(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 2014 together with independent auditors' report

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

Table of contents	Page

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

Independent auditors' report on the consolidated financial statements

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

We have audited the accompanying consolidated balance sheet of Logo Yazılım Sanayi ve Ticaret A.Ş. (the Company) and its Subsidiaries (together will be referred to as the ''Group'') as at 31 December 2014 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in 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

Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey 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 and/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 and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company'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 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 Company'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 present fairly, in all material respects, the financial position of Logo Yazılım Sanayi ve Ticaret A.Ş. and its Subsidiaries as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors’ report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 378 of Turkish Commercial Code no. 6102 (“TCC”) is submitted to the Board of Directors of the Company on 16 February 2015.

2) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.

3) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Ferzan Ülgen, SMMM
Partner

16 February 2015
İstanbul, Türkiye

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of financial position as at 31 December 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	**Current period (Audited) 31 December 2014**	Prior period (Audited) 31 December 2013
Assets			
Current assets		**104.903.678**	73.533.502
Cash and cash equivalents	4	**48.639.563**	19.268.115
Financial assets	5	**67.980**	193.063
Trade receivables		**53.651.215**	52.831.826
- Due from related parties	*25*	***5.362***	*30.130*
-Trade receivables, third parties	*7*	***53.645.853***	*52.801.696*
Other receivables		**10.050**	9.516
- Other receivables, third parties	8	***10.050***	*9.516*
Inventories	9	**516.649**	421.521
Prepaid expenses	15	**1.614.227**	663.706
Other current assets	15	**403.994**	145.755
Non-current assets		**61.238.916**	51.208.773
Trade receivables		**-**	148.883
- Trade receivables, third parties		***-***	*148.883*
Other receivables		**951.364**	5.724
- Other receivables, third parties	8	***951.364***	*5.724*
Financial assets	5	**130.653**	108.153
Property and equipment	10	**15.073.538**	13.629.536
Intangible assets		**43.621.108**	36.455.227
- Goodwill	*12*	***5.892.252***	*5.892.252*
- Other intangible assets	*11*	***37.728.856***	*30.562.975*
Prepaid expenses		***138.743***	*34.133*
Deferred tax assets	23	**1.323.510**	827.117
Total assets		**166.142.594**	124.742.275

These consolidated financial statements have been approved by Board of Directors on 16 February 2015 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.

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of financial position as at 31 December 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current period (Audited) 31 December 2014	Prior period (Audited) 31 December 2013)
Liabilities			
Current liabilities		**58.630.830**	39.164.073
Short-term financial liabilities	6	**780.239**	773.156
Short-term portion of long-term financial liabilities	6	**6.350.232**	890.714
Trade payables		**6.167.018**	10.488.466
- Due to related parties	*25*	**-**	*7.276.883*
- Trade payables, third parties	*7*	***6.167.018***	*3.211.583*
Employee benefit obligations	15	**5.055.560**	1.996.665
Other payables		**3.941.104**	2.412.924
-Other payables, third parties	8	***3.941.104***	*2.412.924*
Provision for employee benefits	14	**5.509.259**	4.459.947
Deferred income	15	**30.403.189**	17.763.108
Current income tax liability		**189.584**	70.251
Other current liabilities		**234.645**	308.842
Non-current liabilities		**19.937.308**	26.452.674
Long-term financial liabilities	6	**16.069.350**	22.456.183
Provisions for employee benefits	14	**3.867.958**	3.729.789
Deferred revenue	15	**-**	266.702
Equity			
Equity attributable to equity holders of the parent		**86.142.497**	59.125.528
Share capital	16	**25.000.000**	25.000.000
Adjustment to share capital	16	**2.991.336**	2.991.336
Restricted reserves	16	**3.960.394**	3.666.269
Treasury shares	16	**(2.649.415)**	(2.649.415)
Actuarial losses		**(821.754)**	(438.536)
Retained earnings		**30.109.530**	11.275.706
Net income for the period		**27.552.406**	19.280.168
Non-controlling interests		**1.431.958**	-
Total equity		**87.574.455**	59.125.528
Total equity and liabilities		**166.142.593**	124.742.275

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)

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of profit or loss
for the period ended 31 December 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current period Audited 1 January – 31 December 2014	Prior period Audited 1 January – 31 December 2013
Sales	18	**104.030.635**	70.731.277
Cost of sales (-)	18	**(4.655.177)**	(8.548.962)
Gross profit		**99.375.458**	62.182.315
Marketing, selling and distribution expenses (-)	19	**(28.552.852)**	(14.930.949)
General administration expenses (-)	19	**(11.988.169)**	(9.271.287)
Research and development expenses (-)	19	**(29.270.750)**	(17.103.385)
Other operating income	22	**2.162.116**	1.368.400
Other operating expenses (-)	22	**(1.853.092)**	(1.828.114)
Operating profit		**29.872.711**	20.416.980
Income from investment activities	22	**373.070**	115.795
Operating profit		**30.245.781**	20.532.775
Financial income	20	**1.025.796**	897.126
Financial expenses (-)	21	**(4.093.253)**	(2.213.098)
Income before income taxes		**27.178.324**	19.216.803
Taxation on income			
Current income tax charge	23	**(189.585)**	(145.484)
Deferred income tax charge	23	**747.067**	363.617
Net income for the period		**27.735.806**	19.434.936
Net income attributable to			
Non-controlling interests		**183.400**	154.768
Equity holders of the parent		**27.552.406**	19.280.168
		27.735.806	19.434.936
Earnings per share per thousands of shares with nominal value 1 Kr each	24	**11,02**	7,71

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of other comprehensive income for the period ended 31 December 2014

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

	Notes	Current period Audited 1 January – 31 December 2014	Prior period Audited 1 January – 31 September 2013
Net income for the period		**27.735.806**	19.434.936
Income/expense not to be reclassified to profit or loss			
Actuarial loss arising from employee benefits	14	**(421.760)**	(294.695)
Tax effect	23	**38.542**	5.553
Other comprehensive loss		**(383.218)**	(289.142)
Total comprehensive income		**27.352.588**	19.145.794
Total comprehensive income attributable to			
Non-controlling interests		**183.400**	154.768
Equity holders of the parent		**27.169.188**	18.991.026
		27.352.588	19.145.794

