



**Datagate Bilgisayar Malzemeleri  
Ticaret Anonim Şirketi**

**Financial Statements  
and  
Independent Auditors' Report  
As of December 31, 2010**



'IAPA - a global association of independent accountancy firms.'

**Independent External Auditing Services – Corporate Finance – Tax & Revision – ECM “Market Advisor”**

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**DATAGATE BİLGİSAYAR MALZEMELERİ  
TİCARET ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT  
AS OF DECEMBER 31, 2010**

**DATAGATE BİLGİSAYAR MALZEMELERİ TİCARET A.Ş.**  
**CONTENTS OF THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010**  
**(Series: XI No: 29)**

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**INDEPENDENT AUDIT REPORT**

**To the Board of Directors of  
Datagate Bilgisayar Malzemeleri Ticaret Anonim Şirketi**

***Introduction***

We have audited the accompanying financial statements of **Datagate Bilgisayar Malzemeleri Ticaret Anonim Şirketi** which comprise the balance sheet as of December 31, 2010 and the income statement, statement of changes in shareholders' equity and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. Financial statements of the Company 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 financial statements present fairly the financial position of **Datagate Bilgisayar Malzemeleri Ticaret Anonim Şirketi** as of December 31, 2010 and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards published by Capital Market Board (CMB).

**ÇAĞDAŞ BAĞIMSIZ DENETİM S.M.M.M. A.Ş.**  
**An Independent Member of IAPA International**

**Ç A Ğ D A Ş**  
Bağımsız Denetim S.M.M.M. A.Ş.

**ÖZCAN AKSU**  
**Certified Public Accountant**  
**(İstanbul, March 11, 2011)**

an independent member of IAPA International

Adres: Polaris Plaza Ahi Evran Caddesi No:21 Kat:5 34398 Maslak-İstanbul  
Telefon : (0212) 346 44 26 - 27 Fax: (0212) 346 44 28  
Web: www.cagdasbdd.com E-mail: info@cagdasbdd.com

BALANCE SHEET (TL) (Series XI – No:29)	Notes	Audited	(Reclassified) Audited
		Current	Previous
		31 .12. 2010	31.12. 2009
<b>ASSETS</b>			
<b>Current Assets</b>		<b>81.191.419</b>	<b>69.776.641</b>
Cash and Cash Equivalents	6	3.920.914	518.762
Financial Investments	7	28.746	-
Trade Receivables	10	44.979.001	39.365.911
- <i>Receivables from Related Parties</i>	10-37	2.422	2.324.126
- <i>Other</i>	10	44.976.579	37.041.785
Other Receivables	11	2.648	20.161
Inventories	13	21.360.565	20.655.462
Other Current Assets	26	10.899.545	9.216.345
<b>Non-Current Assets</b>		<b>472.471</b>	<b>134.642</b>
Other Receivables	11	373	671
Investment Property	17	124.871	-
Tangible Fixed Assets	18	132.063	50.821
Intangible Fixed Assets	19	6.067	4.147
Deferred Tax Assets	35	209.097	79.003
<b>TOTAL ASSETS</b>		<b>81.663.890</b>	<b>69.911.283</b>

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

BALANCE SHEET (TL) (Series XI – No:29)	Notes	Audited	(Reclassified) Audited
		Current 31.12.2010	Previous 31.12.2009
<b>LIABILITIES</b>			
<b>Short -Term Liabilities</b>		<b>58.482.005</b>	<b>48.494.567</b>
Financial Liabilities	8	-	6.587.918
Trade Payables	10	52.673.041	36.648.164
-Liabilities to Related Parties	10-37	4.471.993	8.058.892
-Other	10	48.201.048	28.589.272
Other Financial Liabilities	11	534.517	465.664
Provision For Tax Liabilities	35	9.284	181.953
Provision For Liabilities	22	1.206.568	574.712
Other Short-Term Liabilities	26	4.058.595	4.036.156
<b>Long – Term Liabilities</b>		<b>86.709</b>	<b>57.519</b>
Provision For Employment Termination Indemnities	24	86.709	57.519
<b>SHAREHOLDERS EQUITY</b>	27	<b>23.095.176</b>	<b>21.359.197</b>
Capital		10.000.000	10.000.000
Share Premiums		2.872.723	2.872.723
Restricted Reserves		1.635.829	1.420.313
Hedging Funds		22.997	-
Previous Years' Profit / (Loss)		6.850.645	2.814.853
Net Profit / (Loss) for the Period		1.712.982	4.251.308
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>81.663.890</b>	<b>69.911.283</b>

