TAT KONSERVE SANAYİİ A.Ş.
AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2012

(translated into English from
the Turkish original copy)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Tat Konserve Sanayii A.Ş.
İstanbul

We have audited the accompanying consolidated financial statements of Tat Konserve Sanayii A.Ş. and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the statement of consolidated comprehensive income, statement of changes in equity and statement of cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Reporting Standards issued by Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Financial Reporting Standards issued by Capital Markets Board.

İstanbul, 22 February 2012

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Burç Seven
Partner

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TAT KONSERVE SANAYİİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

ASSETS	**Notes**	**31 December 2012**	**31 December 2011**
Current Assets		**446.312.574**	**428.056.413**
Cash and Cash Equivalents	6	1.028.110	12.848.217
Financial Investments	8	-	23.336.577
Trade Receivables		216.330.982	167.682.986
-Due from related parties	36	127.754.288	99.450.422
-Other trade receivables	11	88.576.694	68.232.564
Other Receivables	12	16.409	43.999
Inventories	14	168.241.045	153.078.074
Biological Assets	15	-	31.354.180
Derivative Financial Assets	7	-	2.009.599
Other Current Assets	27	45.705.826	37.599.020
		431.322.372	427.952.652
Non-Current Assets Held for Sale	34	14.990.202	103.761
Non-Current Assets		**150.870.556**	**177.876.586**
Other Receivables	12	75.120	75.997
Financial Investments	8	4.939.874	2.075.554
Equity Investments	17	6.496.487	6.421.595
Investment Property	18	-	-
Propert, Plant and Equipment	19	126.583.962	155.843.626
Intangible Assets	20	764.804	873.682
Deferred Tax Assets	35	11.711.185	11.840.469
Other Non-Current Assets	27	299.124	745.663
TOTAL ASSETS		**597.183.130**	**605.932.999**

TAT KONSERVE SANAYİİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

LIABILITIES	**Notes**	**31 December 2012**	**31 December 2011**
Short Term Liabilities		**269.317.636**	**161.573.145**
Financial Borrowings	9	190.958.340	83.245.508
Trade Payables		67.024.537	69.289.596
- Due to related parties	36	9.588.585	12.481.312
- Other trade payables	11	57.435.952	56.808.284
Liabilities For Current Period Income	35	2.090.738	285.105
Other Short Term Liabilities	27	5.637.525	5.812.181
Provisions	23	172.100	334.000
Provision for Employee Benefits	25	3.434.396	2.606.755
Long Term Liabilities		**95.916.648**	**208.526.190**
Financial Borrowings	9	85.333.334	198.376.934
Provision for Employment Termination Benefits	25	10.583.314	10.149.256
SHAREHOLDERS' EQUITY		**231.948.846**	**235.833.664**
Attributable to equity holders of the parent		**199.069.582**	**193.509.299**
Paid-in Capital	28	136.000.000	136.000.000
Inflation Adjustment to Share Capital		21.601.088	21.601.088
Share Premium		10.107.809	10.107.809
Revaluation Fund		3.356.591	492.271
Restricted Reserves		60.404	60.404
Accumulated Losses		25.247.727	16.258.558
Profit for the Period		2.695.963	8.989.169
Non-Controlling Interests	28	**32.879.264**	**42.324.365**
TOTAL LIABILITIES AND EQUITY		**597.183.130**	**605.932.999**

TAT KONSERVE SANAYİİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

	Notes	1 January-31 December 2012	1 January-31 December 2011
Sales revene	29	777.745.848	691.669.955
Cost of sales (-)	29	(620.164.394)	(554.380.852)
GROSS PROFIT		**157.581.454**	**137.289.103**
Marketing, selling and distribution expens	30	(100.822.430)	(86.374.507)
General administrative expenses (-)	30	(27.920.152)	(26.363.220)
Research and development expenses (-)		(22.636)	(8.868)
Other operating income	31	3.997.189	4.722.660
Other operating expenses	31	(1.525.041)	(1.254.856)
OPERATING PROFIT		**31.288.384**	**28.010.312**
Income from equity investments	17	464.892	981.223
Finance income	32	22.883.076	30.362.130
Finance expenses	33	(40.707.878)	(50.412.536)
PROFIT BEFORE TAX		**13.928.474**	**8.941.129**
Taxation			
Tax on profit for the period	35	(677.416)	(1.489.253)
Deferred tax expense	35	(3.166.731)	(843.696)
PROFIT FOR THE PERIOD		**10.084.327**	**6.608.180**
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operation	34	**(16.833.465)**	**(3.979.671)**
PROFIT/(LOSS) FOR THE PERIOD		**(6.749.138)**	**2.628.509**
Profit/(Loss) for the period attributable to:			
Non-controlling interests		(9.445.101)	(6.360.660)
Parent company		2.695.963	8.989.169
Earnings per share		(0,05)	0,02
Other comprenhensive income/(loss)		-	-
TOTAL COMREHENSIVE INCOME/(LOSS)		**(6.749.138)**	**2.628.509**
Attributable to:			
Non-controlling interests		(9.445.101)	(6.360.660)
Parent company		2.695.963	8.989.169
PROFIT/(LOSS) FOR THE PERIOD		**(6.749.138)**	**2.628.509**
Earnings per share		(0,05)	0,02

TAT KONSERVE SANAYİİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENTS OF
EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

	Notes	Share Capital	Inflation adjustment on share capital	Share premium	Revaluation fund on financial assets	Restricted reserves assorted from profit	Period Net Income	Retained earnings/ accumulated losses	Equity attributable to Parent Company	Non-controlling interest	Total equity
Balance at 31 December 2010		**136.000.000**	**21.601.088**	**10.107.809**	**492.271**	**60.404**	**16.212.718**	**45.840**	**184.520.130**	**48.685.025**	**233.205.155**
Transfers		-	-	-	-	-	(16.212.718)	16.212.718	-	-	-
Total comprehensive income		-	-	-	-	-	8.989.169	-	8.989.169	(6.360.660)	2.628.509
Balance at 31 December 2011	28	**136.000.000**	**21.601.088**	**10.107.809**	**492.271**	**60.404**	**8.989.169**	**16.258.558**	**193.509.299**	**42.324.365**	**235.833.664**

	Notes	Share Capital	Inflation adjustment on share capital	Share premium	Revaluation fund on financial assets	Restricted reserves assorted from profit	Period Net Income	Retained earnings/ accumulated losses	Equity attributable to Parent Company	Non-controlling interest	Total equity
Balance at 31 December 2011		**136.000.000**	**21.601.088**	**10.107.809**	**492.271**	**60.404**	**8.989.169**	**16.258.558**	**193.509.299**	**42.324.365**	**235.833.664**
Transfers		-	-	-	-	-	(8.989.169)	8.989.169	-	-	-
Revaluation Fund		-	-	-	2.864.320	-	-	0	2.864.320	-	2.864.320
Total comprehensive income		-	-	-	-	-	2.695.963	-	2.695.963	(9.445.101)	(6.749.138)
Balance at 31 December 2012	28	**136.000.000**	**21.601.088**	**10.107.809**	**3.356.591**	**60.404**	**2.695.963**	**25.247.727**	**199.069.582**	**32.879.264**	**231.948.846**

The accompanying notes form an integral part of financial statements.

TAT KONSERVE SANAYİİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

	Notes	1 January-31 December 2012	1 January-31 December 2011
Profit from continued operations		13.928.474	8.941.129
Loss from discontinued operations (note:34)		(19.870.912)	(3.979.671)
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	19,20	16.814.673	15.576.560
Impairment on non-current assets held for sale	34	15.187.237	-
Provision for employee termination benefits	25	5.127.997	3.972.920
Allowances for doubtful receivables	11	490.436	140.802
Other provisions	23	(161.900)	(203.657)
Provision/(release) for unused vacation	25	231.416	(34.675)
Profit from equity investments	17	(464.892)	(981.223)
Profit from dividends	31	(362.248)	(223.648)
Income accruals		(7.050.627)	(8.636.202)
Change in fair value of biological assets	15	2.203.336	2.691.680
Profit from sale of tangible assets	31	(579.435)	(1.420.500)
Loss from sale of tangible assets	31	411.758	473.256
Profit from derivative financial instruments	32	-	(1.868.429)
Unrealized foreign exchange gain/(loss) on financial liabilities		(3.189.000)	17.527.500
Interest income	32	(1.041.222)	(1.072.787)
Interest expense	33	29.616.256	22.708.161
Operating profit before working capital change		**51.291.347**	**53.611.216**
Increase in trade receivables and other receivables		(20.834.566)	(21.794.569)
Increase/(decrease) in due from related parties		(28.303.866)	1.772.892
(Increase) in inventories		(15.162.971)	(3.381.952)
Decrease in biological assets		29.150.844	8.803.680
Decrease in non-current assets held for sale		103.761	168.497
Increase in other current assets		(1.027.712)	(4.111.972)
Decrease in other non-current assets		446.539	1.579.230
Increase in trade payables		627.668	12.051.081
(Decrease)/increase due to related parties		(2.892.727)	3.346.995
(Decrease)/increase in other liabilities		1.834.943	(561.092)
Increase in provision for employee benefits		596.225	191.323
Cash generated from activities		**15.829.485**	**51.675.329**
Employee termination benefits paid	25	(4.693.939)	(2.392.782)
Taxes and Funds (paid)/recover	35	1.128.217	(1.204.148)
Cash generated from operations		**12.263.763**	**48.078.399**
Investing activities:			
Tangible and intangible asset acquisitions	19,20	(17.838.630)	(15.546.303)
Cash generated from sale of tangible assets		382.737	4.864.779
Dividend Income		752.248	418.648
Short term financial Investments	8	23.336.577	(22.679.970)
Interest received	32	1.041.222	969.680
Net cash used in investing activities		**7.674.154**	**(31.973.166)**
Financing activities:			
Loans paid		(106.096.960)	(120.177.354)
Loans received		103.930.100	130.100.000
Interests paid		(29.591.164)	(22.067.797)
Cash obtained from derivative contracts (net)		-	1.868.429
Net cash generated from/(used in) financing activities		**(31.758.024)**	**(10.276.722)**
Net change in cash and cash equivalents		**(11.820.107)**	**5.828.511**
Cash and cash equivalents at the beginning of the period	6	**12.848.217**	**7.019.706**
Cash and cash equivalents at the end of the period	6	**1.028.110**	**12.848.217**

The accompanying notes form an integral part of financial statements.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Tat Konserve Sanayii A.Ş. ("Tat Konserve" or "the Company") was established in 1967. The Company is engaged in production, distribution, marketing, domestic and foreign trade and brokerage of semi finished goods and finished goods of such products; merchandise goods, food, beverage, juice, agricultural and animal products, frozen foods, dried goods, including pulverized goods and raw and primitive form of materials recipient and additives, sweet and sugar free juice and caned goods. The Company is registered in Turkey and is operating in accordance with the Turkish Commercial Code. The Company has 1.127 employees at 31 December 2012 (31 December 2011: 1.096).

