<b>126,680,711</b>	<b>119,591,338</b>

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 14. Share capital

As of December 31, 2011 and 2010 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, 2010 to December 31, 2010 and from January 1, 2011 to December 31, 2011 is as follows;

	Number of common shares (historical - TL)	
At January 1, 2010 (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
Share capital increase	-	-
<b>At December 31, 2011 (Common shares, TL100, par value)</b>	<b>760,000</b>	<b>76,000,000</b>

As of December 31, 2011 and 2010, the composition of shareholders and their respective % of ownership is as follows:

	December 31, 2011		December 31, 2010	
	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
	<b>100.00%</b>	<b>76,000,000</b>	<b>100.00%</b>	<b>76,000,000</b>

#### 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.

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 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, 2011 and during the year then ended are as follows:

Related party	Rent income	Rent expense	Interest expense	Interest income	Advances taken	Purchases	Sales
Ado Madencilik Elektrik Ürt. San. Tic. A.Ş. <sup>(1)</sup>	-	1,387,524	-	-	-	3,735	206,087
Ado Elektrik Enerjisi İth. ve Toptan Satış	-	-	-	-	-	11,114,589	-
Yurt Çimento Sanayi Ve Ticaret A.Ş. <sup>(1)</sup>	-	-	-	-	-	-	354,018
Silopi Çimento A.Ş.	-	-	-	-	1,274,402	-	328,658
Mursal Enerji Üretim San. ve Tic. A.Ş.	-	-	-	-	-	-	1,806
Al Madencilik Barit Plastik San. ve Tic. A.Ş.	-	-	-	-	-	12,071	-
Ado Enerji Üretim Sanayi ve Tic. A.Ş.	-	-	-	-	-	-	630
Ado-Portisan Hazır Yapı Sist. İnş. Kalıp A.Ş.	14,550	-	-	-	-	-	1,097,075
Başer Madencilik A.Ş.	-	-	-	-	-	-	11,840
Zlatna Panega Cement A.D.	-	-	-	-	-	1,648	-
	<b>14,550</b>	<b>1,387,524</b>	<b>-</b>	<b>-</b>	<b>1,274,402</b>	<b>11,132,043</b>	<b>2,000,114</b>

	Due from Related parties (*)	Due to related parties(**)
Ado Madencilik Elektrik Ürt.San. Tic. A.Ş. <sup>(1)</sup>	-	674,606
Adopen Plastik İnşaat San .A.Ş. <sup>(1)</sup>	21,090	-
Yurt Çimento Sanayi Ve Ticaret A.Ş. <sup>(1)</sup>	59,590	-
Ado-Portisan Hazır Yapı Sist. İnş. Kalıp A.Ş.	95,928	-
Başer Madencilik A.Ş.	1,983	-
Zlatna Panega Cement A.D.	-	1,648
	<b>178,591</b>	<b>676,254</b>

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 Madencilik Elektrik Ürt. San. Tic. A.Ş. <sup>(1)</sup>	-	494,479	-	-	400	43,930
Ado Elektrik Enerjisi İth. ve Toptan Satış	-	-	-	-	11,125,025	-
Adopen Plastik İnşaat San. A.Ş. <sup>(1)</sup>	-	-	-	-	741	7,749
Yurt Çimento Sanayi Ve Ticaret A.Ş. <sup>(1)</sup>	-	-	-	-	20,189	1,851,649
Yurt Enerji Üretim Sanayi Ve Tic. Ltd. Şti. <sup>(1)</sup>	-	-	-	-	-	17,429
Alexandria Portland Cement	-	-	-	-	-	3,243,466
Titan Cement Company S.A.	-	-	-	-	1,035	-
	<b>-</b>	<b>494,479</b>	<b>-</b>	<b>-</b>	<b>11,147,390</b>	<b>5,164,223</b>

(\*) 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.

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 16. Related party disclosures (continued)

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

(\*) 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, 2011 and 2010, 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, 2011 compensation provided to top management of the Company is TL 824,000 (December 31, 2010 - TL 763,000).

#### 17. Financial instruments

##### Financial risk management objectives and policies

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.

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued) December 31, 2011 (Currency – In TL)

### 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
<b>December 31, 2011</b>	+5%	<b>(531,324)</b>
	(5%)	<b>531,324</b>
December 31, 2010	+5%	(446,863)
	(5%)	446,863

#### 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, 2011 and 2010 based on contractual undiscounted payments:

Year ended December 31, 2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Short term borrowings	-	5,483,892	37,431,299	-	-	42,915,191
Current portion of the long term borrowings	-	21,638,299	60,614,732	-	-	82,253,031
Long term borrowings	-	-	-	54,507,057	-	54,507,057
Trade and other payables	-	-	17,397,991	-	-	17,397,991
Other current liabilities and accrued expenses	-	1,823,562	6,890,514	-	-	8,714,076
<b>Total</b>	-	<b>28,945,753</b>	<b>122,334,536</b>	<b>54,507,057</b>	-	<b>205,787,346</b>

