

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2010 TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Logo Yazılım Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying consolidated financial statements of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiary (together the "Group") which comprise the consolidated balance sheet as at 31 December 2010 and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards endorsed by the Capital Markets Board of Turkey (the "CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 the Group management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Logo Yazılım Sanayi ve Ticaret A.Ş. as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards endorsed by the CMB (Note 2).

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Haluk Yalçın, SMMM
Partner

Istanbul, 8 April 2011

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

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LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AT AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

	Note	2010	2009
ASSETS			
Current assets		12.095.384	11.906.244
Cash and cash equivalents	3	4.907.957	5.183.435
Financial assets	4	279.760	318.824
Trade receivables			
- Due from related parties	23	26.909	109.940
- Other trade receivables	7	6.583.708	5.974.582
Other receivables	8	7.333	7.806
Inventories	9	147.774	150.184
Other current assets	14	141.943	161.473
Non-current assets		25.194.028	27.610.559
Financial assets	4	80.653	80.653
Associates accounted for			
- using the equity method	5	2.174.015	2.219.437
Property and equipment	10	12.702.903	12.892.196
Intangible assets	11	10.043.303	12.242.851
Deferred income tax assets	21	193.154	175.422
Total assets		37.289.412	39.516.803

These consolidated financial statements have been approved by Board of Directors on 8 April 2011 and signed on its behalf by Ali Güven, Member of Board of Directors and Chief Executive Officer, Gülnur Anlaş, Member of Executive Board for Financial and Legal Affairs.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONSOLIDATED BALANCE SHEETS AT
AT 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

	Note	2010	2009
LIABILITIES			
Current liabilities		4.770.149	6.603.191
Short-term bank borrowings	6	236.381	160.310
Trade payables			
- Due to related parties	23	1.214	1.795
- Other trade payables	7	493.516	513.100
Other payables	8	957.972	821.671
Income taxes payable	21	-	-
Other current liabilities	14	3.081.066	5.106.315
Non-current liabilities		1.143.507	1.116.666
Provision for employment termination benefits	13	977.369	764.963
Other payables	8	166.138	351.703
EQUITY			
Equity	15	31.375.756	31.796.946
Share capital	15	25.000.000	25.000.000
Adjustment to share capital	15	2.991.336	2.991.336
Restricted reserves	15	14.533.641	14.533.641
Retained earnings/(accumulated losses)		(10.728.031)	(6.319.684)
Net income/(loss) for the period		(421.190)	(4.408.347)
Total equity and liabilities		37.289.412	39.516.803

The notes on pages 6 to 48 form an integral part of these consolidated financial statements.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	Note	2010	2009
Continuing Operations			
Sales	17	20.757.121	13.975.138
Cost of sales (-)	17	(891.374)	(838.272)
Gross profit		19.865.747	13.136.866
Marketing, selling and distribution expenses (-)	18	(5.261.083)	(4.935.058)
General administrative expenses (-)	18	(5.542.286)	(4.867.257)
Research and development expenses (-)	18	(9.357.556)	(8.864.770)
Other income		103.640	179.898
Other expenses (-)		(370.181)	(35.201)
Operating profit/(loss)		(561.719)	(5.385.522)
Share of loss of associate	5	(45.422)	(1.129)
Financial income	19	304.480	1.314.791
Financial expenses (-)	20	(136.261)	(705.789)
Income/(loss) before income taxes		(438.922)	(4.777.649)
Taxation on income:			
Current income tax charge		-	-
Deferred income tax credit/(charge)		17.732	369.302
Net income/(loss) for the period		(421.190)	(4.408.347)
Other comprehensive income/(loss), net of tax		-	-
Total comprehensive income/(loss)		(421.190)	(4.408.347)
Loss per share per thousands of shares with nominal value 1 Kr each		(0,17)	(1,76)

The notes on pages 6 to 48 form an integral part of these consolidated financial statements.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

	Share capital	Adjustment to share capital	Currency translation differences	Restricted reserves			Accumulated losses and net income and loss	Total equity
				Legal reserves	Extraordinary reserves	Other reserves		
Balances at 1 January 2009	25.000.000	2.991.336	(33.538)	1.688.225	11.922.098	923.318	(6.286.146)	36.205.293
Transfer	-	-	33.538	-	-	-	(33.538)	-
Total comprehensive income/(loss)	-	-	-	-	-	-	(4.408.347)	(4.408.347)
Balances at 31 December 2009	25.000.000	2.991.336	-	1.688.225	11.922.098	923.318	(10.728.031)	31.796.946
Balances at 1 January 2010	25.000.000	2.991.336	-	1.688.225	11.922.098	923.318	(10.728.031)	31.796.946
Total comprehensive income/(loss)	-	-	-	-	-	-	(421.190)	(421.190)
Balances at 31 December 2010	25.000.000	2.991.336	-	1.688.225	11.922.098	923.318	(11.149.221)	31.375.756

The notes on pages 6 to 48 form an integral part of these consolidated financial statements.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

	Note	2010	2009
Income/(loss) before income taxes		(438.922)	(4.777.649)
Depreciation and amortisation	10, 11	5.274.254	5.178.662
Provision for employment termination benefits	13	574.771	629.454
Provision for doubtful receivables		-	838.430
Deferred revenue	14	(339.632)	521.041
Interest income	19	(258.242)	(436.357)
Other		65.730	196.706
(Increase)/decrease in trade and other receivables	7, 8	(608.653)	1.007.158
Decrease in due from related parties	23	83.031	305.737
Decrease in inventories	9	2.410	6.363
Decrease in other current assets	14	19.530	460.591
Increase in trade payables	7	(19.584)	(1.090.820)
Decrease in due to related parties	23	(581)	(534.728)
(Decrease)/Increase in other payables and other current liabilities	8, 14	(1.734.881)	2.986.636
Taxes paid		-	(26.756)
Employment termination benefits paid	13	(362.365)	(538.046)
Net cash provided by operating activities		2.256.866	4.726.422
Investing activities:			
Purchase of property and equipment and intangible assets	10, 11	(389.786)	(42.698)
Cash used in development activities	10	(2.515.935)	(2.937.837)
Cash used in acquisition of associate	5	-	(2.220.566)
Decrease in financial assets	4	39.064	580.296
Interest received		258.242	436.357
Net cash used in investing activities		(2.608.415)	(4.184.448)
Financing activities:			
Increase in bank borrowings	6	76.071	127.462
Decrease in due from related parties (financing)	7	-	1.966.039
Net cash generated from financing activities		76.071	2.093.501
Net increase in cash and cash equivalents		(275.478)	2.635.475
Cash and cash equivalents at beginning of the year	3	5.183.435	2.547.960
Cash and cash equivalents at end of the year	3	4.907.957	5.183.435

The notes on pages 6 to 48 form an integral part of these consolidated financial statements.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Logo Yazılım Sanayi ve Ticaret Anonim Şirketi (“Logo Yazılım” or the “Company”) was established in 1986 and became a corporation on 30 September 1999. The Company is domiciled in Turkey and operates under the Turkish Commercial Code.