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

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of changes in shareholders' equity for the period ended 31 December 2014

(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	Net income for the period	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2013	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
1 January 2014	**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**
Transfer to retained earnings	**-**	**-**	**-**	**294.125**	**-**	**18.986.043**	**(19.280.168)**	**-**	**-**	**-**
Sale of shares in subsidiaries (***)	**-**	**-**	**-**	**-**	**-**	**(298.558)**	**-**	**(298.558)**	**1.248.558**	**950.000**
Share increase in subsidiaries (**)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.060.971**	**2.060.971**
Gain from minority shares purchase	**-**	**-**	**-**	**-**	**-**	**146.339**	**-**	**146.339**	**(2.060.971)**	**(1.914.632)**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**27.552.406**	**27.552.406**	**183.400**	**27.735.806**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(383.218)**	**-**	**-**	**(383.218)**	**-**	**(383.218)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(383.218)**	**-**	**27.552.406**	**27.169.188**	**183.400**	**27.352.588**
31 December 2014	**25.000.000**	**2.991.336**	**(2.649.415)**	**3.960.394**	**(821.754)**	**30.109.530**	**27.552.406**	**86.142.497**	**1.431.958**	**87.574.455**

(*) The sale of a portion of shares having TL 1.237.500 nominal value and constituting 4.95% of the Group'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 with share purchase agreement signed on 26 December 2013.

(***) The Group sold 9,5% shares of E-Logo in exchange of 950.000 TL on 22 October 2014 and ownership interest in E-Logo decrease to 90,5%.

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)

Logo Yazılım Sanayi ve Ticaret A.Ş.

Consolidated statement of cash flows
for the period ended 31 December 2014
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	**Current period** **Audited** **31 December 2014**	Prior period Audited 31 December 2013
Income before income tax		**27.178.324**	19.216.803
Depreciation and amortization	10, 11	**10.060.473**	6.241.011
Deferred revenue	15	**12.302.393**	8.435.204
Increase in provision for employee termination benefits	14	**415.928**	299.146
(Decrease)/Increase in unused vacation liability	14	**(275.892)**	278.884
Personnel bonus accrual	14	**1.049.312**	2.208.382
Interest expenses	21	**3.411.186**	982.437
Interest income	20	**(897.128)**	(318.293)
Gain from bargain purchase	22	**(243.883)**	-
Changes in doubtful receivable provision		**(59.770)**	431.747
Gain on sales of property plant and equipment		**(37.506)**	(68.653)
Operating income before changes in working capital		**52.903.437**	37.706.668
Increase in trade receivables, prepaid expenses and other receivables	7, 8	**5.796.336**	(23.608.109)
Decrease in due from related parties	25	**24.768**	29.569
Increase in inventories	9	**(95.128)**	(274.414)
(Increase)/decrease in other current/ non-current assets		**(1.144.023)**	24.784
Increase in trade payables	7	**2.809.862**	511.028
(Decrease)/Increase in due to related parties	25	**(7.276.883)**	7.141.838
Increase/(Decrease) in other payables and liabilities and employee benefits obligations		**3.412.919**	(657.305)
Increase in advances received	15	**70.986**	884.294
Taxes paid		**(70.252)**	(77.922)
Employee termination benefits paid/accrued	14	**(552.162)**	(246.908)
Net cash generated from operating activities		**55.879.860**	21.433.523
Investing activities:			
Purchase of property and equipment and intangible assets	10, 11	**(2.388.153)**	(529.447)
Cash used in development activities	11	**(13.265.198)**	(8.276.239)
Acquisition of subsidiary, excluding cash acquired	3	**(6.602.145)**	(21.312.134)
Purchase of treasury shares		**-**	(8.163.509)
Cash obtained by sale of treasury shares		**-**	6.487.500
Change in shares in subsidiaries		**(964.632)**	(810.000)
Decrease in financial assets	5	**102.583**	277.262
Interest received		**897.128**	306.884
Cash obtained from sales of property and equipment		**43.423**	118.163
Net cash used in investing activities		**(22.176.994)**	(31.901.520)
Financial activities:			
Increase/(decrease) in bank borrowings	6	**(1.035.387)**	19.380.786
Interest paid		**(3.296.031)**	(1.478.355)
Decrease in due from related parties	25	**-**	2.000.000
Net cash generated from/ used in financing activities		**(4.331.418)**	19.902.431
Net increase in cash and cash equivalents		**29.371.448**	9.434.434
Cash and cash equivalents at beginning of the period	4	**19.268.115**	9.833.681
Cash and cash equivalents at end of the period	4	**48.639.563**	19.268.115

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.

Average number of employees for the year 2014 is 474 (2013: 404) for the Group.

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 Elektronik Ticaret Hizmetleri A.Ş. ("E-Logo")	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

On February 20, 2014, the Company acquired the shares representing 80% of the capital of Logo Elektronik Ticaret Hizmetleri A.Ş. for TL 8.000.000 and the remaining 20% of shares for TL 1.914.632 on July 14, 2014 and shares of the Company increased to 100%. On October 22, 2014, the Company sold the shares representing 9,5% of the capital of Logo Elektronik Ticaret Hizmetleri A.Ş. for TL 950.000 with loan and share procurement agreement.

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.

In accordance with the share purchase agreement signed on December 26, 2013, the Company acquired the remaining 40% of the shares in its subsidiary LogoBI for a purchase price of 810.000 TL and its ownership interest has increased to 100%.

1. Organization and nature of operations (continued)

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 2014, the liquidation process has been substantially completed.

The Company's foreign sales and marketing activities were performed by its headquarter in Turkey, before establishment of Logo Business Solutions FZ-LLC and aforementioned activities are considered to be performed 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.

Since the information related to the operational segments as of December 31, 2014 taking the operations' of the Group's consolidated financial statements in general and monetary significance into account is not reportable in terms of geographical segments outside of Turkey, 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 of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line 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 of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

Consolidated financial statements have been prepared under the historical cost convention except for financial investments presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

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

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

2.1.2 Financial statements of subsidiaries operating in foreign countries

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

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

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

2.1.3 Basis of consolidation

The consolidated financial statements include the accounts of the parent company, Logo Yazılım, its subsidiaries and associates on the basis set out in sections (b) 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.

As at 31 December 2014, 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.