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
<b>Total</b>	-	<b>12,177,782</b>	<b>92,921,816</b>	<b>83,519,808</b>	-	<b>188,619,406</b>



# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 17. Financial instruments (continued)

#### Foreign currency risk

As of December 31, 2011 and 2010, the foreign currency position of the Company is summarized below:

Year ended December 31, 2011		Original currency	TL equivalent
Cash and cash equivalents	EUR	5,192	12,688
	USD	4,520	8,538
			<b>21,226</b>
Trade and other receivables	EUR	279,230	682,383
	USD	685,193	1,294,261
	GBP	9,750	28,441
	CHF	7,565	15,177
			<b>2,020,262</b>
<b>Total of assets in foreign currency</b>			<b>2,041,488</b>
Short-term borrowings	EUR	(1,425,000)	(3,482,415)
	USD	(6,307,605)	(11,914,435)
			<b>(15,396,850)</b>
Current portion of long term bank borrowings and financial lease obligations	EUR	(14,294,814)	(34,933,666)
	USD	(10,687,500)	(20,187,619)
			<b>(55,121,285)</b>
Trade and other payables	EUR	(574,262)	(1,403,381)
	USD	2,765,207	5,223,200
			<b>3,819,819</b>
Long term borrowings and obligations under finance leases	EUR	(21,015,574)	(51,357,860)
			<b>(51,357,860)</b>
<b>Total of liabilities in foreign currency</b>			<b>(118,056,176)</b>
<b>Net foreign currency position</b>			<b>(116,014,688)</b>

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 17. Financial instruments (continued)

Year ended December 31, 2010		Original currency	TL equivalent
Cash and cash equivalents	EUR	2,654	5,438
	USD	99,849	154,366
			<b>159,804</b>
Trade and other receivables	EUR	1,229,350	2,519,062
	USD	239,714	370,598
	GBP	9,750	23,289
			<b>2,912,949</b>
<b>Total of assets in foreign currency</b>			<b>3,072,753</b>
Short-term borrowings	USD	(11,140,000)	(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)	(5,314,375)
			<b>(33,453,821)</b>
Trade and other payables	EUR	(122,514)	(251,044)
	USD	(1,672,957)	(2,586,392)
			<b>(2,837,436)</b>
Long term borrowings and obligations under finance leases	EUR	(30,310,388)	(62,109,017)
	USD	(6,937,500)	(10,725,375)
			<b>(72,834,392)</b>
<b>Total of liabilities in foreign currency</b>			<b>(126,348,089)</b>
<b>Net foreign currency position</b>			<b>(123,275,336)</b>

The following table demonstrates the sensitivity to reasonably possible changes in US 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, 2011	US Dollar	+5%	(1,278,803)	(5%)	1,278,803
	Euro	+5%	(4,524,113)	(5%)	4,524,113
	GBP	+5%	1,422	(5%)	(1,422)
	CHF	+5%	759	(5%)	(759)
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)

## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2011**

**(Currency – In TL)**

#### **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.

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements (continued)**

**December 31, 2011**

(Currency – In TL)

**17. Financial instruments (continued)**

The carrying and fair value of the long-term borrowings as of December 31, 2011 and 2010 is as follows:

	December 31, 2011		December 31, 2010	
	Carrying value	Fair Value	Carrying value	Fair value
Long-term borrowings	126,680,711	126,680,711	119,591,338	119,591,338

**18. Revenues and expenses**

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
<b>Revenues</b>		
Domestic sales	168,202,257	135,134,957
Export sales	4,700,148	16,777,940
	<b>172,902,405</b>	<b>151,912,897</b>

**Cost of sales**

The breakdown of cost of sales is as follows:

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Distribution cost	20,462,387	25,672,457
Variable cost	82,721,709	75,469,991
Fixed cost	11,415,595	10,818,025
Packing cost	4,946,409	5,053,590
Depreciation and amortization	6,895,773	6,685,697
Cost of trading goods external	1,114,549	-
<b>Total</b>	<b>127,556,422</b>	<b>123,699,760</b>

**Selling and marketing expenses**

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Salaries and related expenses	1,646,002	1,289,626
Car expenses	306,596	326,700
Travelling expenses	61,323	56,711
Other	298,396	475,838
<b>Total</b>	<b>2,312,317</b>	<b>2,148,875</b>

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 18. Revenues and expenses (continued)

##### Administrative expenses

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Salaries and related expenses	4,290,646	3,797,357
Professional service fees and related expenses	176,720	178,984
Car expenses (car rentals, maintenance, fuel)	197,441	176,130
Depreciation expenses	449,732	524,668
Cleaning and security expenses	342,381	365,899
Travelling expenses	217,857	185,896
Telephone and post expenses	207,475	329,331
Consultancy expenses	135,309	160,620
Rent expenses	149,098	126,689
Advertising and promotion expenses	26,365	4,930
Other	721,420	1,093,599
<b>Total</b>	<b>6,914,444</b>	<b>6,944,103</b>

##### Personnel expenses

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Wages and salaries	9,967,762	7,573,387
Cost of defined contribution plan (employer's share of social security premiums)	1,597,141	2,650,581
Provision for employee termination benefits	235,881	322,411
	<b>11,800,784</b>	<b>10,546,379</b>

Average number of employees for the year ended December 31, 2011 is 253 (December 31, 2010 is 247).

