(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated financial statements for the period between 1 January – 31 December 2013 together with independent auditors' report

(Convenience translation of a report and consolidated financial statements originally issued in Turkish (See Note 2.1.6)

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Independent auditors' report

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

Introduction

We have audited the accompanying consolidated statement of financial position of Logo Yazılım Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries (hereinafter referred to as "the Group") as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Our independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessment; the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Logo Yazılım Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with the TAS (Note 2).

Reports on independent auditor responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code no. 6102, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code, Board of Directors of publicly listed companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the date of our auditor's report, POA has not announced the principles of this report yet, accordingly, no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on 3 October 2013 and it comprised of two members.

Other matter

The consolidated financial statements of the Company prepared in accordance with financial reporting standards issued by Capital Market Board as of December 31, 2012, were audited by another audit firm whose independent auditor's report thereon dated 4 April 2013 expressed an unqualified opinion.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ülgen, SMMM
Partner

14 February 2014
Istanb

(Convenience translation of a report and consolidated financial statements originally issued in Turkish (See Note 2.1.6))

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated balance sheet
as at 31 December 2013
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	**Current period (Audited) 31 December 2013**	Prior period (Audited) 31 December 2012 (Restated)
Assets			
Current assets		**73.533.502**	31.069.738
Cash and cash equivalents	4	**19.268.115**	9.833.681
Financial assets	5	**193.063**	482.825
Trade receivables		**52.831.826**	20.384.945
- Due from related parties	*25*	***30.130***	*59.699*
- Other trade receivables	*8*	***52.801.696***	*20.325.246*
Other receivables	9	**9.516**	22.432
Inventories	10	**421.521**	145.152
Prepaid expenses	15	**663.706**	87.264
Other current assets	15	**145.755**	113.439
Non-current assets		**51.208.773**	31.836.297
Trade receivables		**148.883**	-
- Other trade receivables		***148.883***	-
Other receivables		**5.724**	2.000.000
- Due from related parties	*25*	***-***	*2.000.000*
- Other trade receivables		***5.724***	-
Financial assets	5	**108.153**	83.153
Property and equipment	11	**13.629.536**	13.540.217
Intangible assets		**36.455.227**	15.832.958
Goodwill	*3*	***5.892.252***	-
Other intangible assets	*12*	***30.562.975***	*15.832.958*
Prepaid expenses		**34.133**	-
Deferred income tax assets	23	**827.117**	376.731
Other non-current assets		**-**	3.238
Total assets		**124.742.275**	62.906.035

These consolidated financial statements have been approved by Board of Directors on 14 February 2014 and signed on its behalf by Buğra Koyuncu, Chief Executive Officer and Gülnur Anlaş, Chief Financial Officer.

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated balance sheet
as at 31 December 2013
(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated)

	Notes	Current period (Audited) 31 December 2013	Prior period (Audited) 31 December 2012 (Restated)
Liabilities			
Current liabilities		**39.164.073**	13.971.344
Short-term bank borrowings	7	**773.156**	899.269
Short-term portion of long-term bank borrowings	7	**890.714**	877.092
Trade payables		**10.488.466**	2.392.475
- Due to related parties	*25*	***7.276.883***	*135.045*
- Other trade payables	*8*	***3.211.583***	*2.257.430*
Employee benefit obligations	15	**1.996.665**	1.509.292
Other payables	9	**2.412.924**	2.437.248
Provision for employee benefits		**4.459.947**	2.220.420
Deferred revenue	15	**17.763.108**	3.543.286
Current income tax liabilities		**70.251**	-
Other current liabilities		**308.842**	92.262
Non-current liabilities		**26.452.674**	6.468.948
Long-term bank borrowings	7	**22.456.183**	3.458.824
Other payables	9	**-**	11.570
Provision for employee benefits	14	**3.729.789**	2.320.922
Deferred revenue	15	**266.702**	677.632
Equity			
Equity attributable to equity holders of the parent		**59.125.528**	40.855.128
Share capital	16	**25.000.000**	25.000.000
Adjustment to share capital	16	**2.991.336**	2.991.336
Restricted reserves	16	**3.666.269**	3.087.683
Treasury shares	16	**(2.649.415)**	(450.493)
Actuarial (loss)/gain		**(438.536)**	(149.394)
Retained earnings/accumulated losses		**11.275.706**	(377.830)
Net income for the period		**19.280.168**	10.753.826
Non-controlling interests		**-**	1.610.615
Total equity		**59.125.528**	42.465.743
Total equity and liabilities		**124.742.275**	62.906.035

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of profit or loss
for the period ended 31 December 2013
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current period Audited 1 January – 31 December 2013	Prior period Audited 1 January – 31 December 2012 (Restated)
Continuing operations			
Sales	18	**70.731.277**	46.162.637
Cost of sales (-)	18	**(8.548.962)**	(1.751.338)
Gross profit		**62.182.315**	44.411.299
Marketing, selling and distribution expenses (-)	19	**(14.930.949)**	(11.149.554)
General administration expenses (-)	19	**(9.271.287)**	(7.313.300)
Research and development expenses (-)	19	**(17.103.385)**	(13.998.756)
Other operating income	22	**1.368.400**	1.167.922
Other operating expenses (-)	22	**(1.828.114)**	(635.639)
Operating profit		**20.416.980**	12.481.972
Income from investment activities	22	**115.795**	124.210
Operating profit before financial income/expenses		**20.532.775**	12.606.182
Financial income	20	**897.126**	264.564
Financial expenses (-)	21	**(2.213.098)**	(1.957.737)
Income before taxes		**19.216.803**	10.913.009
Taxation on income			
Current income tax charge	23	**(145.484)**	-
Deferred income tax charge	23	**363.617**	89.147
Net income for the period		**19.434.936**	11.002.156
Net income attributable to			
Non-controlling interests		**154.768**	248.330
Equity holders of the parent		**19.280.168**	10.753.826
Total		**19.434.936**	11.002.156
Earnings per share attributable to equity holders of the parent per thousands of shares with nominal value 1 Kr each	24	**7,71**	4,30

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

(Convenience translation of a report and consolidated financial statements originally issued in Turkish (See Note 2.1.6))

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of other comprehensive income
for the period ended 31 December 2013
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	**Current period** **Audited** **1 January – 31 December 2013**	Prior period Audited 1 January – 31 December 2012 (Restated)
Net income for the period		**19.434.936**	11.002.156
Actuarial loss arising from employee benefits	14	**(289.142)**	(338.821)
Other comprehensive loss		**(289.142)**	(338.821)
Total comprehensive income		**19.145.794**	10.663.335
Total comprehensive income attributable to			
Non-controlling interests		**154.768**	248.330
Equity holders of the parent		**18.991.026**	10.415.005
Total		**19.145.794**	10.663.335

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of changes in equity
for the period ended 31 December 2013
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

					Other comprehensive income or loss items not to be reclassified to profit or loss in subsequent periods	Retained earnings				
	Share capital	Adjustment to share capital	Treasury shares	Restricted reserves	Actuarial gain/ (loss) arising from employee benefits	Retained earnings/accumulated deficit	Net income/loss for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2012	25.000.000	2.991.336	-	4.037.273	-	(929.655)	3.124.998	34.223.952	-	34.223.952
Change in accounting policy (Note 2.1.5)	-	-	-	-	189.427	-	(189.427)	-		
1 January 2012– as restated	25.000.000	2.991.336		4.037.273	189.427	(929.655)	2.935.571	34.223.952	-	34.223.952
Transfer to retained earnings	-	-	-	-	-	2.935.571	(2.935.571)	-	-	-
Acquisition of treasury shares	-	-	(450.493)	-	-	-	-	(450.493)	-	(450.493)
Dividends paid	-	-	-	(949.590)	-	(2.383.746)	-	(3.333.336)	-	(3.333.336)
Acquisition of subsidiary (Note 3)	-	-	-	-	-	-	-	-	1.362.285	1.362.285
Net income for the period	-	-	-	-	-	-	10.753.826	10.753.826	248.330	11.002.156
Other comprehensive loss	-	-	-	-	(338.821)	-		(338.821)	-	(338.821)
Total comprehensive income	-	-	-	-	(338.821)	-	10.753.826	10.415.005	248.330	10.663.335
31 December 2012	25.000.000	2.991.336	(450.493)	3.087.683	(149.394)	(377.830)	10.753.826	40.855.128	1.610.615	42.465.743
1 January 2013	**25.000.000**	**2.991.336**	**(450.493)**	**3.087.683**	**-**	**(188.403)**	**10.415.005**	**40.855.128**	**1.610.615**	**42.465.743**
Change in accounting policy (Note 2.1.5)	**-**	**-**	**-**	**-**	**(149.394)**	**(189.427)**	**338.821**	**-**	**-**	**-**
1 January 2013- as restated	**25.000.000**	**2.991.336**	**(450.493)**	**3.087.683**	**(149.394)**	**(377.830)**	**10.753.826**	**40.855.128**	**1.610.615**	**42.465.743**
Transfer to retained earnings	**-**	**-**	**-**	**578.586**	**-**	**10.175.240**	**(10.753.826)**	**-**	**-**	**-**
Acquisition of treasury shares	**-**	**-**	**(8.163.509)**	**-**	**-**	**-**	**-**	**(8.163.509)**	**-**	**(8.163.509)**
Sales of treasury shares(*)	**-**	**-**	**5.964.587**	**-**	**-**	**522.913**	**-**	**6.487.500**	**-**	**6.487.500**
Share increase in subsidiaries (**)	**-**	**-**	**-**	**-**	**-**	**955.383**	**-**	**955.383**	**(1.765.383)**	**(810.000)**
Net income for the period	**-**	**-**	**-**	**-**	**-**		**19.280.168**	**19.280.168**	**154.768**	**19.434.936**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(289.142)**	**-**	**-**	**(289.142)**	**-**	**(289.142)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(289.142)**	**-**	**19.280.168**	**18.991.026**	**154.768**	**19.145.794**
31 December 2013	**25.000.000**	**2.991.336**	**(2.649.415)**	**3.666.269**	**(438.536)**	**11.275.706**	**19.280.168**	**59.125.528**	**-**	**59.125.528**

(*) The sale of a portion of shares having TL 1.237.500 nominal value and constituting 4.95% of the Company's share capital to Murat Ihlamur in exchange for TL 5 for each TL 1 nominal value share amounting to a total of TL 6.187.500 realized in the Wholesale Market of Borsa İstanbul A.Ş. (BİAŞ) on 10 October 2013. The sales of a portion of shares having TL 60.000 nominal value and constituting 0.24% of the Company's share capital to Teknoloji Yatırım A.Ş. in exchange for TL 5 for each TL 1 nominal value share amounting to a total of TL 300.000 realized on 26 December 2013.