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

INCOME STATEMENT (TL)

(Reclassified)

(Series XI – No:29)

		Audited	Audited
	Notes	01.01.2010 31.12.2010	01.01.2009 31.12.2009
<b>OPERATING INCOME</b>			
Sales Revenue	28	305.497.533	295.075.781
Cost of Sales (-)	28	(295.332.022)	(284.792.896)
<b>GROSS PROFIT</b>		<b>10.165.511</b>	<b>10.282.885</b>
Marketing, Sales and Distribution (-)	29	(2.007.178)	(1.733.791)
General Administrative Expenses (-)	29	(3.425.094)	(2.022.203)
Other Operating Income	31	3.034	379.639
Other Operating Expense (-)	31	(78.499)	(112.816)
<b>OPERATING PROFIT/(LOSS)</b>		<b>4.657.774</b>	<b>6.793.714</b>
The Profit/(Loss) of Investments Evaluated According to Equity Method	32	11.619.204	19.136.984
Financial Income	33	(13.985.406)	(20.528.655)
Financial Expenses (-)		<b>2.291.572</b>	<b>5.402.043</b>
<b>CONTINUED OPERATIONS PROFIT BEFORE TAXATION</b>		<b>(578.590)</b>	<b>(1.150.735)</b>
<b>Continued Operations Tax Income / (Expense)</b>	35	(714.433)	(1.123.399)
- Tax Expense for the Period	35	135.843	(27.336)
- Deferred Tax Income / (Expense)		<b>1.712.982</b>	<b>4.251.308</b>
<b>CONTINUED OPERATIONS PROFIT</b>		<b>1.712.982</b>	<b>4.251.308</b>
<b>PROFIT FOR THE PERIOD</b>		<b>1.712.982</b>	<b>4.251.308</b>
Other Comprehensive Income		<b>0,1713</b>	<b>0,4251</b>
<b>OTHER COMPREHENSIVE INCOME (AFTER TAX)</b>	36		
Parent Company Share			

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



**CASH FLOW STATEMENT (TL)**  
**(Series XI – No:29)**

		<i>(Reclassified)</i>
	<i>Audited</i>	<i>Audited</i>
Footnote References	01.01.2010 31.12.2010	01.01.2009 31.12.2009
<b>A) CASH FLOW PROVIDED FROM OPERATIONS</b>		
<b>Net Profit for the Year</b>	<b>2.291.571</b>	<b>5.402.044</b>
<b>Adjustments to Reach the Cash Flow used in Operations:</b>		
Depreciation (+)	18-19 40.965	25.237
Change in Provision for Termination Indemnities	24 30.191	42.586
Rediscount on Notes Receivable (+)	10 52.994	(64)
Gain (-) or Loss (+) on Sale of Assets	18-19 (2.474)	-
Increase (+) / Decrease (-) in Provision for Debt s	22 631.856	465.370
Provision for Doubtful Receivables for Current Period (+)	10 101.525	200.418
Provision for Nullified Doubtful Receivables (-)	-	-
Provision for Decrease in Value of Inventories (+)	13 98.302	(169.857)
Rediscount on Notes Payable (-)	10 (25.300)	38.994
Provision for Decrease in Value of Affiliates (-)	-	-
Interest Expenses (+)	33 1.160.057	889.837
Interest Income (-)	32 (1.031.089)	(528.452)
Income from Marketable Securities or Long-term Investments(-)	-	-
<b>Operational Income Before Changes in Working Capital:</b>	<b>3.348.598</b>	<b>6.366.113</b>
Increase/Decrease in Trade Receivables /Other Receivables (-)	10-11 (5.749.797)	(18.280.391)
Decrease in Inventories (+)	13 (803.405)	(12.099.051)
Increase in Marketable Securities with Purchase/Sale Purposes(-)	-	-
Decrease in Trade Receivables /Other Receivables (-)	10-11 16.119.030	17.467.651
Increase (-) / Decrease (+) in Other Current Assets	26 (1.683.200)	(2.230.246)
Increase (+) / Decrease (-) in other Liabilities	26 22.440	3.556.741
Other Cash Flows (+)/(-)	-	(482)
<b>Cash Inflow Provided/(Used) From Operating Activities:</b>	<b>11.253.666</b>	<b>(5.219.665)</b>
Termination Indemnities Payment (-)	22 (1.001)	(29.075)
Tax Payment (-)	35 (887.102)	(941.665)
<b>Net Cash Inflow Provided/(Used) From Operating Activities:</b>	<b>10.365.563</b>	<b>(6.190.405)</b>
<b>B) NET CASH USED IN INVESTMENT OPERATIONS</b>		
Net Tangible Assets Purchases (-)	-	-
Investment property (-)	17 (125.500)	-
Tangible Assets Purchases	18-19 (123.499)	(17.778)
Cash provided from sale of Tangible and Intangible Assets	18-19 2.474	-
<b>NET CASH RELATING TO INVESTMENT OPERATIONS</b>	<b>(246.525)</b>	<b>(17.778)</b>
<b>C) CASH FLOW RELATING TO FINANCIAL ACTIVITIES</b>		
Capital Increase	-	-
Change in Cash with Issue Premiums	-	-
Change in Short Term Financial Liabilities	8 (6.587.918)	6.587.918
Change in Long Term Financial Liabilities	8 -	-
Dividends Payments (-)	-	-
Net Interest Income / (Expense)	32-33 (128.968)	(360.904)
<b>NET CASH RELATING TO FINANCIAL ACTIVITIES</b>	<b>(6.716.886)</b>	<b>6.227.014</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3.402.152</b>	<b>18.831</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6 518.762	499.931
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6 3.920.914	518.762