The domestic marketing and sales activities of the Company are performed by Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey"), a Koç Group company.

Koç Holding A.Ş. is the main shareholder and the ultimate owner of the Group.

Harranova Besi ve Tarım Ürünleri A.Ş., the subsidary of the Company has operations in tomato and livestock production. According to the Board of Directors meeting on 29 June 2012, the subsidiary of the Company decided to stop breeding activites by assesing current economic conditions and prior year's data.

Tat Tohumculuk A.Ş., participation of the Company is operating in seed sector as producing various plants' seeds, export and import. Besides, Tat Tohumculuk is producing tube seedlings in glasshouse located on 40 decare floor.

	Direct and indirect share of the Company	
	31 December 2012	**31 December 2011**
Subsidiary:		
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi")	%58,2	%58,2
Investment in associate:		
Tat Tohumculuk A.Ş.	%30,0	%30,0

The shares of the Company are quoted to Istanbul Stock Exchange Market since 1993.

The registered office address of the Company is as follows:

Taşdelen Çamlık Mahallesi Sırrı Çelik Bulvarı No:7
34788 Çekmeköy İstanbul / Türkiye

<u>Acceptance of financial statements:</u>

Consolidated financial statements are authorized for issue by Board of Directors meeting on 22 February 2013; on behalf of the Board of Directors Arzu Aslan Kesimer, Board Member, and Tamer Soyupak, Chief Financial Officer signed the consolidated financial statements. The General Assembly has authority to amend these consolidated financial statements.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Financial Reporting Standards

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation.

Capital Market Board (CMB) issued Decree No XI-29 “Capital Markets Reporting Standards” that provides a detailed accounting principals set. This particular decree became effective for periods after 1 January 2008 and Decree No XI-25 “Capital Markets Accounting Standards” is abolished. The mentioned Decree XI-29, declares that the entities applying International Financial Reporting Standards (IFRS) are accepted as applying the preparation and disclosure requirements of Decree No XI-29. In this context, Turkish Accounting/ Financial Reporting Standards (“TAS/TFRS”) which are not contrary to standards adopted and promulgated by TASB and will be applied.

Within this scope, Turkish Accounting/Financial Reporting Standards (“TAS/TFRS”) which is aboveboard is taken as a basis.

The considered financial statements and notes have been represented in accordance with the communique issued which advises formats to be applied and compulsory information included by CMB (Capital Markets Board) on 17 April 2008 and 9 January 2009.

Published in the Official Gazette and entered into force on November 2, 2011 by the Decree Law No. 660 Annex 1 of the Law No. 2499 Article has been canceled and the Public Oversight, Accounting and Auditing Standards Authority ("the Authority") was established. This Provisional Decree-Law 1, in accordance with published standards and regulations are put into effect by the Authority, will continue to apply existing regulations on these issues. For this reason, the situation at the reporting date of these financial statements does not lead to any change in Principles of Preparation of Financial Statements.

The consolidated financial statements are prepared in Turkish Lira (“TL”) based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

2.2 Comparative Informations and The Adjustments of The Prior Terms Financial Statements

Consolidated financial statements of Group are prepared in comparison with previous period in order to identify financial position and performance trends. In case of change in representation or classification of assets in consolidated financial statements, consolidated financial statements of previous period are reclassified accordingly in order to sustain comparability. There is no effect of these reclassifications in the profit for the period.

2.3 Adoption of New and Revised International Financial Reporting Standards

New and updated standards and comments stated below have been applied by the Group and have affected on the amounts reported and explanations. Other standards and comments which have no effect on amounts reported but applied on financial statements have been explained in the following parts.

(a) Standards, amendments and interpretations to existing standards effective to Group’s financial statements and notes

None.

(b) Standards, amendments and interpretations to existing standards effective to Group’s financial performance and/or balance sheet

None.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

(c) New and Revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[1]
Amendments to IAS 1	*Clarification of the Requirements for Comparative Information*[2]
IFRS 9	*Financial Instruments*[5]
IFRS 10	*Consolidated Financial Statements*[3]
IFRS 11	*Joint Arrangements*[3]
IFRS 12	*Disclosure of Interests in Other Entities*[3]
IFRS 13	*Fair Value Measurement*[3]
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[3]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[5]
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide*[3]
IAS 19 (as revised in 2011)	*Employee Benefits*[3]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[3]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[3]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[4]
Amendments to IFRSs	*Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2014.
[5] Effective for annual periods beginning on or after 1 January 2015.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

(c) New and Revised IFRSs in issue but not yet effective (cont'd)

Amendments to IAS 12 *Deferred Taxes – Recovery of Underlying Assets*

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Group does not have investment property. The amendment did not have any effect on the consolidated financial statements.

Amendments to IFRS 7 *Disclosures - Transfers of Financial Assets*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Amendments to IAS 1 *Presentation of Financial Statements*
(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

(c) New and Revised IFRSs in issue but not yet effective (cont'd)

IFRS 9 *Financial Instruments(cont'd)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The Group management anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an 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 the investor's return Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards will not have a significant impact on amounts reported in the consolidated financial statements.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

(c) New and Revised IFRSs in issue but not yet effective (cont'd)

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. However, the Group management have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

(c) New and Revised IFRSs in issue but not yet effective (cont'd)

***Annual Improvements to IFRSs 2009 - 2011 Cycle* issued in May 2012**

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- Amendments to IAS 16 *Property, Plant and Equipment*; and
- Amendments to IAS 32 *Financial Instruments: Presentation*.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's consolidated financial statements.

2.4 Basis of Consolidation

The consolidated financial statements include the accounts of Tat Konserve, the parent company, the financial statements of its Subsidiary and Associate. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards.

Subsidiaries are companies in which the Company has the power to control the financial and operating policies for the benefit of the Holding, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of an actual dominant influence over the financial and operating policies.

Investment in associate is accounted for by the equity method of accounting. These are entities over which the Company generally has between 20% and 50% of voting rights, or over which the Company has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Company and its associate is eliminated on consolidation, whereas unrealised losses are eliminated unless they do not address any impairment.

The table below sets out shareholding structure of the subsidiary and associate at 31 December 2012:

	Direct and indirect share of the Company	
	31 December 2012	**31 December 2011**
Subsidiary:		
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi")	%58,2	%58,2
Investment in Associate:		
Tat Tohumculuk A.Ş.	%30,0	%30,0

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

The accounting policies considered during the preparation of the consolidated financial statements are as follows.

Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 6).

Related Parties

For the purpose of these financial statements, Koç Holding A.Ş., shareholders, key management personnel and Board members, in each case together with their families and companies, associates and joint ventures controlled by or affiliated with them are considered and referred to as related parties (Note 36).

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined on the moving weighted average basis. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads.Cost elements do not include borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 14).

Biological Assets

Livestock is measured at its fair value less estimated point-of-sale costs (Note 15).

Property, plant, equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements. Depreciation is provided on property, plant and equipment on a straight-line basis.

Depreciation is not calculated for land due to indefinite useful life estimation.

Property, plant and equipment are reviewed for impairment losses 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 asset net selling price or value in use.

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (four to eight years).

Taxation and deferred tax

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 accompanying 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.

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Taxation and deferred tax (cont'd)

Deferred Tax (cont'd)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

Financial Instruments

Financial assets

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available-for-sale financial assets

Investments other than (a) held-to-maturity debt securities or (b) held for trading securities are classified as available-for-sale. Avaliable-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power.

Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Trade receivables

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.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.6 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Impairment of financial assets (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity..

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs..

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Derivative financial instruments:

Derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivative transactions, while providing effective economic hedges under the risk management position, do not qualify for hedge accounting under the specific rules under IAS 39 and are therefore treated as derivatives at fair value through profit or loss and their fair value gains and losses are reported in the income statement.

Provision for employment termination benefits

Employment termination benefits, represents the present value of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law, employment termination without due cause, call up for military service and death of the employees after at least one year work (Note 25).

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 tables and treated as contingent assets or liabilities.

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue Recognition

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable. Net sales are calculated after the sales returns and sales discounts are deducted.

Revenues from sale of tomato paste and canned foods, milk and diary products, meat and meat products and pasta and mealy products are recognized when all the following conditions are satisfied:

• The Group transfers the significant risks and rewards of ownership of the goods to the buyer,

• The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,

• The amount of revenue can be measured reliably,

• It is probable that the economic benefits associated with the transaction will flow to the entity,

• The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income:

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges are recognized as financial income or expenses over the period of credit sales and purchases, and included under financial income and expenses.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.
Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Government grants (cont'd)

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets

Government grants relating to expense component are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Benefit of loan taken from Government with comperatively low interest rate than the market offers is accepted as Government Grants. Benefit gained over low interest rate is measured by subtracting gains from net book value of the loan at the beginning.

Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Discontinued operations

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered through a sales transaction not through continuing use.

According to the decision taken by the Board of Directors on June 29, 2012 the Company's subsidiary Harranova Besi ve Tarım Ürünleri A.Ş. decided not to purchase new biological assets, and then decided to stop breeding activities. On December 7, 2013 The Company made an agreement with an independent and CMB listed expertise firm, to revalue Harranova Besi's fixed assets related to breeding activities. Since the Company's management has a sale plan about these fixed assets, they are available for immediate sale and sale of these fixed assets are highly probable it is classified to non-current assets held for sale. The subsidiary of the Company, has discontinued milk production business in 2007. (note:34)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Earnings/(loss) per share

The basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Statement of Cash Flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from the sales of goods and commodities of the Group.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Offsetting

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

2.6 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The depreciation on property, plant and equipment is provided using the useful lives discussed in Note 18 to the consolidated financial statements.

