



**PROFİLO TELRA ELEKTRONİK SANAYİ
VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2006 AND 2005

PROFILO TELRA ELEKTRONİK SANAYİ VE TİCARET A.Ş. and ITS SUBSIDIARIES
1 JANUARY 2006- 31 DECEMBER 2006 ACCOUNTING PERIOD
INDEPENDENT AUDITORS' REPORT

1. We have audited the accompanying balance sheets of Profilo Telra Elektronik Sanayi ve Ticaret A.Ş (the “Company”) and its subsidiaries (together the “Group”) as at 31 December 2006 and the related consolidated statements of income, changes in shareholder’s equity and cash flows for the year then ended. We have conducted our audit in accordance with generally accepted auditing principals and standards. Therefore; our audit includes examining the accounting records with respect to accounts, transactions together with other necessary auditing methods and techniques.
2. The Group has financed its operations with borrowing funds and loans obtained from related parties. During the period, the Group has significant net loss amounting to TRL 78.475.726. These factors indicate that the Group’s ability to continue as a going concern is dependent on the financial support from its shareholders and its creditors.
3. Attached financial statements include deferred tax assets calculated on accumulated financial loss related to December 2006 period amounting TRL 47.598.923, assuming that amount will be deducted on the following period, which is declared to the tax office via temporary tax declaration by the Group management together with deferred tax asset calculated over the accumulated investment incentive amounting to TRL 43.374.284. The realization of deferred taxation is due to the tax base amount of the Group for the future periods.
4. As of 31 December 2006, the Company does not provide current year’s depreciation and amortization charge in the accompanying financial statements.
5. Based on our opinion, except for the possible effects of the matters set out in the second to fourth paragraphs above, the financial statements present the Company’s financial position as of 31 December 2006 and the results of its operations for the year then ended, in accordance with Capital Market Boards accounting principles (Note 2).

LEGAL BAĞIMSIZ DENETİM YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Exclusive Correspondent of PKF

Korkut Yet
Partner

İstanbul, 25 May 2007

**PROFİLO TELRA ELEKTRONİK SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2006 AND 2005**

(Amounts expressed of New Turkish Lira (TRL))

ASSETS	Not	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Current Assets		<u>357.342.423</u>	<u>345.423.968</u>
Liquid Assets	4	26.746.520	9.277.311
Marketable Securities	5	-	-
Trade Receivables (net)	7	109.008.494	64.098.933
Finance Lease Receivables (net)	8	-	-
Due from Related Parties	9	93.063.661	117.581.128
Other Receivables	10	8.501.464	12.122.534
Biological Assets	11	-	-
Inventories (net)	12	114.711.571	136.687.152
Receivables From On Going Construction Contracts (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	5.310.713	5.656.910
Long Term Assets		<u>154.650.824</u>	<u>127.975.959</u>
Trade Receivables (net)	7	1.464	1.683
Finance Lease Receivables (net)	9	-	-
Due from Related Parties	8	-	-
Other Receivables	10	-	-
Financial Assets (net)	16	278.573	6.304.352
Positive/Negative Goodwill (net)	17	-	-
Investment Property	18	-	-
Tangible Assets (net)	19	125.315.722	109.582.249
Intangible Assets (net)	20	7.497.576	667.384
Deferred Tax Assets	14	21.557.489	11.420.291
Other Long Term Assets	15	-	-
TOTAL ASSETS		<u>511.993.247</u>	<u>473.399.927</u>

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

**PROFİLO TELRA ELEKTRONİK SANAYİ VE TİCARET A.Ş.
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**CONSOLIDATED BALANCE SHEETS
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(Amounts expressed of New Turkish Lira (TRL))

LIABILITIES	Note	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Short Term Liabilities		368.196.801	316.956.164
Short Term Borrowings (net)	6	170.647.620	148.669.841
Short Term Portions of Long Term Borrowings (net)	6	-	-
Financial Lease Payables (net)	8	4.180.009	2.206.726
Other Financial Liabilities	10	-	-
Trade Payables (net)	7	127.326.526	116.495.939
Due to Related Parties (net)	9	11.764.685	29.776.284
Advances Received	21	40.405.777	8.577.043
Ongoing Construction Progress Payments (net)	13	-	-
Provisions	23	7.057.509	2.848.107
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	10	6.814.675	8.382.224
Long Term Liabilities		166.274.066	100.083.982
Long Term Borrowings (net)	6	105.166.622	2.079.790
Finance Lease Payables (net)	8	1.470.760	-
Other Financial Liabilities	10	-	-
Trade Payables (net)	7	50.154.629	91.934.722
Due to Related Parties (net)	9	-	-
Advances Received	21	-	-
Provisions	23	9.482.055	6.069.470
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	10	-	-
MINORITY INTEREST	24	-	18.125
SHAREHOLDERS' EQUITY		(22.477.620)	56.341.656
Capital	25	61.805.000	61.805.000
Treasury shares		-	-
Capital Reserves	26	31.872.514	52.905.925
Premium in Excess of Par		-	-
Profit from Share Certificate Cancellation		-	-
Revaluation Fund (expertise)		17.119.702	17.119.702
Revaluation Reserve on Financial Assets		-	343.550
Inflation Adjustment of Shareholders' Equity Items		14.752.812	35.442.673
Profit Reserves	27	1.385.440	1.200.698
Legal Reserves		206.366	195.683
Statutory Reserves		-	-
Extraordinary Reserves		1.179.074	1.005.015
Special Reserves		-	-
Gain on Sale of Immovables and Investments'		-	-
Shares to be Transferred to Capital		-	-
Currency Translation Reserve		-	-
Net Profit / (Loss) for the Period		(78.475.726)	1.398.756
Prior Year Losses	28	(39.064.848)	(60.968.723)
TOTAL SHAREHOLDERS' EQUITY LIABILITIES		511.993.247	473.399.927

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

**PROFİLO TELRA ELEKTRONİK SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005**

(Amounts expressed of New Turkish Lira (TRL))

	Note	<u>2006</u>	<u>2005</u>
OPERATING INCOME			
Sales Revenue (net)	36	587.423.827	684.633.416
Cost of Sales	36	(546.979.899)	(615.001.477)
Service Income (net)	36	-	-
Other Operating income / interest + dividend + rent (net)	36	-	-
		40.443.928	69.631.939
GROSS PROFIT			
Operating Expenses (-)	37	(79.008.707)	(83.662.300)
		(38.564.779)	(14.030.361)
OPERATING PROFIT / LOSS			
Other operating income and profits	38	4.507.594	39.989.829
Other operating expense and losses (-)	38	(2.732.554)	(255.311)
Finance expenses (-)	39	(51.739.138)	(18.346.884)
		(88.528.877)	7.357.273
NET OPERATING INCOME / LOSS			
Net monetary gain/loss	40	-	-
		-	21.193
MINORITY INTEREST			
		(88.528.877)	7.378.466
NET PROFIT / LOSS BEFORE TAXATION			
Taxation	41	10.053.151	(5.979.710)
		(78.475.726)	1.398.756
NET PROFIT / LOSS			
EARNINGS PER SHARE (TRL)	42	None	22,63

