İndeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret Anonim Şirketi

Consolidated Financial Statements and Independent Auditors' Report for the Year Ended December 31, 2010

TABLE OF CONTENTS PAGE

INDEPENDENT AUDIT REPORT

To The Board of Directors of
İndeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret Anonim Şirketi

Introduction

We have audited the accompanying consolidated financial statements of **İndeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret Anonim Şirketi**, its subsidiaries (together with "Group") which comprise the consolidated balance sheet as of December 31, 2010 and the consolidated income statement, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. **(Note:2.03)** Consolidated financial statements of the Group as of December 31, 2009 were audited by another independent auditing company. The independent auditing company has expressed a positive opinion in the audit report dated March 8, 2010.

Responsibility of Management in Accordance with Financial Statements

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

Responsibility of Independent Auditing Company

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 published by Capital Market Board. 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. Our 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 consolidated financial statements present fairly the consolidated financial position of **İndeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret Anonim Şirketi** as of December 31, 2010 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with financial reporting standards published by Capital Market Board (CMB).

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An independent member of IAPA International

ÇAĞDAŞ
Bağımsız Denetim S.M.M.M. A.Ş.

ÖZCAN AKSU
Certified Public Accountant
(İstanbul, April 4, 2011)

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BALANCE SHEET (TL)
(XI-29 Consolidated)

	Notes	Audited Current 31.12.2010	Audited Previous 31.12.2009
ASSETS			
Current Assets		**506.260.534**	**405.654.269**
Cash and Cash Equivalents	6	26.415.870	2.320.888
Financial Investments	7	100.875	33
Trade Receivables	10	315.185.436	229.494.807
- Receivables from Related Parties	*10-37*	*4.619.012*	*624.262*
- Other	*10*	*310.566.424*	*228.870.545*
Other Receivables	11	246.748	1.355.562
- Receivables from Related Parties	*11-37*	*96.013*	*1.205.509*
- Other	*11*	*150.735*	*150.053*
Inventories	13	127.325.894	138.885.304
Other Current Assets	26	36.985.711	33.597.675
Non-Current Assets		**31.871.237**	**31.092.091**
Other Receivables	11	56.440	51.844
Financial Investment	7	64.894	64.894
Investment Property	17	124.871	-
Tangible Fixed Assets	18	28.430.858	28.031.126
Intangible Fixed Assets	19	59.139	68.865
Goodwill	20	2.467.577	2.467.577
Deferred Tax Assets	35	667.458	407.785
TOTAL ASSETS		**538.131.771**	**436.746.360**

ÇAĞDAŞ
Bağımsız Denetim S.M.M.M. A.Ş

BALANCE SHEET (TL)

(XI-29 Consolidated)	**Notes**	**Audited Current 31.12.2010**	**Audited Previous 31.12.2009**
LIABILITIES			
Short -Term Liabilities		**408.392.686**	**313.007.623**
Financial Liabilities	8	11.424.383	22.155.856
Trade Payables	10	365.962.360	265.080.401
-Due to Related Parties	*10-37*	*624.144*	*6.760.191*
-Other	*10*	*365.338.216*	*258.320.210*
Other Financial Liabilities	11	13.468.858	8.239.654
- Due to Related Parties	*11-37*	*4.834.616*	*1.182.299*
- Other	*11*	*8.634.242*	*7.057.355*
Provision For Tax	35	1.098.634	1.530.656
Provision For Liabilities	22	5.176.795	3.382.919
Other Short-Term Liabilities	26	11.261.656	12.618.137
Long – Term Liabilities		**9.301.841**	**10.962.332**
Financial Liabilities	8	8.285.360	10.313.062
Provision For Employment Termination Indemnities	24	1.016.481	649.270
SHAREHOLDERS EQUITY		**120.437.244**	**112.776.405**
Parent Company Shareholders' Equity	27	**110.656.770**	**104.023.844**
Paid-in Capital		56.000.000	56.000.000
Adjustments regarding Share Capital of Participations (-)		241.113	241.113
Hedging Funds		79.284	-
Restricted Reserves Assorted from Profit		5.109.837	4.183.406
Previous Years' Profit / (Loss)		36.055.067	27.664.383
Net Profit / (Loss) for the Period		13.171.469	15.934.942
Minority Interests	27	**9.780.474**	**8.752.561**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**538.131.771**	**436.746.360**

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Bağımsız Denetim S M M M. A Ş.