(b) Deferred income tax assets

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognised. As of 31 December 2012 and 31 December 2011, as a result of the assessment made, the Group has recognized deferred tax assets because it is probable that taxable profit will be available sufficient to recognize deferred tax assets.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.6 Critical accounting estimates and assumptions (cont'd)

(c) Fair value of biological assets

The Group takes into account prices in market and meat exchanges together expected sales prices while estimating fair value of biological assets.

(d) Fair value of derivative instruments

Group Management, evaluates fair value of derivative instruments by estimating market values considering estimated foreing Exchange and interest rates.

NOTE 3 - BUSINESS COMBINATIONS

None. (31 December 2011: None).

NOTE 4 – JOINT VENTURES

None (31 December 2011: None).

NOTE 5 - SEGMENTAL REPORTING

Primary Segmental Reporting Method - Industrial Segments

The products of the Company have different risks and returns, then the below segments have been accepted by the Company. The Group have identified relevant operating segments based on internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker of the Group.

- Tomato paste and canned foods
- Milk and dairy products
- Meat and meat products
- Pasta and mealy products

The Group also evaluated disclosure of geographical distribution of revenues for the period in addition to industrial segments. However, the Groups concluded that there is no geographical reporting segments since the big chain groceries and Düzey Malları Sanayi Pazarlama A.Ş. are the main customers of the Group. The Group Management evaluates financial results and performance based of IFRS financial statements. Therefore, IFRS financial statements are the basis of segmental reporting.

Domestic sales and marketing activities are operated by the Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş., which is a member of Koç Group. Sales amount to the Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş. is 638.962.685 TL as of 31 December 2012 (31 December 2011: 563.977.480 TL).

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 5 - SEGMENTAL REPORTING(cont'd)

a) Segmental Analysis between 1 January 2011 - 31 December 2012 (*)

	Tomato paste and canned foods	Milk and dairy products	Meat and meat products	Pasta and mealy products	Total
Sales Revenue (net)	252.365.575	347.226.784	111.341.026	66.812.463	777.745.848
Cost of Sales	(186.252.973)	(281.030.234)	(95.957.473)	(56.923.714)	(620.164.394)
Gross Operating Profit	**66.112.602**	**66.196.550**	**15.383.553**	**9.888.749**	**157.581.454**
Operating Expenses					(126.293.070)
Operating Profit					**31.288.384**

Segmental Analysis between 1 January 2010 - 31 December 2011 (*)

	Tomato paste and canned foods	Milk and dairy products	Meat and meat products	Pasta and mealy products	Total
Sales Revenue (net)	247.578.098	284.406.654	100.170.299	59.514.904	691.669.955
Cost of Sales	(187.741.919)	(231.197.380)	(83.909.223)	(51.532.330)	(554.380.852)
Gross Operating Profit	**59.836.179**	**53.209.274**	**16.261.076**	**7.982.574**	**137.289.103**
Operating Expenses					(109.278.791)
Operating Profit					**28.010.312**

(*) As of 1 January-31 December 2012, Harranova Besi's sales revenue related to meat and meat products amounted to 60.884.543 TL (1 January-31 December 2011: 66.745.721 TL), cost of sales amounted to 61.284.529 TL (1 January-31 December 2011: 67.785.860 TL), operating expense amounted to 19.470.926 TL (1 January-31 December 2011: 2.939.532 TL) and deferred tax income amounted to 3.037.447 TL is reclassed to loss from discontinued operations in comprehensive income statement.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 5 - SEGMENTAL REPORTING (cont'd)

b) Segment Assets

Described as the assets of the entity (group of entities) that are directly employed in the operating activities of the segment or can be allocated to the segment on a reasonable basis

Sales network and tangibles&intangibles in terms of the organizational structure of Tat Konserve are described as segment assets.

As of 31 December 2012 and 31 December 2011, the recorded amounts of the segment assets according to industrial segments are as follows:

	31 December 2012	31 December 2011
Meat and meat products	16.327.164	50.529.406
Tomato paste and canned foods	71.992.927	78.574.065
Milk and dairy products	28.807.448	18.199.123
Pasta and mealy products	5.049.020	4.002.746
Assets not allocated to the segments	5.172.207	5.411.968
	127.348.766	**156.717.308**

c) Segment Liabilities

Described as liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

In the general framework of the organizational structure of the Group and its internal financial reporting system, trade and other payables are analysed in the basis of industrial segments. As a result, reporting of segment liabilities are not required.

d) Depreciation expense, amortization and investment expenditures

Depreciation and amortization of the industrial segment assets for the years ended 31 December 2012 and 31 December 2011 are as follows:

	1 January-31 December 2012	1 January-31 December 2011
Meat and meat products	3.277.488	3.853.750
Tomato paste and canned foods	9.848.253	8.730.986
Milk and dairy products	2.947.695	2.467.342
Pasta and mealy products	417.473	351.748
Depreciation and amortization not allocated to the segments	323.764	172.734
	16.814.673	**15.576.560**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 5 - SEGMENTAL REPORTING (cont'd)

For the years ended 31 December 2012 and 31 December 2011, investment expenditures for the industrial segment assets are as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Meat and meat products	1.577.764	2.335.264
Tomato paste and canned foods	6.777.561	5.290.208
Milk and dairy products	8.012.141	6.648.067
Pasta and mealy products	1.077.537	565.694
Investment expenditure not allocated to the segments	393.627	707.070
	17.838.630	**15.546.303**

NOTE 6 – CASH AND CASH EQUIVALENTS

As of 31 December 2012 and 31 December 2011, cash and cash equivalents comprised the following:

	31 December 2012	31 December 2011
Cash on hand	2.184	7.452
Banks	1.025.416	12.840.421
- Time deposit - TL	-	3.080.000
- Demand Deposit - TL	106.324	80.329
- Time deposit - foreign currency	-	6.828.374
- Demand deposit - foreign currency	919.092	2.851.718
Other	510	344
	1.028.110	**12.848.217**

Nature and level of risks associated with Cash and Cash Equivalents have been explained in Note – 37.

Cash and cash equivalents amounted to 128.574 TL have been reclassified in "Other Current Assets" as they have been restricted for continuing operations and fulfilling obligations of the Group. (2011: 106.692 TL)

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2012 and 31 December 2011, fair values of derivative financial instruments comprised the following:

	31 December 2012		31 December 2011	
	Asset	Liability	Asset	Liability
Cross Swp Agreements	-	-	2.009.599	-
Foreign Currency exchange with maturi	-	-	-	-
	-	-	2.009.599	-

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 8 – FINANCIAL INVESTMENTS

As of 31 December 2012 and 31 December 2011, financial investments comprised the following:

Short Term Financial Investments	31 December 2012	31 December 2011
Time Deposits		
Time deposits with maturities longer than 3 months	-	23.336.577
	-	23.336.577

In current period, time deposits does not include income accrual amounted 103.117 TL (31 December 2011: 103.117)

Long Term Financial Investments	%	31 December 2012	%	31 December 2011
Available for sale financial investments				
Ram Dış Ticaret A.Ş.	7,5	4.387.500	7,5	1.523.180
Düzey Tüketim Malları Sanayi Pazarlama A.Ş.	1,1	544.641	1,1	544.641
Other		7.733		7.733
		4.939.874		**2.075.554**

Group has booked provision for Alaşehir Alkollü İçkiler Sanayi ve Ticaret A.Ş.'nin (formerly; Tariş-Tat Alkollü İçkiler A.Ş.) amounted to 14.924.000 TL which is the cost value (31 December 2011: 14.924.000 TL)

NOTE 9 – FINANCIAL BORROWINGS

The financial borrowings at 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Short term bank borrowings	86.618.486	25.788.097
Current maturities of long term borrowings	104.339.854	57.457.411
Total short term financial borrowings	**190.958.340**	**83.245.508**
Long term borrowings	85.333.334	198.376.934
Total long term financial borrowings	**85.333.334**	**198.376.934**
	276.291.674	**281.622.442**

In order to be used by Koç Group companies, part of the financial borrowing which is included in the contract signed with consortium (that composed of Koç Holding A.Ş. and financial institutions), amounting to, 14.949.531 USD is obtained by the Group as sub debtor (31 December 2011: USD 29.793.496)

Group does not have any pledges or mortgages given as collateral for its financial borrowings. (31 December 2011: None)

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 9 – FINANCIAL BORROWINGS (cont'd)

The details of financial borrowings as of 31 December 2012 and 31 December 2011 are as follows:

Short term financial borrowings	Effective interest rate	Original amount	31 December 2012
TL borrowings	%6,08	59.969.452	59.969.452
USD borrowings	%2,46	14.949.531	26.649.034
			86.618.486
Current maturities of long term borrowings			
TL borrowings	%9,23	104.339.854	104.339.854
			104.339.854
Long term financial borrowings			
TL borrowings	%11,15	85.333.334	85.333.334
			85.333.334

Short term financial borrowings	Effective interest rate	Original amount	31 December 2011
TL borrowings	%8,48	25.788.097	25.788.097
			25.788.097
Current maturities of long term borrowings			
USD borrowings	%3,86	8.145.945	15.386.876
TL borrowings	%9,23	42.070.535	42.070.535
			57.457.411
Long term financial borrowings			
USD borrowings	%2,77	29.793.496	56.276.934
TL borrowings	%11,05	142.100.000	142.100.000
			198.376.934

The redemption schedule of the long-term borrowings in terms of TL at 31 December 2012 of is as follows:

	TL Borrowing	USD TL Equivalent
2014	70.333.334	-
2015	15.000.000	-
	85.333.334	-

The redemption schedule of the long-term borrowings in terms of TL at 31 December 2011 of is as follows:

	TL Borrowing	USD TL Equivalent
2013	102.766.667	56.276.934
2014	39.333.333	-
	142.100.000	**56.276.934**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 10 – OTHER FINANCIAL BORROWINGS

None (31 December 2011: None).

NOTE 11 - TRADE RECEIVABLES AND TRADE PAYABLES

The analysis of trade receivables and trade payables at 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	31 December 2011
Trade Receivables:		
Trade receivables	24.494.763	26.468.023
Cheques and notes	66.871.246	44.129.218
Provision for doubtfull receivables	(2.789.315)	(2.364.677)
	88.576.694	**68.232.564**

Movement of allowance for doubtful receivables of the Group for the period ended 31 December 2012 and 31 December 2011 is as follows

	1 January - 31 December 2012	1 January - 31 December 2011
Opening Balance	(2.364.677)	(2.384.951)
Current year charge	(490.436)	(140.802)
Collections	65.798	161.076
	(2.789.315)	**(2.364.677)**

The explanations related to nature and level of risks at trade receivables are explained at note 37.