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

PROFİLO TELRA ELEKTRONİK SANAYİ VE TİCARET A.Ş.
ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed of New Turkish Lira (TRL))

	Capital	Equity Inflation Adjustment Differences	Legal Reserves	Extraordinary Reserves	Expertise Valuation Difference	Financial Assets Revaluation Fund	Accumulated Losses	Total
Balance as of 1 January 2005	61.805.000	35.442.673	185.840	936.384	34.756.996	-	(60.890.249)	72.236.644
Profit distribution:								
Legal reserves	-	-	9.843	-	-	-	(9.843)	-
Extraordinary reserves	-	-	-	68.631	-	-	(68.631)	-
Expertise valuation difference	-	-	-	-	(17.637.294)	-	-	(17.637.294)
Revaluation reserve on Financial assets	-	-	-	-	-	343.550	-	343.550
Net profit	-	-	-	-	-	-	1.398.756	1.398.756
Balance as of 31 December 2005	<u>61.805.000</u>	<u>35.442.673</u>	<u>195.683</u>	<u>1.005.015</u>	<u>17.119.702</u>	<u>343.550</u>	<u>(59.569.967)</u>	<u>56.341.656</u>
Balance as of 1 January 2006	61.805.000	35.442.673	195.683	1.005.015	17.119.702	343.550	(59.569.967)	56.341.656
Profit distribution:								
Legal reserves	-	-	10.683	-	-	-	(10.683)	-
Extraordinary reserves	-	-	-	174.059	-	-	(174.059)	-
Offsetting capital restatement against prior years' losses	-	(20.689.861)	-	-	-	-	20.689.861	-
Revaluation reserve on Financial assets	-	-	-	-	-	(343.550)	-	(343.550)
Net loss	-	-	-	-	-	-	(78.475.726)	(78.475.726)
Balance as of 31 December 2006	<u>61.805.000</u>	<u>14.752.812</u>	<u>206.366</u>	<u>1.179.074</u>	<u>17.119.702</u>	<u>-</u>	<u>(117.540.574)</u>	<u>(22.477.620)</u>

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

PROFİLO TELRA ELEKTRONİK SANAYİ VE TİCARET A.Ş.
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STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed of New Turkish Lira (TRL))

	1 January- 31 December 2006 <u>TRL</u>	1 January- 31 December 2005 <u>TRL</u>
Cash Flows From Operating Activities		
Net period income / loss	(78.475.726)	1.398.756
Adjustments to reconcile net period income to net cash from operating activities:		
Depreciation of property plant and equipment	19 143.089	10.464.187
Amortization of intangible fixed assets	20 26.239	660.436
Changes in allow. for diminution in value of equity part.	16 6.025.779	251.643
Changes in provision for retirement pay	23 2.560.710	827.210
Interest accrual on loans	4.088.592	1.851.703
Minority share on operating results	24 -	(21.193)
Change in deferred tax liabilities calculated on building expertise	14 -	6.234.675
(Gain) / Loss from the sales of property, plant and equipment	38 -	(20.731.792)
Accrued taxation net of monetary loss	41 -	5.979.710
Operating profit / loss before changes in working capital	(65.631.317)	6.915.335
Changes in operating assets and liabilities	43 26.936.071	19.882.930
Cash generated from operations	(38.695.246)	26.798.265
Taxes paid	41 (56.137)	(152.588)
Interest paid	(24.768.472)	(19.577.360)
Net cash used in operating activities	(63.519.855)	7.068.317
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in marketable securities (net)	-	-
Increase in available for sale investments	16 -	(5.647.576)
Purchases of property, plant, equipment, net	19 (15.876.562)	(14.045.048)
Purchases of intangible assets, net	20 (6.856.431)	(13.498)
Proceeds from sale of fixed assets	-	27.210.000
Net cash used in investing activities	(22.732.993)	7.503.878
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in borrowings (net)	103.740.182	(13.926.722)
Change in minority interest	24 (18.125)	(3.668)
Cash provided from financing activities (net)	103.722.057	(13.930.390)
NET CHANGE IN CASH AND CASH EQUIVALENTS	17.469.209	641.805
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	9.277.311	8.635.506
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26.746.520	9.277.311

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed in New Turkish Lira (TRL) unless otherwise indicated)

1. STRUCTURE AND OPERATION OF THE COMPANY

Company has been established as Yaşar Sumar Televizyon Radyo Sanayi ve Ticaret A.Ş. in İstanbul by the announcement in Trade Registry Gazette dated 14 December 1972 and numbered 4723. On 10 May 1974, Company's title has been changed to Telra Elektronik Sanayi ve Ticaret A.Ş. by the announcement in Trade Registry Gazette numbered 5144. Later, by the announcement in Trade Registry Gazette dated 1 May 1986, numbered 1505, the title of the Company has been accepted as Telra Elektronik Sanayi Ticaret A.Ş. Finally, on 31 December 1990, the title: Profilo Telra Elektronik Sanayi ve Ticaret A.Ş. has been approved by the announcement in Trade Registry Gazette numbered 2684.

The primary activities of the Company are the production and sale of electronic equipments, mainly focused on televisions and cash registers. Other operations of the Company include importation, sale and calibration of other various electronic equipments for trading purposes.

The subsidiary included in the consolidation, its nature of business and the share of the Group in its capital as at 31 December 2006 and 2005 were as follows:

<u>Name</u>	<u>Nature of Business</u>	<u>2006</u>	<u>2005</u>
Pro-Medya Elekt.Yay.Rekl.ve Paz. Hizm.A.Ş.	Producer of electronic equipments and programs.	-	69,89%
Telra Elektronik Servis A.Ş.	Service provider for products of Telra	99,45%	99,45%

As Pro-Medya Yayın Reklam ve Pazarlama Hizmetleri is under liquidation during the current year, no consolidation has been applied for this company for the year ended 31 December 2006.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company maintains its books of account and its records in accordance with Turkish Commercial Code ("TCC") and tax legislation and prepares its statutory financial statements in accordance with accounting standards issued by the Capital Markets Board ("CMB").

On 15 November 2003, Capital Market Board ("CMB") published Communiqué No: 25 of Series XI, "Communiqué on Capital Market Accounting Standards". The Communiqué is applicable to first interim financial statements ending after 1 January 2005 and is effective from the date of publishing. However, Companies may choose to adopt Communiqué No: 25 of Series XI, for years or interim periods ending on or after 31 December 2003.