The Company is engaged in the development and sale of operating systems, application software, databases, multi-media and other software products.

As of 31 December 2010, the Group has 164 employees (2009: 152).

The address of the registered office is as follows.

Şahabettin Bilgisu Caddesi, No:609
Gebze Organize Sanayi Bölgesi
Gebze, Kocaeli

The subsidiaries of Logo Yazılım and their nature of business are as follows.

Subsidiary	Country of incorporation	Nature of business
Logo Business Software GmbH	Germany	Development and marketing of computer software
Logo Business Solutions FZ-LLC	United Arab Emirates	Marketing of computer software

In the Board of Directors’ meeting dated 29 January 2007, it was decided to establish a limited liability company in Dubai Technology and Media Free Zone, United Arab Emirates. The company was established on 27 August 2007 under the legal entity name of Logo Business Solutions FZ-LLC with the paid-in capital of 1.000.000 United Arab Emirates Drachma (TL 362.036). The company is wholly owned by Logo Yazılım. Logo Business Solutions FZ-LLC performs Group’s international marketing and selling operations.

The Board of Directors of the Company decided on the meeting as of 22 April 2009 to execute international sale and marketing activities from the head office in Turkey and for that reason to close Logo Business Solutions FZ-LLC and to do required actions because the effects of the contraction in the domestic and international market due to the global crisis will continue in 2009 and it is predicted that the company’s domestic and international sales and marketing activities will be negatively affected. As of 31 December 2010, the liquidation process has been substantially completed.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Before the establishment of Logo Business Solutions FZ-LLC, the Company’s international sale and marketing activities were performed by the head office in Turkey and it is planned to perform these activities from the head office in Turkey after Logo Business Solutions FZ-LLC is closed. Therefore, the decision to close Logo Business Solutions FZ-LLC is not classified as discontinued operations in accordance with the CMB Financial Reporting Standards.

Logo Yazılım and its subsidiary (collectively referred to as the “Group”) operate in software industry. Therefore industrial segment reporting is not applicable.

As stated above it has been decided on April 2009 to cease the operations of Logo Business Solutions FZ-LLC. Since the information about the geographical segments in accordance with the Group’s operations consolidated financial statements and monetary materiality is not reportable for the geographical segments except Turkey as of 31 December 2010, it is not disclosed in the consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 *Basis of presentation*

2.1.1 **Financial Reporting Standards**

These consolidated financial statements of the Logo Yazılım have been prepared in accordance with the financial reporting standards endorsed by the Capital Markets Board of Turkey (“CMB”), (“CMB Financial Reporting Standards”).

The Capital Markets Board of Turkey regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25 “The Financial Reporting Standards in the Capital Markets”. According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union.

Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards (“TAS/TFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1.1 Financial Reporting Standards (continued)

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. The Company applied the provisions of IAS 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”) until 30 June 2005, which was the end of the Company’s fiscal year. The Company ceased the application of IAS 29 on 1 July 2005 in accordance with CMB regulations.

Within the scope of CMB’s Communiqué Serial XI, No:29 and its announcements clarifying this communiqué the consolidated financial statements have been prepared in accordance with the CMB’s Financial Reporting Standards which are based on IAS/IFRS, as the differences of IAS/IFRS, adopted by the European, from those published by IASB have not yet been announced by TASB as of the date of these financial statements. Financial statements and accompanying notes have been presented in accordance with the format, recommended to be implemented by CMB through its announcement dated 14 April 2008 and 9 January 2009, and by including the mandatory information.

As per CMB’s Communiqué Serial XI, No:29 and its announcements clarifying this communiqué enterprises are obliged to present the hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements.

The Company maintains its books of account and prepares its statutory financial statements (“Statutory Financial Statements”) in accordance with the requirements of the Capital Market Board of Turkey, the Turkish Commercial Code (the “TCC”), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance.

These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.1.2 Financial statements of subsidiaries operating in foreign countries

Financial statements of subsidiaries that are operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered in and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group’s accounting policies.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity (translation reserve) and the total is included in the comprehensive income/(loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.1.3 Basis of consolidation

- a) The consolidated financial statements include the accounts of the parent company, Logo Yazılım, its subsidiaries and associates on the basis set out in sections (b), (c) and (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards. The result of operations of the subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.
- b) Subsidiaries are companies in which the Company has the power to control the financial and operating policies for the benefit of the Company, either (a) through the power to exercise more than 50% voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and companies whereby the Company exercises control over the voting rights of (but does not have economic benefit of) the shares held by them, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.
- c) Investments in associates are accounted for by the equity method of accounting. These are entities over which the Company generally has between 20% and 50% of voting rights, or over which the Company has significant influence, but which it does not control. Unrealized gains that result from transactions between the Company and its associates are eliminated on consolidation, whereas unrealized losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero (unless the Company has incurred obligations or guaranteed obligations in respect of the associates) or when the Company loses its significant influence. The carrying amount of the investment at the date it ceases to be an associate is regarded as its cost on initial measurement as a financial asset.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1.3 Basis of consolidation (continued)

The table below sets out the subsidiaries and associates of Logo Yazılım and shows the total interest of the Company in these companies at 31 December 2010.

	Direct and indirect ownership interests by the Company (%)	Proportion of effective interest (%)
Subsidiaries:		
Logo Business Software GmbH	100,00%	100,00%
Associates:		
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	44,75%	44,75%
Worldbi Yazılım Sanayii ve Ticaret A.Ş.	27,80%	27,80%

At the Board of Directors’ meeting of Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş. on 12 October 2008 it has been decided on liquidation of the company and for this purpose to apply to the relevant authorities by accomplishing the required transactions.

The balance sheets and statements of income of Logo Business Software GmbH and Logo Business Solutions FZ-LLC are consolidated on a line-by-line basis until 30 June 2009 and the carrying value of the investments held by the Company is eliminated against the related equity. Intercompany transactions and balances between the Company, Logo Business Software GmbH and Logo Business Solutions FZ-LLC are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and income for the period, respectively.

It has been decided at the Company’s Board of Directors’ meeting on 8 May 2009 to acquire 27.8% of the shares of Worldbi Yazılım Sanayii ve Ticaret A.Ş. (“Worldbi”) (formerly Logo Biz Yazılım Sanayi ve Ticaret A.Ş.) and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. (Note 16) for TL 2.180.000. Worldbi established in 1997 and is a software company that develops and markets business intelligence products. The business intelligence products of Worldbi are supporting to the products developed and marketed in accordance with the core business of the company. Following the acquisition of Worldbi on July 2009 it has been accounted by using equity method (Note 5).

- d) Other investments in which the Company and its subsidiaries have interest below 20%, or over which the Company does not exercise a significant influence, or which are immaterial are classified as available-for-sale. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 4).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1.4 Offsetting

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

2.1.5 Use of estimates

The preparation of these consolidated financial statements based on CMB Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and operating expenses during the reporting period.