(**) The Company has acquired 40% of LogoBI in exchange of TL 810.000 on 26 December 2013 in accordance with share purchase agreement.

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

(Convenience translation of a report and consolidated financial statements originally issued in Turkish (See Note 2.1.6))

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of cash flow for the period ended 31 December 2013

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

	Notes	Current period Audited 31 December 2013	Prior period Audited 31 December 2012 (Restated)
Income before tax		**19.216.803**	10.913.009
Depreciation and amortization	11, 12	**6.241.011**	5.773.086
Deferred revenue	15	**8.435.204**	2.601.868
Increase in provision for employee termination benefits	14	**299.146**	438.197
Increase in unused vacation liability		**278.884**	226.685
Personnel bonus accrual	14	**2.208.382**	1.513.327
Interest expenses	21	**982.437**	597.792
Interest income	20	**(318.293)**	(264.564)
Change in provision for doubtful trade receivables		**431.747**	298.558
Other		**(68.653)**	246.828
Operating income before changes in working capital		**37.706.668**	22.344.786
Increase in trade receivables, prepaid expenses and other receivables	8, 9	**(23.608.109)**	(8.043.062)
Increase in due from related parties	25	**29.569**	(4.459)
(Decrease)/increase in inventories	10	**(274.414)**	(6.756)
Increase in other current/ non-current assets		**24.784**	74.325
Increase in trade payables	8	**511.028**	694.773
Increase/(decrease) in due to related parties	25	**7.141.838**	(112.913)
(Decrease)/increase in other payables and liabilities and employee benefits obligations		**(657.305)**	(906.076)
Advances received	15	**884.294**	-
Taxes paid		**(77.922)**	(15.613)
Employee termination benefits paid/accrued	14	**(246.908)**	(546.878)
Net cash generated from operating activities		**21.433.523**	13.478.127
Investing activities:			
Purchase of property and equipment and intangible assets	11, 12	**(529.447)**	(1.253.479)
Cash used in development activities	12	**(8.276.239)**	(3.824.535)
Acquisition of subsidiary, excluding cash acquired	3	**(21.312.134)**	-
Purchase of treasury shares		**(8.163.509)**	(450.493)
Cash generated from sale of treasury shares		**6.487.500**	-
Increase in share in subsidiaries		**(810.000)**	-
Decrease/(increase) in financial assets	5	**277.262**	(233.581)
Interest received		**306.884**	238.261
Cash generated from sales of property and equipment		**118.163**	-
Net cash used in investing activities		**(31.901.520)**	(5.523.827)
Financial activities:			
Increase in bank borrowings	7	**19.380.786**	484.231
Dividend paid		**-**	(3.333.336)
Interest paid		**(1.478.355)**	(391.334)
Decrease in due from related parties	25	**2.000.000**	-
Net cash generated/(used in) financing activities		**19.902.431**	(3.240.439)
Net increase in cash and cash equivalents		**9.434.434**	4.713.861
Cash and cash equivalents at beginning of the period	4	**9.833.681**	5.119.820
Cash and cash equivalents at end of the period	4	**19.268.115**	9.833.681

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

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

1. Organization 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 2013 the Group has 404 employees (31 December 2012: 249).

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
Netsis Yazılım Sanayi ve Ticaret A.Ş. (“Netsis”)	Turkey	Development and marketing of computer software
Coretech Bilgi Teknolojisi Hizmetleri A.Ş. (“Coretech”)	Turkey	Development and marketing of computer software
Logobi Yazılım Sanayi ve Ticaret A.Ş. (“LogoBI”)	Turkey	Development and marketing of computer software
Logo Business Software GmbH (“Logo GMBH”)	Germany	Development and marketing of computer software
Logo Business Solutions FZ-LLC (“Logo FFC-LLC”)	United Arab Emirates	Marketing of computer software

Upon the signing of the share purchase agreement on 25 July 2013, the Company acquired all the shares in Netsis in return of TL 24.699.850. All of purchase price was paid in advance. The share purchase agreement entered into force as of 19 September 2013.

As per the share purchase agreement signed on 31 October 2011, the Company acquired all the shares in Coretech Bilgi Teknolojisi Hizmetleri A.Ş. (“Coretech”) (Note 3). The share purchase agreement entered into force as of 28 November 2011. Coretech is a software as a service (“SaaS”) company. With the SaaS marketed under the brand Diva, Coretech offers solutions in retail sales, store management and after-sale service management.

1. Organization and nature of operations (continued)

In the Board of Directors' meeting dated 8 May 2009, it was decided to acquire 27,8% shares of Worldbi Yazılım Sanayii ve Ticaret A.Ş. ("Worldbi") (former name: Logo Biz Yazılım Sanayi ve Ticaret A.Ş.), and acquire the mentioned shares from main partnership Logo Yatırım Holding A.Ş. Established in 1997, Worldbi is a software company that develops and markets business intelligence products. Worldbi's business intelligence products are supportive of the products that the Company develops and markets within the scope of its main field of activity. The company acquired 32,2% of Worldbi's shares free of charge with the share transfer agreement signed on 12 December 2011 and increased its active partnership shares to 60%. The share transfer agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012. The Company has acquired 40% of shares of LogoBI in return of TL 810.000 with the share purchase agreement signed on 26 December 2013 and became 100% owner of LogoBI.

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 entity 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 (TL362.036). The entity is wholly owned by Logo Yazılım. Logo Business Solutions FZ-LLC performed the Company's international marketing and selling operations until April 2009.

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 2013, the liquidation process has been substantially completed.

The Company's foreign sales and marketing activities were perfomed by it's headquarter in Turkey, before establishment of Logo Business Solutions FZ-LLC and aforementioned activities are considered to be perfomed again by the Company's headquarter in Turkey after close down of Logo Business Solutions FC-LLC.

Logo Yazılım and its subsidiaries (collectively referred to as the "Group") operate in software industry. Therefore segment reporting is not applicable.

As explained above, Logo Business Solutions FZ-LLC is decided to be closed down on April 2009. Since the information about the operational segments in accordance with the Group's operations considering consolidated financial statements and monetary materiality is not reportable for the geographical segments except Turkey as of 31 December 2013, it is not disclosed in the consolidated financial statements.

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

2.1.1 Financial reporting standards

The consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676.

In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA").

Excluding the subsidiaries incorporated outside of Turkey functional currency of all entities included in consolidation is Turkish Lira ("TL") and they maintain their books of account in Turkish Lira ("TL") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the POA and are presented in TL. These adjustments and reclassifications mainly consist of the accounting of Logo Enterprise Membership, pay as you go, after sales maintenance revenues, Netsis licence revenues and accounting of upgrade package revenues on accrual basis considering contract term, effect of deferred tax calculation, provision for doubtful trade receivables, the accounting of expense accruals, the effect of employee termination benefits and unused vacation pay liability calculated in accordance with TAS 19 "Employee Benefits", prorata depreciation of property and equipments and intangible assets with useful life assessed by the management, and the assessment of financial assets and liabilities in accordance with TAS 39.

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 included in the other 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.

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

2. Basis of presentation of consolidated financial statements (continued)

2.1.3 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Logo Yazılım, its subsidiaries and associate on the basis set out in sections (b) and (c) 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 TAS/TFRS.

b) As at 31 December 2013, the consolidated financial statements include the financial results of the Company and its subsidiaries listed at Note 1. Control is normally evidenced when the Company controls an investee if and only if the company has all the following; a) power over the investee b) exposure, or rights, to variable returns from its involvement with the investee and c) the ability to use its power over the investee to affect the amount of company‟s returns. The results of subsidiaries acquired during the year are included in the consolidated statements of income from the effective date of acquisition as appropriate.

c) Investments in associate 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.

The table below sets out the subsidiaries and associates of Logo Yazılım and ownership interests held by the Company at 31 December 2013:

	Direct and indirect ownership interests by the Company (%)
Subsidiaries:	
Netsis Yazılım Sanayi ve Ticaret A.Ş.	100,00%
Coretech Bilgi Teknolojisi Hizmetleri A.Ş.	100,00%
Logobi Yazılım Sanayi ve Ticaret A.Ş.	100,00%
Logo Business Software GmbH	100,00%

The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiaries 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. The shares of shareholders other than equity holders of the parent in nets assets and operating results are disclosed as "non-controlling interests" in consolidated balance sheet and statement of comprehensive income.

2. Basis of presentation of consolidated financial statements (continued)

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. and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. for TL2.180.000. Following the acquisition of Worldbi on July 2009 it has been accounted by using equity method until 31 December 2011. (Note 6). The Company acquired 32,2% of Worldbi shares free of charge with the share transfer agreement signed on 12 December 2011 and increased its active partnership shares to 60%. The share transfer agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

40% of LogoBI’s shares owned by Teknoloji Yatırım A.Ş. has been decided to be purchased the Company’s Board of Director’s meeting held on 12 December 2013. The Company has purchased 40% of shares of LogoBI in return of TL 810.000 with the share purchase agreement signed on 26 December 2013 and became 100% owner of LogoBI. All purchase price was paid in advance. Share purchase agreement entered into force as of 26 December 2013.

2.1.4 Use of estimates

The preparation of these consolidated financial statements in accordance with TAS/TFRS 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.

Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

a) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for tax losses carried forward (if any) and all deductable temporary differences. For the period ended 31 December 2013, since the assumptions are adequate that the Company will have taxable profits in the foreseeable future, deferred tax asset has been recognized.

b) Reserve for retirement pay liability is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates).

c) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties and key customers are assessed with their prior year performances, their credit risk in the current market, and their individual performances after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

d) When allocating provision for legal risks, the probabilities of failure in the cases and the possible liabilities to be arisen in the case of failure are evaluated by the management through being counseled by legal advisors of the Company. The management determines the amount of the provisions based on their best estimates.