According to sub-clause added to Communiqué No: 25 of Series XI "Communiqué on Capital Market Accounting Standards" with the publishment of "Amendments to Communiqué on Capital Market Accounting Standards" (Series: XI, No: 27) on 23 December 2004, preparation and public announcement of financial statements in accordance with IFRS, is counted for fulfillment of provisions of preparation of financial statements and public announcement in accordance with that Communiqué No: 25 of Series XI.

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(Amounts expressed in New Turkish Lira (TRL) unless otherwise indicated)

Consequently, the Group prepared and publicly announced its consolidated financial statements as of 31 December 2005 in accordance with IFRS. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with Statements of IFRS. The basis of the financial statements used in the preparation of the accompanying financial statements is set out below and in Note 3.

At 31 December 2006 the exchange rate announced by the Turkish Central Bank (which is a market rate) was TRL 1,4056 = US\$ 1. (31 December 2005: 1,3418)

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprise controlled by the Company as explained in note 1. Adjustments are made to eliminate intercompany sales and purchases, intercompany receivables and payables and intercompany equity investments.

Entity in which the Company, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, has been fully consolidated. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. All significant transactions and balances between the Company and its consolidated subsidiary are eliminated in consolidation. In cases where the consolidated entity is not 100% owned, the shareholders' equity and net income, which belong to third party shareholders are separately disclosed as minority interest.

Other equity participations in which the Company has less than 20% ownership or interest in voting rights are accounted for at indexed cost, less provision where necessary for decline in value.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in New Turkish Lira (TRL) unless otherwise indicated)

The significant accounting policies used in the preparation of the accompanying consolidated financial statements are as follows:

a. Related parties

For the purpose of the accompanying financial statements, shareholders of the Company and related companies, their directors and key management personnel and any groups to which they are known to be related, are considered and referred to as related companies.

b. Trade receivables

Trade receivables are carried at anticipated realizable value that is the net of trade receivables measured at amortized cost method using the effective interest rate in accordance with IAS 39 and allowance for doubtful receivables. The allowance for doubtful receivables is based on management's evaluation of the receivables, including such factors as the volume type of receivable outstanding, collateral obtained, past experience and economic conditions. Bad debts are written off during the year in which they are identified.

c. Inventory valuation

Inventories are stated at the lower of cost or net realizable value (market value less sales expenses). Cost includes raw materials, direct labor and production overhead appropriate to the relevant stage of production. Raw material inventory are valued using annual average method on the balance sheet date.

d. Available for sale investments

Available for sale investments are classified as either (a) held for trading or (b) available-for-sale and are measured at subsequent reporting dates at fair value. Securities, held for trading purposes, are carried at fair value are cost can be reliably measured. Other investments, where cost cannot be reliably measured, are measured at amortized cost. For available-for-sale investments, cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.

Available for sale investments are classified as either (a) held for trading or (b) available-for-sale and are measured at subsequent reporting dates at fair value. Securities, held for trading purposes, are carried at fair value are cost can be reliably measured. Other investments, where cost cannot be reliably measured, are measured at amortized cost. For available-for-sale investments, cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.

e. Property plant and equipment and Intangible Assets

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Historic costs of property plant and equipment are adjusted for inflation from the date of acquisition. Fair values of factory land and buildings could not be determined despite the inflation adjustment. An independent expertise has conducted revaluation of land and buildings in order to determine fair values. Land, that is deemed to have indefinite life, is not depreciated. Revalued buildings are depreciated over their revalued expertise value, all other fixed assets are depreciated over their inflation adjusted cost values on a straight line basis. Property, plant and equipment, are depreciated principally on a straight-line basis using the following rates:

Buildings	2-25%
Land improvements	2-10%
Machinery and equipment	6-25%
Vehicles	10-25%
Furniture and fixtures	2-25%
Leasehold improvements	20-25%
Research and development expenses	20%

Gains or losses on disposal of property, plant and equipment with respect to their restated amounts are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Expenses for the repair and maintenance of property, plant and equipment are normally charged against income.

Expertise Revaluation Fund

The factory land and the buildings were included with their revalued amounts in the accompanying financial statements. The revalued amounts are based on an Expertise Report by Gayrimenkul Ekspertiz ve Değerlendirme A.Ş. dated 27 December 2002. In the Expert Witness Report, the mentioned assets were valued as TRL 5.211.029 and TRL 21.997.234 respectively as restated as at 31 December 2004. All revalued assets were included in the accompanying financial statements with indexed expertise values from expertise dates to the balance sheet date less the accumulated depreciation for the related period. A gain of TRL 17.119.702 (as indexed and net of deferred tax) arises on the revaluation was included in the revaluation fund under shareholders' equity.

f. Impairment of assets

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At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of (i) the sales price of the asset (less any selling costs); (ii) the present value of the cash flows which are expected to arise from future use of the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are realized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

g. Borrowing costs

Interest expenses 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. All other borrowing costs are recorded in the income statement in the period in which they are incurred.

h. Taxation and deferred tax

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

Provision is made in the financial statements for the Group's estimated liability to Turkish corporation tax on its results for the year. The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed.

Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the statement of income. Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred income tax assets and liabilities are also offset.

i. Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. The total provision represents the vested benefit

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obligation as at the balance sheet date.

International Accounting Standard No. 19 (Revised) “Employee Benefits” (“IAS 19”) has been applied in the accompanying financial statements. Future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as net of an expected inflation rate and an appropriate discount rate. This standard also allows the employee benefit liability to be reduced by anticipated forfeitures by eligible employees of their benefit.

j. Foreign currency transactions

In the statutory accounts of the Group, transactions in foreign currencies (currencies other than TRL) are translated into New 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.

k. Revenue recognition

Revenue is recognized on an accrual basis at the time of delivery. Net sales represents the invoiced value of goods shipped or services rendered less any sales returns and discounts, all restated in equivalent purchasing power as of 31 December 2004.

Interest and other income and expenses are recognized on the accrual basis, except for dividends from equity participations, which are recognized as income when received

l. Cash and cash equivalents

Cash and banks include cash on hand, demand deposits, time deposits and all short-term highly liquid investments that are readily convertible to known amounts of cash and so near to maturity that they present on significant risk of change because of changes in interest rates. Interest accrued on time deposits are measured with amortized cost method using the effective interest rate. The interest amount accrued to date but not received at the balance sheet date is included in cash and banks.

m. Finance leases - the Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the leased assets, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

n. Financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties at an arms length transaction. Market value is the amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active

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market, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

Balances with banks, receivables, contingent liabilities like letters of guarantee, letters of credit and other derivative instruments such as forward transactions, are important financial instruments which would have negative effects on the financial structure of the Group if the other party failed to comply with the terms and conditions of the agreement.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and Cash Equivalents: Cash and cash equivalents denominated in foreign currencies are translated at year end exchange rates. The carrying amounts of the remaining cash and bank balances are reasonable estimates of their fair value.