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



**DATAGATE BİLGİSAYAR MALZEMELERİ TİCARET A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010**  
 (Series XI – No:29)

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**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Amounts are stated in TL unless otherwise stated.)

Audited	Notes	Capital	Issue Premiums	Value Increase Funds	Foreign Currency Conversion Adjustments	Restricted Reserves	Previous Year Profit / (Loss)	Net Period Profit / (Loss)	Total Shareholders' Equity
01.01.2010	27	10.000.000	2.872.723	-	-	1.420.313	2.814.853	4.251.308	21.359.197
Capital		-	-	-	-	-	-	-	-
Transfers to Retained Earnings		-	-	-	-	-	4.251.308	(4.251.308)	-
Transfers to Reserves		-	-	-	-	215.516	(215.516)	-	-
Dividends		-	-	-	-	-	-	-	-
Other Comprehensive Income		-	-	22.997	-	-	-	-	22.997
Net Profit		-	-	-	-	-	-	1.712.982	1.712.982
31.12.2010	27	10.000.000	2.872.723	22.997	-	1.635.829	6.850.645	1.712.982	23.095.176

Audited

01.01.2009	27	10.000.000	2.872.723	-	-	1.404.456	2.568.387	262.323	17.107.889
Capital		-	-	-	-	-	-	-	-
Transfers to Retained Earnings		-	-	-	-	-	262.323	(262.323)	-
Transfers to Reserves		-	-	-	-	15.857	(15.857)	-	-
Dividends		-	-	-	-	-	-	-	-
Foreign Currency Translation Reserve		-	-	-	-	-	-	-	-
Net Profit		-	-	-	-	-	-	4.251.308	4.251.308
31.12.2009	27	10.000.000	2.872.723	-	-	1.420.313	2.814.853	4.251.308	21.359.197

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

# DATAGATE BİLGİSAYAR MALZEMELERİ TİCARET ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2010

*(The amounts are stated as Turkish lira ("TL") unless otherwise specified.)*

## 1 ORGANIZATION AND BUSINESS SEGMENT

Datagate Bilgisayar Malzemeleri Anonim Şirketi ("Company") was founded in 1992, and the main activities of the Company consist of trade of computer and computer equipments.

The main shareholders of the company as of December 31, 2010 are İndeks Bilgisayar Sistemleri Sanayi ve Ticaret A.Ş. (% 59,24) (Non-Public shares % 51,74 and Public Shares % 7,5) , Tayfun Ateş % 5,00 and Public Shares % 35,75. The main shareholders of the company as of December 31, 2009 are İndeks Bilgisayar Sistemleri Sanayi ve Ticaret A.Ş. (% 59,24), Tayfun Ateş %10,5 and Public Shares %30,30.

The average number of employees as of December 31, 2010 is 38. (2009:35). All of the employees of the Company are white-collared.