2. Basis of presentation of consolidated financial statements (continued)

e) The Company's management has made certain important assumptions based on experiences of their technical personnel in determining useful economic life of the property, plant and equipment and intangible assets

f) The Group uses the percentage of completion method in accounting of its software licence revenues and customized software revenues. Use of the percentage of completion method requires the Group to estimate the services performed to date as a proportion of total services to be performed.

g) Costs that are directly associated with the development of identifiable and unique software products and systems controlled by the Group are capitalized. Management determines the cost of employees to be capitalized taking into account time spent by each employee on research and development activities. The costs of employees relating to research are expensed as incurred.

2.1.5 Comperative information and adjustments applied to prior period financial statements

Based on the decision taken on 7 June 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after 31 March 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting In Capital Markets. Based on these new illustrative financial statements, a number of changes made at the Company's consolidated balance sheets and consolidated comprehensive income statements.

The reclassifications that are made at the Company's consolidated balance sheet as at 31 December 2012 are as:

- Prepaid expenses amounting to TL 87.264 which is presented in other current assets is reclassified to prepaid expenses account,
- Deferred revenue and advances received which are amoutning to TL 3.084.568 and TL 458.178, respectively and which are presented under other current liabilities and deferred revenue amounting to TL 677.632 which is presented under other non-current liabilites are reclassified to deferred expense account
- Payables to personnel and personel bonus accrual amounting to TL 1.083.368 and TL 2.220.420, respectively which are presented under other current liabilities are reclassified to employee benefit obligations account,
- Taxes, witholdings and social security payables amounting to TL 425.924 which are presented under other current payables are reclassified to employee benefit obligations account,
- Current portion of long-term bank borrowings amounting to TL 899.269 which is presented under short-tem bank borrowings is reclassified to short-term portion of long-term bank borrowings,
- Expense accruals amounting to TL 342.915 which is presented under other current liabilities is reclassified to other trade payables account.

2. Basis of presentation of consolidated financial statements (continued)

The reclassifications that are made at the Company's consolidated income statement for the period ended 31 December 2012 are as:

- Net foreign currency exchange loss amounting to TL 28.084 which is relating to trade recevaibles and payables and presented under financial expense is reclassified to other operating expense,
- Overdue interest income amounting to TL 559.069 which is presented under financial income is reclassified to other operating income,
- Rediscount expense amounting to TL 331.304 which is presented under financial expense is reclassified to other operating expense.

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year of 31 December 2012, except for the change in accounting standard of TAS 19 "Employee benefits" disclosed below.

In accordance with the Communiqué, the adjustments and reclassifications that are made at the Company's consolidated financial statemens as at 31 December 2012 are as:

Within the scope of the amendments to TAS 19 – Employee benefits, actuarial income/losses related to employee termination benefits are recognized under equity. This practice is effective for the annual periods starting as of 1 January 2013 and has been implemented retrospectively. In its income statement, the Company has reclassified the actuarial loss amounting to TL 338.821 under other comprehensive income, which was recognized under "general administrative expense" account in the period ended 31 December 2012. The Company has reclassified the actuarial income amounting to TL 338.821 which was recognized in net income for the year in the balance sheet dated 31 December 2012 to other comprehensive income or loss items not to be reclassified to profit or loss in subsequent periods in the same balance sheet dated 31 December 2012.

As of 31 December 2012, vacation pay liability amounting to TL 939.185 presented in other current liabilities has been reclassified to long term provision for employee benefits due to amendments in TAS 19 "Employee Benefits" which has been effective as of 1 January 2013. According to revised TAS 19, the short term benefits provided to employees comprise the ones which are expected to be settled wholly in twelve months after the end of the reporting period. Regarding this issue, the Company's expectation is not to settle the whole vacation pay liability within twelve months after the end of the reporting period, so the related vacation pay liabilities has been reclassified as other long-term employee benefits and the necessary amendments on the previous period financial statements has been made by the Company.

2.1.6 Convenience translation into English of financial statements originally issued in Turkish:

As at 31 December 2013, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2. Basis of presentation of consolidated financial statements (continued)

2.2 Summary of significant accounting policies

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

Business combinations

From 1 January 2010 the Group has applied revised TFRS 3 ―Business Combinations‖ in accounting for business combinations. The change in accounting policy has been applied prospectively and had no effect on business combinations completed during prior periods.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognized in general administrative expenses. For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognized at TFRS 3 fair values on the date of acquisition. Acquired company is consolidated starting from the date of acquisition.

If the fair values of the acquired identifiable assets, liabilities and contingent liabilities or cost of the acquisition are based on provisional assessment as at the balance sheet date, the Group made provisional accounting. Temporarily determined business combination accounting has to be completed within two months following the combination date and adjustment entries have to be made beginning from combination date.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value at the date of acquisition and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed at fair value in accordance with IFRS 3 on the date of acquisition. The goodwill for associates is recorded in balance sheet under associates accounted for using the equity method.

In the event the amount paid in an acquisition is lower than the fair value of the acquired net assets and liabilities the difference is recognised as income.

2. Basis of presentation of consolidated financial statements (continued)

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the consolidated income statement.

Goodwill is tested for impairment and recorded in balance sheet after deducting the provision for impairment from the cost. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities are assigned to these units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amounts of the net assets assigned to the cash-generating unit, an impairment loss is recognized. The impairment of goodwill cannot be cancelled. The Company 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.

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

	Useful life
Leasehold improvements relating to building	5 - 49
Machinery and equipment	5
Motor vehicles	5
Furniture and fixtures	5

The useful lives of significant part of leasehold improvements relating to building are 49 years.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with carrying amounts and are included in income and expense from investment activities accounts.

Intangible assets

Intangible assets include acquired rights, development costs, software and technology, customer relationships and other identifiable rights acquired in business combinations. Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period not exceeding twenty years. Intangible assets acquired in business combinations are accounted for over their fair values at the acquisition date. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

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.

Impairment of assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of income.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

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.

2. Basis of presentation of consolidated financial statements (continued)

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 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.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Net realizable value is the estimated selling price in the ordinary course of business, less marketing, selling and other various expenses to be incurred in order to realize sale.

Financial instruments

Financial assets consist of cash and cash equivalents, trade receivables, financial assets, other receivables, derivative financial assets (if any) and receivable from related parties. Financial liabilities consist of bank borrowings, trade payables, due to related parties, derivative financial liabilities (if any), and other payables.

Financial assets and financial liabilities are recognized on the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

When a financial instrument gives rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavourable, it is classified as a financial liability. The instrument is equity instrument if, are met:

a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

b) If the instrument will or may be settled in the Group's own equity instruments, it is a non-derivative that includes no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three- months (Note 4).

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 5).

2. Basis of presentation of consolidated financial statements (continued)

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.

Trade receivables and impairment provision

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 general administrative expenses.

Trade and other payables

Trade and other payables are initially measured at fair value. None interest rate bearing short term payables are measured at original invoice amount unless the effect of imputing interest is significant.

Financial borrowings

Interest-bearing financial borrowings are initially measured at the fair value of the consideration received, less directly attributable costs and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings through the amortization process, using the effective interest rate method as explained above. Other borrowing costs are recognized in income statements when incurred.

2. Basis of presentation of consolidated financial statements (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through' arrangement or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

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.

Related Parties

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. Basis of presentation of consolidated financial statements (continued)

(b) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (i) The entity and the company are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 25).

Taxation and deferred income taxes

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

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

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

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 23). The deferred income taxes are classified as non-current in the accompanying inteirm financial statements.

Revenue recognition

The Company mainly generates revenue from sale of off-the-shelf software, sale of Logo Enterprise Membership, sale of SaaS membership, after-sales services revenue, Netsis software licence revenues, development of customized software and version upgrade package sales.

2. Basis of presentation of consolidated financial statements (continued)

Off-the-shelf software sales - licence model

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.

Off-the-shelf software sales - pay as you go model

In the sales model where the licence rights are not transferred to customers, but usage right of the package programme is made available for a limited period of time, the revenues are accounted for on accrual basis.

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 applies to give the LEM as a free product with the main software in first sale of license. The Company's management mentioned that collection of the sales transaction was reflected to the main software product and LEM products was sold free. The fee is charged by the Company for the renewal of LEM agreements.

SaaS subscription income

SaaS subscription income is allocated to customers on a monthly basis. Income is invoiced and recognised as part of a periodic invoicing process and the source of income is accounted for as soon as the service is rendered.

Post delivery customer support

The revenues from post delivery customer support are recognized on the accrual basis based on the terms of the agreements. The post delivery customer support services are mainly provided by the business partners.

2. Basis of presentation of consolidated financial statements (continued)

Netsis software licence revenues

Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Risks and rewards are transferred to customers, when the transfer of ownership has realized.

When acceptance is subject to installation and inspection, revenue is recognized on a percentage of completion basis. However, if the installation process is more substantial and there is more than an insignificant risk of non-acceptance, revenue recognition is delayed until the installation and inspection process are complete and customer acceptance has occurred.

Netsis charge its customers a one-time fee and the customers are entitled to use the current release and version indefinitely.

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.

Version upgrade package sales

Version upgrade package 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 version upgrade package obtain the basic maintenance and support services necessary for high perfomance functioning of the software product, besides receiving all the legal changes and charged version changes free of charge. Version upgrade package sales are recognized on an accrual basis over the contract period.

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 13).

2. Basis of presentation of consolidated financial statements (continued)

Employee benefits

Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employee's service relates.

For defined benefit plans and other long-term employment benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation and vacation liability recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognized past service cost. There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income (Note 14).

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 16).

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

2. Basis of presentation of consolidated financial statements (continued)

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 is 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.

2.3 Change in accouting policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements).
New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,

ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the consolidated financial statements of the Group.

2. Basis of presentation of consolidated financial statements (continued)

TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognise actuarial gain and loss in the comprehensive income statement are disclosed in Note 2.1.5. Additionally, based on the amendment in the presentation of short term employee benefits, vacation pay liability formerly presented in the short term provisions has been retrospectively reclassified to long term provisions and calculated based on actuarial method.

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the TASB also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the TASB also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have an impact on the financial position or performance of the Group.

