ALTINYILDIZ MENSUCAT VE KONFEKSİYON FABRİKALARI ANONİM ŞİRKETİ

Convenience translation into English of Consolidated Financial Statements for the year ended 31 December 2012 and Independent Auditors' Report (Originally issued in Turkish)

ALTINYILDIZ MENSUCAT VE KONFEKSİYON FABRİKALARI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

Consolidated Financial Statements
for the year ended 31 December 2012
and
Independent Auditors' Report

TABLE OF CONTENTS

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

**To the Board of Directors and Shareholders
Altınyıldız Mensucat ve Konfeksiyon Fabrikaları A.Ş.**

Introduction

We have audited the accompanying consolidated financial statements of Altınyıldız Mensucat ve Konfeksiyon Fabrikaları A.Ş. (the Parent Company) and its Subsidiaries which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Parent Company has direct shareholdings of 49,99% and 29,99% in two subsidiaries, namely, Beymen Mağazacılık A.Ş. and Boyner Büyük Mağazacılık A.Ş., respectively. As of 31 December 2012, the total assets of these two subsidiaries amount to TL 263.333.789 and TL 858.267.827; and their net sales totals amount to TL 464.104.397 and TL 935.090.980 for the year then ended, respectively. The statements of financial position of these two subsidiaries prepared as of 31 December 2012 and their statements of income, shareholder's equity and cash flows for the year then ended were audited by other independent auditors. The independent auditor has expressed a qualified opinion in relation to the financial performance of Boyner Büyük Mağazacılık A.Ş. due to the matter discussed in the following paragraph copied from the auditor's report:

"The fair values taken as basis in calculating the consideration and goodwill related to the acquisition of 63% of the shares of Yeni Karamürsel Giyim ve İhtiyaç Maddeleri Ticaret ve Sanayi A.Ş. (YKM A.Ş.) and a direct 20,62% interest in Yeni Karamürsel Giyim ve İhtiyaç Maddeleri Pazarlama A.Ş. (YKM Pazarlama A.Ş.) 56,25% interest of which belongs to YKM A.Ş. may be subject to change in the consolidated balance sheet of the Group as of 31 December 2012 due to the disagreement between the Vendor Partners and the Company about their shares within the net closing operating capital. Accordingly, the impact of this matter on the inventory provision recognized in the statement of financial position as of 31 December 2012 has not been clarified."

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting / Financial Reporting Standards (TAS / TFRS) which are issued by the Turkish Accounting Standards Board (TASB) and which are similar to the International Accounting / Financial Reporting Standards (IAS / IFRS). 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 financial statements based on our audit. We conducted our audit in accordance with independent auditing standards issued by the Capital Markets 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.

Our independent audit involves the application of independent auditing techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of the independent auditing techniques including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, is made by our professional judgment. In making those risk assessments; the internal control system of the entity is taken into consideration. However, this is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control but for displaying the relationship between the financial statements and the internal control system prepared by the entity in order to design audit procedures that are appropriate in the circumstances. Our 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, except for the matter discussed in relation to the consolidated financial statements of Boyner Büyük Mağazacılık A.Ş. in the introduction paragraph above, the accompanying consolidated financial statements give a true and fair view of the financial position of Altınyıldız Mensucat ve Konfeksiyon Fabrikaları A.Ş. (the Parent Company) and its Subsidiaries as of 31 December 2012, and of their consolidated financial performance and cash flows for the year then ended in accordance with the TAS/TFRS issued by the TASB.

Without further qualifying our opinion, we draw attention to the following matter;

Beymen Mağazacılık A.Ş. (Affiliate) is an affiliate of the Parent Company included in the accompanying consolidated financial statements by equity method and in which the Parent Company has 49,99% interest. Nile Bosphorus Retail and Trading Company (Nile Bosphorus), an affiliate of Beymen Mağazacılık A.Ş., is an entity that should be accounted for by the equity method. However, as the financial statements of Nile Bosphorus are not prepared in accordance with the financial reporting standards issued by the Capital Markets Board, it is stated in the financial statements of the Affiliate at its acquisition cost of TL 5.471.508. Furthermore, as of 31 December 2012, the Affiliate has pending receivables from its affiliate Nile Bosphorus totaling TL 2.496.286; however, no confirmation letters were obtained to verify the existence of this receivable, and alternative methods could not be applied.

Istanbul,
5 March 2013

Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.
Member, BDO International Network

Bülent Üstünel
Partner in charge

ALTINYILDIZ MENSUCAT VE KONFEKSİYON FABRİKALARI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

Consolidated Statements of Financial Position
as of 31 December 2012 and 2011
(TL)