The Company's official address registered in Trade Registry is Ayazağa Mah. Cendere Yolu No: 9/2 Şişli, İSTANBUL and the company has branches in Istanbul Atatürk Airport Free Zone and Dubai Jebel Ali Free Zone.

## 2 PRINCIPLES RELATED TO THE PRESENTATION OF THE FINANCIAL STATEMENTS

### 2.01 Accounting Standards

The Company in Turkey maintains its books of account and prepares its statutory financial statements in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation. The branch of the Company operating in Dubai maintains its books of account and prepares its statutory financial statements in USD. The Company's financial statements were prepared in accordance with the Capital Market Board's ("CMB") rules for accounting and reporting.

CMB published a comprehensive set of accounting principles in accordance with the communiqué Serial: XI, No:29 on "Communiqué on Financial Reporting at Capital Markets". This communiqué has become valid for the first interim financial period subsequent to January 01, 2008. The supplementary communicate Serial: XI, No: 29 was issued as an amendment to Communiqué Serial: XI NO: 25 and states that, the financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") as conceded by the European Union ("EU"). IFRS will be applied until the time differences between the IFRS and Turkish Accounting/Financial Reporting Standards ("TFRS") are declared by the Turkish Accounting Standards Board. Thus TFRS, which are in compliant with the applied standards, will be adopted.

As of March 11, 2011 the Company's financial statements were approved and signed by its Board of Directors for the period January 01- 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 CMB, the inflation accounting is no longer effective for the periods after January 01, 2005 for the companies that are operating in Turkey and preparing financial statements in accordance with CMB standards. Therefore, practise of International Accounting Standards 29 "Financial Reporting on Hyper-Inflationist Economies" ended after January 01, 2005.

### 2.03 Changes in Accounting Policies

The changes to the current accounting policies can be made either if it is necessary or the changes will provide more appropriate and reliable presentation of the transactions and events pertaining to the financial position, performance and the cash flow of the Company. If the changes in accounting policies affect the prior periods, the financial statements are retroactively adjusted.

Summary of the important accounting policies which applies by the company is located in the relevant section below. There is no changes in accounting policies in the current period.

# DATA GATE BİLGİSAYAR MALZEMELERİ TİCARET ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2010

*(The amounts are stated as Turkish lira ("TL") unless otherwise specified.)*

## 2.04 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 Company 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 Company are disclosed below in the related parts of the footnotes. The Company benefits from past experiences for the accounting estimates.

## 2.05 Summary of Significant Accounting Policies

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

### 2.05.01 Income

The Company recognizes income according to the accrual basis, when the Company reasonably determines the income and economic benefit is probable. Company's income mainly consists of sales of computer and computer equipments as PC, laptop, motherboard, 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 related to the sale of goods, is recorded to the financial statements when all the followings are applied:

- The significant risks and the ownership of the goods are transferred to the customer,
- The Company 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 economic benefits related to transaction will flow to the entity,
- The costs incurred or will be incurred in conjunction with the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, 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 discounting 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 are recorded as interest income according to the accrual basis.

### 2.05.02 Inventories

Inventories are stated either at the lower of acquisition cost or net realizable value. The inventories of the Company consist of PC, notebook, main board, screen card and the other related computer components. The inventory cost methods used by the Company is "First in First out (FIFO)". Net realizable value is calculated by subtracting sales expenses from the sales price of the related product. Information of Provision for Decrease in Value of Inventories in the current period and previous period is disclosed in **Note: 13**.



# DATAGATE BİLGİSAYAR MALZEMELERİ TİCARET ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2010  
(The amounts are stated as Turkish lira ("TL") unless otherwise specified.)

## 2.05.03 Tangible Fixed Assets

The tangible fixed assets acquired after January 01, 2005 are carried at historical cost, which is calculated by deducting the accumulated depreciation from their cost basis. For assets that were acquired before January 01, 2005, the tangible fixed assets are presented on the financial statement at indexed historical cost for inflation effects as at December 31, 2004. Tangible assets are depreciated using the straight-line method over their useful lives.

The following rates, determined in accordance with the economic lives of the fixed assets, are used in calculation of depreciation:

	<u>Useful Lives(year)</u>
- Machinery, Plant, and Equipment	5
- Furniture and Fixtures	4-5
- Motor Vehicles	2-5
- Leasehold Improvements	5

Tangible fixed assets are reviewed 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.

The profit and loss arisen from fixed asset sales are determined by comparing the net book value with the sales price and the difference is recorded as operating profit or loss.