TFRS 10 Consolidated Financial Statements

TFRS10, replaces the parts of previously existing TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard did not have an impact on the financial position or performance of the Group.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The standard affects presentation only and did not have an impact on the disclosures given by the Group.

TFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. The Group has presented these disclosures in Note 27.

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Entities are required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which TFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. These amendments did not have an impact on the consolidated financial statements of the Group.

Improvements to TFRSs

Annual Improvements to TFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

TAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

TAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

2. Basis of presentation of consolidated financial statements (continued)

TAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Financial Reporting:

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The amendment is not applicable for the Group and the Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied TFRS 13. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to TAS 39 Financial Instruments: Recognition and Measurement, provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment will not have any impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014. Earlier application is permitted.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

2. Basis of presentation of consolidated financial statements (continued)

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

2. Basis of presentation of consolidated financial statements (continued)

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance of the Group.

IFRS 14 - interim standard on regulatory deferral accounts.

In January 2014, the IASB issued this standard. IFRS 14 permits first-time adopter rate regulated entities to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. Existing IFRS preparers are prohibited from adopting this Standard. The Standard will be applied on a full retrospective basis and is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

***2013-1* Financial Statement Examples and User Guide**

The POA promulgated "financial statement examples and user guide" on 20 May 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the related classifications stated in Note 2.1.6 in order to comply with the requirements of this regulation.

2. Basis of presentation of consolidated financial statements (continued)

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

This resolution did not have any impact on the consolidated financial statements of the Group.

3. Business combinations

Coretech acquisition

Upon the signing of the share purchase agreement on 31 October 2011, the Company acquired all the shares in Coretech in return for TL 5.616.249, of which the portion TL 1.399.998 comprises contingent consideration. The portion TL 2.550.000 of the acquisition amount was paid in cash and the remaining TL 1.456.251 was paid on 31 March 2012, while the rest TL 210.000 was paid on 31 March 2013. The amortised cost of the acquisition amount equals TL 5.307.021 as of 31 December 2011. The share purchase agreement entered into force as of 28 November 2011. Acquisition-related costs of TL 135.089 have been included in the general administrative expenses.

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

3. Business combinations (continued)

As of 31 December 2011 the Company management finalised studies conducted to determine the fair value of Coretech's identifiable assets acquired and liabilities assumed. The identifiable assets acquired and liabilities assumed were booked over their following values:

Cash and cash equivalents	91.678
Financial assets	320.378
Trade receivables	900.189
Other current assets	106.728
Property and equipment	152.738
Intangible assets - identifiable assets	5.680.885
Deferred income tax assets	55.949
Trade payables	(124.388)
Other payables	(293.200)
Other current liabilities	(666.249)
Bank borrowings	(410.393)
Provision for employee termination benefits	(202.073)
Fair value of net assets	5.612.242
Less: purchase consideration	4.146.083
Less: contingent consideration	1.160.938
Negative goodwill	**305.221**

Of the identifiable assets determined as a result of Coretech's purchase price allocation study, the technology developed is amortised over seven years, customer relations are amortised over ten years and the agreement for restriction of competition is amortised over three years.

In accordance with the share purchase agreement, in the event the total sales of Coretech derived from licence sales and other service income reaches TL 7.000.000 in the accounting year 2012, the Company will pay TL 1.399.998 to the former shareholders of Coretech within 3 days as of 31 March 2013. In the event that total turnover does not reach TL 7.000.000, the amount to be paid by the Company will gradually decrease.

As Coretech's total revenue from license sales or project and other service in 2012 reached TL 6.822.442, the Company paid TL 1.224.999 to Coretech's former shareholders on 2 April 2013. The amortized cost of the mentioned contingent debts was TL1.183.502 as of 31 December 2012.

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

3. Business combinations (continued)

LogoBI acquisition

The Company acquired 32,2% of Worldbi's shares free of charge with the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement became effective as of 1 January 2012. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

On 30 June 2012, the company management completed its studies for determining the fair values of LogoBI's identifiable assets and acquired liabilities, which were recorded based mentioned on the below values.

Total assets	93.247
Intangible assets - identifiable assets	3.400.000
Total liabilities	(87.539)
Fair value of net assets	3.405.708
Less: carrying value of investments in associates	2.065.365
Less: non-controlling interest	1.362.285
Goodwill	**21.942**

The goodwill arising from the acquisition was associated with the income statement, since it is not material for consolidated financial statements.

The Group has measured the non-controlling interest in LogoBi at the proportionate share of the acquirer's identifiable net assets.

Identifiable asset advanced technology determined in consequence of LogoBI's purchase price allocation study are amortized on 10 years.

Netsis acquisition

Upon the signing of the share purchase agreement on 25 July 2013, the Group acquired all the shares in Netsis in return for TL 24.699.850. The total acquisition amount was paid in cash. The share purchase agreement entered into force as of 19 September 2013. Acquisition-related costs of TL 192.388 have been included in the general administrative expenses.

Referring to this acquisition, Group has applied TFRS 3 "Business Combinations" standard in accounting for business combinations of Netsis as subsidiary. As of 31 December 2013, fair values of identifiable assets and assumed identifiable liabilities acquired with the scope of business combinations are identified with draft fair value measurement report. These items are reported over the temporary amounts (on provisional basis) on the consolidated financial statements. The additions and corrections of fair values of the acquired identifiable assets, liabilities and contingent liabilities are limited to 12 months from the date of acquisition.

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

3. Business combinations (continued)

The identifiable assets acquired and liabilities assumed were booked over their following values:

Cash and cash equivalents	3.387.716
Other trade receivables	9.936.670
Inventories	1.955
Prepaid expenses	114.086
Assets related to current period taxes	36.353
Other current assets	6.100
Financial investments	12.500
Other receivables	5.723
Property and equipment	452.962
Intangible assets - identifiable assets	11.851.209
Prepaid expenses	1.598
Deferred income tax assets	59.883
Other trade payables	(443.125)
Other payables	(439.318)
Current deferred revenues	(4.123.468)
Employee benefit obligations	(696.481)
Other current provisions	(220.710)
Non-current deferred revenues	(365.926)
Long-term provisions for employee termination benefits	(770.129)
Fair value of net assets	18.807.598
Less: purchase consideration	24.699.850
Goodwill	**5.892.252**

Of the identifiable assets determined as a result of Netsis's purchase price allocation study, the technology developed is amortised over seven years, customer relations are amortised over twenty years and the agreement for restriction of competition is amortised over two years.

Netsis's share in revenues after purchase date in the consolidated profit or loss statement for the period ended 31 December 2013 is realized as TL 6.970.508. In the same period, Netsis's contribution to the net income for the period is TL 2.706.144.

If, Netsis was included to the consolidation as of 1 January 2013, revenues would be realized as TL 88.109.801 in the Group's consolidated profit or loss statement.

Detail of cash outflows due to purchase as of 31 December 2013 is as follows:

Purchase price – cash paid in 2013	24.699.850
Cash and cash equivalents – acquired	3.387.716
Cash outlow due to purchase, net	**21.312.134**

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

4. Cash and cash equivalents

As of 31 December 2013 and 31 December 2012, the details of cash and cash equivalents are as disclosed below:

	31 December 2013	31 December 2012
Cash	**11.101**	5.283
Banks		
- Demand deposits - Turkish Lira	**1.488.448**	1.292.369
- Demand deposits - foreign currency	**981.378**	544.303
- Time deposits - Turkish Lira	**4.442.000**	5.681.340
- Time deposits - foreign currency	**960.435**	-
Credit card receivables	**11.384.753**	2.310.386
Total	**19.268.115**	9.833.681

As of 31 December 2013, the weighted average effective annual interest rates for TL time deposits are between 5,25% and 9,07% (31 December 2012: 8,00% - 8,65%). As of 31 December 2013 and 31 December 2012, the maturity of time deposits is less than three months.

As of 31 December 2013 and 31 December 2012, the maturity of credit card receivables is less than three months.

As of 31 December 2013 and 31 December 2012, the cash and cash equivalents included in the consolidated statement of cash flows are as follows:

	31 December 2013	**31 December 2012**
Cash and cash equivalents	19.268.115	9.833.681

5. Financial assets

Trading securities

The analysis of financial assets at fair value through profit and loss at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	**31 December 2012**
Mutual funds		
- Liquid fund	151.985	384.975
- Gold fund	41.078	97.850
Total	**193.063**	**482.825**

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

5. Financial assets (continued)

The analysis of non-current financial assets at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013		31 December 2012	
	Share %	Carrying amount	Share %	Carrying amount
Associates:				
Logomotif Multimedya ve Elektronik Yayıncılık Sanayi ve Ticaret A.Ş.	-	-	44,75	-
Available-for-sale equity securities:				
İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş.	2	80.653	2	80.653
Dokuz Eylül Teknoloji Geliştirme Bölgesi A.Ş.	0,67	25.000	-	-
Boğaziçi Üniversitesi Teknopark	5	2.500	5	2.500
Total		**108.153**		**83.153**

At 31 December 2013 and 31 December 2012, 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 recogniton 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 31 December 2012, the liquidation process has been completed.

İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. is assessed as available-for-sale financial asset as of 31 December 2013 and 31 December 2012. Since İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. does not have any quoted market price in active market, its fair value cannot be measured reliably and since it is immaterial to the consolidated financial statements, it is carried at cost.

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

6. Associate accounted for using the equity method

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 and to purchase the shares from the parent company Logo Yatırım Holding A.Ş. 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 2009. The identifiable assets and acquired liabilities are recorded at the values stated below:

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

The acquisition has been accomplished on July 2009. Worldbi has been accounted for using the equity method until 31 December 2011. The company acquired 32,2% ofWorldbi's shares free of charge with the share purchase agreement signed on 12 December 2011 and increased its effective ownership interest to 60%. The share purchase agreement became effective as of 1 January 2012. Worldbi was accounted by using full consolidation method as of this date. The title of Worldbi Yazılım Sanayii ve Ticaret A.Ş. was changed as Logobi Yazılım Sanayi ve Ticaret A.Ş. ("LogoBI") on 2 April 2012.