The table below sets out the subsidiaries of Logo Yazılım and ownership interests held by the Company at 31 December 2014:

	Direct and indirect ownership interests by the Company (%)	
Subsidiaries:	**31 December 2014**	**31 December 2013**
Netsis	%100,00	%100,00
Coretech	%100,00	%100,00
LogoBi	%100,00	%100,00
E-Logo	%90,50	-
Logo GmbH	%100,00	%100,00

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

The statements of financial position and 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 statement of financial position and comprehensive income.

40% LogoBI's shares owned by Teknoloji Yatırım A.Ş. have 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 prices was paid in advance. Share purchase agreement entered into force as of 26 December 2013. The Company has sold 9,5% of shares of E-Logo in exchange of 950.000 TL on 22 October 2014 and the Company's total shares in E-Logo decrease to 90,5%.

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 2014, since the assumptions are adequate that the Group 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 Group. The management determines the amount of the provisions based on their best estimates.

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

e) The Group'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 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.

h) 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. Since the free of charge LEM products given the first year are given along with the currently up-to-date software, they do not bring significant updates for the user and their commercial value is lower compared to the LEM products provided in the subsequent years. Thus, related sales amounts are recognized as revenue within the transaction year.

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

As at 31 December 2014, 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.

2.2 Summary of significant accounting policies

The significant accounting policies followed in the preparation 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.

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

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.

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 consolidated statement of financial position 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.

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.

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.

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

Property and equipment

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

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

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. These are accounted by cost of acquisition and are subjected to straight-line depreciation method with their useful lives starting from the date of acquisition.

	Years
Development Costs	5
Technology developed	7
Customer relations	10 - 20
Agreement for restriction of competition	3 - 4
Other intangible assets	3 - 5

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.

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group. Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible

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's consolidated statement of financial position 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 unfavorable, 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 unfavorable 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.

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

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

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.

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.

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

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.

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 statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

Related Parties

(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.

(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.

Taxation and deferred 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.

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

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

Revenue recognition

The Group 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.

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 and version upgrade package 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. Since the free of charge LEM products given the first year are given along with the currently up-to-date software, they do not bring significant updates for the user and their commercial value is lower compared to the LEM products provided in the subsequent years. The fee is charged by the Company for the renewal of LEM agreements.

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

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.

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.

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.

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

Contingent liabilities are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. If an outflow of resources has become probable, contingent liabilities are recognised in the financial statements. Contingent assets are not recognised in financial statements but disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

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 consolidated statement of financial position 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.

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.

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.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TRY, which is the functional currency of Logo and the presentation currency of the Group.

2.3 Change in accounting policies

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of and for the year ended December 31, 2014 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2014 have no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted

Standards, amendments and interpretations 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.

i) The new and amended standards and interpretations effective as of January 1, 2014

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

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 did not have an impact on the consolidated financial statements of the Group.

TFRS 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 not applicable for the Company / the Group and did not have any impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets (Amended) - 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 have 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. These amendments did not have an impact on the consolidated financial statements of the Group.

TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments 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. These amendments did not have an impact on the consolidated financial statements of the Group.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 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 TFRS. This amendment does not have any impact on the financial position or performance of the Group.

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

ii) Standards issued but not yet effective and not early adopted

Standards, amendments and interpretations 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.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after January 1, 2015. First phase 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 liabilities and requires that the change in fair value of a fair value option financial liability attributable to credit risk is presented under other comprehensive income. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments will not have an impact on the financial position or performance of the Group.

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TAS/TFRS

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after July 1, 2014.

Annual Improvements - 2010–2012 Cycle

TFRS 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.

TFRS 3 Business Combinations

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 TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 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.

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

The amendment to TAS 16.35(a) and TAS 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.

TAS 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 – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 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.

TFRS 13 Basis for Conclusions on Fair Value Measurement

The portfolio exception in TFRS 13 can be applied not only to financial assets and financial liabilities but also all other contracts in the scope of TAS 39. The amendment is effective prospectively.

TAS 40 Investment Property

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

The Group does not expect that these amendments will have significant 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 consolidated financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adopted/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 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after January 1, 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. 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)

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing 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.

IAS 27 - Equity Method in Separate Financial Statements -Amendments to IAS 27

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39) or
- Using the equity method

The entity must apply the same accounting for each category of investments. . A consequential amendment was also made to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements – 2010–2012 Cycle

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.

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

Annual Improvements – 2012–2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group. .

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

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

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies, presentation of items of other comprehensive income arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

3. Business combinations

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 2014, fair values of identifiable assets and assumed identifiable liabilities acquired with the scope of business combinations are identified with fair value measurement report and these items are reported on the consolidated financial statements.

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**

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

3. Business combinations (continued)

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. The goodwill amount arises from Netsis acquisition is subject to impairment test at the end of every year.

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

If Netsis had been included in the consolidation starting from 1 January 2013, the Group's net revenue in the consolidated profit and loss statement for the year ended 31 December 2013 would amount to 81.139.293 TL.

E-Logo acquisition

On February 20, 2014, the Company acquired the shares representing 80% of the capital of Logo Elektronik Ticaret Hizmetleri A.Ş. for TL 8.000.000 and signed a put option agreement for the acquisition of the remaining 20% for TL 2.000.000 calculated in USD which was agreed upon by the parties. According to the related agreement, the remaining 20% of shares were acquired on July 14, 2014 for TL 1.914.632. The whole amount of the purchase price was paid in advance. The share transfer agreement took effective as of February 20, 2014. The gain directly associated with the purchase amounting to 243.883 TL arising from bargain purchase has been included in income gained from investment activities.

Cost amounting to TL 72.553 which is directly related with the purchase transaction has been recognized under General administration expenses account.

The management of the Company completed the works related to determining the fair values of the acquired assets and liabilities; which were recorded at the following values:

Total assets	8.892.931
Intangible assets – Identifiable assets	2.792.000
Total liabilities	(1.380.077)
Fair value of net assets	10.304.854
Less: purchase consideration	8.000.000
Less: minority interests	2.060.971
Gain arising from bargain purchase	**243.883**

The Group has measured the non-controlling interests at E-Logo over the recognized proportionate share of net definable assets of the company.