INCOME STATEMENT (TL)		Audited	Audited
(XI-29 Consolidated)	Notes	01.01.2010-31.12.2010	01.01.2009-31.12.2009
CONTINUED OPERATIONS			
Sales Revenue	28	1.228.175.766	1.087.422.382
Cost of Sales (-)	28	(1.153.272.537)	(1.023.117.198)
GROSS PROFIT		**74.903.229**	**64.305.184**
Marketing, Sales and Distribution Expenses(-)	29	(13.493.798)	(11.173.103)
General Administration Expenses (-)	29	(14.896.959)	(12.767.710)
Other Operating Income	31	60.687	353.339
Other Operating Expenses (-)	31	(374.948)	(948.369)
OPERATING PROFIT / (LOSS)		**46.198.211**	**39.769.341**
Financial Income	32	40.029.703	28.286.140
Financial Expenses (-)	33	(67.681.475)	(45.663.848)
CONTINUED OPERATIONS PROFIT BEFORE TAXATION		**18.546.439**	**22.391.633**
Continued Operations Tax Income / (Expense)		**(4.347.057)**	**(4.747.543)**
- Tax Expense for the Period	35	(4.626.551)	(4.681.623)
- Deferred Tax Income / (Expense)	35	279.494	(65.920)
PROFIT FOR THE PERIOD		**14.199.382**	**17.644.090**
Change in Hedging Fund		79.284	-
Other Comprehensive Income		**79.284**	-
OTHER COMPREHENSIVE INCOME (AFTER TAXES)		**14.278.666**	**17.644.090**
Total Comprehensive Income		-	-
Distribution of Profit / (Loss) For the Period		**14.199.382**	**17.644.090**
Minority Interest	27	1.027.913	1.709.148
Parent Company Share	27	13.171.469	15.934.942
Distribution of Total Comprehensive Income for the Period		**14.278.666**	**17.644.090**
Minority Interest	27	1.027.913	1.709.148
Parent Company Share	27	13.250.753	15.934.942
Earnings Per Share	36	0,235205	0,284553

ÇAĞDAŞ
Bağımsız Denetim S.M.M.M. A.Ş.

The accompanying notes are integral parts of the consolidated financial statements.

CASH FLOW STATEMENT (TL)
(XI-29 CONSOLIDATED)

	Notes	Audited January 1, 2010- December 1, 2010	(Reclassified) Audited January 1, 2009- December 1, 2009
A) CASH FLOW PROVIDED FROM OPERATIONS			
Net Profit for the Year		**18.546.439**	**22.391.633**
Adjustments :			
Depreciation (+)	18-19	840.617	698.376
Change in Provision for Termination Indemnities	24	521.509	323.612
Rediscount on Notes Receivable (+)	10	489.818	(368.166)
Gain (-) or Loss (+) on Sale of Assets	18-19	(16.309)	1.794
Increase (+) / Decrease (-) in Provision for Debt	22	1.793.875	570.793
Provision for Doubtful Receivables for Current Period (+)	10	438.975	2.124.324
Provision for Nullified Doubtful Receivables (-)	10	(242.705)	(375.794)
Provision for Decrease in Value of Inventories (+)	13	284.547	(223.830)
Rediscount on Notes Payable (-)	10	(626.494)	(166.845)
Provision for Decrease in Value of Affiliates (-)		-	-
Interest Expenses (+)	33	13.146.389	9.866.332
Interest Income (-)	32	(8.367.322)	(5.564.708)
Income from Marketable Securities or Long-term Investments(-)		-	-
Operational Income Before Changes in Working Capital:		**26.809.339**	**29.277.521**
Increase/Decrease in Trade Receivables /Other Receivables (-)	10-11	(85.515.205)	(46.971.198)
Decrease in Inventories (+)	13	11.274.863	(58.455.063)
Increase in Marketable Securities with Purchase/Sale Purposes(-)		-	-
Decrease in Trade Receivables /Other Receivables (-)	10-11	106.737.658	84.935.249
Increase (-) / Decrease (+) in Other Current Assets	26	(3.388.036)	(3.568.637)
Increase (+) / Decrease (-) in other Liabilities	26	(1.356.481)	5.596.084
Other Cash Flows (+)/(-)		286.070	(452.307)
Cash Inflow Provided/(Used) From Operating Activities:		**54.848.208**	**10.361.649**
Termination Indemnities Payment (-)	22	(154.297)	(176.683)
Tax Payment (-)	35	(5.058.573)	(3.899.370)
Net Cash Inflow Provided/(Used) From Operating Activities:		**49.635.338**	**6.285.596**
B) NET CASH USED IN INVESTMENT OPERATIONS			
		-	-
Net Tangible Assets Purchases (-)		-	-
Investment property (-)	17	(125.500)	-
Tangible Assets Purchases	18-19	(1.265.890)	(898.843)
Cash provided from sale of Tangible and Intangible Assets	18-19	52.206	22.257
NET CASH RELATING TO INVESTMENT OPERATIONS		**(1.339.184)**	**(876.586)**
C) CASH FLOW RELATING TO FINANCIAL ACTIVITIES			
Capital Increase		-	-
Change in Cash with Issue Premiums		-	-
Change in Short Term Financial Liabilities	8	(10.731.473)	(7.157.785)
Change in Long Term Financial Liabilities	8	(2.027.702)	(1.331.514)
Dividends Payments (-)		(6.617.827)	-
Net Interest Income / (Expense)	32-33	(4.903.594)	(3.726.004)
Hedging fund		79.284	-
NET CASH RELATING TO FINANCIAL ACTIVITIES		**(24.201.312)**	**(12.215.303)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**24.094.842**	**(6.806.293)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	2.320.888	9.127.181
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	26.415.730	2.320.888