As of 31 December 2012 and 31 December 2011, the details of trade payables are as follows:

	31 December 2012	31 December 2011
Trade payables:		
Domestic Suppliers	55.713.818	56.425.331
Foreign Suppliers	1.722.134	382.953
	57.435.952	**56.808.284**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 12 – OTHER RECEIVABLES AND PAYABLES

As of 31 December 2012 and 31 December 2011, the details of other trade receivables are as follows:

	31 December 2012	31 December 2011
Other short term trade receivables:		
Other receivables	16.409	43.999
	16.409	**43.999**

	31 December 2011	31 December 2010
Other long term receivables:		
Deposits and guarantees given	75.120	75.997
	75.120	**75.997**

NOTE 13 – RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (2011: None).

NOTE 14 - INVENTORIES

As of 31 December 2012 and 31 December 2011, the details of inventories are as follows:

	31 December 2012	31 December 2011
Raw material	47.548.397	51.899.243
Work -in process	2.443.425	1.055.942
Finished goods	118.247.531	100.121.197
- Tomato sauce and canned foods	102.184.268	87.604.880
- Milk and dairy products	11.589.679	7.638.560
- Meat and meat products	1.534.319	2.159.595
- Macaroni and mealy products	2.939.265	2.718.162
Other Inventories	1.692	1.692
	168.241.045	**153.078.074**

There is not any allowence on dimunination value on inventories (31 December 2011: None)

NOTE 15 - BIOLOGICAL ASSETS

The biological assets at 31 December 2012 and 31 December 2011 as follows:

	2012	2011
Biological assets	-	31.354.180
	-	**31.354.180**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 15 - BIOLOGICAL ASSETS (cont'd)

The movements in the carrying value of biological assets in the period ended 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Opening balance	31.354.180	42.849.540
Increase due to purchases	33.029.632	59.892.675
(Decrease)/Increase in fair value	(2.203.336)	(2.691.680)
Decrease attributable to sales	(62.180.476)	(68.696.355)
	-	**31.354.180**

According to the decision taken by the Board of Directors on June 29, 2012 the Company's subsidiary Harranova Besi ve Tarım Ürünleri A.Ş., the Company decided not to purchase biological assets, and then decided to stop breeding activities. Breeding activities to biological assets that are on hand stopped at December.

NOTE 16 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

None (31 December 2011: None).

NOTE 17 – EQUITY INVESTMENTS

As of 31 December 2012 and 31 December 2011, the details of investments valued by equity pick up method are as follows:

		Share in Capital (%)		
Participations	Location	31 December 2012	31 December 2011	Main operations
Tat Tohumculuk	İstanbul	30%	30%	Seed Production

	31 December 2012	31 December 2011
Total Assets	23.030.966	24.499.758
Total Liabilities	(1.376.008)	(3.094.441)
Net Assets	21.654.958	21.405.317
Group's share in participations's net assets	6.496.487	6.421.595

	1 January- 31 December 2012	1 January- 31 December 2011
Revenue	15.478.728	13.820.842
Period Inccome	1.549.640	3.270.743
Group's share in participation's net profit	464.892	981.223

NOTE 18 – INVESTMENT PROPERTY

None. (31 December 2011: None)

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant, equipment and their accumulated depreciation for the period ended 31 December 2012 and 31 December 2011 are as follows:

	1 January 2012	Additions	Disposals	Transfers (*)	31 December 2012
Cost:					
Land	8.325.434	-	-	-	8.325.434
Land improvements	17.127.074	1.402.240	-	(3.353.778)	15.175.536
Buildings	100.271.225	896.536	-	(23.040.646)	78.127.115
Machinery and equipment	397.935.879	13.508.071	(2.461.094)	(9.915.121)	399.067.735
Vehicles	7.989.426	214.368	(217.282)	(1.389.332)	6.597.180
Furniture and fixture	52.964.382	1.298.155	(403.088)	(5.193.717)	48.665.732
Leasehold improvements	8.162.878	-	-	-	8.162.878
Construction in progress	912.192	316.869	-	(24.865)	1.204.196
	593.688.490	**17.636.239**	**(3.081.464)**	**(42.917.459)**	**565.325.806**
Accumulated Depreciation:					
Land improvements	8.786.962	2.495.621	-	(21.592)	11.260.991
Buildings	48.086.428	2.409.592	-	(2.610.966)	47.885.054
Machinery and equipment	332.896.473	8.734.881	(2.350.424)	(6.318.443)	332.962.487
Vehicles	2.762.525	509.491	(130.054)	(833.124)	2.308.838
Furnitures and fixtures	37.087.726	2.291.724	(385.926)	(2.965.494)	36.028.030
Leasehold improvements	8.224.750	71.694	-	-	8.296.444
	437.844.864	**16.513.003**	**(2.866.404)**	**(12.749.619)**	**438.741.844**
Net book values	**155.843.626**				**126.583.962**

(*) Since the Company's subsidiary Harranova Besi stopped breeding activites, the fixed assets related to this activity, net book value amounted to 30.167.840, is reclassed to non-current assets held for sale. According to expertise report, done by an independent and CMB listed expertise firm, impairment amounts is as follows: 1.579.792 TL on land, 108.363 TL on land improvements, 10.275.476 TL on buildings, 1.810.082 TL on machinery and equipment, 279.920 TL on vehicles, 1.121.385 TL on furniture and fixtures and 7.388 TL on leasehold improvements. Total amount of impairment is 15.182.406 TL and it is recorded on financial statements as of balance sheet date.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

	1 January 2011	Additions	Disposals	Transfers	31 December 2011
Cost:					
Land	9.045.994	-	(720.560)	-	8.325.434
Land improvements	17.206.133	147.519	(432.322)	205.744	17.127.074
Buildings	104.600.775	739.635	(5.444.628)	375.443	100.271.225
Machinery and equipment	391.658.517	10.543.107	(4.265.745)	-	397.935.879
Vehicles	7.888.688	418.508	(317.770)	-	7.989.426
Furniture and fixture	51.319.542	1.783.092	(138.252)	-	52.964.382
Leasehold improvements	8.162.878	-	-	-	8.162.878
Construction in progress	237.070	1.256.309	-	(581.187)	912.192
	590.119.597	**14.888.170**	**(11.319.277)**	**-**	**593.688.490**
Accumulated Depreciation:					
Land improvements	6.450.290	2.453.374	(116.702)	-	8.786.962
Buildings	48.694.747	2.389.847	(2.998.166)	-	48.086.428
Machinery and equipment	329.490.438	7.470.659	(4.064.624)	-	332.896.473
Vehicles	2.408.846	525.738	(172.059)	-	2.762.525
Furnitures and fixtures	34.774.997	2.362.920	(50.191)	-	37.087.726
Leasehold improvements	8.103.368	121.382	-	-	8.224.750
	429.922.686	**15.323.920**	**(7.401.742)**	**-**	**437.844.864**
Net book values	**160.196.911**				**155.843.626**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT(cont'd)

The expected useful life of property, plant and equipment is as follows::

Land improvements	30 years
Buildings	30 years
Machinery and equipment	15 to 30 years
Furniture and fixtures	10 to 12 years
Vehicles	9 years
Leasehold Improvements	5 to 8 years

8.042.046 TL of amortization expenses has been included in cost of sales (2011: 8.297.770 TL), 2.022.424 TL in general administrative expenses (2011: 800.564 TL), 93.916 TL in idle capacity expenses and loses (2011: 181.688TL), and 6.655.927 TL in inventories (2011: 3.169.138 TL)

NOTE 20 – INTANGIBLE ASSETS

As of 31 December 2012 and 31 December 2011, intangible assets are composed of software licences and the movements in intangible assets and accumulated amortisation as of these years ended are as follows:

	1 January 2012	Additions	Transfers (*)	31 December 2012
Cost	22.922.615	202.391	(46.395)	23.078.611
Accumulated Amortization	22.048.933	301.670	(36.796)	22.313.807
Net Book Value	**873.682**			**764.804**

	1 January 2011	Additions	Transfers	31 December 2011
Cost	22.264.482	658.133	-	22.922.615
Accumulated Amortization	21.796.293	252.640	-	22.048.933
Net Book Value	**468.189**			**873.682**

Total of amortization expenses amounted to 301.670 TL are included in general administrative expenses (2011: 252.640 TL TL)

(*) Due to the Company's subsidiary Harranova Besi stopped breeding activities, the fixed assets subject to breeding activities with net book value of 9.599 TL is reclassed ton on-current assets held for sale. Impairment on rights is 4.831 TL.

NOTE 21 - GOODWILL

None (31 December 2011: None).

NOTE 22 - GOVERNMENT INCENTIVES AND GRANTS

The major investment incentives granted by government authorities in conjunction with the major investment expenditures and the rights of the Company in consideration of these incentives are as follows:

i) customs exemption related with imported goods, VAT exemption and taxes, duties, charges exceptions related with purchases of investment goods supplied from domestic markets.

ii) Harranova Besi, the subsidiary of the Company, has incentive allowance at the rate of 80% related to Social Security Institution ("SSI") employer contribution.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 23 – PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS

As of 31 December 2012 and 31 December 2011 the detail of provisions are as follows:

	31 December 2012	31 December 2011
Lawsuit provision	172.100	334.000
	172.100	**334.000**

As of 31 December 2012 and 31 December 2011 the movement of provisions are as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Opening Balance	334.000	537.657
Provisions set in current period	17.100	176.343
Provisions no longer required	(179.000)	(380.000)
	172.100	**334.000**

b) Contingent Assets and Liabilities

None (31 December 2011: None).