Of the identifiable assets determined as a result of E-Logo's purchase price allocation study, the technology developed is amortised over seven years, customer relations are amortised over twelve years.

In the consolidated profit and loss statement for the period ended 31 December 2014; E-Logo's share in revenues after purchase date is realized as 12.758.921 TL. In the same period, E-Logo's contribution to net income for the period is 5.024.694 TL.

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

3. Business combinations (continued)

If E-Logo had been included in the consolidation starting from 1 January2014, the Group's net revenue in the consolidated profit and loss statement for the year ended 31 December 2014 would amount to 105.431.856 TL.

Detail of cash outflows due to purchase as of 31 December 2014 is as follows:

Purchase price – cash paid in 2014	8.000.000
Cash and cash equivalents – acquired	1.397.855
Cash outlow due to purchase, net	**6.602.145**

4. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash	8.754	11.101
Banks		
- Demand deposits - Turkish Lira	3.444.600	1.488.448
- Demand deposits - foreign currency	1.063.254	981.378
- Time deposits - Turkish Lira	22.995.000	4.442.000
- Time deposits - foreign currency	1.588.880	960.435
Credit card receivables	19.539.075	11.384.753
	48.639.563	**19.268.115**

As of 31 December 2014, the weighted average effective annual interest rates for TL time deposits are between 8,60% and 11% (31 December 2013: 5,25% - 9,07%). As of 31 December 2014 and 31 December 2013, the maturity of time deposits is less than three months. As of 31 December 2014 and 2013, the maturity of credit card receivables is less than three months.

As of 31 December 2014 and 2013, the cash and cash equivalents included in the consolidated statement of cash flows are as follows:

	31 December 2014	31 December 2013
Cash and cash equivalents	48.639.563	19.268.115

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

5. Financial assets

Trading securities

The analysis of financial assets at fair value through profit and loss at 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Mutual funds		
- Liquid fund	-	151.985
- Gold fund	67.980	41.078
	67.980	**193.063**

The analysis of non-current financial assets at 31 December 2014 and 2013 is as follows:

	31 December 2014		31 December 2013	
	Share %	Carrying amount	Share %	Carrying amount
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	50.000	0,67	25.000
Boğaziçi Üniversitesi Teknopark	-	-	5	2.500
		130.653		**108.153**

İnterpro Yayıncılık Araştırma ve Organizasyon Hizmetleri A.Ş. is assessed as available-for-sale financial asset as of 31 December 2014 and 31 December 2013. 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. Bank borrowings:

Short-term bank borrowings:	**31 December 2014**	**31 December 2013**
Short-term bank borrowings	665.613	567.806
Current portion of long-term bank borrowings	6.350.232	890.714
Credit card payables	114.626	205.350
	7.130.471	**1.663.870**

Long-term bank borrowings:	**31 December 2014**	**31 December 2013**
Long-term bank borrowings	16.069.350	22.456.183

		31 December2014	
	Weighted average effective interest rate p.a. (%)	**Original balance**	**TL equivalent**
Short term bank borrowings	-	665.613	665.613
Credit card payables	-	114.626	114.626
Total short-term bank borrowings			**780.239**
Current portion of long-term bank borrowings			
Floating rate loans			
TL loans	12,96%	5.460.632	5.460.632
Fixed rate loans			
TL loans	15,84%	869.012	869.012
USD loans	-	8.879	20.588
Total current portion of long-term bank borrowings			**6.350.232**
Long term bank borrowings			
Floating rate loans			
TL loans	12,96%	14.666.667	14.666.667
Fixed rate loans			
TL loans	15,84%	1.402.683	1.402.683
Total long-term bank borrowings			**16.069.350**

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.

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

6. Bank borrowings (continued)

	31 December 2013		
	Weighted average effective interest rate p.a. (%)	**Original balance**	**TL equivalent**
Credit card payables	-	567.806	567.806
Short-term bank borrowings	-	205.350	205.350
Total short-term bank borrowings			**773.156**
Current portion of long-term bank borrowings			
Floating rate loans			
TL loans	11,60%	128.889	128.889
Fixed rate loans			
TL loans	15,84%	653.142	653.142
Usd loans	-	48.830	108.683
Total current portion of long-term bank borrowings Long-term bank borrowings:			**890.714**
Long term bank borrowings:			
Floating rate loans			
TL loans	11,60%	20.000.000	20.000.000
Fixed rate loans			
TL loans	15,84%	2.437.238	2.437.238
USD loans	-	8.877	18.945
Total long-term bank borrowings			**22.456.183**

The redemption schedule of long-term bank borrowings at 31 December 2014 is as follows:

	2014	**2013**
1 to 2 years	6.412.533	6.352.311
2 to 3 years	5.656.817	6.447.055
3 to 4 years	4.000.000	5.656.817
4 to 5 years	-	4.000.000
	16.069.350	**22.456.183**

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

7. Trade receivables and payables

Short-term other trade receivables:	**31 December 2014**	**31 December 2013**
Trade receivables	39.124.002	32.813.099
Credit card receivables	17.875.519	21.143.160
Cheques and notes receivables	4.148.480	6.857.153
Other trade receivables	440.565	77.032
Less: provision for doubtful receivables	(6.352.051)	(6.411.821)
Less: unearned credit finance income	(1.590.662)	(1.676.927)
	53.645.853	**52.801.696**

As of 31 December 2014, the average receivables turnover rate is 102 days (2013: 96 days), the rediscount rate applied on the receivables are 9,55% (2013: 8.90%).

As of 31 December 2014, trade receivables of TL 3.878.518 (2013: TL 2.413.693) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	31 December 2014	**31 December 2012**
Up to 1 month	1.194.847	231.361
1 to 3 months	614.652	511.231
Over 3 months	2.069.019	1.671.101
	3.878.518	**2.413.693**
Amount of risk covered by guarantees	399.400	99.400

Long-term other trade receivables:	**31 December 2014**	**31 December 2013**
Credit card receivables	-	148.883

The movement of provision for doubtful receivables for the years ended December 31, 2014 is as follows:

	2014
As of January 1	**6.411.821**
Current year additions	73.705
Provisions no longer required	(133.475)
31 December	**6.352.051**

	31 December 2014	**31 December 2013**
Trade payables	**6.167.018**	**3.211.583**

As of 31 December 2014, the average debt payment period is 30 days (2013: 30 days), rediscount rate applied to the debt not overdue is 9,55% (2013: 8.90%).