Investment in Securities: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

Trade Receivables and Trade Payables: Book values of the trade receivables along with the related allowances for uncollectibility and trade payables balances are estimated to be their fair values except receivables and payables discounted to their present value when they hold significant credit periods.

Due to/from Related Parties: The carrying value of the due to and due from related parties are estimated to be their fair value.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis. However, borrowings at LIBOR plus mark up are subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

The Group deals with financial instruments with off-balance sheet risk in the normal course of business such as letters of credit, etc. The Group's exposure to losses arising from these instruments is represented by the contractual amount of those instruments.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's

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management based on prior experience and the current economic environment. The credit risk on liquid funds is limited because the funds are invested in government bonds and treasury bills for short term purposes.

Price risk

The Group is exposed to exchange rate fluctuations between foreign currencies and Turkish Lira due to the nature of its business. The Group's export sales and imports are in foreign currencies. Certain parts of the interest rates related to borrowings and leasing transactions are based on market interest rates, therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group does not have any hedging transactions to limit currency and interest rate risks.

Liquidity risk

The Group is generally raising funds by liquidating its short term financial instruments such as collecting its receivables and disposing of marketable securities. The Group's proceedings from these instruments generally approximate their fair values. The Group obtains funds from its bankers and its major shareholder if short of liquidity.

o. Offsetting

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

p. Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

q. Dividends

Dividends receivable are recognized as income in the period when they are declared and dividends payable are recognized as an appropriation of profit in the period in which they are declared.

r. Segment information

Group operates in one industry segment, basically production, marketing and distribution of production and sale of televisions and cash registers. Group also deals in development of software projects. Magnitude and volume of these operations are not material to whole operation of the Group. As all consolidated group companies operate predominantly in this industry segment, the accompanying financial statements do not include separate segmental financial information. All assets, production facilities and distribution channels are located in Turkey.

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s. Prior period reclassifications

For purposes of consistency, reclassifications have been made to prior year reported figures to comply with current year, without any effect on total assets/liabilities, net profit for the period and the net shareholders' equity as at the balance sheet date.

4. LIQUID ASSETS

	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Cash	23.278	12.371
Demand deposits	2.129.751	1.775.087
Time deposits	24.591.578	7.489.813
Other liquid assets	1.913	40
	<u>26.746.520</u>	<u>9.277.311</u>

Time Deposits as of 31 December 2006:

<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	31 December 2006 <u>TRL</u>
4.335.884 USD	3,25%	19 January 2007	6.094.518
531.061 USD	3,25%	30 January 2007	746.459
528.296 USD	3,25%	08 January 2007	742.572
168.213 USD	-	04 January 2007	236.440
4.750.000 EUR	2,50%	10 January 2007	8.794.625
3.451.000 EUR	2,50%	04 January 2007	6.389.527
570.000 EUR	-	04 January 2007	1.055.355
193.000 GBP	3,50%	29 January 2007	532.082
			<u>24.591.578</u>

Time Deposits as of 31 December 2005:

<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	31 December 2005 <u>TRL</u>
4.219.483 USD	3,25%	24 January 2006	5.661.703
515.364 USD	3,25%	3 January 2006	691.515
514.503 USD	3,25%	23 January 2006	690.360
193.000 GBP	2,75%	19 January 2006	446.235
			<u>7.489.813</u>

5. INVESTMENT IN SECURITIES

None (31 December 2005 – None)

6. BORROWINGS

31 December 2006	31 December 2005
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	<u>TRL</u>	<u>TRL</u>
Short term bank loans	144.347.470	125.461.699
Intercompany overdrafts – short term	26.300.150	23.208.142
Total short term borrowings	<u>170.647.620</u>	<u>148.669.841</u>
Long term bank loans	105.166.622	2.079.790
Intercompany overdrafts – short term	-	-
Total long term borrowings	<u>105.166.622</u>	<u>2.079.790</u>
Total Borrowings	<u>275.814.242</u>	<u>150.749.631</u>
Analysis of loan repayments is as follows:		
Within one year	170.647.620	148.669.841
Between one to five years	105.166.622	2.079.790
	<u>275.814.242</u>	<u>150.749.631</u>

Short term bank loans consist of the following :

Currency Type	Interest Rates	Currency Amount	31	Interest Rates	Currency Amount	31
			December 2006 <u>TRL</u>			December 2005 <u>TRL</u>
US Dollar	6,42%-9,48%	46.512.687	65.378.232	4,89% -8,64%	33.263.348	44.632.760
EUR	6,41%-10,75%	16.526.859	30.599.479	3,16% -6,70%	34.593.054	54.916.474
TRL	22,50%-24,50%		48.369.759	14% - 19,5%		25.912.465
			<u>144.347.470</u>			<u>125.461.699</u>

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<u>Name of the Company</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Currency Type</u>	<u>Currency Amount</u>	31 December 2006 <u>TRL</u>
Profilo Sanayi A.Ş.	December 2007	23%	TRL		2.002.960
Profilo Sanayi A.Ş.	December 2007	8%	USD	1.601.493	2.251.049
Proeks Dış Ticaret A.Ş.	Jan – March 2007	7,59%-8,23%	EUR	8.679.862	16.070.764
Proeks Dış Ticaret A.Ş.	Jan- November 2007	6,09%-8,00%	USD	4.251.115	5.975.367
					<u>26.300.150</u>

<u>Name of the Company</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Currency Type</u>	<u>Currency Amount</u>	31 December 2005 <u>TRL</u>
BSH PEG A.Ş.	December 2006	-	USD	5.000.000	6.709.000
Proeks Dış Tic. A.Ş.	January 2006 – September 2006	2,92% - 6,80%	EUR	10.349.000	16.499.142
					<u>23.208.142</u>

Details of the long term bank loans are as follows:

<u>Type</u>	<u>Currency Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	31 December 2006 <u>TRL</u>	<u>Currency Type</u>	<u>Currency Amount</u>	<u>Maturity</u>	Interest Rate	31 December 2005 <u>TRL</u>
TRL		2008	24%	1.300.000	USD	1.550.000	2007	8,48%	2.079.790
EUR	53.217.450	2008-2011		98.532.109					-
USD	3.795.186	2008-2010	8,48%	5.334.513					-
				<u>105.166.622</u>					<u>2.079.790</u>

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7. TRADE RECEIVABLES AND LIABILITIES (net)