The accompanying policies and explanatory notes are an integral part of the financial statements.

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Bağımsız Denetim S M M M A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (TL)
(XI-29 Consolidated)

Audited	Note	Capital	Capital Adjustment Differences	Issue Premiums	Hedging Fund	Restricted Reserves	Previous Year Profit / (Loss)	Net Period Profit / (Loss)	Minority Shareholder	Total Shareholders' Equity
01.01.2010	**Note-27**	**56.000.000**	**241.113**	**-**	**-**	**4.183.406**	**27.664.383**	**15.934.942**	**8.752.561**	**112.776.405**
Capital		-	-	-	-	-	-	-	-	-
Transfers to Retained Earnings		-	-	-	-	-	15.934.942	(15.934.942)	-	-
Transfers to Reserves		-	-	-	-	926.431	(926.431)	-	-	-
Dividends		-	-	-	-	-	(6.617.827)	-	-	(6.617.827)
Other Comprehensive Income		-	-	-	79.284	-	-	-	-	79.284
Net Profit		-	-	-	-	-	-	13.171.469	1.027.913	14.199.382
31.12.2010	**Note-27**	**56.000.000**	**241.113**	**-**	**79.284**	**5.109.837**	**36.055.067**	**13.171.469**	**9.780.474**	**120.437.244**

Audited	Note	Capital	Capital Adjustment Differences	Issue Premiums	Hedging Fund	Restricted Reserves	Previous Year Profit / (Loss)	Net Period Profit / (Loss)	Minority Shareholder	Total Shareholders' Equity
01.01.2009	**Note-27**	**56.000.000**	**241.113**	**-**	**-**	**3.972.255**	**22.808.705**	**5.066.829**	**7.043.413**	**95.132.315**
Capital		-	-	-	-	-	-	-	-	-
Transfers to Retained Earnings		-	-	-	-	-	5.066.829	(5.066.829)	-	-
Transfers to Reserves		-	-	-	-	211.151	(211.151)	-	-	-
Dividends		-	-	-	-	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-	-	-	-	-
Net Profit		-	-	-	-	-	-	15.934.942	1.709.148	17.644.090
31.12.2009	**Note-27**	**56.000.000**	**241.113**	**-**	**-**	**4.183.406**	**27.664.383**	**15.934.942**	**8.752.561**	**112.776.405**

The accompanying policies and explanatory notes are an integral part of the financial statements.

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1 - ORGANIZATION AND BUSINESS SEGMENTS

İndeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret Anonim Şirketi was established in 1989, and the activities of the Company are comprised of trade of all kinds of "Information Technology" products for the purpose of wholesale trading. The Company is registered to the Capital Markets Board of Turkey since June 2004 and 15,34% of the Company's shares are traded on Istanbul Stock Exchange.

As of December 31, 2010 and December 31, 2009, details regarding to Company's subsidiaries, which are subject to consolidation, are as follows:

Company Name	Field Of Operations	Capital	% of Direct Ownership	% of Indirect Ownership
Datagate Bilgisayar Malzemeleri A.Ş. (Datagate)	Purchasing and Selling of Computer and Equipment	10.000.000	59,24	59,24
Neotech Teknolojik Ürünler Dağ. A.Ş. (Neotech)	Purchasing and Selling of Home Electronic Products	1.000.000	80,00	80,00
Teklos Teknoloji Lojistik Hizmetleri A.Ş. (Teklos)	Logistics	5.000.000	99,99	99,99
Neteks İletişim Ürünleri Dağıtım A.Ş. (Neteks)	Purchasing and Selling of Network Products	1.100.000	50,00	50,00

The financial statements of Datagate Bilgisayar Malzemeleri A.Ş., Neotech Teknolojik Ürünler Dağ. A.Ş. and Teklos Teknoloji Lojistik Hizmetleri A.Ş. are consolidated according to "the full consolidation method". The financial statements of Neteks İletişim Ürünleri Dağıtım A.Ş. is consolidated according to the proportionate consolidation method".