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

7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of 31 December 2014 and 2013 as follows:

	Trade receivables		Other receivables		
31 December 2014	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date	**5.362**	**53.645.853**	**-**	**961.414**	**48.630.809**
- Amount risk covered by guarantees	**-**	***399.400***	**-**	**-**	**-**
Net carrying value of not past due and not impaired financial assets	5.362	49.767.335	-	961.414	48.630.809
Net carrying value of past due but not impaired financial assets	-	3.878.518	-	-	-
- Amount of risk covered by guarantees	-	*399.400*	-	-	-
Net carrying value of impaired assets					
- Past due (gross carrying value)	-	6.352.051	-	-	-
- Provision for impairment (-)	-	(6.352.051)	-	-	-
- 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)

7. Trade receivables and payables (continued)

	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	-	*99.400*	-	-	-
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. Other receivables and payables

Other current receivables	31 December 2014	31 December 2013
Short term		
Deposits and guarantees given	10.050	9.516
Long Term		
Receivables arising from the sale of E-Logo shares	950.000	-
Other	1.364	5.724
	951.364	**5.724**

Other non-current payables	31 December 2014	31 December 2013
Restructured taxes payable	3.941.104	2.412.924

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.

9. Inventories

	31 December 2014	31 December 2013
Raw materials	388.882	283.913
Trade goods	127.767	137.608
	516.649	**421.521**

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

10. Property and equipment

	1 January 2014	Additions	Acquisition of Subsidiary	Disposals	Transfers	31 December 2014
Cost:						
Machinery and equipment	5.243.543	484.494	199.621	(60.756)	-	5.866.902
Motor vehicles	233.398	-	55.383	(44.183)	-	244.598
Furniture and fixtures	3.265.571	269.739	84.580	-	-	3.619.890
Leasehold improvements	17.208.797	292.974	75.883	-	1.880.647	19.458.301
Construction in progress	711.679	1.168.968	-	-	(1.880.647)	-
	26.662.988	**2.216.175**	**415.467**	**(104.939)**	**-**	**29.189.691**
Accumulated depreciation:						
Machinery and equipment	4.708.060	282.577	65.537	(60.756)	-	4.995.418
Motor vehicles	206.747	17.378	55.383	(38.266)	-	241.242
Furniture and fixtures	2.734.309	250.691	27.405	-	-	3.012.405
Leasehold improvements	5.384.336	434.221	48.531	-	-	5.867.088
	13.033.452	**984.867**	**196.856**	**(99.022)**	**-**	**14.116.153**
Net book value	**13.629.536**					**15.073.538**

	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
	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
	10.272.542	**716.601**	**2.131.081**	**(86.772)**	**13.033.452**
Net book value	**13.540.217**				**13.629.536**

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)

11. Intangible assets

	1 January 2014	Additions	Acquisition of subsidiary	31 December 2014
Cost:				
Development costs	49.599.391	13.265.198	-	62.864.589
Technology developed	5.436.027	-	1.013.000	6.449.027
Customer relations	9.770.175	-	1.779.000	11.549.175
Agreement for restriction of competition	1.940.057	-	-	1.940.057
Other intangible assets	4.499.364	171.978	36.368	4.707.710
	71.245.014	**13.437.176**	**2.828.368**	**87.510.558**
Accumulated amortization:				
Development costs	33.724.170	6.245.564	-	39.969.734
Technology developed	754.156	901.912	-	1.656.068
Customer relations	1.384.230	944.493	-	2.328.723
Agreement for restriction of competition	522.504	883.331	-	1.405.835
Other intangible assets	4.296.979	100.306	24.057	4.421.342
	40.682.039	**9.075.606**	**24.057**	**49.781.702**
Net book value	**30.562.975**			**37.728.856**

	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
	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
	30.154.165	**5.524.410**	**5.003.464**	**40.682.039**
Net book value	**15.832.958**			**30.562.975**

All additions to development costs during the years ended 31 December 2014 and 2013 includes staff costs.

TL 9.733.911 of the current period depreciation and amortization expense has been allocated to research and development expenses, TL 97.623 has been allocated to marketing, selling and distribution expenses, TL 228.939 has been allocated to general administrative expenses (2013: TL 5.866.757 research and development expenses, TL 106.485 to marketing and selling expense, TL 267.769 to general administrative expenses).

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

12. Goodwill

	2014	2013
1 January	**5.892.252**	-
Acqusition during the year	**-**	5.892.252
31 December	**5.892.252**	5.892.252

Goodwill is subject to impairment test every year. The recoverable amounts of cash generating units are determined on value in use basis.

As of December 31, 2014, goodwill over Netsis acquisition is TRY 5.892.252 (December 31, 2013: TRY 5.892.252) respectively.

Value in use is determined by discounting the expected future cash flows to be generated by the cash-generating unit. The below key assumptions are used in the calculation of the value in use as of December 31, 2014:

The projection period for the purposes of goodwill impairment testing is taken as 5 years between January 1, 2015 and December 31, 2019.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 5,0% which does not exceed the estimated average growth rate of economy of the country.

Weighted average cost of capital rate of 18,1% is used as after tax discount rate in order to calculate the recoverable amount of the unit.

The post-tax rate was adjusted considering the tax cash outflows and other future tax cash flows and differences between the cost of the assets and their tax bases.

Netsis operations as a cash generating unit and sensitivity to the changes in assumptions in impairment test

Recoverable value of cash generating unit is 51,2% above of goodwill included book value of related cash generating unit. In the calculation of the present value of future cash flows, estimations on earnings before interest tax depreciation amortization ("EBITDA"), long term growth rate and discount rates are taken into account.

Long term growth rate

Originally, the long term growth rate is assumed to be 5%. Had the rate been assumed to be 4%, the recoverable amount would have been 46,6% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

Discount rate

Originally, the discount rate is assumed to be 18,1%. Had the rate been assumed to be 19,1%, the recoverable amount would have been 43,2% above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

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

13. Commitments and contingent liabilities

Guarantees received:

		31 December 2014		31 December 2013	
	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	360.000	360.000	60.000	60.000
			399.400		99.400

As of 31 December 2014 and 2013, guarantee/pledge/mortgage given by the Company on behalf of its legal entity are as follows:

Guarantee/pledge/mortgage given by the Company:

		31 December 2014		31 December 2013	
	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	7.768.000	7.768.000	7.510.124	7.510.124
	USD	54.463	126.294	160.539	342.638
			7.894.294		**7.852.762**

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.