<u>SHORT TERM TRADE RECEIVABLES (NET)</u>	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Trade receivables	8.599.008	10.179.642
Notes receivable	104.470.744	55.623.150
Discount on trade and notes receivables (-)	(4.355.928)	(1.704.460)
Deposits and guarantees received	294.670	601
Doubtful receivables	50	50
Provision for doubtful receivables (-)	(50)	(50)
	<u>109.008.494</u>	<u>64.098.933</u>
	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
<u>SHORT TERM TRADE PAYABLES (NET)</u>		
Trade payables	104.953.550	88.259.379
Notes payable	23.738.109	29.647.889
Discount on notes payable (-)	(1.390.391)	(1.433.939)
Deposits and guarantees received	15.370	15.800
Other trade payables	9.888	6.810
	<u>127.326.526</u>	<u>116.495.939</u>
	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
<u>LONG TERM TRADE PAYABLES (NET)</u>		
Trade payables	55.907.726	97.048.818
Discount on trade payables (-)	(5.753.097)	(5.114.096)
	<u>50.154.629</u>	<u>91.934.722</u>

8. LEASING RECEIVABLES / PAYABLES (net)

<u>Short Term:</u>	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Financial leasing payable amounts	4.521.356	2.379.527
Less: future financial expenses	(341.347)	(172.801)
The present value of financial liabilities	<u>4.180.009</u>	<u>2.206.726</u>

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<u>Long Term:</u>	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Financial leasing payable amounts	1.531.928	-
Less: future financial expenses	(61.168)	-
The present value of financial liabilities	<u>1.470.760</u>	<u>-</u>

9. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
<u>Due from Related Parties</u>		
Proeks Dış Ticaret A.Ş.	77.272.981	69.111.130
Pro-Euro	-	-
Telestar Electronics Ltd.	198.931	-
BSH PEG Elektrikli Gereçler San. Tic. A.Ş.	-	1.644.450
Elaks Elektronik Aksam Sa. Ve Tic. A.Ş.	46.011	-
Vizyon Elektronik ve Tic A.Ş.	-	172.921
Profilo Sanayi ve Ticaret A.Ş.	4.254.020	24.846.571
Profilo Endüstri İşletmeleri A.Ş.	10.885.526	21.562.130
Profilo Holding A.Ş.	-	16.568
Receivables from personnel	249.697	145.609
Other group companies	156.495	81.749
	<u>93.063.661</u>	<u>117.581.128</u>
<u>Due to related parties</u>		
BSH PEG Elektrikli Gereçler San. Tic. A.Ş.	-	13.457.331
Proeks Dış Ticaret A.Ş.	8.051.964	14.379.443
Profilo Sigorta Acentalığı A.Ş.	76.068	82.479
Profilo Sanayi ve Ticaret A.Ş.	2.319.338	554.881
Elaks Elektronik Aksam Sanayi ve Tic A.Ş.	-	15.803
Palmek Almy. Metal Kaplama Doğ. San. A.Ş.	385.750	259
Payables to personnel	930.782	1.285.767
Other Group companies	783	321
	<u>11.764.685</u>	<u>29.776.284</u>

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	1 January- 31 December 2006 <u>TRL</u>	1 January- 31 December 2005 <u>TRL</u>
<u>Major sales to related parties</u>		
Proeks Dış Ticaret A.Ş.	399.184.586	456.832.071
BSH PEG elektrikli Gereçler San. Tic. A.Ş.	-	148.023.654
Profilo Endüstri İşletmeleri A.Ş.	5.407.309	-
Vizyon Elektronik	-	39.652
Profilo Sanayii A.Ş.	12.338	29.608.805
Profilo Güvenlik	147.734	13.962
	<u>404.751.967</u>	<u>634.518.144</u>
<u>Major Property, plant and equipment sales to related parties</u>		
Profilo Endüstri	-	27.210.000
<u>Major purchases from related parties</u>		
Profilo Sanayi A.Ş.	361.709	269.058
Profilo Telekom A.Ş.	45.919	-
Profilo Sigorta A.Ş.	-	26.747
Profilo Holding A.Ş. contribution expense share	81.450	178.506
Others	-	27.206
	<u>489.078</u>	<u>501.517</u>
<u>Due date differences and finance income /(expense) from related parties</u>		
Profilo Endüstri İşletmeleri A.Ş.	3.393.257	-
Vizyon Elektronik	-	50.005
BSH PEG Elektrikli Gereçler San. Tic. A.Ş.	-	435.622
	<u>3.393.257</u>	<u>485.627</u>
<u>Dividends received from related parties</u>		
Proeks Dış Ticaret A.Ş.	2.713	1.926
<u>Rent expense paid to related parties</u>		
Profilo Endüstri A.Ş.	4.533.312	-
Profilo Sanayi Ticaret A.Ş.	622.417	606.768
BSH PEG Elektrikli Gereçler San. Tic. A.Ş.	-	12.403
	<u>5.155.729</u>	<u>619.171</u>

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	1 January- 31 December 2006 <u>TRL</u>	1 January- 31 December 2005 <u>TRL</u>
<u>Consultancy expenses paid to related parties</u>		
Profilo Holding A.Ş.	1.458.766	1.323.794
<u>Commission expense paid to related parties</u>		
Proeks Dış Ticaret A.Ş.	3.128.793	4.696.922
<u>Other expenses paid to related parties</u>		
Profilo Sanayi ve Ticaret A.Ş.-expense share	1.450.928	931.748
Elaks Elektronik Aksam San. A.Ş.	70.834	160.751
	<u>1.521.762</u>	<u>1.092.499</u>

10. OTHER RECEIVABLES AND LIABILITIES

	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
<u>OTHER CURRENT RECEVABLES</u>		
VAT receivables	6.670.626	10.107.103
Prepaid taxes and dues	391.073	283.910
Other various receivables	1.439.765	1.731.521
	<u>8.501.464</u>	<u>12.122.534</u>
	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
<u>SHORT TERM OTHER LIABILITIES</u>		
Taxes and dues payable	4.214.180	5.461.083
Social security premiums	2.339.417	2.651.690
Other payables	261.078	269.451
	<u>6.814.675</u>	<u>8.382.224</u>

11. BIOLOGICAL ASSETS

None. (31 December 2005: None).

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12. INVENTORIES (net)

	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Raw materials	63.085.212	81.272.069
Work in process	12.732.479	10.246.242
Finished goods	21.097.724	5.906.870
Trade goods	363.077	196.040
Goods in transit	17.433.079	39.077.812
Provision for diminish in value of inventory	-	(11.881)
	<u>114.711.571</u>	<u>136.687.152</u>

13. ONGOING CONSTRUCTION PROGRESS PAYMENTS

None (31 December 2005: None)

14. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
<u>Current tax payable</u>		
Current corporate and income tax	84.047	91.013
Less: Prepaid taxes and funds	(56.136)	(91.013)
	<u>27.911</u>	<u>-</u>
	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
<u>Taxation</u>		
Current income tax	84.047	(91.013)
Deferred tax charge	(10.137.198)	(5.888.697)
	<u>(10.053.151)</u>	<u>(5.979.710)</u>

The Company and its subsidiary operating in Turkey are subject to Turkish Corporation and Income Withholding taxes on their taxable income. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the period.