Although these estimates are based on management’s best knowledge of current event and actions, actual results may differ from these estimates.

The estimates and assumptions related to the Company's assets and liabilities with carrying values and operating results are described below.

Goodwill impairment test

The Group performed the goodwill impairment test on 31 December 2010 as described in Note 2.2. As of 31 December 2010, the impairment test was conducted on TL 1.838.996 amount of goodwill that resulted from the acquisition of Worldbi which is the associated of the Company accounted by using the equity method (Note 5).

In related impairment test work, the fair value was estimated by multiplying the Worldbi’s 2011 estimated earnings before interest, tax, depreciation and amortization (EBITDA) with the average multiplier of business intelligence software sector of 21 (enterprise value/EBITDA multiplier).

2.2 *Summary of significant accounting policies*

The significant accounting policies followed in the preparation of these consolidated financial statements are summarized below:

Cash and cash equivalents

The cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three-months 3).

Trading securities

Trading securities are recognized initially at cost including transaction costs incurred and subsequently measured at their fair values. Fair value gains and losses are recognized in profit or loss (Note 4).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Related parties

For the purpose of these consolidated financial statements, shareholders, associated entities, key management personnel and Board of Directors members, in each case together with their families and companies controlled or affiliated with them are considered and referred to as related parties. As a result of ordinary business operations, Company may have business relations with the related parties (Note 23).

Trade receivables and valuation allowance

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the expressed intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All investment securities are initially recognized at cost. Transaction costs are included in the initial measurement of debt securities. Available-for-sale debt and equity investment securities are subsequently re-measured at fair value if their fair values can be reliably measured.

Other investments in which the Company has interest below 20% that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows.

	<u>Useful life</u>
Building and related leasehold improvements	5 - 45
Machinery and equipment	5
Motor vehicles	5
Furniture and fixtures	5

The useful lives of significant part of building and related leasehold improvements are 45 years.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

Intangible assets

Intangible assets comprise acquired rights, development costs and computer software. Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period not exceeding five years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

Goodwill

Any excess of the cost of acquisition over the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities is accounted for as goodwill. The goodwill for associates is recorded in balance sheet under associates accounted for using the equity method.

Goodwill is tested for impairment and recorded in balance sheet after deducting the provision for impairment from the cost. The impairment of goodwill is allocated to cash-generating units. The allocation is made to the units to cash-generating units or groups of cash-generating units that are expected to profit from business combination. The impairment of goodwill cannot be cancelled. The Group tests the impairments of goodwill as of 31 December.

The profit/(loss) generated from the sale of a business includes the goodwill on the sold business.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Research and development costs

Research is defined as the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. The expenditure on research is recognized as an expense when it is incurred.

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized when the following are demonstrated by the Company:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- b) Its intention to complete the intangible asset and use or sell it,
- c) Its ability to use or sell the intangible asset,
- d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs comprise salaries, wages and related costs of the staff working directly in development activities and other directly attributable costs. The government grants related development costs are deducted from the carrying value of associated development costs.

Government grants

Logo Yazılım benefits from research and development (“R&D”) grants within the scope of the Communiqué No:98/10 of The Scientific and Technological Research Council of Turkey (“TÜBİTAK”) and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognized when there is reasonable assurance that Logo Yazılım will comply with the conditions attaching to them and the grants will be received.

The government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are recognized as income when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation on those assets is charged.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial liabilities

Financial liabilities are recognized initially at the proceeds received, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost using the effective yield method. If the financial costs arising from financial liabilities are associated to the acquisition or construction of qualifying assets, they are included in the cost of qualifying assets. Qualifying assets are assets that take a substantial period of time to get ready for use or sale. Other borrowing costs are recorded in the income statement in the period realized.

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred income tax assets and liabilities related to income taxes levied by the same taxation authority and deferred tax assets and deferred tax liabilities are offset accordingly (Note 21). The deferred income taxes are classified as non-current in the accompanying financial statements.

Revenue recognition

The Company mainly generates revenue from sale of off-the-shelf software, development of customized software and after-sales services revenue.

Off-the-shelf software sales

Revenues on off-the-shelf software sales are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, at the fair value of consideration received or receivable. Net sales represent the invoiced value less sales returns and discounts. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

On the off-the-shelf software sales, Logo Yazılım charge its customers a one-time fee and the customers are entitled to use the current release and version indefinitely. Accordingly, the Company does not have obligation following the point of sale.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Logo Enterprise Membership (“LEM”) sales

Logo Enterprise Membership, is an insurance package that provides free ownership for all the charged version updates which protect enterprises against all the legal amendments and which includes new features that will contribute new values to the products throughout the year. Enterprises which buy LEM obtain the basic maintenance and support services necessary for high performance functioning of Enterprise Resource Planning, besides receiving all the legal changes and charged version changes free of charge. LEM sales are recognized on an accrual basis over the contract period. The Company started LEM sales in August 2007. The Company applied to give the LEM as a free product with the main software products in last quarter of 2010. The Company’s management mentioned, collection of the sales transaction was reflected to the main software product and LEM products was sold free.

Post delivery customer support

The revenues from post delivery customer support are recognized the accrual basis based on the terms of the agreements. The Company has terminated its post delivery customer support services at 30 September 2008. The post delivery customer support services after this date are provided by the business partners.

Customized software development

The revenues from customized software development are recognized by reference to the stage of completion of the contract activity at the balance sheet date.

Other revenues

Other revenues earned by the Company are recognized on the following basis:

Royalty and rental income - on an accrual basis,

Interest income - on an effective yield basis,

Dividend income - when the Company’s right to receive payment is established.

Provisions

Provisions are recognized when the Company has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and treated as contingent assets or liabilities (Note 12).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Provision for employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 13).

Equity

In the restatement of shareholders’ equity items, the addition of funds formed due to hyperinflation such as revaluation value increase fund to share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

In the restatement of shareholders’ equity items added to share capital the capital increase registry dates or the payment dates is considered. In the restatement of share premium payment dates are considered.

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized by deducting from retained earnings in the period in which they are declared (Note 15).

Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the income statement.

Earnings/loss per share

Earnings/loss per share disclosed in these statements of income/loss are determined by dividing net income/loss by the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Recent accounting pronouncements

a) Amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group.

- IFRS 3 (revised), ‘Business combinations’, and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’, and IAS 31, ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IFRIC 17, ‘Distribution of non-cash assets to owners’ (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
- IFRIC 18, ‘Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).
- IFRIC 9, ‘Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement’, effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the ‘fair value through profit or loss’ category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.
- IFRIC 16, ‘Hedges of a net investment in a foreign operation’ effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group.
- IAS 38 (amendment), ‘Intangible assets’, effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

2.3 Recent accounting pronouncements (continued)

a) Amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (Continued).

