

GOLDAŞ KUYUMCULUK SANAYİ
İTHALAT İHRACAT ANONİM ŞİRKETİ
NOTES TO INFLATION ADJUSTED,
BALANCE SHEET
AS OF DECEMBER 31, 2004

(USD in full unless otherwise indicated)

1- The Company's field of activity: Production and domestic and international sales of jewellery made of gold and silver.

2- Name of the shareholders having share percentage of 10% or above:

<u>Name</u>	<u>December 31, 2004</u>		<u>December 31, 2003</u>	
	<u>Share %</u>	<u>Amount</u>	<u>Share %</u>	<u>Amount</u>
Goldart Holding A.Ş.	% 38.30	22.828.700.-	% 49.09	21.949.871.-
Public Offering	% 61.70	36.779.376.-	% 50.90	35.363.492.-
Other		1.-		1.-
Total		59.608.077.-		57.313.364.-
Effect of Inflation				
Adjustment		43.545.078.-		41.868.738.-
Total		103.153.155.-		99.182.102.-

3-Privileges given to the shares representing the capital (separate as regards of class of shares and type of privileges):

<u>Type</u>	<u>Class</u>	<u>Unit</u>	<u>Privileges</u>
To the Name	A	6,796,608,000.-	Electing the members and auditors of Board of Directors
To the Name	B	679,660,800.-	Electing the members and auditors of Board of Directors

4- The amount of the Company's registered capital: The registered capital of the Company has been increased to USD 186.275.240.- following the article of Capital Markets Board dated 21 June 2002, No: OFD/673-8175 (December 31, 2003: USD 179.104.263.-)

5- Capital increases made and their sources within period of reporting:

December 31, 2004

None

December 31, 2003

<u>Date of Increase</u>	<u>Amount of Increase</u>	<u>Cash</u>	<u>Reserves</u>	<u>Premium Shares</u>
May 22,2003	12.608.940.-	12.608.940.-	-	-

Inflation adjusted value of capital increase is amounting to USD 14.872.545.-

6- Securities other than the securities issued within the year: None.
(December 31, 2003: None.)

7- Securities representing the borrowing redeemed within the year: None. (December 31, 2003: None.)

8- Fixed asset movements in the current period:

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
a) Cost of purchased, manufactured or constructed tangible fixed assets:	673.310.-	612.008.-
b) Cost of disposed or worn-out tangible fixed assets:	-	-
c) Increase in revaluation during the current period :	-	-
d) Nature, total amount, starting and ending dates and completion percentage of the investments in construction:	-	-

December 31, 2004:

Subject : Completion Investment
 Total amount : 2.454.063.-USD
 Starting date : Oct. 31, 2001
 Ending date : Jan. 29, 2005
 Completion Percentage (*) : 94.17 % has been completed.

December 31, 2003:

Subject : Completion Investment
 Total amount : 2.216.551.-USD
 Starting date : Oct. 31,2001
 Ending date : Dec. 29,2005
 Completion Percentage(*) : 67,6% has been completed

(*)Completed investments have been reflected to the relevant fixed assets account as of December 31,2004.

9-Total amount of investment allowance that will be used in the current and future periods:

USD 2.454.063.- (December 31,2003: USD 2.216.551.-)

10- Receivable-payable relationship of the Company with the shareholders, associated companies and participations:

None (December 31, 2003: None.)

11 - Changes in valuation and depreciation methods applied on inventories and other balance sheet items in respect to prior year; changes made on these and other accounting policies, monetary effects of these changes and possible developments and reasons that will change the assumptions regarding the continuity and periodicity assumptions of the enterprise:

a)Summary of Significant Accounting Policies: The Company maintains its books of account and prepares its statutory financial statements in accordance with the Article XI, No. 20 and the other articles which are made changes in mentioned notifications issued by the Turkish Capital Markets Board (CMB). In order to avoid the negative effects of changes in purchasing power of Turkish Liras to financial statements, current and previous financial statements have been restated in line with purchasing power at the end of period.

For the purpose of compatibility with international presentation and providing convenience on behalf of the users, the financial statements stated in New Turkish Liras have been converted into US Dollars by using the year-end exchange rate.

b) The Methods of Inflation Adjustments Applied :The terminology of financial statement items in purchasing power of Turkish Liras at the balance sheet date means that restating non-monetary items as to their current values by multiplying the amount with appropriate indices after necessary adjustments according to Article XI ; No: 20 issued by CMB.