Corporation tax is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from companies established in Turkey, other exempt income and investment incentives utilized.

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The effective rate of tax for the year 2006 is 20% (2005 – 30%)

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds on any dividends distributed, except for companies, which include dividends received in their corporate income taxes declared. The rate of withholding income tax was announced as 10% starting from 24 April 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19,8% withholding tax is still applied to investment incentive deductions in case 100% of investment expenses are deducted relating to certificates obtained prior to 24 April 2003. Those investments incentive certificates that have been received prior to that date but which the investment is still in progress, if %40 (or lower) of investment expenses are deducted, than no withholding tax is applied. In the context of such application, the Company chose to deduct 40% of expenses. Therefore the Company has no withholding tax liability for investment incentive deductions noted herein.

Investment allowance may be used to relieve corporation tax liability until the profits of Group companies reach the calculated level of exemption. If companies fail to make a profit or incur losses, the allowance may be carried forward to the following years so as to be deducted from taxable income of subsequent years.

Deferred Taxation:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its consolidated financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

Temporary differences occur between the years in which certain items of income and expense are recorded for accounting and for tax purposes. There are timing differences resulting from the restatement of inventories, property, plant and equipment (except land) and intangible fixed assets, investment incentives benefited, allowances and retirement pay provision.

Deferred taxation is calculated at a rate of 20% for 2006 except for the investment incentives, which are calculated at 10,2%. (31 December 2005: 30%)

15. OTHER RECEIVABLES AND CURRENT ASSETS

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Prepaid expenses	2.465.955	378.060
Income accruals	2.844.758	5.278.850
	<u>5.310.713</u>	<u>5.656.910</u>

16. AVAILABLE FOR SALE INVESTMENTS (Net)

<u>Name</u>	<u>%</u>	31 December 2006 <u>TRL</u>	<u>%</u>	31 December 2005 <u>TRL</u>
Ekranas		-	14,90	5.991.419
Elaks Elektronik Aksam San. A.Ş.	97,78	1.259.113	97,78	1.259.113
Visson Enterprises	7,56	404.921	7,56	404.921
Pro-Eks Dış Ticaret A.Ş.	2,20	278.573	2,20	301.243
Pro-Euro	<1	1.952	<1	1.952
Türk Ticaret Bankası A.Ş.	<1	1.547.255	<1	1.547.255
Ak Enerji Elek. Ür. Otoprodüktör Grb. A.Ş.	<1	9.738	<1	9.738
Others		543		-
		<u>3.502.095</u>		<u>9.515.641</u>
<u>Provision for diminution in value of investments (-)</u>				
Pro-Euro		(1.952)		-
Ak Enerji Elek. Ür. Otoprodüktör Grb. A.Ş.		(9.738)		-
Visson Enterprises		(404.921)		(404.921)
Elaks Elektronik Aksam San. A.Ş.		(1.259.113)		(1.259.113)
Türk Ticaret Bankası A.Ş.		(1.547.255)		(1.547.255)
Others		(543)		-
		<u>(3.223.522)</u>		<u>(3.211.289)</u>
Total		<u>278.573</u>		<u>6.304.352</u>

17. POZITIVE/NEGATIVE GOODWILL (net)

None (31 December 2005: None).

18. INVESTMENT PROPERTY

None (31 December 2005: None).

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19. PROPERTY PLANT AND EQUIPMENT (NET)

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
<u>Acquisition cost</u>									
Opening balance 1 January 2006	5.211.028	312.519	28.608.587	130.798.463	1.362.838	5.222.185	1.305.035	26.679.824	199.500.479
Additions	-	528.112	1.023.484	38.512.595	94.028	185.098	70.205	(24.482.653)	15.930.869
Disposals	-	-	-	(158.608)	(195.473)	(934.807)	-	-	(1.288.887)
Closing balance 31 December 2006	<u>5.211.028</u>	<u>840.631</u>	<u>29.632.071</u>	<u>169.152.450</u>	<u>1.261.393</u>	<u>4.472.476</u>	<u>1.375.240</u>	<u>2.197.171</u>	<u>214.142.460</u>
<u>Accumulated depreciation</u>									
Opening balance 1 January 2006	-	194.466	2.161.387	81.443.185	1.213.320	3.702.502	1.203.370	-	89.918.230
Charge for the period	-	-	-	1.505	12.239	113.276	16.069	-	143.089
Disposals	-	-	-	(155.036)	(147.665)	(931.880)	-	-	(1.234.581)
Closing balance 31 December 2006	<u>-</u>	<u>194.466</u>	<u>2.161.387</u>	<u>81.289.654</u>	<u>1.077.894</u>	<u>2.883.898</u>	<u>1.219.439</u>	<u>-</u>	<u>88.826.738</u>
Net book value - 31 December 2006	<u>5.211.028</u>	<u>646.165</u>	<u>27.470.684</u>	<u>87.862.796</u>	<u>183.499</u>	<u>1.588.578</u>	<u>155.801</u>	<u>2.197.171</u>	<u>125.315.722</u>

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	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
<u>Acquisition cost</u>									
Opening balance 1 January 2005	12.517.235	570.742	51.668.709	132.039.478	1.519.750	5.086.770	1.287.671	13.885.647	218.576.002
Consolidation of subsidiary	-	-	-	(279.837)	-	(25.301)	-	-	(305.138)
Additions	-	-	105.876	232.826	506	249.963	17.364	12.794.177	13.400.712
Disposals	<u>(7.306.207)</u>	<u>(258.223)</u>	<u>(23.165.998)</u>	<u>(1.194.004)</u>	<u>(157.418)</u>	<u>(89.247)</u>	<u>-</u>	<u>-</u>	<u>(32.171.097)</u>
Closing balance 31 December 2005	<u>5.211.028</u>	<u>312.519</u>	<u>28.608.587</u>	<u>130.798.463</u>	<u>1.362.838</u>	<u>5.222.185</u>	<u>1.305.035</u>	<u>26.679.824</u>	<u>199.500.479</u>
<u>Accumulated depreciation</u>									
Opening balance 1 January 2004	-	328.696	2.379.377	73.776.254	1.208.219	3.497.778	1.171.577	-	82.361.901
Consolidation of subsidiary	-	-	-	(107.796)	-	(9.941)	-	-	(117.737)
Charge for the period	-	27.384	1.208.193	8.809.106	125.364	294.139	31.793	-	10.495.979
Disposals	<u>-</u>	<u>(161.614)</u>	<u>(1.426.183)</u>	<u>(1.034.379)</u>	<u>(120.263)</u>	<u>(79.474)</u>	<u>-</u>	<u>-</u>	<u>(2.821.913)</u>
Closing balance 31 December 2005	<u>-</u>	<u>194.466</u>	<u>2.161.387</u>	<u>81.443.185</u>	<u>1.213.320</u>	<u>3.702.502</u>	<u>1.203.370</u>	<u>-</u>	<u>89.918.230</u>
Net book value - 31 December 2005	<u>5.211.028</u>	<u>118.053</u>	<u>26.447.200</u>	<u>49.355.278</u>	<u>149.518</u>	<u>1.519.683</u>	<u>101.665</u>	<u>26.679.824</u>	<u>109.582.249</u>