The movements in the carrying value of the associate during the years ended 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
1 January	**-**	**2.065.365**
Business combination (Note 3)	-	(2.065.365)
31 December	**-**	**-**

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

7. Bank borrowings:

The analysis of borrowings at 31 December 2013 and 31 December 2012 is as follows:

Short-term bank borrowings:	**31 December 2013**	**31 December 2012**
Short-term bank borrowings	567.806	283.315
Current portion of long-term bank borrowings	890.714	877.092
Credit card payables	205.350	615.954
Total	**1.663.870**	**1.776.361**

Long-term bank borrowings:	**31 December 2013**	**31 December 2012**
Long-term bank borrowings	22.456.183	3.458.824

			31 December 2013
	Weighted average effective interest rate p.a. (%)	**Original balance**	**TL equivalent**
Short-term bank borrowings	-	567.806	567.806
Credit card payables	-	205.350	205.350
Total short-term bank borrowings			**773.156**
Current portion of long-term bank borrowings			
TL denominated borrowings	11,60%-%15,84	782.031	782.031
USD denominated borrowings	-	48.830	108.683
Total current portion of long-term bank borrowings			**890.714**
Long- term bank borrowings:			
TL denominated borrowings	11,60%-%15,84	22.437.238	22.437.238
USD denominated borrowings	-	8.877	18.945
Total long-term bank borrowings			**22.456.183**

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

7. Bank borrowings (continued)

A credit agreement amounting TL 20.000.000 and having 5 year term is signed between the Company and International Finance Corporation ("IFC"), an institution of World Bank on 25 October 2013.

	31 December 2012		
	Weighted average effective interest rate p.a. (%)	**Original balance**	**TL equivalent**
Credit card payables	-	615.954	615.954
Short-term bank borrowings	-	283.315	283.315
Total short-term bank borrowings			**899.269**
Current portion of long-term bank borrowings			
TL denominated borrowings	12,24%-15,84%	733.876	733.876
USD denominated borrowings	-	80.341	143.216
Total current portion of long-term bank borrowings Long- term bank borrowings:			**877.092**
TL denominated borrowings	12,24%-15,84%	3.353.014	3.353.014
USD denominated borrowings	-	59.358	105.810
Total long-term bank borrowings			**3.458.824**

The redemption schedule of long-term bank borrowings at 31 December 2013 is as follows:

	2013
1 to 2 years	6.352.311
2 to 3 years	6.447.055
3 to 4 years	5.656.817
4 to 5 years	4.000.000
Total	**22.456.183**

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

8. Trade receivables and payables

The analysis of trade receivables and payables at 31 December 2013 and 31 December 2012 is as follows:

Short-term other trade receivables:	**31 December 2013**	**31 December 2012**
Trade receivables	32.813.099	19.889.810
Credit card receivables	21.143.160	4.271.115
Cheques and notes receivables	6.857.153	1.090.310
Other trade receivables	77.032	88.142
Less: provision for doubtful receivables	(6.411.821)	(4.741.250)
Less: unearned credit finance income	(1.676.927)	(272.881)
Total	**52.801.696**	**20.325.246**

As of 31 December 2013, trade receivables of TL 2.413.693 (31 December 2012: TL 2.826.265) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	31 December 2013	**31 December 2012**
Up to 1 month	231.361	1.407.801
1 to 3 months	511.231	612.480
Over 3 months	1.671.101	805.984
Total	**2.413.693**	**2.826.265**
Amount of risk covered by guarantees	-	-

Long-term other trade receivables:	**31 December 2013**	**31 December 2012**
Credit card receivables	148.883	-

Short-term trade payables:	**31 December 2013**	**31 December 2012**
Trade payables	3.211.583	2.257.430

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

8. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of 31 December 2013 and 31 December 2012 as follows:

	Trade receivables		Other receivables		
31 December 2013	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date	**30.130**	**52.950.579**	**-**	**15.240**	**19.257.014**
- Amount risk covered by guarantees	**-**	***99.400***	**-**	**-**	**-**
Net carrying value of not past due and not impaired financial assets	30.130	50.536.886	-	15.240	19.257.014
Net carrying value of past due but not impaired financial assets	-	2.413.693	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	6.411.821	-	-	-
- Provision for impairment (-)	-	(6.411.821)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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

8. Trade receivables and payables (continued)

	Trade receivables		Other receivables		
31 December 2012	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date	**59.699**	**20.325.246**	**2.000.000**	**22.432**	**9.828.398**
- Amount risk covered by guarantees	**-**	***159.400***	**-**	**-**	**-**
Net carrying value of not past due and not impaired financial assets	59.699	17.498.981	2.000.000	22.432	9.828.398
Net carrying value of past due but not impaired financial assets	-	2.826.265	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-
- Past due (gross carrying value)	-	4.741.250	-	-	-
- Provision for impairment (-)	-	(4.741.250)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

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

9. Other receivables and payables

The analysis of other receivables and payables at 31 December 2013 and 31 December 2012 is as follows:

Other current receivables:	**31 December 2013**	**31 December 2012**
Deposits and guarantees given	9.516	22.432

Other current payables:	**31 December 2013**	**31 December 2012**
Taxes payable	2.412.924	1.050.860
Payable arising from Coretech acquisition – contingent consideration	-	1.183.502
Payable arising from Coretech acquisition	-	202.886
Total	**2.412.924**	**2.437.248**

Other non-current payables:	**31 December 2013**	**31 December 2012**
Restructured taxes payable	-	11.570
Total	**-**	**11.570**

Upon the signing of the share purchase agreement on 31 October 2011, the Company acquired all the shares in Coretech in return for TL 5.616.249, of which the portion TL 1.399.998 comprises contingent consideration. The portion TL 2.550.000 of the acquition amount was paid in cash and the remaining TL 1.456.251 was paid on 31 March 2012, while the rest TL 210.000 was paid on 31 March 2013. As of 31 December 2012, the amortised cost of the instalment paid on 31 March 2013 was TL 202.886 and is classified under other current payables.

In accordance with the share purchase agreement, in the event the total sales of Coretech derived from licence sales and other service income reaches TL7.000.000 in the accounting year 2012, the Company will pay TL1.399.998 to the former shareholders of Coretech within three days as of 31 March 2013. In the event that total revenue does not reach TL 7.000.000, the amount to be paid by the Company will gradually decrease.

As Coretech's total revenue from license sales or project and other service in 2012 financial year reached TL6.822.442, the Company paid TL1.224.999 to Coretech's former shareholders on 2 April 2013. The amortized cost of the mentioned contingent debts was TL1.183.502 as of 31 December 2012.

Law No. 6111 on "Restructuring of Certain Receivables and on Amending Social Security and General Health Insurance Law and Certain Other Laws and Statutory Decrees" was enacted after its approval by the Turkish Grand National Assembly on 13 February 2011 and entered into force after being issued in the Official Gazette on 25 February 2011. The enterprises can benefit from the tax base increase mechanism of the aforementioned law for the years 2006, 2007, 2008 and 2009. The companies which have filed tax base increase applications are excluded from the scope of tax inspections for the relevant taxable periods. The Company decided to benefit from the tax base increase mechanism offered in Law No. 6111 from the perspective of corporate tax. Therefore, the related tax base increase declarations were arranged and submitted to the tax office of the Company. As a result of the implementation of the law provisions for the corporate tax, an additional tax of TL 168.497 was accrued in the name of the Company. Moreover, the portion TL 334.929 of tax losses to be offset was waived.

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

10. Inventories

The analysis of inventories at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Trade goods	137.608	130.906
Raw materials	283.913	14.246
Total	**421.521**	**145.152**

11. Property and equipment

The movements in property and equipments and accumulated depreciation during the periods ended 31 December 2013 and 2012 were as follows:

	1 January 2013	Additions	Acquisition of Subsidiary (*)	Disposals	31 December 2013
Cost:					
Machinery and equipment	5.015.860	227.683	-	-	5.243.543
Motor vehicles	-	-	369.680	(136.282)	233.398
Furniture and fixtures	1.974.348	115.788	1.175.435	-	3.265.571
Leasehold improvements	16.158.248	11.621	1.038.928	-	17.208.797
Construction in progress	664.303	47.376	-	-	711.679
Total	**23.812.759**	**402.468**	**2.584.043**	**(136.282)**	**26.662.988**
Accumulated depreciation:					
Machinery and equipment	4.537.232	170.828	-	-	4.708.060
Motor vehicles	-	6.205	287.314	(86.772)	206.747
Furniture and fixtures	1.691.650	151.004	891.655	-	2.734.309
Leasehold improvements	4.043.660	388.564	952.112	-	5.384.336
Total	**10.272.542**	**716.601**	**2.131.081**	**(86.772)**	**13.033.452**
Net book value	**13.540.217**				**13. 629.536**

(*) See Note 3.

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

11. Property and equipment (continued)

	1 January 2012	Additions	Disposals	Transfers	31 December 2012
Cost:					
Machinery and equipment	4.784.830	265.338	(34.308)	-	5.015.860
Motor vehicles	20.746	-	(20.746)	-	-
Furniture and fixtures	1.784.243	193.241	(3.136)	-	1.974.348
Leasehold improvements	15.259.801	86.285	-	812.162	16.158.248
Construction in progress	1.010.269	653.231	(187.035)	(812.162)	664.303
Total	**22.859.889**	**1.198.095**	**(245.225)**	**-**	**23.812.759**
Accumulated depreciation:					
Machinery and equipment	4.409.446	137.882	(10.096)	-	4.537.232
Motor vehicles	6.639	470	(7.109)	-	-
Furniture and fixtures	1.587.279	107.507	(3.136)	-	1.691.650
Leasehold improvements	3.669.297	374.363	-	-	4.043.660
Total	**9.672.661**	**620.222**	**(20.341)**	**-**	**10.272.542**
Net book value	**13.187.228**				**13.540.217**

The Company leased the land; its head-office is standing on 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.

In accordance with the loan agreement signed between the Company and a financial institution ("Lender") in 2011, a pledge of TL 7.000.000 was placed on the Company's building as collateral for the loan.