NOTE 24 – COMMITMENTS

Group has miscellaneous borrowings that guarantee letters given to customs and agriculture enterprises which are amounting to 49.558.871 TL (31 December 2011: 31.880.650 TL)

The detail of the Company's and its subsidiaries' guarantees given or contingent liabilities on the behalf of each other, related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	31 December 2012	31 December 2011
A. On the behalf of legal entity	49.558.871	31.880.650
B. On the behalf of associations that included in full consolidation	-	-
C. On the behalf of third parties' liabilities within the context of business operations		
-Given on the behalf of parent company	-	-
- Given on the behalf of other group companies which are not included in B and C clauses	-	-
-Given on the behalf of third parties which are not included in C clause	-	-
D. Other	-	-
	49.558.871	**31.880.650**

Total guarantees given by the Group are in TL currency and neither any pledges nor encumbrances are given by the Group. Ratio of commitments and contingencies given by the Group to the Shareholders Equity on 31 December 2012 is 0% (31 December 2011, 0%)

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 25 – EMPLOYEE BENEFITS

Short-Term Provisions for Benefits Provided to Employees

	31 December 2012	31 December 2011
Wages payable	2.782.544	2.148.310
Unused vacation pay liability	582.029	350.613
Bonus accrual	69.823	107.832
	3.434.396	**2.606.755**

Long-Term Provisions for Benefits Provided to Employees

Retirement Pay Provision

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions in accordance with the provisions set out in law no: 2422 issued at 6 March 1981, law no: 4447 issued at 25 August 1999 and the amended Article 60 of the existing Social Insurance Law No: 506. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of 3.033,98 TL for each period of service at 31 December 2011 (31 December 2011: 2.731,85 TL)

The provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2012, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of 3,5% and a discount rate of 7,50%, resulting in a real discount rate of approximately 3,86% (31 December 2011: 4,66%).

As the maximum liability is revised semi annually, the maximum amount of 3.033,98 TL effective from 31 December 2012 is taken into consideration in the calculation of provision from employment termination benefits

The retirement pay obligation is not subject to any funding legally. Retirement pay provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees

Below is the movement of employment termination provision as of 31 December 2012 and 2011:

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 25 – EMPLOYEE BENEFITS (cont'd)

	31 December 2012	31 December 2011
Opening Balance	10.149.256	8.569.118
Service Cost	4.653.512	3.573.409
Interest Cost	474.485	399.511
Paid in the period	(4.693.939)	(2.392.782)
	10.583.314	**10.149.256**

Total of the expense has been included in general administrative expenses.

NOTE 26 - RETIREMENT PLANS

None (31 December 2011: None)

NOTE 27 – OTHER ASSETS AND LIABILITIES

As of 31 December 2012 and 31 December 2011, the details of current/non-current assets and short-term/long-term liabilities are as follows:

	31 December 2012	31 December 2011
Other current assets:		
Value added taxes deductable	32.588.226	21.106.144
Export return receivable	5.488.698	6.780.389
Governmet benefit premiums	1.561.929	1.855.813
Prepaid expenses	2.783.859	2.727.919
Advances given	625.313	2.329.595
Other value added taxes	1.079.387	1.304.293
Prepaid taxes and funds	1.248.048	1.064.913
Other	330.366	429.954
	45.705.826	**37.599.020**

	31 December 2012	31 December 2011
Other non-current assets:		
Prepaid expenses-long term	-	722.254
Advances given	299.124	23.409
	299.124	**745.663**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 27 – OTHER ASSETS AND LIABILITIES (cont'd)

	31 December 2012	31 December 2011
Other short-term Liabilities		
Taxed and funds payable	1.932.812	1.509.947
Accrual for sales deductions	1.188.643	235.270
Social security premium payables	1.048.851	1.787.608,00
Deferred income	934.317	495.235
Provison for other benefits and services received	210.623	666.092,00
Other payables	102.015	90.626
Provision for sales commission and returns	78.864	855.381
Other	141.400	172.022
	5.637.525	**5.812.181**

NOTE 28 - SHARE CAPITAL

a) Paid-in Capital

At 31 December 2012 and 31 December 2011, the Company's share capital and shareholding structure were as follows:

	%	31 December 2012	%	31 December 2011
Koç Holding A.Ş.	43,7	59.364.947	43,7	59.364.947
Halka açık	41,2	55.964.000	41,2	55.964.000
Kagome Co. Ltd.	3,7	5.071.168	3,7	5.071.168
Temel Ticaret ve Yatırım A.Ş.	3,3	4.427.889	3,3	4.427.889
Sumitomo Corporation	1,5	2.077.983	1,5	2.077.983
Other	6,6	9.094.013	6,6	9.094.013
Total Pair in Capital	**100,0**	**136.000.000**	**100,0**	**136.000.000**
Inflation adjustment to share capital		21.601.088		21.601.088
Adjusted Share Capital		**157.601.088**		**157.601.088**

The Company's share capital of year 2012 consists of 13.600.000.000 number of shares and there is no preferred stock (2011: 13.600.000.000 number of shares).

b) Revaluation Fund

Revaluation Fund on Financial Assets:

Revaluation fund financial assets is resulted from fair value differences of available-for-sale financial assets. In case of disposal of a financial assets, which is presented with its fair value, revaluation fund related with disposed financial asset is recorded as income or loss under the profit and loss statement. When there is an impairment on a financial asset, revaluation fund related with impaired financial asset is recorded under profit and loss statement..

c) Restricted Reserves:

Restricted reserves calculated over profit consists of legal reserves.

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

NOTE 28 - SHARE CAPITAL (cont'd)

c) Restricted Reserves (cont'd)

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from the first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital issue premiums",

"Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss deduction.

However, in accordance with the CMB's Decree Volume: XI; No: 29 issued on 1 January 2008 and other related CMB's announcements, "Paid-in capital", "Restricted reserves" and "Premium in excess of par" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Decree should be associated with:

-"Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in Capital" and not added to capital;

-"Retained earnings/Accumulated loss", if such differences are arising from "Restricted reserves" and "Premium in excess of par" and has not been subject to profit distribution or capital increase.

Other equity items are carried at the amounts that are valued based on the CMB's Financial Reporting Standards.

Capital restatement differences can only be included in capital

The Group's extraordinary reserve reclassed to accumulated profit is 53.670.474 TL as of 31 December 2011 (31 December 2011: 52.663.154 TL)

Profit distribution:

In accordance with the Capital Markets Board's (the "Board"), minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 28 - SHARE CAPITAL (cont'd)

Non-controlling Interests

The Group's minority interests come from Harranova and as of balance sheet date amounting to 9.445.101 TL loss (31 December 2011: 6.360.660 TL loss).

	31 December 2012	31 December 2011
Opening value	42.324.365	48.685.025
Current year profit attributable to non-controlling interests	(9.445.101)	(6.360.660)
	32.879.264	**42.324.365**

Total statutory profit before tax is 18.911.558 TL and other reserves amount is 53.671.135 TL which can be subject to profit distribution without additional taxation liability. Additional to that, there is other capital reserves amounting to 1.120.368 TL that can be subject to profit distribution with additional taxation liability.

NOTE 29 – SALES AND COST OF GOODS SOLD

For the years ended 31 December 2012 and 2011, the details of operating income and cost of goods sold are as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Domestic sales	786.015.522	717.852.774
Foreign sales	80.308.448	73.006.312
Rebates and sales discounts	(88.578.122)	(99.189.131)
Total operating revenue	**777.745.848**	**691.669.955**
Raw material costs	(542.323.600)	(477.157.840)
Labor costs	(19.120.325)	(15.721.234)
General production overheads	(68.811.578)	(60.552.633)
Amortisation and depreciation costs	(8.042.046)	(8.297.770)
Change in fair value of biological assets	-	(2.691.680)
Changes in inventories	18.133.155	10.040.305
Cost of sales	**(620.164.394)**	**(554.380.852)**
Gross operating income	**157.581.454**	**137.289.103**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 30- NATURE OF EXPENSES

For the years ended 31 December 2012 and 2011, the details of operating expenses are as follows:

	1 January-31 December 2012	1 January-31 December 2011
Marketing, selling and distribution expenses:		
Sales incentive and gondola participation expenses	(35.604.772)	(34.098.070)
Transportation and insurance expenses	(29.149.605)	(26.113.733)
Advertisement expenses	(15.302.946)	(8.554.431)
Sales support expenses	(6.288.276)	(6.000.000)
Other sales expenses	(6.332.571)	(5.028.451)
Personnel expenses	(5.428.331)	(5.430.211)
Sales promotion and commission expenses	(1.619.027)	(542.923)
Other	(1.096.902)	(606.688)
	(100.822.430)	**(86.374.507)**

For the years ended 31 December 2012 and 2011, the details of operating expenses are as follows:

	1 January-31 December 2012	1 January-31 December 2011
Administrative expenses:		
Personnel expenses	(11.789.029)	(13.715.729)
Employee termination benefits	(5.127.997)	(3.972.920)
Consultancy and lawsuit expenses	(2.291.233)	(2.153.260)
Transportation and travel expenses	(1.231.514)	(1.204.786)
Repair and maintenance expenses	(1.247.789)	(1.099.354)
Taxes and duties expenses	(746.672)	(928.600)
Depreciation and amortisation expenses	(2.022.424)	(800.564)
Information technologies expenses	(805.285)	(287.531)
Other	(2.658.209)	(2.200.476)
	(27.920.152)	**(26.363.220)**

NOTE 31 – OTHER OPERATING INCOME/EXPENSE

For the years ended 31 December 2012 and 2011, the details of other operating gain and income are as follows:

	1 January-31 December 2012	1 January-31 December 2011
Other operating gain and income:		
Gain on sale of property, plant and equipment	579.435	1.420.500
Dividend income from subsidiaries	362.248	223.648
Gain from government incentives and grants	406.637	484.656
Rent income	15.690	13.640
Endorsement premium income	1.739.188	773.959
Cancelled provision for lawsuit	179.000	380.000
Cancellation of letter of guarantee	100.000	150.000
Provisions no longer required	8.900	161.076
Other	606.091	1.115.181
	3.997.189	**4.722.660**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 31 – OTHER OPERATING INCOME/EXPENSE (cont'd)

For the years ended 31 December 2012 and 31 December 2011, the details of other operating loss and expense are as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Other operating losses and expenses:		
Loss on sale of property, plant and equipment	(411.758)	(473.256)
Exermination expense	(389.947)	-
Losses from idle periods	(294.158)	(349.789)
Depreciation expenses of idle periods	(93.916)	(181.688)
Registry expense to stock exchange	(60.865)	-
Endorsement premium expense	-	(214.978)
Other	(274.397)	(35.145)
	(1.525.041)	**(1.254.856)**

NOTE 32 – FINANCIAL INCOME

For the years ended 31 December 2012 and 2011, the details of financial income are as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Income generated from maturity differences of sales made on credit	11.451.819	13.162.482
Interest income	1.041.222	1.072.787
Foreign exchange income	10.390.035	14.258.432
Finance income related with derivative instruments	-	1.868.429
	22.883.076	**30.362.130**

NOTE 33 – FINANCIAL EXPENSE

For the years ended 31 December 2012 and 2011, the details of financial expenses are as follows:

	1 January- 31 December 2012	1 January- 31 December 2011
Interest expenses	(29.616.256)	(22.708.161)
Expense from maturity differences of purchases on credit	(3.049.592)	(4.331.069)
Foreign exchange losses (net)	(8.042.030)	(23.373.306)
	(40.707.878)	**(50.412.536)**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 34 – NON-CURRENTASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

According to the decision taken by the Board of Directors on June 29, 2012 the Company's subsidiary Harranova Besi ve Tarım Ürünleri A.Ş. decided not to purchase new biological assets, and then decided to stop breeding activities. On December 7, 2013 The Company made an agreement with an independent and CMB listed expertise firm, to revalue Harranova Besi's fixed assets related to breeding activities. Since the Company's management has a sale plan about these fixed assets, they are available for immediate sale and sale of these fixed assets are highly probable it is classified to non-current assets held for sale. On February 21, 2013 the sale of these fixed assets are approved by General Shareholders and Competition Board. The subsidiary of the Company, has discontinued milk production business in 2007.