The main shareholders of the Company are Nevres Erol Bilecik (%38,63) and Pouliadis and Associates S.A. (% 35,56) located in Greece. The average number of employees for the year ended December 31, 2010 is 316.(2009: 289) . All personnel are administrative staff.

The Company's official address registered in Trade Registry is Ayazağa District, Cendere Yolu No: 9/1 Kağıthane, İstanbul and it has branches in Ankara, İzmir, Diyarbakır, Elazığ and Atatürk Airport Free Zone.

The Group's' subsidiaries as of December 31, 2010 and December 31, 2009 are as follows:

Company Name	Field Of Operations	Capital	% of Direct Ownership	% of Indirect Ownership
Datagate Bilgisayar Malzemeleri A.Ş.	Purchasing and Selling Computer and equipment	10.000.000	59,24	59,24
Neotech Teknolojik Ürünler Dağ. A.Ş.	Purchasing and selling Home Electronic Products	1.000.000	80,00	80,00
Teklos Teknoloji Lojistik Hizmetleri A.Ş.	Logistics	5.000.000	99,99	99,99
Neteks İletişim ürünleri Dağıtım A.Ş.	Purchasing and Selling Network Products	1.100.000	50,00	50,00
İnfin Bilgisayar Ticaret A.Ş.	Purchasing and Selling Computer and equipment (Export-Import)	50.000	99,80	99,80
Neteks Dış Ticaret Ltd.Şti. (*)	Purchasing and Selling Network Products	5.000	-	49,50

(*)Neteks Dış Ticaret Ltd.Şti is the subsidiary of Neteks İletişim Ürünleri Dağıtım A.Ş. with a rate of 99%.

ÇAĞDAŞ
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Hereafter, the Company and the subsidiaries will be referred as ('The Group') in the consolidated financial statements and notes to the financial statements.

2 PRINCIPLES RELATED TO THE PRESENTATION OF THE FINANCIAL STATEMENTS

2.01 Basic Principles For The Presentation

The Group maintains its books of account and prepares its statutory financial statements in accordance with the regulations of Capital Market Board (CMB) Law, Turkish Commercial Code, Tax Procedural Law and Uniform Chart of Accountants published by Ministry of Finance.

The accompanying consolidated financial statements of the Group were prepared in accordance with the communique Serie XI, No:29 "Comminuque on Financial Reporting at Capital Markets" which was declared by the CMB dated April 9, 2008 with No:26842.

This communique has become valid for the first interim financial statements after January 01, 2008. Based on 5th clause of this communique, companies applying International Accounting / Financial Reporting Standards (IAS/ IFRS) , which were accepted by European Union and financial statements are disclosed in s appropriate to IAS/ IFRS.Turkish Accounting/Financial Reporting Standards which were published by Turkish Accounting Standards Board, are based and consistent with IAS/ IFRS.

Group's consolidated financial statements were prepared in accordance with the communique Serie XI, No:29 and s to the consolidated financial statements were presented according to the format obliged by the CMB with the declaration dated April 14, 2008. For that reason, prior period financial statements reclassified accordingly.

As of April 4, 2011 the Group's financial statements were approved and signed by its Board of Directors for the period January 1- December 31, 2010. General Assembly has a right to change financial statements.

2.02 Dealing with the Inflation Effects in Hyper-Inflationary Periods

According to the decision, dated March 17, 2005 with No:11/367, made by the Capital Market Board, the inflation accounting has been no longer effective as of 2005 and the accompanying consolidated financial statements has not been adjusted since January 1,2005. Nonmonetary values, which are in the accompanying consolidated financial statements, exist with valued as of December 31, 2004 in accordance with International Accounting Standards No. 29 "Financial Reporting on Hyper-Inflationist Economies".

2.03 Consolidation Principles

Subsidiaries are the companies, whose shares are held by the Company directly or indirectly through shares of other companies. As a result, the Group with or without over 50% of voting right, has the power and authority to direct and control the management and policies of the subsidiary companies whether through the ownership of voting securities, by contract or otherwise.

Balance Sheet and Income statements of the subsidiaries are consolidated according to "full consolidation method" and book value and capital of the Group's subsidiary are adjusted accordingly. Transactions and balances between the Company and Subsidiaries are eliminated during consolidation.

Minority interests show minority shareholders' share in the subsidiaries' assets and result of operations for the related period. These details are to be expressed separately in consolidated Balance Sheet and Income Statement. If losses related to minority interest are over benefits from shares of a subsidiary and if there is no bounding liability to the minorities, in general, these losses related with the minorities result against to benefits of the minorities.