There are lawsuits filed against the Company amounting to TL 4.297.242. The Company does not expect any resource outflow regarding these lawsuits and accordingly, it has not booked any provision in the consolidated financial statements

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

14. Provision for employee benefits

a) Short term provisions for employee benefits

	31 December 2014	31 December 2013
Personnel bonus accrual	**5.509.259**	4.459.947
	5.509.259	4.459.947

b) Long term provisions for employee benefits

	31 December 2014	31 December 2013
Provision for employee termination benefits	**2.547.062**	2.233.283
Provision for unused vacation	**1.320.896**	1.496.506
	3.867.958	3.729.789

The movement of personnel bonus provision in the years ended 31 December 2014 and 2013 is as follow:

	31 December 2014	31 December 2013
1 January	**1.496.506**	939.185
Acquisition of subsidiary	**100.282**	278.437
Increase in the period, net	**(275.892)**	278.884
31 December	**1.320.896**	1.496.506

The analysis of provision for employment termination benefits in the years ended 31 December 2014 and 31 December 2013 is as follows:

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 3.438 (2013: TL 3.254) for each year of service at 31 December 2014. The liability is not funded, as there is no funding requirement.

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

14. Provision for employee benefits (continued)

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. TAS/TFRS requires 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 2014	31 December 2013
Net discount rate	3,33%	4,48%
Turnover rate to estimate the probability of retirement	90%	93%

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 3.541 which is effective from 1 January 2015 has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

The movements in the provision for employment termination benefits during the years ended 31 December 2014 and 2013 were as follows:

	31 December 2014	31 December 2013
1 January	**2.233.283**	**1.381.737**
Acquisition of subsidiary	28.253	491.692
Service cost	223.697	180.522
Interest cost	192.231	118.624
Actuarial loss	421.760	307.616
Paid/accrued during the period	(552.162)	(246.908)
31 December	**2.547.062**	**2.233.283**

The sensivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2014 is below:

	Net discount rate		Turnover rate related the probability of retirement	
Sensitivity level	**0.5% decrease**	**0.5% increase**	**0.5% decrease**	**0.5% increase**
Rate	(%2,83)	(%3,83)	(%89,50)	(%90,50)
Change in employee benefits liability	(80.801)	74.750	(82.847)	89.329

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

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

a) Prepaid expenses:

	31 December 2014	31 December 2013
Prepaid expenses	**1.341.507**	526.944
Advances given	**272.720**	136.762
	1.614.227	663.706

b) Other current assets:

	31 December 2014	31 **December** 2013
Job advances	**89.006**	71.548
Prepaid taxes and funds	**42.650**	-
Receivables from employees	**23.850**	-
Advances given to employees	**22.418**	26.475
Deductable value added tax	**4.939**	3.670
Other	**221.131**	44.062
	403.994	145.755

c) Deferred revenues

	31 December 2014	31 December 2013
Deferred revenues	**28.989.191**	16.420.096
Advances received	**1.413.998**	1.343.012
Deferred revenues- short term	**30.403.189**	17.763.108
Deferred revenues	**-**	266.702
Deferred revenues – long term	**-**	266.702

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 2014 and 2013 is as follows:

Deferred revenues:	**31 December 2014**	31 December 2013
Logo enterprise membership sales	**10.591.723**	7.780.432
Pay as you go sales	**8.864.211**	3.708.698
Version upgrade package sales	**4.896.272**	3.179.770
Deferred revenue from continuing projects	**2.601.393**	1.945.578
After-sales services revenue	**1.968.204**	-
Other sales revenue	**67.388**	72.320
	28.989.191	16.686.798

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

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

d) Employee benefit obligations

	31 December 2014	31 December 2013
Payable to personnel	**4.106.034**	1.134.745
Taxes, witholdings and social security payables	**949.526**	861.920
	5.055.560	1.996.665

16. Equity

The Company's authorized and paid-in share capital consists of 2.500.000.000 (2013: 2.500.000.000) shares with Kr 1 nominal each. The shareholding structure of the Company as of 31 December 2014 and 2013 are as follows:

	31 December 2014	**Share (%)**	**31 December 2013**	**Share (%)**
Logo Yatırım Holding A.Ş.	8.714.904	34,860	8.648.762	34,595
Mediterra Capital Partners I, LP (*)	8.714.904	34,860	8.648.762	34,595
Publicly owned-free floating	7.570.192	30,280	7.702.476	30,810
	25.000.000	**100**	**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 correspond 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.

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

16. Equity (continued)

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

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with TAS/TFRS. The analysis of restricted reserves at 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Legal Reserves	**2.875.287**	2.581.162
Gain on sale of land and investments	**923.318**	923.318
Extraordinary reserves	**161.789**	161.789
	3.960.394	3.666.269

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 TAS/TFRS.

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 CMB's 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 nominal value and constituting 0,24% of the Company's share capital has 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 distributable 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.

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

17. Expenses by Nature

As of 31 December 2014 and 2013, 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

	1 January - 31 December 2014	**1 January- 31 December 2013**
Sales income	**103.949.675**	69.353.110
Service income	**5.910.652**	5.184.590
Sales returns	**(3.338.470)**	(2.102.480)
Sales discounts	**(2.491.222)**	(1.703.943)
Net sales	**104.030.635**	70.731.277
Cost of sales	**(4.655.177)**	(8.548.962)
Gross profit	**99.375.458**	62.182.315

For the period ended at 31 December 2014, service income consists of SaaS service income amounting to TL 4.984.021 (2013- TL 4.349.566).