- IAS 1 (amendment), ‘Presentation of financial statements’. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- IAS 36 (amendment), ‘Impairment of assets’, effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, ‘Operating segments’ (that is, before the aggregation of segments with similar economic characteristics).
- IFRS 2 (amendments), ‘Group cash-settled share-based payment transactions’, effective from 1 January 2010. In addition to incorporating IFRIC 8, ‘Scope of IFRS 2’, and IFRIC 11, ‘IFRS 2 – Group and treasury share transactions’, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- IFRS 5 (amendment), ‘Non-current assets held for sale and discontinued operations’. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

b) New and amended standards and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted.

- IFRS 9, ‘Financial instruments’, issued in November 2009. This standard is the first step in the process to replace IAS 39, ‘Financial instruments: recognition and measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group’s accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group will assess IFRS 9’s full impact.
- Revised IAS 24 (revised), ‘Related party disclosures’, issued in November 2009. It supersedes IAS 24, ‘Related party disclosures’, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group will need to disclose any transactions between its subsidiaries and its special purpose entities.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Recent accounting pronouncements (continued)

b) New and amended standards and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted.

- ‘Classification of rights issues’ (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010.
- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’, effective 1 July 2010.
- ‘Prepayments of a minimum funding requirement’ (amendments to IFRIC 14). The amendments are effective for annual periods beginning 1 January 2011.

NOTE 3 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2010 and 2009 is as follows:

	2010	2009
Cash on hand	3.936	5.459
Banks		
- Demand deposits in Turkish Lira	573.621	50.150
- Demand deposits in foreign currency	102.358	1.939.944
- Time deposits in Turkish Lira	4.104.583	2.911.595
- Time deposits in foreign currency	123.459	276.287
Total	4.907.957	5.183.435

At 31 December 2010, the interest rate for Turkish Lira denominated time deposits is between 8,20% and 8,70% (2009: 8,75% - 9,5%). The interests rates for foreign currency denominated time deposits are 1,50% (2009: 2% - 3%). The maturity periods of time deposits are one month.

NOTE 4 - FINANCIAL ASSETS

The analysis of financial assets at fair value through profit and loss at 31 December 2010 and 2009 is as follows:

	2010	2009
Mutual funds		
- Liquid funds	279.760	318.824
Total	279.760	318.824

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 4 - FINANCIAL ASSETS (Continued)

The analysis of non-current financial assets at 31 December 2010 and 2009 is as follows.

	2010		2009	
	Share %	Carrying Amount	Share %	Carrying Amount
<u>Associates:</u>				
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	44,75	-	44,75	-
<u>Available-for-sale equity securities:</u>				
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş.	2	80.653	2	80.653
Total		80.653		80.653

At 31 December 2010 and 2009, Logo Yazılım’s share of losses of its associates exceeds its interest in these associates. The Company does not have any legal or constructive obligations on behalf of its associates, therefore the Company’s interest is reduced to zero and recognition of further losses is discontinued.

At the Board of Directors’ meeting of Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş. on 12 October 2008 it has been decided on liquidation of the company and for this purpose to apply to the relevant authorities by accomplishing the required transactions. As of the preparation of these consolidated financial statements the liquidation of the company was continuing.

The equity investment in İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. does not have any quoted market price in active market and its fair value can not be measured reliably, therefore it is carried at cost.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2010 AND 2009

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NOTE 5 - ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

It has been decided in the company’s Board of Directors’ meeting on 8 May 2009 to acquire 27.8% of the shares of Worldbi Yazılım Sanayii ve Ticaret A.Ş. (“Worldbi”) (formerly Logo Biz Yazılım Sanayi ve Ticaret A.Ş.) and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. (Note 16) for TL 2.180.000. The cost amounting to TL 40.565 related to purchase transaction has been included in purchase cost.

The company finalized the fair value exercise of acquired assets and liabilities at 31 December 2010. The identifiable assets and acquired liabilities are recorded at the values stated below.

Cash and cash equivalents	193.696
Trade receivable	100.276
Other current assets	71.209
Property and equipment	94.825
Intangible assets – advanced technology	966.072
Trade payables	(6.637)
Other current liabilities	(46.888)
<hr/>	
Fair value of net assets	1.372.553
Fair value of net assets acquired 27,8%	381.570
Less: purchase consideration	2.220.566
<hr/>	
Goodwill	1.838.996

Identifiable assets – advanced technology that is determined at the Wordlbi’s purchase price allocation is amortised over 10 years.

TL 209.036 of the goodwill is associated to the labour force of Worldbi.

The acquisition has been accomplished on July 2009. Worldbi has been accounted for using the equity method.

The movements in the carrying value of the associate during the year ended 31 December 2010 and 2009 were as follows:

	2010	2009
1 January	2.219.437	-
Acquisition of the associate accounted for using the equity method	-	2.220.566
Loss from associates	(45.422)	(1.129)
<hr/>		
31 December	2.174.015	2.219.437

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 5 - ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The summary of the associates’ financial statements is as follows:

	31 December 2010		31 December 2009	
	Total assets	Total liabilities	Total assers	Total liabilities
Worldbi	370.140	68.872	423.516	56.809

**1 January -
31 December 2010** **1 July -
31 December 2009**

Sales

Worldbi	265.719	166.508
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Net loss for the period

Worldbi	(163.387)	(4.057)
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Worldbi’s the net loss for the period 1 January - 31 December 2010 also included to current period amortization of advanced technology amounting to TL 96.607 that was accounted for under purchase accounting (1 July – 31 December 2009: TL 48.304).

NOTE 6 - BORROWINGS

The analysis of borrowings at 31 December 2010 and 2009 is as follows:

Short-term bank borrowings:	2010	2009
TL denominated borrowings	170.538	148.861
Credit card payables	65.843	11.449
Total short term bank borrowing	236.381	160.310

TL denominated borrowings at 31 December 2010 and 2009 are interest free.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

The analysis of trade receivables and payables at 31 December 2010 and 2009 is as follows:

Short-term trade receivables:	2010	2009
Trade receivables	6.447.724	5.997.262
Cheques and notes receivable	962.015	862.835
Other trade receivables	68.384	83.448
Less: provision for doubtful receivables	(756.236)	(893.308)
Less: unearned credit finance income	(138.179)	(75.655)
Total	6.583.708	5.974.582

As of 31 December 2010, trade receivables of TL 339.161 (2009: TL 436.970) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
Up to 1 month	36.355	3.209
1 to 3 months	50.131	-
Over 3 months	252.675	433.761
Total	339.161	436.970

Amount of risk covered by guarantees	-	-
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Short-term trade payables:	2010	2009
Trade payables	493.516	513.100
Total	493.516	513.100

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Company to credit risk as of 31 December 2010 and 2009 is as follows:

31 December 2010	Trade receivables		Other receivables		Bank deposits
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date	26.909	7.478.123	-	7.333	4.904.021
- Credit risk covered by guarantees	-	159.400	-	-	-
Net carrying value of not overdue and unimpaired financial assets	26.909	7.138.962	-	7.333	4.904.021
Net carrying value of overdue but unimpaired financial assets	-	339.161	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Overdue (gross carrying value)	-	756.236	-	-	-
- Provision for impairment (-)	-	(756.236)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

The guarantees which cover the credit risk include guarantee cheques, mortgages and letter of guarantees.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2009	Trade receivables		Other receivables		Bank deposits
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date	109.940	6.943.545	-	7.806	5.177.976
<i>Credit risk covered by guarantees</i>	-	159.400	-	-	-
Net carrying value of not overdue and unimpaired financial assets	109.940	6.506.575	-	7.806	5.177.976
Net carrying value of overdue but unimpaired financial assets	-	436.970	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- <i>Overdue (gross carrying value)</i>	-	893.308	-	-	-
- <i>Provision for impairment (-)</i>	-	(893.308)	-	-	-
- <i>Amount of risk covered by guarantees</i>	-	-	-	-	-

The guarantees which cover the credit risk include guarantee cheques, mortgages and letter of guarantees.

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

The analysis of other receivables and payables at 31 December 2010 and 2009 is as follows:

Other current receivables:	2010	2009
Deposits and guarantees given	7.333	7.806
Total	7.333	7.806
Other current liabilities:	2010	2009
Taxes, withholdings and duties payable	957.972	821.671
Total	957.972	821.671
Other non-current liabilities:	2010	2009
Payable to personnel	166.138	351.703
Total	166.138	351.703

The payable to personnel comprises employment termination benefits under the Turkish Labour Law and other termination benefits provided at the discretion of the Company. Based on the employment contracts, the Company provides benefits to its former employees in addition to employment termination benefits under the Turkish Labour Law. Such additional benefits are paid in the current period and will be paid in future periods on instalments. The total amount of additional benefits is recognised as expense in the current period whereas the amounts to be paid in future periods are included in other non-current liabilities.

NOTE 9 - INVENTORIES

The analysis of inventories at 31 December 2010 and 2009 is as follows:

	2010	2009
Trade goods	124.697	124.997
Raw materials	18.401	23.509
Finished goods	4.676	1.678
Total	147.774	150.184

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 10 - PROPERTY AND EQUIPMENT

The movements in property and equipment and related accumulated depreciation during the years ended 31 December 2010 and 2009 were as follows:

	1 January 2010	Additions	Disposals	31 December 2010
Cost:				
Machinery and equipment	4.356.804	219.975	(1.752)	4.575.027
Motor vehicles	74.949	-	-	74.949
Furniture and fixtures	865.270	15.725	(92.363)	788.632
Leasehold improvements	14.496.583	42.609	(5.593)	14.533.599
Construction in progress	1.116.237	68.104	-	1.184.341
Total	20.909.843	346.413	(99.708)	21.156.548
Accumulated depreciation:				
Machinery and equipment	4.165.406	126.871	(1.752)	4.290.525
Motor vehicles	71.202	3.747	-	74.949
Furniture and fixtures	786.980	45.868	(72.055)	760.793
Leasehold improvements	2.994.059	338.912	(5.593)	3.327.378
Total	8.017.647	515.398	(79.400)	8.453.645
Net book value	12.892.196			12.702.903
	1 January 2009	Additions	Disposals	31 December 2009
Cost:				
Machinery and equipment	4.512.498	18.122	(173.816)	4.356.804
Motor vehicles	74.949	-	-	74.949
Furniture and fixtures	885.649	5.299	(25.678)	865.270
Leasehold improvements	14.542.419	-	(45.836)	14.496.583
Construction in progress	1.116.237	-	-	1.116.237
Total	21.131.752	23.421	(245.330)	20.909.843
Accumulated depreciation:				
Machinery and equipment	4.032.053	135.224	(1.871)	4.165.406
Motor vehicles	56.212	14.990	-	71.202
Furniture and fixtures	731.990	75.668	(20.678)	786.980
Leasehold improvements	2.679.268	341.995	(27.204)	2.994.059
Total	7.499.523	567.877	(49.753)	8.017.647
Net book value	13.632.229			12.892.196

The Company leased the land; its head-office is standing on in Gebze Organize Sanayi Bölgesi, for a 49 year term. The costs related to the construction of the head-office building are included in leasehold improvements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 11 - INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortization during the years ended 31 December 2010 and 2009 were as follows:

	1 January 2010	Additions	Disposals	31 December 2010
Cost:				
Development costs	27.075.956	2.515.935	-	29.591.891
Other intangible assets	706.294	43.373	-	749.667
Total	27.782.250	2.559.308	-	30.341.558
Accumulated amortization:				
Development costs	14.920.484	4.715.243	-	19.635.727
Other intangible assets	618.915	43.613	-	662.528
Total	15.539.399	4.758.856	-	20.298.255
Net book value	12.242.851			10.043.303
	1 January 2009	Additions	Disposals	31 December 2009
Cost:				
Development costs	24.138.119	2.937.837	-	27.075.956
Other intangible assets	687.017	19.277	-	706.294
Total	24.825.136	2.957.114	-	27.782.250
Accumulated amortization:				
Development costs	10.344.902	4.575.582	-	14.920.484
Other intangible assets	583.712	35.203	-	618.915
Total	10.928.614	4.610.785	-	15.539.399
Net book value	13.896.522			12.242.851

All additions to development costs during the year ended 31 December 2010 and 2009 included staff costs.

TL 4.837.289 of the current period depreciation and amortization expense has been allocated to research and development expenses, TL 119.091 has been allocated to marketing and selling expenses, TL 303.264 has been allocated to general and administrative expenses, and TL 14.610 has been allocated to cost of sales (2009: TL 4.718.041 to research and development expenses, TL 122.297 to marketing and selling expenses, TL 325.618 to general and administrative expenses and TL 12.706 to cost of sales).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 12 - COMMITMENTS

Guarantees given and guarantees received

Guarantees given and guarantees received, for which the management does not estimate any significant losses or liabilities at 31 December 2010 and 2009 were as follows.

Guarantees received:

	Original Currency	2010		2009	
		Original Amount	TL Equivalent	Original Amount	TL Equivalent
Guarantee notes received	TL	39.400	39.400	39.400	39.400
Mortgages received	TL	120.000	120.000	120.000	120.000
Total			159.400		159.400

As of 31 December 2010 and 2009, the Company had given its guarantee on behalf of its legal entity and the guarantee/pledge/mortgage position was as follows.

Guarantee/pledge/mortgage given by the company:

	Original Currency	2010		2009	
		Original Amount	TL Equivalent	Original Amount	TL Equivalent
Total amount of Guarantee/pledge/mortgage the Company gave on behalf of its legal entity	TL	247.877	247.877	196.015	196.015
	USD	78.152	120.823	78.152	117.673
Toplam			368.700		313.688

The Company had given its guarantee on behalf of its legal entity, GPMs were included to Guarantee letters.