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

12. Intangible assets

The movements in intangible assets and related accumulated amortization during the years ended 31 December 2013 and 2012 were as follows:

	1 January 2013	Additions	Acquisition of subsidiary (*)	31 December 2013
Cost:				
Development costs	36.072.486	8.276.239	5.250.666	49.599.391
Technology developed (*)	2.074.171	-	3.361.856	5.436.027
Customer relations (*)	6.560.838	-	3.209.337	9.770.175
Agreement for restriction of competition (*)	445.876	-	1.494.181	1.940.057
Other intangible assets	833.752	126.979	3.538.633	4.499.364
Total	**45.987.123**	**8.403.218**	**16.854.673**	**71.245.014**
Accumulated amortization:				
Development costs	28.256.390	3.985.605	1.482.175	33.724.170
Technology developed	321.003	433.153	-	754.156
Customer relations	682.424	701.806	-	1.384.230
Agreement for restriction of competition	161.007	361.497	-	522.504
Other intangible assets	733.341	42.349	3.521.289	4.296.979
Total	**30.154.165**	**5.524.410**	**5.003.464**	**40.682.039**
Net book value	**15.832.958**			**30.562.975**

	1 January 2012	Additions	Acquisition of subsidiary (*)	31 December 2012
Cost:				
Development costs	32.247.951	3.824.535	-	36.072.486
Technology developed (*)	2.074.171	-	-	2.074.171
Customer relations (*)	3.160.837	-	3.400.000	6.560.837
Agreement for restriction of competition (*)	445.877	-	-	445.877
Other intangible assets	778.368	55.384	-	833.752
Total	**38.707.204**	**3.879.919**	**3.400.000**	**45.987.123**
Accumulated amortization:				
Development costs	24.237.257	4.019.133	-	28.256.390
Technology developed	24.693	296.310	-	321.003
Customer relations	26.340	656.080	-	682.420
Agreement for restriction of competition	12.385	148.626	-	161.011
Other intangible assets	700.626	32.715	-	733.341
Total	**25.001.301**	**5.152.864**	**-**	**30.154.165**
Net book value	**13.705.903**			**15.832.958**

(*) See Note 3.

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

12. Intangible assets (continued)

All additions to development costs during the years ended 31 December 2013 and 2012 includes staff costs.

TL 5.866.757 of the current period depreciation and amortization expense has been allocated to research and development expenses, TL 106.485 has been allocated to marketing, selling and distribution expenses, TL 267.769 has been allocated to general administrative expenses (31 December 2012: TL 5.341.884 to research and development expenses, TL 107.381 to marketing, selling and distribution expenses, TL 303.810 to general administrative expenses and TL 20.011 to cost of sales).

13. Commitments and contingent liabilities

Guarantees given and guarantees received at 31 December 2013 and 31 December 2012 were as follows:

Guarantees received:

		31 December 2013		31 December 2012	
	Original currency	**Original amount**	**TL equivalent**	**Original currency**	**TL equivalent**
Guarantee notes received	TL	39.400	39.400	39.400	39.400
Mortgages received	TL	60.000	60.000	120.000	120.000
Total			**99.400**		**159.400**

As of 31 December 2013 and 31 December 2012, guarantee/pledge/mortgage given by the Company on behalf of its legal entity were as follows:

Guarantee/pledge/mortgage given by the Company:

		31 December 2013		31 December 2012	
	Original currency	**Original amount**	**TL equivalent**	**Original currency**	**TL equivalent**
Total amount of guarantee/ pledge/ mortgage the Company gave on behalf of its legal entity	TL	7.510.124	7.510.124	7.496.651	7.496.651
	USD	160.539	342.638	255.183	454.889
Total			**7.852.762**		**7.951.540**

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

13. Commitments and contingent liabilities (continued)

Guarantee/pledge/mortgage given by the Company includes letters of guarantee issued in the name of its legal entity. There is no guarantee/pledge/mortgage given by the Company falling within the following categories:

a) Those given on behalf of subsidiaries,
b) Those given in order to assure the liabilities of third parties in the ordinary course of business,
c) Those given on behalf of parent company,
d) Those given on behalf of other group companies not falling under the scope of articles (a) and (b), and
e) Those given on behalf of third parties not falling under the scope of article (b).

A credit agreement amounting TL 20.000.000 and having 5 year term is signed between the Company and International Finance Corporation ("IFC"), an institution of World Bank on 25 October 2013. Pledge of commercial enterprise, pledge of Netsis Yazılım Sanayi ve Ticaret A.Ş.'s share and guarantee of bail of Coretech Bilgi Teknolojisi Hizmetleri A.Ş. is given as a credit warrant. There are financial ratios the Company committed in credit agreement. The Company quarterly calculates related ratios according to the data of consolidated financial statements and notifies IFC. The Company committed to Financial Debt to Tangible Net Worth Ratio of not more than 1,50; Net Debt to EBITDA Ratio of not more than 2,5; and receivables (excluding credit card receivables up to 12 months) to sales ratio of not more than 0,6 at all times on a consolidated basis.

14. Provision for employee benefits

a) Short term provisions for employee benefits

The detail of short term provisions in the years ended 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Personnel bonus accrual	**4.459.947**	2.220.420
Total	**4.459.947**	2.220.420

The movement of personnel bonus provision in the years ended 31 December 2013 and 31 December 2012 is as follow:

	31 December 2013	31 December 2012
1 January	**2.220.420**	707.093
Acquisition of subsidiary	**31.145**	-
Increase in the period, net	**2.208.382**	1.513.327
31 December 2013	**4.459.947**	2.220.420

b) Long term provisions for employee benefits

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

14. Provision for employee benefits (continued)

The analysis of provision for employment termination benefits in the years ended 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Provision for employee termination benefits	**2.233.283**	1.381.737
Provision for unused vacation	**1.496.506**	939.185
Total	**3.729.789**	2.320.922

The movement of unused vacation liability in the years ended 31 December 2013 and 31 December 2012 is as follow:

	31 December 2013	31 December 2012
1 January	**939.185**	712.500
Acquisition of subsidiary	**278.437**	-
Increase in the period, net	**278.884**	226.685
31 December 2013	**1.496.506**	939.185

Provision for employment termination benefits is calculated as 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 3.254 (2012: TL 3.034) for each year of service at 31 December 2013. 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:

	31 December 2013	31 December 2012
Net discount rate	**4,48%**	2,50%
Turnover rate to estimate the probability of retirement	**93%**	94%

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 3,438 which is effective from 1 January 2014 has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

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

14. Provision for employee benefits (continued)

The movements in the provision for employment termination benefits during the years ended 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
1 January	**1.381.737**	**1.151.597**
Acquisition of subsidiary	491.692	-
Service cost	180.522	350.330
Interest cost	118.624	87.867
Actuarial loss	307.616	338.821
Paid/accrued during the period	(246.908)	(546.878)
31 December	**2.233.283**	**1.381.737**

15. Prepaid expenses, other current assets, deferred revenues and employee benefit obligations

a) Prepaid expenses:

The analysis of prepaid expenses at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Prepaid expenses	**136.762**	87.264
Advances given	**526.944**	-
Total	**663.706**	87.264

b) Other current assets:

The analysis of other current assets at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Job advances	**71.548**	100.869
Value Added Tax ("VAT") receivables	**3.670**	5.052
Personnel advances	**26.475**	-
Other	**44.062**	7.518
Total	**145.755**	113.439

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

15. Prepaid expenses, deferred revenues and other assets and liabilities (continued)

c) Deferred revenues

The analysis of deferred revenues at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Deferred revenues	**16.420.096**	3.084.568
Advances received (*)	**1.343.012**	458.718
Deferred revenues- short term	**17.763.108**	3.543.286
Deferred revenues	**266.702**	677.632
Deferred revenues – long term	**266.702**	677.632

(*) 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 softwares have started as of 30 June 2010.

Deferred revenue mainly relates to LEM sales revenue, pay as you go sales, after-sales services, Netsis licence revenues and version upgrade package sales, customized software sales and Tübitak incentives billed but not earned. The analysis of deferred revenues at 31 December 2013 and 31 December 2012 is as follows:

Deferred revenues:	**31 December 2013**	31 December 2012
Logo Enterprise Membership sales	**7.780.432**	3.597.292
Pay as you go sales	**3.708.698**	96.453
Version upgrade package sales	**3.179.770**	-
Deferred revenue from continuing projects	**1.945.578**	-
After-sales services revenue	**72.320**	68.455
Total	**16.686.798**	3.762.200

d) Employee benefit obligations

The analysis of employee benefit obligations at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Payable to personnel	**1.134.745**	1.083.368
Taxes, witholdings and social security payables	**861.920**	425.924
Total	**1.996.665**	1.509.292

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

16. Equity

The Company's authorized and paid-in share capital consists of 2.500.000.000 (2012: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	Share (%)	31 December 2012	Share (%)
Logo Yatırım Holding A.Ş.	8.648.762	34,595	17.297.523	69,19
Mediterra Capital Partners I, LP (*)	8.648.762	34,595	-	-
Publicly owned-free floating	7.702.476	30,810	7.702.477	30,81
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**	

(*) Consist of EAS S.A.R.L 33,51% and other.

A Share Transfer Agreement has been signed between Logo Yatırım Holding A.Ş., the majority shareholder of the Company and EAS Solutions SARL which is owned 100% by Mediterra Capital Partners I LP regarding the sale of 864.876.171 shares (863.226.171 shares from B Group, 1.650.000 shares from A Group) having a nominal value of 1 Krş each and a total nominal value of TL 8.648.762. The shares sold corresponds to 50% of the shares held by Logo Yatırım Holding A.Ş. and represents 34.595% of the share capital of the Company. The total share transfer price was TL 48.216.846,53 (TL 5,575 for every 100 shares) and the share transfer has been concluded. The management control of the Company is divided equally between Logo Yatırım Holding A.Ş., which currently had full control of the management and EAS Solutions SARL, which has taken over the shares. The Company is currently under the joint control of these two shareholders.

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.

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

16. Equity (continued)

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The analysis of restricted reserves at 31 December 2013 and 31 December 2012 is as follows:

	31 December 2013	31 December 2012
Legal Reserves	**2.581.162**	2.002.576
Gain on sale of land and investments	**923.318**	923.318
Extraordinary reserves	**161.789**	161.789
Total	**3.666.269**	3.087.683

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.