Cost of sales

	1 January - 31 December 2014	**1 January- 31 December 2013**
Expenses for transfer of financial rights	**4.595.809**	8.408.073
Cost of trade goods sold	**59.368**	140.889
	4.655.177	8.548.962

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

Marketing, selling and distribution expenses:	**1 January- 31 December 2014**	1 January- 31 December 2013
Personnel expenses	**13.018.931**	7.206.246
Advertising and selling expenses	**12.528.308**	6.034.575
Consulting expenses	**895.964**	425.471
Motor vehicle expenses	**876.278**	583.858
Outsourced benefits and services	**390.077**	158.895
Travel expenses	**353.782**	239.142
Depreciation and amortisation expenses	**97.623**	106.485
Rent expenses	**47.875**	55.004
Other	**344.014**	121.273
	28.552.852	14.930.949

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

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

Research and development expenses:	1 January-31 December 2014	1 January-31 December 2013
Personnel expenses	**14.994.707**	8.191.977
Depreciation and amortisation expenses	**9.733.911**	5.866.757
Consulting expenses	**1.183.170**	1.234.503
Motor vehicle expenses	**1.272.524**	690.117
Outsourced benefits and services	**751.617**	460.725
Rent expenses	**389.132**	151.148
Travel expenses	**287.694**	156.709
Other	**657.995**	351.449
	29.270.750	17.103.385

General administrative expenses:	1 January-31 December 2014	1 January-31 December 2013
Personnel expenses	**7.964.831**	6.352.707
Consulting expenses	**1.766.775**	1.361.103
Motor vehicle expenses	**625.313**	484.734
Outsourced benefits and services	**340.581**	222.709
Depreciation and amortisation expenses	**228.939**	267.769
Rent expenses	**142.338**	48.781
Travel expenses	**128.672**	42.777
Other	**790.720**	490.707
	11.988.169	9.271.287

20. Financial income

Financial income:	1 January-31 December 2014	1 January-31 December 2013
Interest income	**897.128**	318.293
Foreign exchange gains, net	**128.668**	194.473
Other financial income	**-**	384.360
	1.025.796	897.126

21. Financial expense

Financial expense:	1 January-31 December 2014	1 January-31 December 2013
Interest Expense	**3.411.186**	982.437
Credit card commissions	**432.994**	656.322
Loan commission expenses	**-**	344.236
Other financial expense	**249.073**	230.103
	4.093.253	2.213.098

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

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

Other operating income:	1 January- 31 December 2014	1 January- 31 December 2013
Overdue interest income	**724.853**	706.964
Foreign exchange gain(*)	**859.422**	457.772
Income from reversal of provision	**31.981**	-
Tübitak incentive income	**320.756**	-
Other income	**225.104**	203.664
	2.162.116	1.368.400

Other operating expenses:	1 January- 31 December 2014	1 January 31 December 2013
Rediscount expenses, net	**820.623**	896.330
Foreign exchange loss(*)	**710.835**	448.581
Provision expense	**127.329**	182.068
Other expenses	**194.305**	301.135
	1.853.092	1.828.114

Income from investment activities:	1 January- 31 December 2014	1 January- 31 December 2013
Gain on bargain purchase	**243.884**	-
Gain on sale of financial instruments	**91.680**	47.142
Gain from sale of property and equipment	**37.506**	68.653
	373.070	115.795

(*) Arising from the difference between foreign exchange differences of trade receivables and payables.

23. Current and deferred income taxes

Deferred income taxes

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

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS/TFRS and their statutory tax financial statements. Deferred tax income assets and liabilities are measured at the enacted tax rate of 20% (2013: 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 2014 and 2013 using the enacted tax rates, is as follows.

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
Deferred income tax assets:				
Provision for doubtful receivables	**1.807.841**	1.636.945	**361.568**	327.389
Expense accruals	**4.522.304**	2.426.599	**904.461**	485.320
Provision for employee termination benefits	**1.163.799**	1.117.208	**232.760**	223.442
Rediscount of trade receivables and payables	**1.903.890**	1.311.954	**380.778**	262.391
Deferred income	**2.506.616**	1.241.292	**501.323**	248.258
			2.380.890	1.546.800
Deferred income tax liabilities:				
Difference between the tax base and carrying value of property and equipment and intangible assets	**(5.152.763)**	(3.291.865)	**(1.030.553)**	(673.161)
Other	**(134.136)**	(232.607)	**(26.827)**	(46.522)
			(1.057.380)	(719.683)
Deferred income tax assets/(liabilities), net			**1.323.510**	827.117

The reconciliation of current period tax income is as follows:

	31 December 2014	31 December 2013
Income before tax	**27.178.324**	19.216.803
Tax calculated at the current enacted tax rate	**(5.435.665)**	(3.843.361)
Nonallowable charges	**(1.156.035)**	(1.004.491)
Income exempt from tax and non-deductible expenses	**7.149.182**	5.065.985
Tax income	**557.482**	218.133

23. Current and deferred income taxes (continued)

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 2014 is 20% (2013: 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 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.

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

23. Current and deferred income taxes (continued)

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

a) 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.

The analysis of taxation on income for the periods ended 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Current tax (income)/expense	**(189.585)**	(145.484)
Deferred tax (income)/expense)	**785.609**	369.170
Tax expense recognized in equity relating to long-term provision of employee	**(38.542)**	(5.553)
Total tax income	**557.482**	218.133

24. Earnings/loss per share

The earnings per 1.000 shares with nominal value of Kr 1 amounted to TL 11,02 for the period ended 31 December 2014 (31 December 2013: TL 7,71).

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

25. Related party disclosures

i) Due from and due to related parties at 31 December 2014 and 2013:

a) Due from related parties:	31 December 2014	31 December 2013
Current		
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	**5.362**	27.931
Tekbulut Teknoloji A.Ş. (**)	**-**	2.199
	5.362	30.130

b) Due to related parties:	31 December 2014	31 December 2013
Current		
Logo Elektronik Ticaret Hizmetleri A.Ş.(***)	**-**	7.219.971
Logo Yatırım Holding A.Ş.	**-**	56.912
	-	7.276.883

ii) Sales to related parties, services given to related parties and financial income from related parties during the periods ended 31 December 2014 and 2013:

a) Services given to related parties:	31 December 2014	31 December 2013
Logo Siber Güvenlik ve Ağ Tek. A.Ş. (**)	**167.688**	51.175
Logo Elektronik Ticaret Hizmetleri A.Ş.(***)	**45.749**	260.165
Logo Yatırım Holding A.Ş. (*)	**3.540**	457.121
	216.977	768.461

iii) Services purchased from related parties and other transactions with related parties during the periods ended 31 December 2014 and 2013:

a) Services obtained from related parties:	31 December 2014	31 December 2013
Logo Elektronik Ticaret Hizmetleri A.Ş.(***)	**596.760**	8.896.176
Logo Yatırım Holding A.Ş. (*)	**3.424**	62.154
	600.184	8.958.330

(*) The main shareholder of the Company
(**) Other related party
(***) Received and rendered services amount before consolidation of Logo Elektronik Ticaret Hizmetleri A.Ş as of 20 February.