Date	Index	Conversion Factors
31 December 2004	8,403.8	1,0000
31 December 2003	7,382.1	1,1384
31 December 2002	6,478.8	1,2971

c)Assets and Payables Denominated In Foreign Currency: Assets and payables denominated in foreign currency have been translated into New Turkish Lira by the Central Bank of Turkey's period end buying and selling exchange rates, respectively. The exchange rate differences arising from the translation of the mentioned foreign currency items into New Turkish Lira, have been reflected to the relevant balance sheet and income and expense accounts.

d) Valuation of Receivables and Payables: Receivables and payables are stated at their recorded values. The Company does not apply any maturity differences for the due sales. A portion of the purchase payments are realized in cash. As costs of payables are accounted in financial expenses no rediscounting has been applied in line with Clause 23 of the Article of CMB, Series XI. No: 20.

e) Inventory: Inventory has been valued with FIFO method by using actual costing system. The Company is dealing with manufacturing and selling jewellery made of gold and silver and they are valued in accordance with Tax Procedural Law and Capital Markets Board legislation. According to the Capital Markets Board Article XI/1, No. 22, gold and other precious metals traded on stock exchanges and other organised markets are valued according to average of weighted average prices that occurred in the last 5 days before the day of balance sheet. Gold and other precious metals received within the 5 days before the day of balance sheet are valued with the lower one of the purchasing costs and weighted average price occurred in the day of balance sheet in the stock exchange or in the market. Under normal trading practices, gold and other precious metals whose market values are determined according to the gold or other precious metals they contain are also valued according to the method stated in this article. Surpluses based on valuations made according to the decrees of Capital Markets Board notification have been accounted under non-operative revenues and profits account. As the Company stated its period-end inventories in accordance with market values, additional inflationary restatement has not been applied.

f) Advances Given: The same inventory valuation method has been used for advances given to suppliers.

g) Financial Assets: Financial assets are presented over their restated values under the effect of inflation. The indices used in the restatement are based on the acquisition dates of those financial assets.

h) Tangible Fixed Assets: Tangible fixed assets are presented over their restated values. The indices used in the restatement are based on the acquisition dates of those financial assets.

i) Intangible Assets:

aa) Research and development costs regarding manufacturing of new products, production method and system development projects are not charged to expense but stated as "Research And Development Expenses" in the balance sheet. These costs are amortized in 5 years as straight-line basis and reflected to the relevant period expenses.

bb) Brand costs are recorded under "Rights" in the balance sheet. These costs are amortized in 5 years as straight-line basis and reflected to the relevant period expenses.

cc) License costs are recorded under "Rights" in the balance sheet. These expenses are amortized and reflected to the relevant period expenses within the contract period.

dd) Preopening costs are amortized in 5 years as straight-line basis and reflected to the relevant period expenses.

i) Depreciation: Depreciation for both tangible and intangible fixed assets is calculated over their restated values under the effect of inflation by considering their useful economic lives. The useful lives used in calculation of depreciations are given below:

Account Name	Useful Life (Year)	Depreciation Percentage
Machinery and Equipments	10	%10
Motor Vehicles	5	%20
Furniture and Fixtures	5	%20
Preopening Costs	5	%20
Research and Development Costs	5	%20
Leasehold Improvements	5	%20

j) Current Period Tax Provision: According to tax law No: 25088 issued in the Official Gazette dated April 24, 2003; starting from April 24, 2003, companies are subject to the Corporation Tax (CT) at the rate of 30%. According to Provisional Article 32 of CT Law, for the period from January 1, 2004 to December 31, 2004, the CT Rate is applied as 33 %. The calculated tax is paid as of April 30,2005 in one instalment. Since the application of Fund Payment has been ceased effective January 1, 2004; an additional Fund Payment at the ratio at the rate of 10% will not be paid.

Undistributed profits including the extraordinary profits are not subject to Corporate Withholding Tax (CWT). (The inclusion of profit to the share capital is not considered as profit distribution.) In case of profit distribution, the profit distributed (including public companies) is subject to CWT at the rate of 10%.

Taxpayers are obliged to pay quarterly prepaid tax at the rate of 30% (According to Provisional Article 32 of CT Law, for the period from January 1, 2004 to December 31, 2004, the CT ratio is applied as 33%) over the net income calculated at the end of third, sixth, ninth and twelfth months

According to Corporate Tax Law, the losses declared in the tax declaration form are deducted from the CT base within 5 years.