	31 December 2012	31 December 2011
Breeding operations (tangible assets)	30.167.840	-
Breeding operations (intangible asset)	9.599	-
Impairment (*)	(15.187.237)	-
Milk production	-	103.761
	14.990.202	**103.761**

(*) According to expertise report, done by an independent and CMB listed expertise firm, impairment amounts is as follows: 1.579.792 TL on land, 108.363 TL on land improvements, 10.275.476 TL on buildings, 1.810.082 TL on machinery and equipment, 279.920 TL on vehicles, 1.121.385 TL on furniture and fixtures, 7.388 TL on leasehold improvements and 4.831 TL on rights. Total amount of impairment is 15.187.236 TL and it is recorded on financial statements as of balance sheet date. 3.037.447 TL deferred tax asset is recorded from total impairment amount.

	1 Januray-31 December 2012	1 Januray-31 December 2011
Sales revenue	60.884.543	66.745.721
Cost of sales	(61.284.529)	(67.785.860)
Gross operating loss	**(399.986)**	**(1.040.139)**
Impairment on non-current asset held for sale	(15.187.237)	-
Operating expense	(4.283.689)	(2.939.532)
Loss from discontinued operations before tax	**(19.870.912)**	**(3.979.671)**
Deferred tax benefit from impairment (*)	3.037.447	-
Loss from discontinued operations	**(16.833.465)**	**(3.979.671)**

(*) Deferred tax benefit generated from impairment amount is reclassed to loss from discontinued operations on the consolidated financial statements.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 35 - TAX ASSETS AND LIABILITIES

Tax expenses at income statement:

	1 January- 31 December 2012	1 January- 31 December 2011
Current tax expense/ (income)	(677.416)	(1.489.253)
Deferred tax expense	(3.166.731)	(843.696)
Total tax expense	**(3.844.147)**	**(2.332.949)**
Deferred tax income from discountinued operations (Note:34)	3.037.447	-
Closing balance	**11.711.185**	**11.840.469**
	(0)	-
	31 December 2012	**31 December 2011**

Corporate tax:

The Group is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Group's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2012 is 20% (2011: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2011 (2010: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. The companies with special accounting periods file their tax returns between 1st-25th of fourth month after fiscal year end. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Mininsters' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance

NOTE 35 - TAX ASSETS AND LIABILITIES (cont'd)

Investment Incentives

According to the regulation, published in the 27659 numbered Official Gazeette on 1 August , 2010 based on Law No. 6009 through article 5, the phrase "only 2006, 2007 and 2008 regarding years" on temporary article 69 of Income Taz Law No.193 that was abolished by The Constitutional Court decision numbered 2009/144 published in the Official Gazette on January 8, is rearranged. With regard to rearrangement, undeductible investment allowance due to unsufficient income and deferred investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, %20 corporate tax rate will be applied on the income after the deduction of the allowance.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2011: 20%) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2012 and 2011 using the enacted tax rates is as follows:

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 35 - TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (assets)/liabilities:	31 December 2012	31 December 2011
Carryforward tax losses	7.114.844	4.864.418
Effect of investment incentive	-	3.888.504
Provision for subsidiary impairment	2.984.800	2.984.800
Provision for employment termination benefits	2.116.663	2.029.851
Difference between tax base and carrying value of property, plant&equipment	561.162	1.003.920
Difference between tax base and carrying value of inventories	30.128	71.177
Provision for doubtful receivables	122.029	71.198
Provision for unused vacation	116.406	70.123
Satılmaya hazır finansal varlıklar değer artışı	(25.909)	(25.909)
Provision for impairment on assets held for sale	3.037.447	-
Fair value of derivative instruments	-	(2.847)
Difference between tax base and fair value of biological assets	-	(440.667)
Provision for deferred tax	(4.647.511)	(2.984.800)
Other	301.126	310.701
	11.711.185	**11.840.469**

As of 31 December 2012, the Group accounted for deferred income tax assets over carry forward tax losses of, 35.574.218 TL (2011: 24.322.090 TL) and the Group recorded deferred tax assets at amount of 7.114.844 TL (2011: 4.864.418 TL. Management plans to utilize carry forward tax losses amounted to 27.260.666 through the future taxable profits.

The Group has investment incentives with withholding tax, amounting to 16.421.418 TL. The management does not plan to use investment incentives with without withholding tax in accordance with current circumstances and estimates. Therefore, deferred tax asset was not booked for investment incentive with withholding tax, which is amounting to 16.421.418 TL.

Expiration schedule of carryforward tax losses is as follows:

	31 December 2012	31 December 2011
2012		-
2013	8.313.552	8.313.552
2014	881.355	881.355
2015	-	-
2016	15.127.183	15.127.183
2017	11.252.128	-
	35.574.218	**24.322.090**

Movement of the deferred tax for the years ended 31 December 2012 and 31 December 2011 is as follows:

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 35 - TAX ASSETS AND LIABILITIES (cont'd)

Movement of deferred tax (asset)/liability:	**1 January- 31 December 2012**	**1 January- 31 December 2011**
Opening balance	11.840.469	12.684.165
Deferred tax income/expense	(3.166.731)	(843.696)
Deferred tax income from discountinued operations (Note:34)	3.037.447	-
Closing balance	**11.711.185**	**11.840.469**

Total charge for the year can be reconciled to the accounting profit as follows:

Tax provision reconciliation:	**1 January- 31 December 2012**	**1 January- 31 December 2011**
Profit/(loss) from continuing operations	13.928.474	8.941.129
Loss from discontinued operations (note:34)	(19.870.912)	(3.979.671)
	20%	20%
Tax at the domestic %20 (2011: %20)	1.188.488	(992.292)
Tax effects of:		
-Investment incentive without witholding tax	-	831.088
-Revenue that is exempt from taxation	-	1.067.617
-Expenses that are not deductible in determining taxable profit	(169.470)	(142.173)
- Previously recognised and unused tax losses	(4.956.143)	(3.293.433)
- Revenue generated from equity investment transactions	92.978	196.244
Tax provision expense at income statement	**(3.844.147)**	**(2.332.949)**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 36 – RELATED PARTY TRANSACTIONS

i) For the years ended 31 December 2012 and 31 December 2011, the details of related party balances are as follows:

a) Deposits at banks:

	31 December 2012	31 December 2011
Yapı ve Kredi Bankası A.Ş.	685.595	30.758.562
	685.595	**30.758.562**

b) Loans from related parties:

	31 December 2012	31 December 2011
Yapı ve Kredi Bankası A.Ş.	58.948.998	40.000.000
	58.948.998	**40.000.000**

c) Due from related parties:

	31 December 2012	31 December 2011
Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş.	124.496.850	95.618.349
Sumitomo Corporation	2.979.391	2.981.947
Other	278.047	850.126
	127.754.288	**99.450.422**

d) Due to related parties:

	31 December 2012	31 December 2011
Zer Merkezi Hizmetler ve Ticaret A.Ş.	5.707.125	6.723.160
Sumitomo Corporation	1.753.026	3.500.214
Koç Holding A.Ş.	672.052	750.305
Otokoç Otomotiv Tic.ve San.A.Ş.	473.422	518.497
Temel Ticaret ve Yatırım A.Ş	104.650	434.322
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	74.908	89.665
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	239.424	81.889
Other	563.978	383.260
	9.588.585	**12.481.312**

(*)This amount represents accrued premium amount as of 31 December 2012 which has been resulted from insurance policies signed with third party insurance companies with the intermediary of Ram Sigorta Aracılık Hizmetleri A.Ş.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 36 – RELATED PARTY TRANSACTIONS (cont'd)

ii) For the years ended 31 December 2012 and 2011, the details of significant sales to related parties and purchases from related parties are as follows:

a) Sales to related parties:

	1 January- 31 December 2012	1 January- 31 December 2011
Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş. (*)	638.962.685	563.977.480
Sumitomo Corporation	25.696.666	16.755.415
Türkiye Petrol Rafineleri A.Ş.	1.725.560	1.602.370
Divan Turizm İşletmeleri A.Ş. (**)	502.240	792.454
Other	336.239	703.991
	667.223.390	**583.831.710**

(*)Domestic sales and marketing activities are operated by the Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş., which is a member of Koç Group. Average maturity for the sales to Düzey Tüketim Malları Sanayi Pazarlama A.Ş. is 75 days (31 December 2011: 65 days)
(**)Palmira Turizm Ticaret A.Ş.' changed its name to 28 Şubat 2012 tarihinde Divan Turizm İşletmeleri A.Ş. as of 28 February 2012.

b) Purchases from related parties:

	1 January- 31 December 2012	1 January- 31 December 2011
Zer Merkezi Hizmetler ve Ticaret A.Ş.	9.773.534	9.577.948
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	2.204.029	1.702.995
Tat Tohumculuk A.Ş.	2.156.279	1.328.957
Ram Dış Ticaret A.Ş.	546.045	3.002.882
Opet Petrolcülük A.Ş.	437.064	465.801
Otokoç Otomotiv Tic. Ve San. A.Ş.	136.700	430.583
Aygaz A.Ş.	159.957	161.640
Koçtaş Yapı Marketleri Ticaret A.Ş.	-	17.015
Opet Fuchs Madeni Yağ San.ve Tic.A.Ş.	1.314	-
	15.414.922	**16.687.821**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 36 – RELATED PARTY TRANSACTIONS (cont'd)

ii) For the years ended 31 December 2012 and 2011, the details of significant sales to related parties and purchases from related parties are as follows:

c) Services obtained from related parties:

	1 January- 31 December 2012	1 January- 31 December 2011
Zer Merkezi Hizmetler ve Ticaret A.Ş.	17.823.056	11.788.182
Koç Holding A.Ş.	2.347.036	1.272.476
Temel Ticaret ve Yatırım A.Ş.	717.228	823.043
Opet Petrolcülük A.Ş.	836.395	771.358
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	1.417.325	599.476
Setur Servis Turistik A.Ş.	425.959	438.005
Koç Sistem A.Ş.	37.388	389.273
Otokoç Otomotiv Tic. ve San. A.Ş.	624.845	384.077
Koçnet Haberleşme Teknoloji ve İletişim Hiz. A.Ş. (**)	-	211.182
Aygaz A.Ş.	222	56.060
Other	288.092	133.740
	24.517.546	**16.866.872**

*Amount represents accrued premium amount as of 31 December 2012 which has been resulted from insurance policies signed with third party insurance companies with the intermediary of Ram Sigorta Aracılık Hizmetleri A.Ş.