The finalized lawsuits

Logo Business Software GmbH, the subsidiary of the Company, has been litigated by GTV Scliess - Systeme GmbH (“plaintiff”), a previous customer, at Frankfurt administrative courts. The plaintiff is demanding Euro 177.559 (TL 380.118) together with the accrued interest at 8% per annum since the initiation of the law suit for the technical failures in the purchased software. The expert report presented to the court states that Logo Business Software GmbH fulfilled its obligations. Frankfurt administrative courts declined to proceed with the case with the decision dated 7 May 2008 and the law suit resulted in favour of Logo Business Software GmbH. The plaintiff appealed the decision. Following this, the Business Software GmbH Logo paid Euro 25.000 (TL 48.020) to the plaintiff so they were compromised. The parties went to deal and the case has been eliminated.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 13 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

The analysis of provision for employment termination benefits at 31 December 2010 and 2009 is as follows:

	2010	2009
Provision for employment termination benefits	977.369	764.963

Provision for employment termination benefits is explained below.

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month’s salary limited to a maximum of TL 2.517 (2009: TL 2.365) for each year of service at 31 December 2010. The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. CMB Financial Reporting Standards require that actuarial valuation methods to be developed to estimate the employee termination benefit provision. The following actuarial assumptions have been used in the calculation of the total provision:

	2010	2009
Discount rate	4,66%	5,92%
Turnover rate to estimate the probability of retirement	93%	90%

The principal assumption is that maximum liability of employee termination benefit for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 2.623 (1 January 2010: TL 2.427) which is effective from 1 January 2011, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

The movements in the provision for employment termination benefits during the years ended 31 December 2010 and 2009 were as follows:

	2010	2009
1 January	764.963	673.555
Charge for the period	574.771	629.454
Paid/accrued during the year	(362.365)	(538.046)
31 December	977.369	764.963

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 14 - OTHER ASSETS AND LIABILITIES

The analysis of other assets and other liabilities at 31 December 2010 and 2009 is as follows:

Other current assets:	2010	2009
Prepaid expenses	59.663	45.981
Job advances	46.852	25.082
Personnel advances	23.931	41.286
Value Added Tax (“VAT”) receivables	5.632	5.714
Prepaid taxes and funds	-	40.362
Other	5.865	3.048
Total	141.943	161.473

Other current liabilities:	2010	2009
Payable to personnel	666.961	1.044.160
Unused vacation liability	584.242	555.982
Personnel bonus accrual	494.851	246.465
Accrued expenses and provisions for possible loss	472.188	439.795
Deferred revenue	397.145	736.777
Advances received	326.380	1.819.764
Other	139.299	263.372
Total	3.081.066	5.106.315

The advances received comprise the advances received from European Union for the project of that Logo Yazılım is the lead partner of the consortium. The agreement of the project has been signed in November 2009. The efforts for the project targeting the efficient information sharing of the software programs with other software have started as of 30 June 2010.

The payables to personnel as of 31 December 2009 consists salary differences for year 2009 that hit January and February of 2010.

Deferred revenue relates to LEM, post delivery customer support, and other revenues billed but not earned. The analysis of deferred income at 31 December 2010 and 2009 is as follows:

Deferred revenue:	2010	2009
Logo Enterprise Membership sales	283.019	637.845
Post delivery customer support revenue	114.126	98.932
Total	397.145	736.777

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 15 - EQUITY

The Company’s authorized and paid-in share capital consists of 2.500.000.000 (2009: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 31 December 2010 and 2009 are as follows.

	2010	Share (%)	2009	Share (%)
Logo Yatırım Holding A.Ş.	17.640.130	70,56	17.640.130	70,56
Publicly owned – free floating	7.359.870	29,44	7.359.870	29,44
Total	25.000.000	100,00	25.000.000	100,00
Adjustment to share capital	2.991.336		2.991.336	
Total paid-in share capital	27.991.336		27.991.336	

Adjustment to share capital is indexation of cash capital increases represents the effect of purchasing power at 30 June 2005.

The shares representing capital are categorized as group A and B. There are privileges given to group A shares such as election of minimum of more than half of the members of the Board of Directors of the parent, chairman of the Board of Directors and auditors. Adjustment to share capital represents the restatement effect of cash contributions to share capital.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The aforementioned amounts shall be classified in “Restricted Reserves” in accordance with CMB Financial Reporting Standards. The analysis of restricted reserves at 31 December 2010 and 2009 is as follows:

	2010	2009
Gain on sale of land and investments	923.318	923.318
Legal reserves	1.688.225	1.688.225
Extraordinary reserves	11.922.098	11.922.098
Total	14.533.641	14.533.641

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

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AT 31 DECEMBER 2010 AND 2009

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NOTE 15 - EQUITY (Continued)

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under “accumulated losses” could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under “accumulated losses” could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

At the General Assembly meeting dated 11 November 2004, the Company authorised the Board of Directors on offsetting accumulated losses resulting from the first time application of inflation accounting. Accordingly, the Company offsetted accumulated losses of YTL 10.088.393 by extraordinary reserves, legal reserves and inflation adjustment to equity amounting to YTL 8.330.864, YTL 418.866 and YTL 1.338.663, respectively in its financial statements prepared in accordance with CMB Financial Reporting Standards. However, as discussed below restricted reserves are presented based on their statutory balances accordingly the offsetting discussed above have not been applied in the accompanying financial statements.

In addition, in accordance with the CMB regulations effective until 1 January 2008, “Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves” were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under “inflation adjustment differences” at the initial application of inflation accounting. “Equity inflation adjustment differences” could have been utilised only in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, “Share capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences arised due to implementing the communique (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment To Share Capital”;
- if the difference is due to the inflation adjustment of “Restricted Reserves” and “Share Premium” and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under “Retained Earnings”,

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 15 - EQUITY (Continued)

Dividend Distribution

In accordance with the CMB Decision No. 02/51 and dated 27 January 2010, concerning allocation basis of profit from operations of 2009, it has been decided that minimum profit distribution will not be applied for the year 2009 and in this context to distribute their profits in accordance with the CMB Communiqué No. IV-27, their articles in the establishment agreement of association and previously publicly declared profit distribution policies of the companies.

In regards to the profit distribution, in accordance with the decision of the General Assembly, the distribution can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. It is also permitted to retain this amount in the Company reserves if the first dividend amount is below 5% of the paid in/issued capital; however if the Company has increased its paid-in capital without dividend distribution in the previous year when the outstanding shares have been identified as “old” and “new”, it is mandatory for companies that will make profit distribution from the net distributable profit of the previous year to make this first dividend distribution in cash.