In accordance with the current regulation, the tax authorities may examine the company's tax declarations together with its related accounting records and if required may correct its tax calculations within five years. The Company's annual CT declaration is certified by a Certified Public Accountant.

k) Retirement Pay: Total of the probable amount of the personnel who get the right for retirement pay according to the Labour Law, is calculated and reflected to the general administrative expenses as provision for retirement pay.

l) Monetary Items: Monetary Items are stated in the balance sheet at their recorded values.

m) Revenues and Expenses: Revenues and expenses are accounted as accrual basis. Yearly average indice has been applied in restating the income statement items according to inflation.

n) Changes in accounting policies comparing to previous period: None.

o) Distribution of Financial Expenses: In previous periods, part of the financial expenses was directly charged to expense and other part was included in raw materials, production, merchandise and cost of fixed assets. For the current year, all of the financial expenses have been directly charged to expense.

12- Matters arising subsequent to the balance sheet date and require explanation:

Effective from January 1, 2005, the ceiling rate of retirement pay has been increased to USD 1.229.-

13- Information about conditional losses and profits:

None (December 31, 2003: None)

14- Information on accounting estimates which have a material impact on the Company's gross profit and their monetary effects:

None (December 31, 2003: None.)

15- Total amount of mortgages and guarantees on assets:

None (December 31, 2003: None.)

16- Total amount of insurance coverage over assets:

USD 64.644.481.- (December 31,2003: USD 37.392.363.-)

17- Total amount of mortgages and other guarantees received against receivables :

None (December 31, 2003: None.)

18- Total amount of commitments not included in liabilities: The sum of guarantee notes and letter of guarantees given to the banks against the loans used by the Company is amounting to USD 17.767.235.- as follows: (December 31, 2003: USD 22.213.804.-)

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Guarantee Notes	15.576.356.-	19.809.628.-
Letters of guarantee	2.190.879.-	2.404.176.-
Total	<u>17.767.235.-</u>	<u>22.213.804.-</u>

19- Amount of blocked deposits in banks:

None (December 31, 2003: None.)

20- Information on the stock exchange market values of financial fixed assets and securities stated in the balance sheet according to their historical costs and information on the historical costs of financial fixed assets and securities that are recorded on the balance sheet according to their stock exchange market values:

None (December 31, .2003: None.)

21- Amount of securities issued by the Company's shareholders, associated companies and participations and their names:

None (December 31, 2003: None.)

22- The amount and description of the "other" items shown in the financial statements exceeding 20 percent its group that it belongs to and exceeding 5 percent of total assets:

BALANCE SHEET

	<u>31.12.2004</u>	<u>31.12.2003</u>
D.4) Other Short Term Receivables	66.814.-	3.571.-
- Export VAT to be refunded	66.814.-	3.571.-
F) Other Current Assets	132.981.-	195.999.-
- Business Advances	118.222.-	153.774.-
- Personnel Advances (travel)	6.963.-	40.493.-
- Prepaid Taxes and Funds	1.963.-	1.732.-
- Transferred V.A.T.	5.833.-	-
F) Other Fixed Assets	56.244.-	68.373.-
-Prepaid Insurance Expenses	21.184.-	51.806-
-VAT-Increase Cost in Corporation Tax Base	-	13.550-
- Prepaid Advertising Expenses	35.060.-	3.017-
	-	112.925-
A.3.)Other Financial Payables	-	59.668.-
-Spot Loans		
-Financial Lease Payables	-	58.656.-
-Cost of Financial Lease Payables	-	(5.399.-)
E.2. Reserve for Other Payables and Expenses		
- Short Term Interest Expense Accruals		
-Audit Fee Expense Accruals	152.595.-	103.460.-
-December Expense Accruals	101.713.-	93.096.-
-Retirement Pay Accruals	18.627.-	9.379.-
	32.255.-	-