**Koçnet Haberleşme Teknik İletişim Hizmetleri A.Ş. has been sold to a third party on 30 November 2011. Transactions has been recorded as related party transactions until 30 November 2011..

iii) For the years ended 31 December 2012 and 2011, the details of financial expenses to related parties are as follows:

a) Interest expenses:

	1 January- 31 December 2012	1 January- 31 December 2011
Yapı ve Kredi Bankası A.Ş.	2.994.814	4.726.443
	2.994.814	**4.726.443**

iv) For the years ended 31 December 2012 and 2011, the details of other income and expenses from/ to related parties are as follows:

a) Rent expense:

	1 January- 31 December 2012	1 January- 31 December 2011
Temel Ticaret ve Yatırım A.Ş.	409.495	353.195
	409.495	**353.195**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 36 – RELATED PARTY TRANSACTIONS (cont'd)

iv) For the years ended 31 December 2012 and 2011, the details of other income and expenses from/ to related parties are as follows:

b) Payments to key management:

	1 January- 31 December 2012	1 January- 31 December 2011
Wages and short term benefits	4.816.625	8.315.550
	4.816.625	**8.315.550**

v) For the years ended 31 December 2012 and 2011, the details of derivative transactions done with related parties are as follows:

a) Exchange and interest rate swap agreements:

31 December 2012	Swapped amount USD	Swapped amount TL	Interest rate on agreement
Yapı ve Kredi Bankası A.Ş.	-	-	-

31 December 2011	Swapped amount USD	Swapped amount TL	Interest rate on agreement
Yapı ve Kredi Bankası A.Ş.	6.750.000	10.370.000	12-12,1%

b) Foreign currency forward and call options

None (31 December 2011: None)

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 9, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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

In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Group controls its capital using the net debt/total capital ratio. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As of 31 December 2012 and 31 December 2011, equity/total liability rate is as follows:

	31 December 2012	**31 December 2011**
Total Liabilities	276.291.674	281.622.442
Less:Cash and Cash equivalents (Note 6)	(1.028.110)	(12.848.217)
Net Debt	275.263.564	268.774.225
Shareholders' Equity	231.948.846	235.833.664
Debt Capital Ratio	119%	114%

b) Financial risk factors

The risks of the Group, resulted from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group. The Group uses derivative financial instruments in order to safeguard itself from different financial risks.

Risk management is implemented by finance department according to the policies approved by Board of Directors. The Group's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. The written procedures are formed by Board of Directors to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity.

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk (cont'd)

There is not any changes in financial risk factors and credit risk management of the Group as compared to previous year.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.The Group manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits are monitored by the Group according to the customer's credibility is evaluated continuously.

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties are evaluated perpetually.

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk (cont'd)

b.1) Credit risk management (cont'd)

Credit Risk of Financial Instruments

	Receivables						
	Trade Receivables		**Other Receivables**				
31 December 2012	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Derivative Instruments**	**Other**
Maximum net credit risk as of balance sheet date	127.754.288	88.576.694	-	16.409	1.025.416	-	-
-The part of maximum risk under guarantee with collateral etc.	-	36.321.422	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	127.754.288	82.006.123	-	16.409	-	-	-
B. Net book value of financial assets thar are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	6.570.571	-	-	-	-	-
-The part under guarantee with collateral etc	-	6.548.082	-	-	-	-	-
D. Net book value of impaired assets						-	-
-Past due (gross carrying amount)	-	2.789.315	-	-	-	-	-
- Impairment (-)	-	(2.789.315)	-	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
E.Off-balances sheet items with credit risk	-	-	-	-	-	-	-

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk (cont'd)

b.1) Credit risk management (cont'd)

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2011	Related Party	Third Party	Related Party	Third Party	Deposits in Banks	Derivative Instruments	Other
Maximum net credit risk as of balance sheet date	99.450.422	68.232.564	-	43.999	12.840.421	2.009.599	-
-The part of maximum risk under guarantee with collateral etc.	-	20.760.781	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	99.450.422	57.778.882	-	43.999	-	-	-
B. Net book value of financial assets thar are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	10.453.682	-	-	-	-	-
-The part under guarantee with collateral etc	-	10.453.682	-	-	-	-	-
D. Net book value of impaired assets						-	-
-Past due (gross carrying amount)	-	2.364.677	-	-	-	-	-
- Impairment (-)	-	(2.364.677)	-	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-
E.Off-balances sheet items with credit risk	-	-	-	-	-	-	-

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk (cont'd)

b.1) Credit risk management (cont'd)

The aging of the past due receivables are as follows:

	Receivables					
31 December 2012	**Trade Receivables**	**Other Receivables**	**Deposits in banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	1.219.196	-	-	-	-	1.219.196
Past due 1-3 months	2.981.880	-	-	-	-	2.981.880
Past due 3-12 months	2.369.495	-	-	-	-	2.369.495
Past due 1-5 years	-	-	-	-	-	-
Past due more than 5 years	-	-	-	-	-	-
Total past due receivables	6.570.571	-	-	-	-	6.570.571
The part under guarantee with collateral	6.548.082	-	-	-	-	6.548.082

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk (cont'd)

b.1) Credit risk management (cont'd)

	Receivables					
31 December 2011	**Trade Receivables**	**Other Receivables**	**Deposits in banks**	**Derivative Instruments**	**Other**	**Total**
Past due 1-30 days	4.231.245	-	-	-	-	4.231.245
Past due 1-3 months	5.680.079	-	-	-	-	5.680.079
Past due 3-12 months	542.358	-	-	-	-	542.358
Past due 1-5 years	-	-	-	-	-	-
Past due more than 5 years	-	-	-	-	-	-
Total past due receivables	10.453.682	-	-	-	-	10.453.682
The part under guarantee with collateral	10.453.682	-	-	-	-	10.453.682

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk (cont'd)

b.1) Credit risk management (cont'd)

As of balance sheet date, letter of guarantees held for the trade receivables that are past due as but not provision booked is as follows:

	31 December 2012	31 December 2011
The part under guarantee wtih collateral	6.548.082	10.453.682

b.2) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. Line of credits that are ready to use the liquidity requirements of the Group are disclosed in note 8.

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

31 December 2012

Contractual Maturity Analysis	Carrying Value	Total Cash Outflow According to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years(III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Bank borrowings	276.291.674	284.745.627	102.891.456	166.854.171	15.000.000	-
Trade payables	57.492.273	57.492.273	57.492.273	-	-	-
Payables to related parties	9.588.585	9.588.585	9.588.585	-	-	-
Total liabilities	343.372.532	351.826.485	169.972.314	166.854.171	15.000.000	-

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2011

Contractual Maturity Analysis	Carrying Value	Total Cash Outflow According to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years(III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Bank borrowings	281.622.442	296.071.021	41.168.046	52.434.280	202.468.695	-
Trade payables	56.808.284	56.808.284	56.808.284	-	-	-
Other Liabilities	12.481.312	12.481.312	12.481.312	-	-	-
Total liabilities	350.912.038	365.360.617	110.457.642	52.434.280	202.468.695	-

31 December 2012

Contractual Maturity Analysis	Carrying Value (*)	Total Cash Outflow According to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years(III)	More than 5 Years (IV)
Derivatives financial liabilities						
Derivative cash outflow	-	-	-	-	-	-

31 December 2011

Contractual Maturity Analysis	Carrying Value (*)	Total Cash Outflow According to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years(III)	More than 5 Years (IV)
Derivatives financial liabilities						
Derivative cash outflow	(10.370.000)	(11.041.388)	(11.041.388)	-	-	-

(*) Represents clearing amounts.

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market Risk Management

The Group's activities expose it to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Group uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. These instruments are:

1. Foreign exchange forward purchase agreements to manage exposure to liabilities denominated in foreign currencies.
2. Foreign exchange purchase options to manage exposure to liabilities denominated in foreign currencies.
3. Principal and interest swap agreements to manage exposure to liabilities denominated in foreign currencies.

At the Group level market risk exposures are measured by sensitivity analysis and stress scenarios.

There has been no change in the Group's exposure to market risks or the manner which it manages and measures the risk.

b.4) Foreign Currency Risk Management

The Group controls foreign currency risk coming from its operations and cash flows of finance contracts by using "forward foreign exchange contracts".