There is no distributable current year income in accordance with CMB and statutory accounts:

	According CMB accounts	According to statutory accounts
Loss before income taxes	(421.190)	(1.018.227)
Less: Tax expense	-	-
Net income/loss for the year	(421.190)	(1.018.227)
Less: Retained earnings/(accumulated losses)	-	-
Less: first legal reserves	-	-
Distributable net profit	(421.190)	(1.018.227)

NOTE 16 - EXPENSES BY NATURE

As of 31 December 2010 and 2009, expenses are disclosed by function and the analysis of the expenses is summarized in Note 17 and Note 18.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 17 - SALES AND COST OF SALES

Sales

The analysis of net sales and cost of sales for the years ended 31 December 2010 and 2009 is as follows:

	2010	2009
Sales income	25.270.394	14.341.918
Service income	541.144	859.145
Sales returns	(4.043.654)	(505.037)
Sales discounts	(1.010.763)	(720.888)
Net sales	20.757.121	13.975.138
Cost of sales	(891.374)	(838.272)
Gross profit	19.865.747	13.136.866

Cost of sales

The analysis of cost of sales for the years ended 31 December 2010 and 2009 is as follows:

	2010	2009
Direct raw materials and supplies usage	576.332	430.803
Direct labor	113.303	134.304
Depreciation and amortization expenses	14.610	12.706
Other production expenses	24.841	35.238
Total production cost	729.086	613.051
Change in finished goods	(2.998)	1.445
Cost of trade goods sold	165.286	223.776
Cost of sales	891.374	838.272

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 18 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The analysis of research and development expenses, marketing, selling and distribution expenses and general administrative expenses for the years ended 31 December 2010 and 2009 is as follows:

Marketing, selling and distribution expenses:	2010	2009
Personnel expenses	2.857.992	1.925.814
Advertising and selling expenses	1.432.528	1.258.000
Motor vehicle expenses	219.633	210.734
Travel expenses	129.770	71.464
Depreciation and amortization expenses	119.091	122.297
Consulting expenses	115.435	71.943
Outsourced benefits and services	102.243	88.572
Rent expenses	20.324	32.062
Provision for doubtful receivables	-	865.820
Other	264.067	288.352
Total	5.261.083	4.935.058
Research and development expenses:	2010	2009
Depreciation and amortization expenses	4.837.289	4.718.041
Personnel expenses	3.502.963	3.186.040
Outsourced benefits and services	206.924	224.892
Rent expenses	153.772	127.743
Motor vehicle expenses	152.035	168.648
Travel expenses	22.905	32.903
Other	481.668	406.503
Total	9.357.556	8.864.770
General administrative expenses:	2010	2009
Personnel expenses	4.110.037	3.239.618
Motor vehicle expenses	320.746	282.036
Depreciation and amortization expenses	303.264	325.618
Consulting expenses	212.190	280.730
Outsourced benefits and services	121.140	118.879
Travel expenses	82.442	36.525
Rent expenses	46.322	50.948
Property and equipments written off due to discontinued operations of Logo Business Solutions FZ- LLC	-	171.946
Other	346.145	360.957
Total	5.542.286	4.867.257

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 19 - FINANCIAL INCOME

The analysis of financial income for the years ended 31 December 2010 and 2009 is as follows:

Financial income:	2010	2009
Interest income	258.242	436.357
Gain on sale of financial assets	46.238	842.438
Rediscount income	-	35.996
Total	304.480	1.314.791

NOTE 20 - FINANCIAL EXPENSES

The analysis of financial expenses for the years ended 31 December 2010 and 2009 is as follows:

Financial expense:	2010	2009
Rediscount expenses	(62.525)	-
Foreign exchange gains/(losses), net	(55.606)	(90.449)
Other financial expenses	(17.801)	(153.623)
Losses from sale of financial assets	(329)	(461.717)
Total	(136.261)	(705.789)

NOTE 21 - CURRENT AND DEFERRED INCOME TAXES

Deferred Income Taxes

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

The Company opted to deduct investment incentive allowances in the corporate income tax calculation for the period ending 1 July – 31 December 2006, the fiscal year ending 31 December 2007 and 2008. Accordingly, deferred tax income assets and liabilities are measured at the enacted tax rate of 30% using the liability method on the temporary differences expected to reverse until 31 December 2008. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% using the liability method on the temporary differences expected to reverse after 1 January 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 21 - CURRENT AND DEFERRED INCOME TAXES (Continued)

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2010 and 2009 using the enacted tax rates, is as follows.

	Cumulative temporary difference		Deferred income tax assets/(liabilities)	
	2010	2009	2010	2009
Deferred income tax assets:				
Provision for doubtful receivables	751.465	893.308	150.293	177.708
Provision for employment termination benefits	558.673	499.331	111.735	99.866
Accrual expenses	412.714	516.144	82.543	103.229
Deferred revenue	58.220	43.026	11.644	8.605
Other	216.589	209.231	43.317	41.845
Total			399.532	431.253
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property, plant and equipment and intangible assets	(1.031.891)	(1.279.156)	(206.378)	(255.831)
Total			(206.378)	(255.831)
Deferred income tax assets/(liabilities), net			193.154	175.422

Corporate tax

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

Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006. Most of the articles of this new Law No. 5520 have come into force effective from 1 January 2006. The Corporation tax rate for the fiscal years 2010 and 2009 is 20%.

Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption etc.) and income tax deductions (for example research and development expenses deduction). No further tax is payable unless the profit is distributed.

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NOTE 21 - CURRENT AND DEFERRED INCOME TAXES (Continued)

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the New Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (TURKSTAT WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled until 2004.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses can not be carried back to offset profits from previous periods.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

In accordance with Tax Law No: 5035 item 44, that amends “Technology Development Regions Law” No: 4691, corporate and income taxpayers operating in technology development regions are exempt from corporate and income tax until 31 December 2013.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 21 - CURRENT AND DEFERRED INCOME TAXES (Continued)

The investment allowance, which has been applied for many years and calculated as 40% of property plant and equipment acquisitions exceeding a certain amount, was annulled with the Law No, 5479 dated 30 March 2006, However, in accordance with the temporary Law No, 69 added to the Income Tax Law, corporate and income taxpayers can offset the investment allowance amounts present as of 31 December 2005, which could not be offset against taxable income in 2005 and:

- a) investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that began in the scope of additional articles 1, 2, 3, 4, 5 and 6 of Income Tax Law No: 193 before it was repealed with the Law No, 4842 dated 9 April 2003, and
- b) investment allowance amounts to be calculated in accordance with legislation effective at 31 December 2005 related to investments which exhibit a technical and economic and integrity and which were started prior to 1 January 2006 in the scope of Income Tax Law 193 repealed 19th article, only against the income related to the years 2006, 2007 and 2008, in accordance with the legislation at 31 December 2005 (including provisions related to tax rates).

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed. The company has deferred investment allowance as of TL 1.405.908 that can be offsetted in the future.

The analysis of taxation on income for the years ended 31 December 2010 and 2009 is as follows:

	2010	2009
Current income tax charge	-	-
Deferred income tax charge	17.732	369.302
Income tax charge	17.732	369.302

NOTE 22 - LOSS PER SHARE

The loss per 1.000 shares with nominal value of Kr 1 amounted to TL 0,17 for the year ended 31 December 2010 (2009: TL 1,76 earnings per loss).