A.4) Other Financial Loans	-	986.-	
- Loans for Research Project Fund			
- Financial Lease Payables	790.663.-		588.576.-
- Cost of Financial Lease Payables	765.465.-	561.766.-	
	27.869.-	29.714.-	
C.4) Postponed Payables to Governmental Agencies	(2.671.-)	(2.904.-)	
Payables Due to Increase in Tax Base			
	-		13.550.-
E.2.) Reserve for Other Payables and Expenses	-	13.550.-	
- Long Term Interest Expense Accruals			
E.2.) Allowances for the Other Debt and Expenses	11.918.-		154.099.-
- Long Term Expense Accruals (Interest)	11.918.-	154.099.-	
<u>INCOME STATEMENT</u>			
F.4) Other Income and Profits from Operations	9.329.375.-		23.265.864.-
-Foreign Exchange Gains	7.782.336.-	16.647.335.-	
-Gain on Valuation of Gold	1.547.039.-	6.618.529.-	
G) Expenses and Losses From Other Operations	22.171.312.-		18.489.893.-
-Foreign Exchange Losses	6.610.292.-	16.647.335.-	
-Provision for the decrease in inventory	1.566.217.-	3.521.019.-	
-Other	445.-	-	
I-3) Other Extraordinary Income and Profit	222.984.-		63.716.-
-Exhibition Participation Share Premiums paid to Treasury	63.112.-	16.710.-	
-Premium of Support and Price Stabilization Fund paid to the Central Bank of Turkey	5.086.-	39.582.-	
-Donation Income from TTGV	113.951.-	-	
-Balance Correction	32.365.-	-	
-Other	8.470.-	7424.-	

23- Separately, stated totals of receivables from the personnel and payables to the 23-Details of receivables from and payables to the personnel that are included in the "Other receivables" and "Other short and long term payables" accounts which exceed 1 percent of total assets. None (December 31, 2003: None)

24- Totals of allowances for the doubtful receivables from the shareholders, associated companies and participations partners, affiliates and subsidiaries: None. (December 31, 2003: None)

25- Allowances for doubtful receivables that are due and not due (stated separately): None. (December 31, 2003: None)

26- The breakdown of associated companies and participations having managerial and indirect capital relationship with the Company; the name, share amount and percentage of the associated companies and participations; the net profit or loss of those companies stated in their last financial statements together with the reporting period, whether it is prepared according to the Standards set by CMB, whether it is audited by and independent auditing company and the information about the auditor's report whether it has unqualified or qualified opinion:

December 31,2004

Participations	<u>Share %</u>	<u>Share amount</u>	<u>Profit or Loss of the Period</u>
Belgium Trading Company (*)	70%	35.341.740.-	(83.143.-)

Associated Companies	<u>Share %</u>	<u>Share amount</u>	<u>Profit or Loss of the Period</u>
Goldaş Kıymetli Maden Ticareti A.Ş.(**)	99,99%	745.098.-	(49.638.-)

* In accordance with the International Accounting Standards and the regulations of the Capital Markets Board, the company is not subject to independent auditing .The restated value of the participated company is USD 41.856.081.-

** The company participated to Goldaş Kıymetli Madenler Ticareti Anonim Şirketi with %99.99 share which was established in October, 2004. The share amount USD 745.098.- has been paid in cash in November, 2004 and in the same month USD 622.188.- has been borrowed back from that company. The Company has accrued interest expense amounting to USD 5.807.- for this loan. Restated value of the Goldaş Kıymetli Madenler Ticareti Anonim Şirketi is USD 746.084.-

27- Amounts of free shares received from the capital increases made through internal sources in the associated companies and participations: None. (December 31, 2003: None.)

28- Rights and their amounts on the real estates: None (December 31, 2003: None.)

29- Revaluation made in the last three years on tangible fixed assets: The Company has not revalued its assets (December 31, 2003: The Company has not revalued its assets.)

30- Receivables and payables denominated in foreign currencies and detail of foreign currencies shown in the assets and their translation rates:

December 31, 2004:

Currency	F/X Rate	F/C Amount	NTL Equivalent
Cash			
USD	1.341.200	292.805,00	392.710
EUR	1.825.500	124.472,00	227.224
Banks			
USD	1.342.100	12.858,32	17.257
EUR	1.826.800	37,70	69
STG	2.576.500	4,07	10
CHF	1.180.600	0,70	1
Receivables			
USD	1.342.100	8.538.309,95	11.459.266
Deposits and Guarantees Given			
USD	1.342.100	17.801,00	23.891
Advances Given			
USD	1.342.100	22.294,55	29.922
Business Advances			
USD	1.342.100	42.309,72	56.784
EUR	1.826.800	17.875,30	32.655
CHF	1.180.600	18.593,30	21.951
JPY	12.913	640.000,00	8.264
Payables			
USD	1.348.600	20.627.815,22	27.818.672
EUR	1.835.600	87.718,24	161.016
STG	2.590.000	82.457,78	213.566
Bank Loans			
USD	1.348.600	17.832.269,93	24.048.599,23
EUR	1.835.600	782.367,17	1.436.113
Advances Received			
USD	1.348.600	1.996.504,42	2.692.486
Other Payables			
USD	1.348.600	761.776,00	1.027.331
EUR	1.835.600	22.329,31	40.988
Bank Interest Accruals			
USD	1.348.600	6.290,36	8.483
EUR	1.835.600	4.092,05	7.511