Companies under common control of the Group is described as Joint Managing Companies. The Group has significant impact on financial and operating policies of these companies.
The current shares in the subsidiaries as of December 31, 2010 and December 31, 2009 are as follows:

Company Name	Field Of Operations	Capital	% of Direct Ownership	% of Indirect Ownership
Datagate Bilgisayar Malzemeleri A.Ş.	Purchasing and Selling Computer and Equipments	10.000.000	59,24	59,24
Neotech Teknolojik Ürünler Dağ. A.Ş.	Purchasing and Selling Home Electronic Products	1.000.000	80	80
İnfin Bilgisayar Ticaret A.Ş.	Purchasing and Selling Computer and Equipments (Export-Import)	50.000	99,80	99,80
Teklos Teknoloji Lojistik Hizmetleri A.Ş.	Logistics	5.000.000	99,99	99,99
Neteks İletişim Ürünleri Dağıtım A.Ş.	Purchasing and Selling Network Products	1.100.000	50,00	50,00
Neteks Dış Ticaret Ltd.Şti. (*)	Purchasing and Selling Network Products	5.000	-	49,50

(*)Neteks Dış Ticaret Ltd.Şti is the subsidiary of Neteks İletişim Ürünleri Dağıtım A.Ş. with a rate of 99%.

The financial statements of Datagate Bilgisayar Malzemeleri A.Ş., Neotech Teknolojik Ürünler Dağ. A.Ş. and Teklos Teknoloji Lojistik Hizmetleri A.Ş. are consolidated for using direct consolidation method, the financial statements of Neteks İletişim Ürünleri Dağıtım A.Ş. is consolidated by using partial consolidation method.

Balance Sheets and Income statements of the subsidiaries are consolidated according to "full consolidation method" and "partial consolidation method", and book value and capital of the Company's subsidiaries are adjusted accordingly. Transactions and balances between the Company and subsidiaries are eliminated during consolidation.

Minority interests show minority shareholders' equity in the subsidiaries' assets and result of operations for the related period. These details are expressed separately in consolidated balance sheet and Profit/Loss Statement. If losses related to minority interest are over benefits from shares of a subsidiary and if there is no bounding liability to the minorities, in general, these losses related with the minorities can result against to benefits of the main shareholders.

Financial Information of Companies which are subjected to Partial Consolidation Method

Neteks İletişim Ürünleri Dağıtım A.Ş. which is joint managing of company are subjected to partial consolidation method. Financial summary of Neteks İletişim Ürünleri Dağıtım A.Ş stated as follows.

Financial Statement Items	December 31, 2010	December 31, 2009
Current Assets	42.657.724	26.285.563
Fixed assets	197.745	160.931
Total Assets	**42.855.469**	**26.446.494**
Short Term Liabilities	38.003.364	23.150.765
Long Term Liabilities	16.960	8.505
Total Equity	4.835.145	3.287.224
Total Liability	**42.855.469**	**26.446.494**
Sales	107.884.168	99.640.221
Gross Profit	5.752.937	4.740.065
Operational Profit	2.675.971	2.095.566
Net Profit	1.547.921	998.033

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Bağımsız Denetim S.M.M.M. A.Ş.

Companies which are not subjected to Consolidation

Parent and subsidiary companies which are not subjected to consolidation and the subsidiary related with management, auditing, capital are as follows:

Associate	% of Ownership	TL Amount of Ownership
İnfin Bilgisayar Ticaret A.Ş.	99,80	62.419
Neteks Dış Ticaret Ltd.Şti. (*)	49,50	2.475
Total Subsidiary Amount		**64.894**

(*)Neteks Dış Ticaret Ltd.Şti is the subsidiary of Neteks İletişim Ürünleri Dağıtım A.Ş. with a rate of 99%.

İnfin Bilgisayar Ticaret A.Ş. and Neteks Dış Ticaret Limited Şirketi were not consolidated to the fact that they are both insignificant and do not have material effect on the Group's consolidated financial statements. These subsidiaries are classified as financial assets available for sale in consolidated financial statements.

Comparison between financial outcomes of companies which are not subjected to consolidation and financial outcomes of consolidated financial statements are as follows;

Financial Outcomes of 2010	Total Asset	Total Equity	Net Sales	Period Income
Companies which are not subjected to consolidation	7.158.065	425.158	28.165.752	78.690
Consolidated Financial Statements	538.131.771	120.437.244	1.228.175.766	13.171.469
%	**1,33%**	**0,35%**	**2,29%**	**0,60%**

Significant part of items, which are located in total asset and sales,are eleminated during the consolidation eventhough this companies are subjected to consolidation. Considered other matters when mentioned companies are excluded from the consolidation, are as follows;
These companies has not got significant assets and liabilities which are out of balance sheet. Moreover these companies has not got significant assets such as fixed assets etc.
On the lights of above given data all these companies were not subjected to consolidation due to all quantitative and qualitative evaluations and on the lights of above given data indicate that these companies do not effect to financial outcomes significantly.