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

16. Equity (continued)

Treasury Shares

Based on the Board of Directors decision dated 26 June 2013, regarding taking back maximum 62.500.000 share certificates (each having TL 0.01 nominal value, constituting 2,5% of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 3,5 in order to decrease price fluctuations in the Company's share certificates traded in Istanbul Stock Exchange ("ISE") (now called as Borsa Istanbul ("BIST") and evaluate current market conditions, the Company took back 171.000 share certificates traded in ISE between 4 July 2012 and 5 November 2012. The mentioned share certificates were accounted as treasury shares under equities.

Based on the Board of Directors decision dated 19 April 2013, regarding taking back maximum 100.000.000 share certificates (each having TL 0.01 nominal value, constituting 4 % of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 967.778 share certificates traded in BIST between 25 April 2013 and 21 June 2013.

Based on the Board of Directors decision dated 26 June 2013, regarding taking back maximum 100.000.000 share certificates (each having TL 0.01 nominal value, constituting 4 % of 2.500.000.000 paid in share capital) within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 471.528 share certificates traded in BIST between 10 July 2013 and 26 September 2013.

Based on the Board of Directors decision dated 3 October 2013, regarding taking back maximum 100.000.000 share certificates within lower price limit of TL 0 and upper price limit of TL 5,5 in order to decrease price fluctuations in the Company's share certificates traded in BIST and evaluate current market conditions, the Company took back 272.189 share certificates traded in BIST between 30 October 2013 and 31 December 2013.

In accordance with Capital Markets Board's ("CMB") decision dated 10 August 2011 and numbered 26/767, the Company has repurchased 1,610,306 numbers of shares in accordance with three different "Share Repurchase Programs" which were in agenda of the Board of Directors' meetings dated 26 June 2012, 19 April 2013, and 26 June 2013. The repurchased shares constitute 6,44% of the Company's share capital as of 26 September 2013 which was the end date of the 3rd program. The Company has sold a portion of these repurchased shares having TL 1.237.500 nominal value and constituting 4,95% of the Company's share capital to Murat Ihlamur in exchange for TL 5 for each TL 1 nominal value share amounting to a total of TL 6.187.000. The sales transaction is realized in the Wholesale Market of Borsa İstanbul A.Ş. (BİAŞ) on 10 October 2013. Gain from this transaction amounted to TL 485.890 is recognized under shareholders equity.

The Company's repurchased shares in accordance with Share Repurchase Programs having TL 60.000 nomial value and constituting 0,24% of the Company's share capital have been sold to Teknoloji Yatırım A.Ş. on 26 December 2013 in exchange for TL 5 for each TL 1 nominal value share amounting to a total of TL 300.000. Gain from this transaction amounted to TL 37.023 is recognized under shareholders equity.

16. Equity (continued)

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

Companies should include at least the following in their profit distribution policies:

a) Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
b) Payment type of dividend distribution.
c) Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon.
d) Whether dividend advances will be distributed, and if distributed, the related principles.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In dividend distribution, the Company follows a balanced and consistent policy between the benefits of the shareholders and the benefits of the Company in accordance with the Corporate Management Principles. The Board of Directors of the Company has decided; that at least 20% of the ditributable net profit for the period calculated in accordance with the TCC, CMB regulations and the main agreement should be distributed to the shareholders as dividends, taking into consideration the economic conditions, long-term investment financing and business plans as well as profitability; that the dividend to be distributed may be realized in cash or by capital increase through bonus shares or partly in cash and partly through bonus shares; that the calculable dividend amount may remain undistributed in the event that it is less than 5% of the paid-in capital; and that this dividend distribution policy should be revised annually by the Board of Directors.

The matters in the Company's existing profit distribution policy which do not comply with the Communiqué on Dividends numbered II-19.1 which took effect in 2014 will be revised and submitted to the 2013 General Assembly for approval.

The part of the accumulated losses of the companies exceeding the total of retained earnings, general legal reserves including premiums related to shares and the amounts arising from the adjustment of equity items except for capital in accordance with inflation accounting is accounted for as discount items in the calculation of net distributable profit for the period.

Total amount of current period income and other reserves in the statutory records as of 31 December 2013 that can be subject to the dividend distribution of the Company is TL 25.866.560 (31 December 2012: TL 10.993.141).

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

17. Expenses by Nature

As of 31 December 2013 and 2012, expenses are disclosed by function and the analysis of the expenses is summarized in Note 18 and Note 19.

18. Sales and cost of sales

The analysis of sales and cost of sales for the periods ended 31 December 2013 and 2012 is as follows:

	1 January - 31 December 2013	1 January- 31 December 2012
Sales income	69.353.110	44.747.546
Service income	5.184.590	3.937.222
Sales returns	(2.102.480)	(1.386.784)
Sales discounts	(1.703.943)	(1.135.347)
Net sales	70.731.277	46.162.637
Cost of sales	(8.548.962)	(1.751.338)
Gros profit	**62.182.315**	**44.411.299**

For the period ended at 31 December 2013, service income consists of SaaS service income amounting to TL 4.349.566 (2012- TL 3.182.112).

Cost of sales

The analysis of cost of sales for the periods ended 31 December 2013 and 2012 is as follows:

	1 January - 31 December 2013	1 January- 31 December 2012
Expenses for transfer of financial rights	8.408.073	1.029.076
Direct labour	-	70.796
Depreciation and amortisation expenses	-	20.011
Other production expenses	-	44.866
Total production cost	**8.408.073**	**1.164.749**
Cost of trade goods sold	140.889	586.589
Cost of sales	**8.548.962**	**1.751.338**

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

19. Marketing, selling and distribution expenses, research and development expenses, general administrative expenses

The analysis of research and development expenses, marketing, selling and distribution expenses and general administrative expenses for the periods ended 31 December 2013 and 2012 is as follows:

Marketing, selling and distribution expenses:	1 January-31 December 2013	1 January-31 December 2012
Personnel expenses	**7.206.246**	5.245.430
Advertising and selling expenses	**6.034.575**	4.547.225
Motor vehicle expenses	**583.858**	427.665
Consulting expenses	**425.471**	277.547
Travel expenses	**239.142**	176.064
Outsourced benefits and services	**158.895**	103.132
Depreciation and amortisation expenses	**106.485**	107.381
Rent expenses	**55.004**	20.736
Other	**121.273**	244.374
Total	**14.930.949**	11.149.554

Research and development expenses:	1 January-31 December 2013	1 January-31 December 2012
Personnel expenses	**8.191.977**	7.251.237
Depreciation and amortisation expenses	**5.866.757**	5.341.884
Consulting expenses	**1.234.503**	-
Motor vehicle expenses	**690.117**	338.089
Outsourced benefits and services	**460.725**	295.449
Travel expenses	**156.709**	68.658
Rent expenses	**151.148**	79.362
Other	**351.449**	624.077
Total	**17.103.385**	13.998.756

General administrative expenses:	1 January-31 December 2013	1 January-31 December 2012
Personnel expenses	**6.352.707**	5.369.249
Consulting expenses	**1.361.103**	529.769
Motor vehicle expenses	**484.734**	464.014
Depreciation and amortisation expenses	**267.769**	303.810
Outsourced benefits and services	**222.709**	183.321
Rent expenses	**48.781**	23.663
Travel expenses	**42.777**	28.492
Other	**490.707**	410.982
Total	**9.271.287**	7.313.300

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

20. Financial income

The analysis of financial income for the periods ended 31 December 2013 and 2012 is as follows:

Financial income:	**1 January-31 December 2013**	1 January-31 December 2012
Interest income	**318.293**	264.564
Foreign exchange gains, net	**194.473**	-
Other financial income	**384.360**	-
Total	**897.126**	264.564

21. Financial expense

The analysis of financial expenses for the periods ended 31 December 2013 and 2012 is as follows:

Financial expense:	**1 January-31 December 2013**	1 January-31 December 2012
Credit card commissions	**656.322**	1.277.266
Interest expenses	**982.437**	597.792
Foreign exchange losses, net	**-**	35.678
Other financial expenses	**230.103**	47.001
Loan comission expenses	**344.236**	-
Total	**2.213.098**	1.957.737

22. Other operating income and expenses and income from investment activities

The analysis of other operating income for the periods ended 31 December 2013 and 2012 is as follows:

Other operating income:	**1 January-31 December 2013**	1 January-31 December 2012
Overdue interest income	**706.964**	559.069
Foreign exchange gain	**457.772**	-
Income from reversal of provision	**-**	250.000
Other income	**203.664**	358.853
Total	**1.368.400**	1.167.922

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

22. Other operating income and expenses and income from investment activities (continued)

Other operating expenses:	1 January- 31 December 2013	1 January- 31 December 2012
Rediscount expenses, net	**896.330**	331.304
Provision expenses	**182.068**	-
Foreign exchange loss	**448.581**	28.084
Other expenses	**301.135**	276.251
Total	**1.828.114**	635.639

Income from investment activities:	1 January- 31 December 2013	1 January- 31 December 2012
Gain from sale of property and equipment	**68.653**	-
Gain on sale of financial instruments	**47.142**	124.210
Total	**115.795**	124.210

23. 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. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% (2012: 20%) using the liability method on the temporary differences.

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 2013 and 31 December 2012 using the enacted tax rates, is as follows.

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Deferred income tax assets:				
Provision for doubtful receivables	**1.636.945**	1.130.806	**327.389**	226.161
Expense accruals	**2.426.599**	863.500	**485.320**	172.700
Provision for employee termination benefits	**1.117.208**	571.874	**223.442**	114.375
Rediscount of trade receivables and payables	**1.311.954**	247.715	**262.391**	49.543
Deferred income	**1.241.292**	68.455	**248.258**	13.691
Total			**1.546.800**	602.855
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property and equipment and intangible assets	**(3.291.865)**	(1.130.623)	**(673.161)**	(226.124)
Other	**(232.607)**	131.929	**(46.522)**	26.385
Total			**(719.683)**	(226.124)
Deferred income tax assets/(liabilities), net			**827.117**	376.731

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

23. Current and deferred income taxes (continued)

The reconciliation of current period tax expense is as follows:

	31 December 2013	31 December 2012
Income before tax	**19.216.803**	10.913.009
Tax calculated at the current enacted tax rate	**(3.843.361)**	(2.182.602)
Income exempt from tax and non-deductible expenses	**4.061.494**	2.271.749
Tax income	**218.133**	89.147

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 2013 is 20% (2012: 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.