GOLDAŞ KUYUMCULUK SANAYİ İTHALAT İHRACAT ANONİM ŞİRKETİ

December 31, 2003:

Currency	F/X Rate	F/C Amount	NTL Equivalent
Cash			
USD	1.394.858	119.933,00	167.290
EUR	1.743.850	21.000,00	36.621
CHF	1.115.074	2.000,00	2.230
Banks			
USD	1.395.835	72.837,71	101.669
EUR	1.745.072	118,99	208
STG	2.476.610	7,60	19
Receivables			
USD	1.395.835	4.360.449,85	6.086.469
Deposits and Guarantees Given			
USD	1.395.835	18.190,00	25.390
Business Advances			
USD	1.395.835	33.087,22	46.184
EUR	1.745.072	35.126,54	61.298
STG	2.476.610	7.324,80	18.141
JPY	13.026	1.620.000,00	21.102
Personnel Advances			
USD	1.395.835	30.433,74	42.480
Prepaid Expenses			
USD	1.395.835	1.810,12	2.527
EUR	1.745.072	4.280,21	7.469
Payables			
USD	1.402.567	960.682,88	1.347.422
EUR	1.753.489	65.594,25	115.019
STG	2.489.556	79.270,22	197.348
Bank Loans			
USD	1.402.567	13.745.112,00	19.278.441
EUR	1.753.498	461.615,52	809.168
Advances Rceived			
USD	1.402.567	1.999.953,42	2.805.069
Other Payables			
USD	1.402.567	472.194,00	662.284
Bank Interest Accruals			
USD	1.402.567	74.749,49	104.841
EUR	1.753.498	46.666,80	81.830

31- Amount of obligations such as guarantees, commitments and warranties and advances given for the shareholders, associated companies and participations: None (December 31, 2003: None.)

32-Average number of employees according to their categories:

	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2003</u>
Officer	61	56
Worker	176	151
Manager	34	32
Engineer	19	18
Total	290	257

33- Other matters that needs disclosure because of their significant impact on the financial statements or for the purpose of financial statements being interpretable, comprehensible and clear:

33.1. The Company has two subsidiaries, the one owned through its AHL Free Zone Branch and the other established in October, 2004. The financial statements of both companies have not been consolidated due to their immaterial operational volume according to the CMB Article XI/ 21, No. 6.

33.2 The recorded and inflation adjusted amounts of reserves and paid-in capital are as follows:

December 31, 2004

	Recorded Amounts	Inflation Adjustment	Inflation Adjusted Amounts
Paid in Capital	59.608.076.-	43.545.079.-	103.153.155.-
Legal Reserves	2.190.371.-	1.684.776.-	3.875.147.-
Extraordinary Reserves	14.388.781.-	2.217.063.-	16.605.844.-
Share Premium	170.076.-	90.481.-	260.557.-
Total	76.357.304.-	47.537.398.-	123.894.703.-

December 31,2003

	Recorded Amounts	Inflation Adjustment	Inflation Adjusted Amounts
Paid in Capital	57.313.365.-	41.868.738.-	99.182.103.-
Legal Reserves	2.106.049.-	1.619.917.-	3.725.966.-
Extraordinary Reserves	13.834.861.-	2.131.714.-	15.966.575.-
Share Premium	163.529.-	86.997.-	250.526.-
Total	73.417.804.-	45.707.366.-	119.125.170.-

33.3. Items included to net monetary gain/loss but also required the disclosure shown in the income statement are as follows:

	31 December 2004 Restated Amounts	31 December 2003 Restated Amounts
Foreign Exchange Gains	7.782.336.-	16.647.334.-
Foreign Exchange Losses	(6.110.292.-)	(14.968.874.-)
Financial Expenses	(2.186.513.-)	(3.132.548.-)
TOTAL	(514.469.-)	(1.454.088.-)
Net Monetary Gain/Loss (Income Statement)	(4.783.303.-)	(8.049.444.-)
Total Net Monetary Gain/Loss	(5.297.772.-)	(9.503.532.-)

33.4 The Act No. 5083 related to The Republic of Turkey's Currency act was promulgated in the Official Newspaper No 25363 dated December 31, 2004. In accordance with this act, beginning 01 January 2005, new currency of Turkish Republic is determined as New Turkish Lira, and sub unit of New Turkish Lira is determined as New Kuruş (NKr).