2.04 Comparative Information and Adjustment of the Previous Consolidated Financial Statements

The comparative financial statements have been presented to enable to perform the financial position and the performance trend analysis. All necessary adjustments have been made in prior financial statements to present consistent and comparative financial statements.
The new items have been added to Group's Statement of Cash Flows in the current period in order to better reporting of the cash flows of the Group. In parallel with the changes in Statement of Cash-Flows in the current period, the similar classifications are made to prior periods in order to ensure the comparability of the financial statements. The classifications do not have any effect on the prior period's profit / loss, shareholders' equity, total assets, etc.

2.05 Offsetting

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

ÇAĞDAŞ
Bağımsız Denetim SMMM A.Ş.

2.06 Changes in Accounting Policies

The changes to the current accounting policies can be performed if it is necessary or the changes will provide more appropriate and reliable presentation of the transactions and to the events related financial position, performance and the cash flow of the Group that affect the financial statements of the Group. If the changes in accounting policies affects the prier periods, policy is applied to the prier period financial statements as if it is applied before.
There is no any changing in financial accounting policies made in the current period

2.07 Changes in Accounting Estimates and Errors

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. On the other hand, if the amendments are related to the current as well as the forthcoming periods, then both current and forthcoming periods' financial statements are adjusted.

In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements. However; if the effect of the accounting estimate to the financial statement cannot be determined, then it is not disclosed in the notes to the financial statements.

The Group is applying the accounting estimates to determine the doubtful receivables, the value decrease in fixed assets and inventory, the useful lives of the fixed assets, contingent liabilities, actuarial assumptions for the termination indemnities, etc. There is no change in accounting estimates in the current period. Accounting estimates applied by the Group are disclosed below in the related parts of the footnotes. The Group benefits from past experiences for the accounting estimates.

2.08.01 Income

The Group recognizes income according to the accrual basis, when the Group reasonably determines the income and economic benefit is probable. Group's income mainly consists of sales of computer and computer equipments as PC, laptop, motherbord, hard disk, display adapter. All the sales are operated via dealers and there are not any direct sales to end customers. Net sales is calculated by deducting sales return and sales discounts from total sales.

Revenue from the sale of goods is recognized when all the following conditions are gratified:

- The significant risks and the ownership of the goods are transferred to the buyer;
- The Group refrains the managerial control over the goods and the effective control over the goods sold;
- The revenue can be measured reasonably;
- It is probable that the the economic benefits related to transaction will flow to the entitiy;
- The costs incurred or will be incurred in conjuction with the transaction can be measured reliably.

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

When there is significant amount of cost of financing included in the sales, the fair value is determined by discouting all probable future cash flows with the yield rate, which is embedded in the cost of financing. The differences between the fair value and the nominal value is recorded as interest income according to the accrual basis.

2.08.02 Inventories

Inventories are stated either at the lower of acquisition cost or net realizable value. Group's inventories consist of computer and computer equipments like PC, laptop, electrical household appliances, network products.

The inventory costing method used by the Group is "First In First Out (FIFO)". Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs neccessary to make the sale.

2.08.03 Tangible Fixed Assets

For Assets acquired in and after 2005, the tangible assets are reflected to the consolidated financial statements by deducting their accumulated depreciation from their cost. For assets that were acquired before January 01, 2005, the tangible fixed assets is presented on the consolidated financial statements based on their cost value, which is adjusted according to the inflationary effects as of December 31, 2004. Depreciation is calculated using the straight-line method based on their economic lives. The following rates, determined in accordance with the economic lives of the fixed assets, are used in calculation of depreciation.

TYPE OF FIXED ASSET	Depreciation rates as of December 31, 2010 (%)	Depreciation rates as of December 31, 2009 (%)
Land Improvements	10	10
Buildings	2	2
Machinery, Plant and Equipment	20-10	20-10
Motor Vehicles	25-10	20-10
Furniture and Fixtures	25-10	20-10
Leasehold Improvements	20-10	20-10

Lands are not subject to depreciation since they have unlimited useful lives.

Tangible fixed assets has been revised in terms of impairment each period.

If the carrying value of a tangible fixed asset is more than its expected net realizable value then the carrying value is reduced to its net realizable value by making the necessary provision.

The profit and loss arisen from fixed asset sales are determined by comparing the net book value with the sales price and the result is added to the operating profit or loss.

Maintenance and repair expenses are accounted as expense at their realization date. If the maintenance and repair expenses clearly improve the economic value or performance of the related asset then they are capitalized.