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

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NOTE 23 - RELATED PARTY DISCLOSURES

i) Due from and due to related parties at 31 December 2010 and 2009:

a) Due from related parties:	2010	2009
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	18.844	68.348
Logo Yatırım Holding A.Ş.	7.913	-
Logo Elektronik Ticaret Hizmetleri A.Ş.	152	31.030
İ-Logo Sistem Mühendisliği Proje Taahhüt San. ve Tic. A.Ş.	-	10.562
Total	26.909	109.940
b) Due to related parties:	2010	2009
Due to shareholders	1.214	1.214
Logo Yatırım Holding A.Ş.	-	581
Total	1.214	1.795

ii) Sales to related parties, services given to related parties and financial income from related parties during the years ended 31 December 2010 and 2009:

a) Services given to related parties:	2010	2009
Logo Elektronik Ticaret Hizmetleri A.Ş.	45.096	143.345
Logo Yatırım Holding A.Ş.	3.540	10.706
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	5.113	2.036
Worldbi Yazılım Sanayii ve Ticaret A.Ş.	-	8.960
Total	53.749	165.047
b) Financial income from related parties:	2010	2009
Logo Yatırım Holding A.Ş.	-	134.463
Total	-	134.463

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NOTE 23 - RELATED PARTY DISCLOSURES (Continued)

iii) Services purchases from related parties and other transactions with related parties during the years ended 31 December 2010 and 2009:

a) Services obtained from related parties:	2010	2009
Logo Elektronik Ticaret Hizmetleri A.Ş.	64.982	78.409
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	59.727	4.206
Logo Yatırım Holding A.Ş.	6.674	7.726
Worldbi Yazılım Sanayii ve Ticaret A.Ş.	-	6.403
Total	131.383	96.744

b) Remuneration of board of directors and executive management:

	2010	2009
Remuneration of board of directors and executive management	2.586.247	1.890.409
Total	2.586.247	1.890.409

The remuneration of board of directors and executive management (executive management includes general manager (CEO) and assistant general managers) for the years ended 31 December 2010 and 2009 comprise short-term employment benefits including salary, bonus and other short-term benefits. There have been no post-employment benefits, other long-term employment benefits, other termination benefits and share-based payments in the years ended 31 December 2010 and 2009.

NOTE 24 - FINANCIAL RISK MANAGEMENT

24.1 Financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The Company management holds adequate cash and credit commitment that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Company has credit commitments from banks amounting to TL 10.750.000 that the Company can utilize whenever needed.

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(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

The table below shows the liquidity risk arising from financial liabilities of the Company:

31 December 2010	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Non-derivative financial instruments						
Financial liabilities	236.381	236.381	236.381	-	-	-
Trade payables						
- <i>Related party</i>	1.214	1.214	1.214	-	-	-
- <i>Other</i>	493.516	493.516	493.516	-	-	-
Other payables						
- <i>Related party</i>	-	-	-	-	-	-
- <i>Other</i>	957.972	957.972	957.972	-	-	-
31 December 2009	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Türev olmayan finansal yükümlülükler						
Financial liabilities	160.310	160.310	160.310	-	-	-
Trade payables						
- <i>Related party</i>	1.795	1.795	1.795	-	-	-
- <i>Other</i>	513.100	513.100	513.100	-	-	-
Other payables						
- <i>Related party</i>	-	-	-	-	-	-
- <i>Other</i>	821.671	821.671	821.671	-	-	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

The Company’s interest rate sensitive financial instruments are as follows:

	2010	2009
<u>Financial instruments with fixed interest rate</u>		
Financial assets		
- <i>Designated as fair value through profit or loss</i>	4.228.042	3.187.882
Financial liabilities	-	-
<u>Financial instruments with floating interest rate</u>		
Financial assets		
- <i>Designated as fair value through profit or loss</i>	279.760	318.824
Financial liabilities	-	-

Financial assets designated as fair value through profit or loss consists of fixed interest rate Turkish Lira and foreign currency denominated time deposits with maturity less than three months and liquid funds.

Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

Ratio of hedging of import/export and net foreign currency liability

TL equivalent of import and exports for the years ended 31 December 2010 and 2009 is as follows:

	2010	2009
Total exports	946.838	-
Total imports	469.763	339.914
Ratio of hedging of net foreign currency liability	-	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

The Company’s foreign currency denominated assets exceeds its foreign currency denominated liabilities. In this context, the Company is not exposed to significant foreign currency risk. The foreign currency risk of the Company at 31 December 2010 and 2009 is summarized below.

Foreign currency position:	2010	2009
Assets	1.429.417	3.718.136
Liabilities	(739.512)	(2.042.120)
Net foreign currency position	689.905	1.676.016

Turkish Lira equivalent of assets and liabilities denominated in foreign currency held by Logo Yazılım at 31 December 2010 and 2009 were as follows:

	Original currency	2010		2009	
		Original amount	TL equivalent	Original amount	TL equivalent
Cash and cash equivalents and marketable securities	USD	35.062	54.206	194.630	293.054
	Euro	83.905	171.929	881.218	1.903.694
	Other	-	52	-	862
Trade receivables and due from related parties	USD	765.012	1.182.708	948.744	1.428.524
	Euro	2.445	5.011	40.710	87.945
Other receivables	Euro	1.648	3.377	-	-
	USD	7.849	12.134	2.695	4.057
Foreign currency denominated assets		1.429.417		3.718.136	
Trade payables and due to related parties	Euro	292.861	600.102	855.986	1.849.186
	USD	90.175	139.410	128.136	192.934
Foreign currency denominated liabilities		739.512		2.042.120	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

24.2 Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may pay out dividends, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, accounts payable and due to related parties, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 31 December 2010 and 2009 were as follows.

	2010	2009
Total borrowings	731.111	675.205
Less: cash and cash equivalents (Note 3)	(4.907.957)	(5.183.435)
Net debt	(4.176.846)	(4.508.230)
Total equity	31.375.756	31.796.946
Total capital	27.198.910	27.288.716
Gearing ratio	(%15)	(%17)

NOTE 25 - FINANCIAL INSTRUMENTS

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS (Continued)

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

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value.

The fair values of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The trade receivables are carried at amortized cost using the effective yield method less provision for doubtful receivables, and hence are considered to approximate their fair values.

Financial liabilities

The fair value of short-term funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

NOTE 26 - SUBSEQUENT EVENT

Based on the Company’s press release in ISE (Istanbul Stock Exchange) on 14 January 2011: “Three separate Main Distribution Agreements about the Company’s sale of products were terminated with the main distribution centres. The relevant agreements in accordance with the arrangement came to an end as of 31 December 2010. The Company now sees best to do direct sales to dealers, has decided not to renew contracts automatically ended.”

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