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20. INTANGIBLE ASSETS (NET)

	Rights <u>TRL</u>	Research & Development <u>TRL</u>	Total <u>TRL</u>
<u>Acquisition cost</u>			
Opening balance 1 January 2005	350.519	6.585.591	6.936.110
Additions	-	13.498	13.498
Disposals	(3.205)	-	(3.205)
Closing balance as of 31 December 2005	<u>347.314</u>	<u>6.599.089</u>	<u>6.946.403</u>
<u>Acquisition Cost</u>			
Opening balance 1 January 2006	347.314	6.599.089	6.946.403
Additions	5.709	6.850.722	6.856.431
Disposals	(5.211)	-	(5.211)
Closing balance as of 31 December 2006	<u>347.812</u>	<u>13.449.811</u>	<u>13.797.623</u>
<u>Accumulated amortization</u>			
Opening balance 1 January 2005	222.136	5.399.652	5.621.788
Charge for the period	32.510	627.926	660.436
Disposals	(3.205)	-	(3.205)
Closing balance as of 31 December 2005	<u>251.441</u>	<u>6.027.578</u>	<u>6.279.019</u>
<u>Accumulated amortization</u>			
Opening balance 1 January 2006	251.441	6.027.578	6.279.019
Charge for the period	26.239	-	26.239
Disposals	(5.211)	-	(5.211)
Closing balance as of 31 December 2006	<u>272.469</u>	<u>6.027.578</u>	<u>6.300.047</u>
Net value as of 31 December 2005	<u>95.873</u>	<u>571.511</u>	<u>667.384</u>
Net value as of 31 December 2006	<u>75.343</u>	<u>7.422.233</u>	<u>7.497.576</u>

21. ADVANCES RECEIVED

TRL 40.405.777 (31 December 2005: 8.577.043)

22. RETIREMENT PLANS

None. (31 December 2005: None)

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23. PROVISIONS

	31 December 2006	31 December 2005
Tax provision (Not 41)	27.911	-
Cost expense provision	9.380	26.254
Other debt and expense provision	7.020.218	2.821.853
Total short term debt provision	<u>7.057.509</u>	<u>2.848.107</u>
Deposits received	851.875	-
Retirement pay provision	<u>8.630.180</u>	<u>6.069.470</u>
Total long term debt provision	<u>9.482.055</u>	<u>6.069.470</u>

Retirement Pay Provision

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

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The rate of pay is that ruling at the respective balance sheet dates, subject to a maximum of TRL 1.857 per month as of 31 December 2006 (31 December 2005: TRL 1.727 per month).

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

For the year 1999, IAS 19 (Revised) became applicable for the first time. Although not changing the fundamental principles involved, the revised standard made clearer the obligation to consider the issues related to accounting for a future benefit:

- An expected inflation rate and an appropriate discount rate should both be determined, the net of these being the real discount rate. This real discount rate should be used to discount future retirement payments to their present value at the balance sheet date.
- The anticipated rate of forfeitures should be considered.

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24. MINORITY INTEREST

	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Opening balance, 1 January	18.125	42.986
Minority share on operating results of the year	-	(21.193)
Change in minority shareholdings	<u>(18.125)</u>	<u>(3.668)</u>
Closing balance, 31 December	<u>-</u>	<u>18.125</u>

25. CAPITAL

The composition of the Company's capital as of 31 December 2006 and 2005 is as follows:

<u>Name of the Shareholder</u>	<u>(%)</u>	31 December 2006		31 December 2005	
		<u>TRL</u>	<u>(%)</u>	<u>TRL</u>	<u>TRL</u>
Profilo Sanayi ve Ticaret A.Ş.	78,10	48.273.412	78,10	48.273.412	
Thomson Multimedya Elect. S.A.	0,11	66.816	0,11	66.816	
Profilo Holding A.Ş.	14,30	8.837.014	14,30	8.837.014	
Real persons	3,85	2.385.876	3,85	2.385.876	
Other (< 5%)	3,64	<u>2.241.882</u>	3,64	<u>2.241.882</u>	
Total Capital	100,00	<u>61.805.000</u>	100,00	<u>61.805.000</u>	

According to the acceptance dated 30 December 2002 and No:OFD/3100 published by Capital Market Board, the company has accepted to use the Registered Capital System and has determined its registered share capital ceiling as TRL 70.000.000 Million at Trade Registry Gazette numbered 5731 at 3 February 2003

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

The Company fully consolidated the financial statements of its subsidiaries. The recorded value of the subsidiaries of in the Company financial statements is eliminated via the subsidiaries' capital amounts.

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26. CAPITAL RESERVES

	31 December 2006 TRL	31 December 2005 TRL
Revaluation fund	17.119.702	17.119.702
Financial assets revaluation fund	-	343.550
Shareholder's equity inflation restatement differences	14.752.812	35.442.673
	<u>31.872.514</u>	<u>52.905.925</u>

27. PROFIT RESERVES

	31 December 2006 TRL	31 December 2005 TRL
Legal reserves	206.366	195.683
Extraordinary reserves	1.179.074	1.005.015
	<u>1.385.440</u>	<u>1.200.698</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

28. RETAINED EARNINGS / ACCUMULATED LOSSES

	31 December 2006 TRL	31 December 2005 TRL
Retained Earnings / Accumulated Losses	<u>(39.064.848)</u>	<u>(60.968.723)</u>
	<u>(39.064.848)</u>	<u>(60.968.723)</u>

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29. FOREIGN CURRENCY POSITION