2.08.04 Intangible Assets

Intangible Assets contains acquired assets by sales such as computer software programs and computer software licences. There is no intangible assets created within the structure of business.

Intangible assets acquired before January 1, 2005 are carried at acquisition costs adjusted for inflation; whereas those purchased in the year 2005 and purchased after 2005 are carried forward at their acquisition cost less accumulated amortization.

Amortization is calculated using the straight-line method between 5 and 10 years period.

Intangible fixed assets are rewieved in terms of impairment for each balance sheet period. If the carrying value of a tangible fixed asset is more than its expected net realizable value, then the carrying value is reduced to its net realizable value by making the necessary provisions. There is no provision for decrease in value of a tangible fixed assets.

2.08.05 Impairment of Assets

Assets which has infinite life are not subjected to amortization. Impairment test is applied for these assets for each year.

ÇAĞDAŞ
Bağımsız Denetim SMMM AŞ

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are seperately identifiable cash flows. Apart from the goodwill, non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

2.08.06 Research and Development Expenses

None.

2.08.07 Borrowings Costs

The borrowing costs are recognized as expense when they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The capitalization of borrowing costs as part of the cost of a qualifying asset shall commence, when expenditures and borrowing costs for the asset are incurred, continues until that asset becomes available for sale. Expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities. There are no capitalized borrowing costs in current period related to qualifying assets.

2.08.08 Financial Instruments

(i) Financial Assets

Investments are recognized and derecognized on transaction date where the purchase and sales of an investment is under a contract, terms of which require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Financial assets are classified as "financial assets, whose fair value differences are reflected to the profit or loss", "financial assets held to the maturity", "financial assets available for-sale" and "loans and receivables."

Prevailing Interest Method

Prevailing interest method is the assessment of financial asset with their amortized cost and allocation of interest income to the relevant period. Prevailing interest rate is a rate that discounts the estimated cash flow of the financial instruments for the expected life or where appropriate a shorter period.

Income related to financial assets, except the "financial assets, whose fair value differences are reflected to the profit or loss", is calculated by using the prevailing interest rate.

a) Financial Assets Whose Fair Value Differences Are Reflected to the Profit or Loss

"Financial assets whose fair value differences are reflected to the profit or loss", are the financial assets that are held for trading purposes. If a financial asset is acquired for trading purposes, it is classified in this category. Also, derivative instruments, which are not exempt from financial risk, are also classified as "Financial assets whose fair value differences are reflected to the profit or loss". These financial assets are classified as current assets.

b) Financial Assets Which Will Be Held to the Maturity

Debt instruments, which the Group has the intention and capability to hold to maturity, and/or have fixed or determinable payment arrangement are classified as "Investments Held to the Maturity". Financial asset that will be held to the maturity, are recorded after deducting the impairment from the cost basis, which has been amortized with prevailing interest method. All relevant income is calculated using the prevailing interest method.

c) Financial Assets Available-For-Sale

Financial assets, which are "Available-for-Sale" are either financial assets, which will not be held to maturity or financial assets, which are not held for trading purposes. Financial assets Available-for-Sale are recorded with their fair value if their fair value can be determined reliably.

ÇAĞDAŞ
Bağımsız Denetim S M M M A.Ş.

Marketable securities are shown at their cost basis unless their fair value can be reliably measured or have an active trading market. Profit or loss pertaining to the financial assets Available-for-Sale is not recorded on the income statement. The fluctuation in the fair value of these assets are shown in the statement of shareholders' equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized is includeded in profit or loss for the period. Provisions recorded in the income statement pertaining to the impairment of financial asset Available-for-Sale can not be reversed from the income statement in future periods.
Except equity instruments classified as available-for-sale, if impairment loss decreases in next period and if therein decreasing can be related to an event occurred after the accounting of impairment loss, impairment loss accounted before, can be cancelled in income statement.

d) Loans and Receivables

Trade receivables, other receivables, and loans are initially recognized at their fair value. Subsequently, receivables and loans are measured at amortized cost using the effective interest method. In the case of interest on loans and receivables negligible, registered value of loan and receivables is accepted as fair value.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indication of impairment at each balance sheet date. Financial assets are impaired, where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced with the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are reversed against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

With respect to available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and Cash Equivalents

Cash and cash equivalents are cash, demand deposit and other short-term highly liquid investments, which their maturities are three months or less from the date as of acquisition, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(ii) Financial Liabilities

Financial liabilities and equity instruments are classified according to the contractual agreements entered into and the definition of financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all the liabilities. Accounting policies determined for the financial liabilities and the financial instruments based on equity are explained below.

Financial liabilities are classified as either "financial liabilities whose fair value differences are reflected to the profit /loss" or other financial liabilities.