The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.4) Foreign Currency Risk Management (cont'd)

31 December 2012

	Total TL Equivalent	USD TL Equivalent	Euro TL Equivalent	Other TL Equivalent
1. Trade Receivables	11.432.096	6.250.629	123.198,00	-
2.a Monetary financial assets	884.390	496.100	18	-
2.b Non-monetary financial assets	-	-	-	-
3. Other	5.488.698	3.079.041	-	-
4. CURRENT ASSETS	17.805.184	9.825.770	123.216	-
5. Trade Receivables	-	-	-	-
6.a Monetary Financial Assets	-	-	-	-
6.b Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	17.805.184	9.825.770	123.216	-
10. Trade Payables	(1.926.953)	(866.640)	(162.470)	-
11. Financial Liabilities	(26.649.034)	(14.949.531)	-	-
12.a Other Monetary Financial Liabilities	-	-	-	-
12.b Other Non-monetary Financial Liabilities	-	-	-	-
13. CURRENT LIABILITIES	(28.575.987)	(15.816.171)	(162.470)	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16.a Other Monetary Financial Liabilities	-	-	-	-
16.b Other Non-monetary Financial Liabilities	-	-	-	-
17. NON CURRENT LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(28.575.987)	(15.816.171)	(162.470)	-
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-
19.b Off balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset/liability position	(10.770.803)	(5.990.401)	(39.254)	-
21. Net foreign currency asset/ liability position of non monetary items (1+2a+6a-10-11-12a-14-15-16a)	(16.259.501)	(9.069.442)	(39.254)	-
22. Fair value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Export	49.333.060	24.477.415	-	-
25. Import	7.260.339	4.082.074	-	-

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.4) Foreign Currency Risk Management (cont'd)

31 December 2011

	Total TL Equivalent	USD TL Equivalent	Euro TL Equivalent	Other TL Equivalent
1. Trade Receivables	8.269.643	4.113.644	204.346	-
2.a Monetary financial assets	33.016.669	17.479.310	-	-
2.b Non-monetary financial assets	-	-	-	-
3. Other	6.741.312	3.568.909	-	-
4. CURRENT ASSETS	48.027.624	25.161.863	204.346	-
5. Trade Receivables	-	-	-	-
6.a Monetary Financial Assets	-	-	-	-
6.b Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	48.027.624	25.161.863	204.346	-
10. Trade Payables	(1.768.007)	(604.704)	(256.069)	-
11. Financial Liabilities	(15.386.876)	(8.145.945)	-	-
12.a Other Monetary Financial Liabilities	-	-	-	-
12.b Other Non-monetary Financial Liabilities	-	-	-	-
13. CURRENT LIABILITIES	(17.154.883)	(8.750.649)	(256.069)	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	(56.276.934)	(29.793.496)	-	-
16.a Other Monetary Financial Liabilities	-	-	-	-
16.b Other Non-monetary Financial Liabilities	-	-	-	-
17. NON CURRENT LIABILITIES	(56.276.934)	(29.793.496)	-	-
18. TOTAL LIABILITIES	(73.431.817)	(38.544.145)	(256.069)	-
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	12.750.075	6.750.000	-	-
19.a Off-balance sheet foreign currency derivative assets	12.750.075	6.750.000	-	-
19.b Off balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset/liability position	(12.654.118)	(6.632.282)	(51.723)	-
21. Net foreign currency asset/ liability position of non monetary items (1+2a+6a-10-11-12a-14-15-16a)	(32.145.505)	(16.951.191)	(51.723)	-
22. Fair value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Export	73.006.312	43.712.334	-	-
25. Import	16.525.104	7.121.131	1.257.877	-

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors(cont'd)

Foreign currency sensitivity

The Group is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit / loss and other equity.

Foreign currency sensitivity

	31 December 2012	
	Profit/ Loss	
	Appreciation of Foreign currency	Devaluation of foreign currency
In the case of appreciation of US Dollar at 10 % ratio compared to TL		
1 - US Dollar net asset/liability	(1.067.850)	1.067.850
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect	(1.067.850)	1.067.850
In the case of appreciation of EURO Dollar at 10 % ratio compared to TL		
4 - Euro net asset/liability	(9.230)	9.230
5 - Part of hedged from EURO risk (-)	-	-
6- Euro net effect	(9.230)	9.230
TOTAL	**(1.077.080)**	**1.077.080**

	31 December 2011	
	Profit/ Loss	
	Appreciation of Foreign currency	Devaluation of foreign currency
In the case of appreciation of US Dollar at 10 % ratio compared to TL		
1 - US Dollar net asset/liability	(1.252.771)	1.252.771
2- Part of hedged from US Dollar risk (-)	-	-
3- US Dollar net effect	(1.252.771)	1.252.771
In the case of appreciation of EURO Dollar at 10 % ratio compared to TL		
4 - Euro net asset/liability	(12.639)	12.639
5 - Part of hedged from EURO risk (-)	-	-
6- Euro net effect	(12.639)	12.639
TOTAL	**(1.265.410)**	**1.265.410**

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors(cont'd)

Foreign currency purchase/sale contracts

The Group makes forward contracts and currency swaps to cover the risks of receipts and payments, in a certain foreign currency. When expected sale and purchase transactions occur, book values of the items hedged from non-financial risk are adjusted.

Group has no foreign currency purchase/sale contracts in current period. (31 December 2011: None)

Group's foreign currency purchase/sale contracts' nominal values of agreements and remaining maturities as of balance sheet date are as follows:

31 December 2012

Unrealized fixed payment, floating interest rate collection swap agreements	Nominal Amount of the loan US Dollars	Swapped amount TL	Floating Interest rate of the loan US Dollars	Fixed Interest rate of the agreement TL	Fair Value TL
Less than 1 year	-	-	-	-	-

31 December 2011

Unrealized fixed payment, floating interest rate collection swap agreements	Nominal Amount of the loan US Dollars	Swapped amount TL	Floating Interest rate of the loan US Dollars	Fixed Interest rate of the agreement TL	Fair Value TL
Less than 1 year	6.750.000	10.370.000	Libor+3,45%	12%-12,1%	2.009.599

NOTE 37 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors(cont'd)

Exchange and interest rate clearing agreement:

The Group borrows funds at fixed and variable rates that the Group is exposed to interest rate risk. By the Group,such risk is managed between fixed and variable rate debt by making an appropriate distribution with the interest rate swap contracts and term interest rate contr acts. Hedging strategies,
with the interest rate expectations and defined risk, is evaluated on a regular basis. Thus, the creation of an optimal hedging strategy, is intended to control review to balance sheet postion and interest payments with different interest rates.

The following sensitivity analysis ,is determined on a basis,exposed to interest rate risks of non derivative instruments in the reporting period. Balance at the end of the year, the analysis of liabilities with variable interest rates, is used assumption that the balance has been used all year round. The Group management expects a floatation in interest rates of 1%. The respective amount is used in reporting to the top management within the Group.

Interest Position Table

	31 December 2012	31 December 2011
Fixed interest instruments		
Financial Liabilities	276.291.674	209.958.632
Variable Interest financial instruments		
Financial Liabilities	-	71.663.810

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 38 – FINANCIAL INSTRUMENTS

Financial Instruments' Classification and Fair Value

31 December 2012	Financial assets at amortized cost	Loans and receivables (cash and cash equivalents included)	Available for sale Financial assets	Finacial assets at fair value through profit or loss	Finacial liabilities at fair value through profit or loss	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	1.028.110	-	-	-	-	1.028.110	6
Trade Receivables	-	88.576.694	-	-	-	88.576.694	11
Receivables from related parties	-	127.754.288	-	-	-	127.754.288	36
Other financial assets	-	-	4.939.874	-	-	4.939.874	8
Financial Liabilities							
Financial liabilities	-	-	-	276.291.674	-	276.291.674	9
Trade Payables	-	-	-	57.435.952	-	57.435.952	11
Payales to related parties	-	-	-	9.588.585	-	9.588.585	36

31 December 2011	Financial assets at amortized cost	Loans and receivables (cash and cash equivalents included)	Available for sale Financial assets	Finacial assets at fair value through profit or loss	Finacial liabilities at fair value through profit or loss	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	12.848.217	-	-	-	-	12.848.217	6
Trade Receivables	-	68.232.564	-	-	-	68.232.564	11
Receivables from related parties	-	99.450.422	-	-	-	99.450.422	36
Derivative Financial Assets	-	-	-	-	2.009.599	2.009.599	7
Other financial assets	23.336.577	-	2.075.554	-	-	25.412.131	8
Financial Liabilities							
Financial liabilities	-	-	-	281.622.442	-	281.622.442	9
Trade Payables	-	-	-	56.808.284	-	56.808.284	11
Payales to related parties	-	-	-	12.481.312	-	12.481.312	36
Other Financial Liabilities	-	-	-	-	-	-	7

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

NOTE 38 – FINANCIAL INSTRUMENTS (cont'd)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices;
- Second level: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market;
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market

Fair value of financial instruments (cont'd)

Level classifications of financial assets at fair value are as follows;

		Level of fair value as of reporting date		
Financial Assets	31 December 2012	1st Level TL	2nd Level TL	3rd Level TL
Financial Assets at fair value through profit or loss	-	-	-	-
Available-for-sale-financial assets	4.939.874	-	4.939.874	
Total	**4.939.874**	**-**	**4.939.874**	**-**

		Level of fair value as of reporting date		
Financial Assets	31 December 2011	1st Level TL	2nd Level TL	3rd Level TL
Financial Assets at fair value through profit or loss	2.009.599	-	2.009.599	-
Available-for-sale-financial assets	2.075.554	-	2.075.554	-
Total	**4.085.153**	**-**	**4.085.153**	**-**

NOTE 39 - SUBSEQUENT EVENTS

Since the Company's subsidiary Harranova Besi discontinued its operations in breeding activities, as of 3 January 2013, they decided to sell its fixed assets related to this operation which is addressed in Mardin Yolu Üzeri 30.Km. Çamlıdere/Şanlıurfa to Namet Gıda Sanayi ve Ticaret A.Ş amounting to 15.500.000 TL including VAT with the approval of General Shareholders and Competition Board. As at 21 February 2013 General Shareholders and Competition Board approved the sale. These fixed assets are disclosed in non-current asset held for sale as of balance sheet date.

NOTE 39 - SUBSEQUENT EVENTS (Cont'd)

In accordance with the Company's BOD meeting held on 25 January 2013, the Company has decided to make an application to the CMB in relation to a share issuance at a total par value of TL 100 million with fix and/or variable interest rates applicable at issuance date in an arm's length transaction with different compositions and maturity dates. First portion of issuance is decided to cover TL 50 million shares with 24 months of maturity having biyearly coupon payments including a principal payment at the end of maturity. Also, interest rate for the related bonds is decided to be determined by adding 165 base points to the annual combined interest rate of listed Turkish Republic Index Government Bonds in line with the maturity of the Company's issued bonds at issuance date.