	<u>US \$</u>	<u>EURO</u>	<u>DEM</u>	<u>JPY</u>	<u>GBP</u>	<u>FFR</u>	<u>SFR</u>	<u>Equivalent of TRL</u>
<u>31 December 2006</u>								
Cash and banks	6.204.853	8.775.272	-	-	193.000	-	-	25.501.041
Trade receivables	1.787.321	4.010.937	-	-	67.391	-	4.154	10.129.079
Due from related parties	11.463.932	20.955.870	-	-	-	-	-	54.913.496
Goods in transit	6.752.276	1.971.141	-	2.189.845	4.603	-	-	13.179.091
Foreign currency assets	26.208.382	35.713.220	-	2.189.845	264.994	-	4.154	103.722.707
Trade payables	70.278.912	25.839.824	95.811	29.188.615	66.958	-	2.781	147.249.308
Loans	51.081.140	70.321.436	-	-	-	-	-	201.999.790
Foreign currency liabilities	121.360.052	96.161.260	95.811	29.188.615	66.958	-	2.781	349.249.098
Net foreign currency position	(95.151.670)	(60.448.040)	(95.811)	(26.998.770)	198.036	-	1.373	(245.526.391)
<u>31 December 2005</u>								
Cash and banks	5.254.964	291.718	-	-	193.189	-	-	7.960.885
Trade receivables	9.437.192	14.585.868	-	-	-	-	4.154	35.818.313
Due from related parties	21.420.449	25.258.738	-	-	-	-	-	68.840.205
Goods in transit	18.050.282	5.747.462	-	8.192.539	-	-	-	33.437.359
Foreign currency assets	54.162.887	45.883.786	-	8.192.539	193.189	-	4.154	146.056.762
Trade payables	88.990.708	40.725.054	118.862	118.921.185	34.423	44.000	-	185.601.172
Loans	39.813.348	44.942.054	-	-	-	-	-	124.767.061
Foreign currency liabilities	128.804.056	85.667.108	118.862	118.921.985	34.423	44.000	-	310.368.233
Net foreign currency position	(74.641.169)	(39.783.322)	(118.862)	(110.728.646)	158.766	(44.000)	4.154	(164.311.471)

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30. GOVERNMENT INCENTIVES AND GRANTS

None (31 December 2005: None).

31. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2006 <u>TRL</u>	31 December 2005 <u>TRL</u>
Letter of guarantees given	8.816.225	8.000.976
Finance bill	6.991.823	5.869.921
Export commitment	117.857.485	118.168.094
	<u>133.665.533</u>	<u>132.038.991</u>

32. BUSINESS COMBINATIONS

None.

33. SEGMENTAL INFORMATION

None.

34. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

None.

35. DISCONTINUED OPERATIONS

None (31 December 2005: None).

36. OPERATING INCOME

SALES

	2006 <u>TRL</u>	2005 <u>TRL</u>
Domestic sales	180.570.317	222.360.909
Foreign sales	417.239.261	470.924.553
Other income	296.553	266.991
Sales returns (-)	(10.682.304)	(8.919.037)
	<u>587.423.827</u>	<u>684.633.416</u>

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COST OF SALES

	2006 <u>TRL</u>	2005 <u>TRL</u>
Raw material consumption expenses	482.478.179	514.891.124
Direct labor expenses	28.050.944	29.915.731
General production expenses	33.120.696	33.197.770
Depreciation expenses	-	10.809.116
Change in semi-finished goods (-)	(2.486.237)	(7.292.485)
Change in finished goods (-)	(15.190.853)	22.461.167
	<hr/>	<hr/>
Cost of finished good sold	525.972.729	603.982.423
	<hr/>	<hr/>
Cost of trade good sold	18.848.884	11.019.054
Cost of service sold	2.158.286	-
Cost of sales	<u>546.979.899</u>	<u>615.001.477</u>

37. OPERATING EXPENSES

	2006 <u>TRL</u>	2005 <u>TRL</u>
Export expenses	38.781.510	36.026.661
Personnel expenses	17.495.807	18.168.194
Various general administration expenses	13.541.788	13.509.483
Royalty expenses	-	4.019.183
Development expenses	1.088.624	4.602.752
Retirement pay provision expense	3.400.756	1.935.699
Consultancy expense	2.409.983	2.538.141
Rent expenses	1.170.154	1.239.607
Research expenses	154.176	391.037
Expense contribution rates	796.580	916.036
Depreciation expenses	169.329	315.507
	<hr/>	<hr/>
	79.008.707	83.662.300

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38. OTHER OPERATING INCOME / (EXPENSE) AND PROFIT / (LOSSES)

Other operating income and profit:

	2006 <u>TRL</u>	2005 <u>TRL</u>
Service income	3.932.224	17.203.006
R&D grants received from TUBİTAK	-	1.094.065
Dividend income	15.245	-
Interest income	394.656	799.067
Gain on sale of marketable securities	42.944	65.419
Gain on sale of fixed assets	111.234	20.731.792
Other income and profit	11.291	96.480
	<u>4.507.594</u>	<u>39.989.829</u>

Other operating expense and losses:

	2006 <u>TRL</u>	2005 <u>TRL</u>
Provision expenses (-)	(2.732.535)	(251.643)
Other expenses and losses (-)	(19)	(3.668)
	<u>(2.732.554)</u>	<u>(255.311)</u>

39. FINANCE EXPENSES (NET)

	2006 <u>TRL</u>	2005 <u>TRL</u>
Foreign exchange gain	21.886.298	32.483.950
Discount income	3.065.668	7.290.984
Short term finance expenses (-)	(76.623.105)	(28.567.738)
Foreign exchange expenses (-)	(67.999)	(29.554.080)
	<u>(51.739.138)</u>	<u>(18.346.884)</u>

40. NET MONETARY POSITION PROFIT/LOSS

None. (2005: None)

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41. TAXES

	1 January 31 December 2006 TRL	1 January 31 December 2005 TRL
Corporate tax	84.047	91.013
Deferred tax expenses	(10.137.198)	5.888.697
	<u>(10.053.151)</u>	<u>5.979.710</u>

42. EARNINGS PER SHARE

IAS 33 “ Earnings Per Share” requires the Companies which are open to public and those in the process of opening to public to declare diluted and earnings per share.

A summary of the weighted average number of shares outstanding during 2005 and the basic earnings per share calculation is as follows:

	<u>2005</u>
Number of lot-shares outstanding at 1 January (in full)	61.805.000
Lot-shares issued during the year	
-bonus shares issued	-
-cash increase	-
Number of lot-shares outstanding at 31 December (in full)	<u>61.805.000</u>
Weighted average number of lot-shares outstanding during the year (in full)	61.805.000
Net income (TRL)	1.398.756
Basic earnings per lot-share (TRL)	22,63

As the Group has net loss during the year of 2006, no Earnings Per Share has been calculated.

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43. STATEMENT OF CASH FLOWS

Included in the financial statements.

**44. THE EVENTS AFFECTING THE FINANCIAL STATEMENTS TO A GREATER
EXTENT OR THE NECESSARY ISSUES FOR FINANCIAL STATEMENTS TO BE
CLEAR, INTERPRETIVE AND UNDERSTANDABLE**

None. (31 December 2005: None).