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.

23. Current and deferred income taxes (continued)

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 cannot 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 2023.

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) in accordance with the investment certificates prepared for applications made before 24 April 2003, 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 amounting to TL 1.405.908 that can be offsetted in the future.

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

23. Current and deferred income taxes (continued)

The analysis of taxation on income for the periods ended 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Current income tax charge	**(145.484)**	-
Deferred tax income	**363.617**	89.147
Total tax income	**218.133**	89.147

24. Earnings/loss per share

The earnings per 1.000 shares with nominal value of Kr 1 amounted to TL 7,71 for the period ended 31 December 2013 (31 December 2012: TL 4,30).

25. Related party disclosures

i) Due from and due to related parties at 31 December 2013 and 31 December 2012:

a) Due from related parties:	**31 December 2013**	31 December 2012
Current		
Tekbulut Teknoloji A.Ş. (**)	**2.199**	-
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	**27.931**	-
Logo Yatırım Holding A.Ş.(*)	**-**	59.699
Non-current		
Logo Yatırım Holding A.Ş.(*)	**-**	2.000.000
Total	**30.130**	2.059.699

b) Due to related parties:	**31 December 2013**	31 December 2012
Current		
Logo Yatırım Holding A.Ş.	**56.912**	-
Logo Elektronik Ticaret Hizmetleri A.Ş.(**)	**7.219.971**	135.045
Total	**7.276.883**	135.045

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

25. Related party disclosures (continued)

ii) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 December 2013 and 2012:

a) Services given to related parties:	**31 December 2013**	31 December 2012
Logo Yatırım Holding A.Ş. (*)	**457.121**	3.540
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	**51.175**	-
Logo Elektronik Ticaret Hizmetleri A.Ş.(**)	**260.165**	165.109
Total	**768.461**	168.649

iii) Services purchased from related parties and other transactions with related parties during the periods ended 31 December 2013 and 2012:

a) Services obtained from related parties:	**31 December 2013**	31 December 2012
Logo Elektronik Ticaret Hizmetleri A.Ş.(**)	**8.896.176**	473.150
Logo Yatırım Holding A.Ş. (*)	**62.154**	7.426
Total	**8.958.330**	480.576

(*) The main shareholder of the Company
(**) Other related party

b) Remuneration of the board of directors and executive management:

	31 December 2013	31 December 2012
Remuneration of the board of directors and executive management	**2.730.852**	1. 877.344

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 2013 and 2012 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 2013 and 2012.

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

26. Nature and extent of risks arising from financial instruments

26.1 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 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 dynmic nature of the underlying business the Company aims at maintaining flexibilty in funding by keeping committed credit lines available. The company management holds adequate cash and credit commitment that will meet the need cash for recent future in order to manage its liquidity risk. In this context the Company has credit limit from bank amounting to TL 100.000.000 that the company can utilize whenever needed.

The following table presents the maturity of Company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

31 December 2013	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1-5 years	Over 5 years
Non-derivative financial instruments						
Bank borrowings	24.120.053	32.330.112	926.218	1.102.081	30.301.813	-
Trade payables						
- Related Party	7.276.883	7.597.392	1.942.031	5.655.361	-	-
- Other	3.211.583	3.218.845	3.218.845	-	-	-
Other payables						
- Related Party	-	-	-	-	-	-
- Other	2.412.924	2.412.924	2.412.924	-	-	

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

26. Nature and extent of risks arising from financial instruments (continued)

31 December 2012	**Carrying value**	**Total contractual cash outflow**	**Up to 3 months**	**Between 3 and 12 months**	**Between 1-5 years**	**Over 5 years**
Non-derivative financial instruments						
Bank borrowings	5.235.185	5.235.185	354.386	1.421.975	3.458.824	-
Trade payables						
- Related Party	135.045	135.045	135.045	-	-	-
- Other	2.257.430	2.257.430	2.257.430	-	-	-
Other payables						
- Related Party	-	-	-	-	-	-
- Other	2.448.818	2.448.818	2.437.248	-	11.570	-

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:

	31 December 2013	31 December 2012
Financial instruments with fixed interest rate		
Financial assets		
- Designated at fair value through profit or loss	***5.402.435***	*5.681.340*
Financial liabilities	**4.030.919**	5.235.185
Financial instruments with floating interest rate		
Financial assets		
- Designated at fair value through profit or loss	***193.063***	*482.825*
Financial liabilities	**20.089.134**	-

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

At 31 December 2013, if interest rates of bank loans with variable interest rates has strengthened/weakened by 500 base point (5%) with all other variables held constant, income before tax would have been TL 17.721 (2012: nill) lower/ higher.

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

26. Nature and extent of risks arising from financial instruments (continued)

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 periods ended 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Total exports	**4.481.232**	3.619.898
Total imports	**135.499**	790.896
Ratio of hedging of net foreign currency liability	**-**	-

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 2013 and 31 December 2012 is summarized below.

Foreign currency position:	**31 December 2013**	**31 December 2012**
Assets	3.795.720	2.316.110
Liabilities	(1.397.087)	(1.750.801)
Net foreign currency position	**2.398.633**	**565.309**

Turkish Lira equivalent of assets and liabilities denominated in foreign currency held by Logo Yazılım were as follows

		31 December 2013		**31 December 2012**	
	Original currency	**Original Amount**	**TL equivalent**	**Original amount**	**TL equivalent**
Cash and cash equivalents	USD	538.525	1.149.373	73.001	130.131
	Euro	271.566	797.453	168.950	397.320
Trade receivables and due from related parties	USD	573.983	1.225.052	428.499	763.842
	Euro	211.606	621.381	379.370	892.165
	Other	-	-	-	132.652
Other receivables	Euro	838	2.461	-	-
Foreign currency denominated assets			**3. 795.720**		**2.316.110**
Trade payables and due to related parties	Euro	409.483	1.202.447	501.373	1.179.078
	USD	31.398	67.012	181.026	322.697
Bank borrowings	USD	59.799	127.628	139.699	249.026
Foreign currency denominated liabilities			**1.397.087**		**1.750.801**

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

26. Nature and extent of risks arising from financial instruments (continued)

				31 December 2013
		Profit/Loss		Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation/(depreciation) of USD against TL at 10%:				
Profit/(loss) from USD net asset	**217.979**	**(217.979)**	-	-
Secured portion from USD risk (-)	**-**	**-**	-	-
USD Net Effect	**217.979**	**(217.979)**	**-**	**-**
Appreciation/(depreciation) of EUR against TL at 10%:				
Profit/(loss) from EUR net liability	**21.884**	**(21.884)**	-	-
Secured portion from EUR risk (-)	**-**	**-**	-	-
EUR Net Effect	**21.884**	**(21.884)**	**-**	**-**
Appreciation/(depreciation) of Other against TL at 10%:				
Profit/(loss) from Other net liability	**-**	**-**	-	-
Secured portion from Other risk (-)	**-**	**-**	-	-
Other Net Effect	**-**	**-**	**-**	**-**
Total Net Effect	**239.863**	**(239.863)**	**-**	**-**

				31 December 2012
		Profit/Loss		Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of Foreign currency	Depreciation of foreign currency
Appreciation/(depreciation) of USD against TL at 10%:				
Profit/(loss) from USD net asset	**32.225**	**(32.225)**	-	-
Secured portion from USD risk (-)	**-**	**-**	-	-
USD Net Effect	**32.225**	**(32.225)**	**-**	**-**
Appreciation/(depreciation) of EUR against TL at 10%:				
Profit/(loss) from EUR net liability	**11.041**	**(11.041)**	**-**	**-**
Secured portion from EUR risk (-)	**-**	**-**	**-**	**-**
EUR Net Effect	**11.041**	**(11.041)**	**-**	**-**
Appreciation/(depreciation) of Other against TL at 10%:				
Profit/(loss) from Other net liability	**13.265**	**(13.265)**	-	-
Secured portion from Other risk (-)	**-**	**-**	-	-
Other Net Effect	**13.265**	**(13.265)**	**-**	**-**
Total Net Effect	**56.531**	**(56.531)**	**-**	**-**

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

26. Nature and extent of risks arising from financial instruments (continued)

26.2 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.

	31 December 2013	**31 December 2012**
Total bank borrowings and trade payables	34.608.519	7.627.710
Less: Cash and cash equivalents (Note 4)	(19.268.115)	(9.833.681)
Net Debt	15.340.404	(2.205.971)
Total equity	59.125.528	42.465.745
Total capital	74.465.932	40.259.774
Gearing ratio	**21%**	**(6)%**

27. Financial Instruments

Fair value is the amount at which financial instruments 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 exist.

The estimated fiar values of financial instruments have been determined by the Company, using avialiable market information and appropriate valuation methodologies. However, judgement 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.

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

27. Financial instruments (continued)

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.

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 31 December 2013 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Financial assets	**-**	**193.063**	**-**

Fair value hierarchy table as at 31 December 2012 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Financial assets	-	482.825	-

28. Subsequent events

1. Indicative exchange rates of USD and EURO are set by Central Bank of Turkey as 2.2003 and 3.0062 respectively on 13 February 2014 at 15:30. As of 31 December 2013, exchange rates of USD and EURO are 2.1343 and 2.9365, respectively.

2. In the meetings of the Board of Directors held on 27 January 2014, the principal shareholders of the Company, Logo Yatırım Holding A.Ş. and EAS Solutions S.a.r.l have decided that;

A voluntary takeover bid process shall be started for the takeover at equal rates of the shares of Logo Yazılım Sanayi ve Ticaret Anonim Şirketi, in which they participate, in accordance with the provisions of the Capital Market Board's Communiqué on Takeovers numbered II-26 and an application shall be filed to the Capital Market Board within this scope,

On condition that the opinion of the Capital Market Board on convenience is received, the voluntary takeover bid price for each B group shares with a nominal value of TL 0,01 shall be determined as TL 0,0575 (TL 5,75 for every one hundred shares),

The fund to be used in payments to the investors during the voluntary takeover bid shall be determined as TL 32.754.140 and that 50% of this fund shall be supplied from the equity of Logo Yatırım Holding A.Ş. and the remaining 50% shall be supplied from the equity of EAS Solutions S.a.r.l.