ÇAĞDAŞ Bağımsız Denetim S M M M. A.Ş

a) Financial Liabilities Whose Fair Value Differences Are Reflected to the Profit /Loss

"Financial liabilities whose fair value differences are reflected to the profit /loss" are recorded with their fair value and are re-evaluated at the end of each balance sheet date. Changes in fair values are recorded on the income statement. Net earnings and/or losses recorded on the income statement also include interest payments made for this financial liability.

b) Other Financial Liabilities

None.

(iii) Derivative Financial Instruments

The Group has aggrement in foreign currency futures markets. Derivative financial instruments are recognised with its market value on the date of derivative contracts signed and re-assessed with its market value.

The difference between the fair value as of December 31, 2010 and the cost value of the forward contracts as of December 31, 2010 is recognised under the shareholders' equity within the scope of " IAS 39 Hedge Accounting."

The gain or loss realized from the increase or decrease in the fair value of the derivative instruments which do not meet the conditions for hedge accounting is recognised in profit or loss.

The fair value is determined by the appropriate one of possible valid market values, otherwise discounted cash flows and option pricing models. The derivatives with positive fair value is recognised as an asset and with negative fair value is recognised as a liability under the balancesheet. **(Note:7)**

2.08.09 Effects of Currency Fluctuations

All transactions, denominated in foreign currencies, are converted into TL by the exchange rate ruling at the transaction date. All foreign currency denominated monetary assets and liabilities stated at the balance sheet are converted into TL by the exchange rate ruling at the balance sheet date. Foreign exchange gains and/or losses as a result of the conversions are recorded in the income statement. Group uses same foreign currency in their sales and purchase transaction. Therefore Group does not contain cuurency risk.

2.08.10 Earnings per Share

Earnings per share in the income statement is calculated by dividing net income by the weighted average number of common shares outstanding for the period.

In Turkey, companies are allowed to increase their share capital by distributing "bonus shares" from retained earnings. These bonus shares are deemed as issued shares while calculating the net earnings per share. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2.08.11 Subsequent Events

Subsequent events cover all events that occur between the balance sheet date and the publication date of the financial statements. If there is substantial evidence that the subsequent events existed or arise after the balance sheet date, these events are disclosed and explained in the notes to the financial statements.

2.08.12 Provisions, Contingent Liabilities and Assets

A provision is recognized when an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

ÇAĞDAŞ
Bağımsız Denetim SMMM AŞ

The discount rate (or rates) is a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The increase in provisions arisen from time differences is recorded as interest expense in case of discounting. Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient objective evidence that they will occur. The amount recognized 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.

Contingent liabilities and assets are not reflected to consolidated financial statements but disclosed in the notes to the consolidated financial statements. The entity recognizes a provision for the part of the obligation, for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can be made.

2.08.13 Leasing Operations

<u>The Group as Lessee</u>

Financial Leases

Financial leases are descibed which the lessor retains all the risks and benefits pertaining to the goods. Financial leases are taken into the accounts according to lower current market value or minimum lease payments.

The liability arising from a financial leasing transaction is separated into interest payable and principal debt in order to determine a fixed interest rate on the remaining balance. The costs and expenses incurred at the initial acquisition of the fixed asset subject to financial leasing are added to the cost. The fixed assets obtained through financial leasing are subject to depreciation over their estimated useful lives.

Information of net book value of Group's assets ,which are subject to lease, stated on **Note:18.** Information related with Group's financial leasing debt stated on **Note:8**

Operating Leases

Lease agreements in which the lessor retains all the risks and benefits relating to the good are described as operational leasing. Lease payments made for an operational leasing are recorded as expense according to normal method throughout the lease term.

Group's Lease agreements as a lessee ,are related with store and office lease in İstanbul, Ankara, İzmir, Diyarbakır and vehicle leases. Annual lease expence is 479.728 TL (2009 : 582.934 TL) as of 2010. Lease payments have been expensed with straight line-method.

<u>The Group as Lessor</u>

Operating Leases

The Group presents assets subject to operating leases in their balance sheet according to the nature of the asset. Lease income from operating leases is recognized as income according to the normal method. The initial direct costs incurred during operational leasing are reflected to income statement as expense.

Group's Lease agreements as a lessor, are related with leasing to small part of the main building where Group's operating, to other non-consolidated companies and to another company which is not include the Group, as aoffice and store.

2.08.14 Related Party Disclosures

The partners' of the Company, Company's Board of Directors, Company's management personnel, Company's other directors, close family members in the charge of the Company, and other companies directly or indirectly controlled by the Company are considered as related parties. The transactions with related parties are disclosed in the **Note: 37.**

ÇAĞDAŞ SMMM. A.Ş.