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

## 2.05.04 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 01, 2005 are carried at historical cost including inflationary effects as at December 31, 2004; however, purchases after January 01, 2005 are carried at their historical cost less accumulated amortization and impairment.

Intangible assets are depreciated on a straight-line basis over their expected useful lives in five and ten years period. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. If the net value of an intangible asset is more than the recoverable value, the net value of the intangible asset is decreased to recoverable value by making provisions. There is no provisions for the value decrease in intangible assets.

## 2.05.05 Leasing Operations

The Company has no financial lease operations.

The Company carries out its operating leases (real estate) as lessee. Operational Lease agreements, which the lessor retains all the risks and benefits pertaining to the goods, are described as operational leases. Lease payments made for an operational lease are expensed throughout the lease term. The Company's most important operational lease is related with the head office and warehouse leased from related party of the Company Teklos Teknoloji Lojistik Hizmetleri A.Ş. (Teklos A.Ş.). The lease operation is realized yearly and the rent invoices are billed monthly basis by Teklos A.Ş. The yearly rent expense for the the current period is 240.048 USD.

## 2.05.06 Impairment of Assets

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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. 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

# DATA GATE BİLGİSAYAR MALZEMELERİ TİCARET ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2010

*(The amounts are stated as Turkish lira ("TL") unless otherwise specified.)*

at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

## 2.05.07 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 for the asset are being incurred, borrowing costs are being incurred; and activities that are necessary to prepare the asset for its intended use or sale are in progress. 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. The company did not capitalize any borrowing costs as of year end.

## 2.05.08 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 Company 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. 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 included 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

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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.

### Impairment of financial assets

Financial assets, whose fair value differences are reflected to the profit or loss are assessed for indicators 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, which were 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.



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## 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 Company has agreement 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 Hedging 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 hedging 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)

## 2.05.09 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.

## 2.05.10 Earnings Per Share

Earnings per share in the income statement are 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.

## 2.05.11 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.

The Company adjusts its financial statements if the above-explained subsequent events require any adjustments.

## 2.05.12 Provisions, Contingent Liabilities & Assets

A provision shall be 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.

The assets and liabilities which can be confirmed according to eventuation of one or more issues which are not fully in control of the company and which arise from previous transactions are not presented in the financial statements and they are determined as contingent liabilities and assets.



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## 2.05.13 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**.

## 2.05.14 Taxation and Deferred Tax

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

### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that may arise from which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

### Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in the equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Taxes on financial statements contain changes in current period taxes and deferred tax. Company calculates current period tax and deferred tax based on period results.

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## Offsetting in Taxation

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.

## *2.05.15 Retirement Pay*

According to Turkish Labor Law, employee termination benefit is reflected in the financial statements, when the termination indemnities are deserved. Such payments are considered as being part of defined retirement benefit plan as per IAS No.19 "Employee Benefits".

Termination indemnity liability is reflected to the financial statements with the amount calculated for value at balance sheet date of lump pension in the next years by discounting by adequate interest rate. Interest cost added to the lump pension expense is shown as interest expense in the results of operations.

## *2.05.16 Cash Flow Statement*

Cash and cash equivalents are stated at their fair values in the balance sheet. The cash and cash equivalents comprises cash in hand, bank deposits and highly liquid investments. On cash flow statement, the Company classifies period's cash flows as investment and financing activities.

## *2.05.17. Income Accruals*

The most of the products sold by the Company has foreign origin. The purchases is made from foreign companies, offices of foreign companies in Turkey or domestic companies in Turkey. Depending upon the realization of the targets given by the domestic or foreign companies; a set of payments are received or offsetting the accounts under the name of "rebate", "risturn", "sell out", or "bonus". The mentioned amounts is recognised as credit note income accruals in the balancesheet depending upon the realization of the targets and conditions given by the sellers. The documents prepared by sellers under the name of "rebate", "risturn", "sell out", "bonus", and "credit note" (or Invoices prepared by the Company) is collected or offsetted.

## *2.05.18 Provisions for Warranty*

The Company is a distributor of the information technologies in Turkey. The warranties of the products sold is provided by the companies assigned by the producers. The products submitted to Company from dealers and these products are sent to producers or companies assigned by the producers for repair and maintenance. After the repair and maintenance, if there is a need to change or give a new product to customers within the scope of the warranty, the amount of the products are invoiced to producer companies. The Company has no liability of provisions for warranty.