##### Depreciation and amortization expenses

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Cost of sales	6,895,773	6,685,697
Administrative expenses	449,732	524,668
	<b>7,345,505</b>	<b>7,210,365</b>

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 18. Revenues and expenses (continued)

##### Other operating income

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Electricity incentives income	7,484,551	6,861,596
Other	924,843	905,950
	<b>8,409,394</b>	<b>7,767,546</b>

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, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Doubtful receivables expenses	-	761,000
Vacation pay liability	76,343	112,050
Retirement pay liability	75,288	250,745
Penalties (*)	312,726	24,226
Other	402,176	294,873
	<b>866,533</b>	<b>1,442,894</b>

(\*) Penalties are related with the operations of the Company, mainly given to General Directorate of Mining Affairs, Tokat Provincial Directorate of Agriculture, for various reasons.

##### Financial income / (expense)

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Foreign exchange gains	11,046,245	23,203,009
Interest income	-	155,047
Total financial income	<b>11,046,245</b>	<b>23,358,056</b>
Foreign exchange losses	(37,119,858)	(17,073,722)
Interest expense	(11,696,863)	(10,531,261)
Total financial expense	<b>(48,816,721)</b>	<b>(27,604,983)</b>
Financial expense, net	<b>(37,770,476)</b>	<b>(4,246,927)</b>

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 19. Income taxes

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Income tax	-	-
Deferred tax charge	(839,180)	(1,987,225)
	<b>(839,180)</b>	<b>(1,987,225)</b>

#### 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, 2011 is 20% (2010 – 20%). Corporate tax returns are required to be filed until the twenty-fifth 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.

15% (2010 - 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 profit before income tax is as follows:

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Profit/Loss before taxes	5,891,607	21,197,885
Tax credit at the tax rate of 20%	(1,178,321)	(4,239,577)
Effect of investment incentives	303,493	2,276,763
Non-deductible expenses	(100,379)	(71,196)
Other	136,027	46,785
<b>Taxation on income per income statement</b>	<b>(839,180)</b>	<b>(1,987,225)</b>

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

### 19. Income taxes (continued)

A 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 12,901,280 as of December 31, 2011. Therefore, the Company recognized deferred tax asset amounting to TL 2,580,256 as of December 31, 2011 for the investment incentives that is going to be used in future periods.

As of December 31, 2010, the deferred tax asset of the Company recognized on tax losses amounted to TL 582,885. In 2011, the Company will report statutory taxable profit amounting to TL 2,244,773, therefore the deferred tax asset on tax losses reduced to TL 133,930 as of December 31, 2011.

At December 31, 2011 and 2010 the fiscal calendar years in which the carry forward tax losses of the Company will expire are as follows:

	December 31, 2011	December 31, 2010
2013	479,250	2,724,023
2014	190,402	190,402
	<b>669,652</b>	<b>2,914,425</b>

### b) Deferred tax

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as of December 31, 2011 and 2010 using the prevailing effective statutory tax rate is as follows:

	December 31, 2011		December 31, 2010	
	Cumulative temporary differences	Deferred tax assets / (liabilities)	Cumulative temporary differences	Deferred tax assets / (liabilities)
Unused tax losses	669,652	133,930	2,914,425	582,885
Effect of useful life and prorata adjustment on property, and equipment and intangibles	14,447,687	2,889,537	18,067,909	3,613,582
Provision for doubtful receivables	1,500,120	300,024	1,500,120	300,024
Provision for vacation pay liability	404,253	80,851	327,910	65,582
Provision for employee termination benefits	545,013	109,003	469,725	93,945
Investment incentives	12,901,280	2,580,256	11,383,817	2,276,763
<b>Total deferred tax asset, net</b>	<b>30,468,005</b>	<b>6,093,601</b>	<b>34,663,906</b>	<b>6,932,781</b>



## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2011

(Currency – In TL)

#### 19. Income taxes (continued)

The movement of deferred tax asset for the year ended December 31, 2011 and December 31, 2010 is as follows;

	2011	2010
Balance at January 1	6,932,781	8,920,006
Deferred tax (charge) / gain recognized in statement of income	(839,180)	(1,987,225)
Balance at December 31	6,093,601	6,932,781

#### 20. Commitments and contingencies

As of December 31, 2011 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.

As of December 31, 2011 there is new second degree mortgage, amounting to EUR 7,500,000 on Sultanköy plant for the loan from TSKB, amounting to EUR 5,000,000, in order to use in third cement mill investment in Artova plant.

The Company has also given to TSKB a letter of guarantee amounting to EUR 17,013,564 (December 31, 2010 - EUR 26,688,244).

#### 21. Subsequent events

None.