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

25. Related party disclosures (continued)

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

	31 December 2014	31 December 2013
Remuneration of the board of directors and executive management	**2.656.735**	2.730.852

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 2014 and 2013 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 2014 and 2013.

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 dynamic nature of the underlying business the Group aims at maintaining flexibility in funding by keeping committed credit lines available. The Group 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 Group has credit limit from bank amounting to TL 100.000.000 that the company can utilize whenever needed.

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

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

31 December 2014	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	23.199.821	29.420.827	3.146.565	6.853.175	19.421.087	-
Trade payables						
- Related Party	-	-	-	-	-	-
- Other	6.167.018	6.167.018	6.167.018	-	-	-
Due to personnel	5.055.560	5.055.560	5.055.560	-	-	-
Other payables						
- Other	3.941.104	3.941.104	3.941.104	-	-	-

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	-	-	-
Due to personnel	1.996.665	1.996.665	1.996.665	-	-	-
Other payables						
- 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)

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 2014	31 December 2013
Financial instruments with fixed interest rate		
Financial assets		
- Designated at fair value through profit or loss	**24.583.880**	*5.402.435*
Financial liabilities	**3.072.522**	4.030.919
Financial instruments with floating interest rate		
Financial assets		
- Designated at fair value through profit or loss	**67.980**	*193.063*
Financial liabilities	**20.127.299**	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 2014, if interest rates of bank loans with variable interest rates has strengthened by 100 base point (1%) with all other variables held constant, income before tax would have been TL 35.424 lower/ interest rates has weakened by 100 base point (1%) with all other variables held constant, income before tax would have been TL 35.797 higher (2013: TL 17.721 lower/ TL 17.908 higher).

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.

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

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

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

TL equivalent of import and exports for the periods ended 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Total exports	**4.381.975**	4.481.232
Total imports	**-**	135.499
Ratio of hedging of net foreign currency liability	**-**	-

Foreign currency risk

Foreign currency position:	**31 December 2014**	**31 December 2013**
Assets	**4.213.726**	3.795.720
Liabilities	**(232.260)**	(1.397.087)
Net foreign currency position	**3.981.466**	2.398.633

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

		31 December 2014		**31 December 2013**	
	Original currency	**Original Amount**	**TL equivalent**	**Original amount**	**TL equivalent**
Cash and cash equivalents	USD	**922.833**	**2.139.956**	538.525	1.149.373
	Euro	**108.204**	**305.211**	271.566	797.453
	Other	**268**	**1.021**		
Trade receivables and due from related parties	USD	**573.983**	**1.331.009**	573.983	1.225.052
	Euro	**154.013**	**434.423**	211.606	621.381
Other receivables	Euro	**908**	**2.106**	838	2.461
Foreign currency denominated assets			**4.213.726**		**3.795.720**
Trade payables and due to related parties	Euro	**36.746**	**103.649**	409.483	1.202.447
	USD	**46.584**	**108.023**	31.398	67.012
Bank borrowings	USD	**8.879**	**20.588**	59.799	127.628
Foreign currency denominated liabilities			**232.260**		**1.397.087**

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

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

				31 December 2014
		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	**334.235**	**(334.235)**	**-**	**-**
Secured portion from USD risk (-)	**-**	**-**	**-**	**-**
USD Net Effect	**334.235**	**(334.235)**	**-**	**-**
Appreciation/(depreciation) of EUR against TL at 10%:				
Profit/(loss) from EUR net liability	**63.809**	**(63.809)**	**-**	**-**
Secured portion from EUR risk (-)	**-**	**-**	**-**	**-**
EUR Net Effect	**63.809**	**(63.809)**	**-**	**-**
Appreciation/(depreciation) of Other against TL at 10%:				
Profit/(loss) from Other net liability	**102**	**(102)**	**-**	**-**
Secured portion from Other risk (-)	**-**	**-**	**-**	**-**
Other Net Effect	**102**	**(102)**	**-**	**-**
Total Net Effect	**398.147**	**(398.147)**	**-**	**-**

				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)	-	-

(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 Group's objectives when managing capital are to safeguard the Group'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 Group may pay out dividends, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

	31 December 2014	31 December 2013
Total bank borrowings and trade payables	**29.366.839**	34.608.519
Less: Cash and cash equivalents	**(48.639.563)**	(19.268.115)
Net Debt	**(19.272.724)**	15.340.404
Total equity	**86.142.497**	**59.125.528**
Total capital	**66.869.773**	**74.465.932**
Gearing ratio	**(29)%**	21%

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 exists.

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

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

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 long-term floating-rated 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 2014 is as follows:

Financial assets at fair value through profit or loss:	Level 1	Level 2	Level 3
Financial assets	67.980	-	-

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	-	-

28. Subsequent events

1. A Share Transfer and Option Agreement was signed on January 5, 2015 between the Group and current shareholders of İntermat Bilişim A.Ş. for the acquisition of 50,1% of the shares of Intermat Bilişim A.Ş. and the acquisition of the remaining 49,9% within 12 months after the closing. Accordingly, the Group acquired 50,1% of the shares of Intermat Bilişim A.Ş. from its existing shareholders.

2. On February 4, 2015, a non-binding agreement of intent was signed between Logo Elektronik Ticaret Hizmetleri A.Ş. (E-Logo), an affiliate of the Group and the shareholders of e-Çözüm Bilgi Teknolojileri A.Ş. (E-Çözüm regarding the acquisition of 100% of the shares of E-Çözüm. The parties aim to complete the legal and financial analyses on E-Çözüm at the shortest time possible and to sign the Share Purchase and Share Purchase Agreement within the frame of the sale terms to be agreed upon.

3. A decision was made by the Board of Directors for starting the procedures regarding the merger of the affiliates of Logo Yazılım and for determining organizational changes.