	Notes	31 December 2012	31 December 2011
ASSETS			
Current Assets		801.479.558	770.246.846
Cash and cash equivalents	2,6	31.337.065	20.807.728
Trade receivables			
-Trade receivables from related parties	2,10,30	34.852.688	34.320.600
-Other trade receivables	2,10	276.923.678	272.408.521
Other receivables			
-Other receivables from related parties	2,11,30	22.965.143	1.824.400
-Other receivables	2,11	370.705	126.140
Inventories	2,12	382.989.005	389.373.746
Other current assets	2,19	51.611.274	48.841.711
Sub Total		801.049.558	767.702.846
Non-Current Assets Held for Sale	2 , 27	430.000	2.544.000
Non-Current Assets		493.224.074	480.664.714
Trade receivables	2,10	32.062	83.301
Other receivables	2,11	458.154	549.210
Financial assets	2,7	192.436	190.527
Investments valued by equity	2,7	306.966.390	288.641.397
Investment properties	2,13	110.702.705	106.334.735
Tangible assets	2,14	52.693.240	62.008.993
Intangible assets	2,15	20.171.272	19.517.092
Deferred tax asset	2,28	426.953	1.917.034
Other non-current assets	2,19	1.580.862	1.422.425
TOTAL ASSETS		1.294.703.632	1.250.911.560

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

Consolidated Statements of Financial Position
as of 31 December 2012 and 2011
(TL)

	Notes	31 December 2012	31 December 2011
LIABILITIES			
Short term liabilities		921.960.917	741.334.358
Financial liabilities	2,8	433.181.786	268.917.957
Other financial liabilities	2,9,10	75.160.111	99.314.672
Trade payables			
- Trade payables to related parties	2,10,30	168.779.644	113.109.195
- Other trade payables	2,10	95.193.013	142.622.835
Other payables			
- Other payables to related parties	2,11,30	10.718.559	15.772.640
- Other payables	2,11	11.287.518	10.206.275
Taxes on profit for the period	2,28	-	2.726.710
Debt provisions	2,16	8.428.845	7.193.803
Other short term liabilities	2,19	119.211.441	81.470.271
Long term liabilities		128.475.716	202.382.494
Financial liabilities	2,8	116.163.486	190.920.925
Trade payables to related parties	2,10,30	-	200.867
Provisions for employee benefits	2,18	12.146.316	10.639.221
Other long term liabilities	2,19	165.914	621.481
EQUITY		244.266.999	307.194.708
Parent Company Equity		244.266.999	307.194.708
Share capital	20	40.000.000	40.000.000
Capital restatement differences	20	56.061.369	56.061.369
Revaluation surplus funds	20	74.881.785	74.881.785
Restricted profit reserves	20	33.451.107	33.451.107
Retained earnings/(Accumulated losses)		102.817.346	74.769.445
Net Profit/(Loss) for the period		(62.944.608)	28.031.002
Non-Controlling Interests		-	-
TOTAL LIABILITIES AND EQUITY		1.294.703.632	1.250.911.560

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

ALTINYILDIZ MENSUCAT VE KONFEKSİYON FABRİKALARI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

Consolidated Statements of Comprehensive Income
For the years ended 31 December 2012 and 2011
(TL)

	Notes	31 December 2012	31 December 2011
CONTINUING OPERATIONS			
Sales Revenue	21	597.910.275	610.732.092
Cost of Sales (-)	21	(405.676.804)	(382.612.468)
GROSS PROFIT		**192.233.471**	**228.119.624**
Marketing, sales and distribution expenses(-)	22	(152.588.825)	(142.396.332)
General administration expenses (-)	22	(39.677.981)	(41.355.654)
Research and development expenses (-)	22	(703.486)	(793.512)
Other operating income	24	9.146.952	95.967.551
Other operating expenses (-)	24	(6.102.660)	(7.850.312)
OPERATING PROFIT		**2.307.471**	**131.691.365**
Shares in profits/losses of investments valued by equity		18.314.420	(21.616.568)
Financial income	25	60.721.317	83.561.878
Financial expenses (-)	26	(142.797.735)	(162.708.862)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(61.454.527)**	**30.927.813**
Tax income/(expense) related to continuing operations			
— Tax income/(expense) for the period	2,28	-	(3.368.726)
— Deferred tax income/(expense)	2,28	(1.490.081)	471.915
NET PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**(62.944.608)**	**28.031.002**
PROFIT/(LOSS) FOR THE PERIOD		**(62.944.608)**	**28.031.002**
Other comprehensive profits/(losses)		**-**	**-**
TOTAL COMPREHENSIVE PROFITS/(LOSSES)		**(62.944.608)**	**28.031.002**
Distribution of profit/(loss) for the period		**-**	**-**
-Non-controlling interest			
-Parent Company shares		**(62.944.608)**	**28.031.002**
Earnings / (loss) per share from continuing operations	2,29	**(1,57)**	**0,70**

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

Consolidated Statements of Changes in Equity
for the years ended 31 December 2012 and 2011
(TL)

	Notes	Share Capital	Capital Restatement Differences	Revaluation Surplus	Restricted Profit Reserves	Retained Earnings/ (Accumulated Losses)	Net Profit/(Loss) for the Period	Total Equity
Balance as at 1 January 2011	20	40.000.000	56.061.369	74.881.785	23.989.963	34.503.765	77.696.934	307.133.816
Transfer to retained earnings		-	-	-	-	77.696.934	(77.696.934)	-
Transfer to reserves		-	-	-	9.461.144	(9.461.144)	-	-
Dividend distribution		-	-	-	-	(26.673.678)	-	(26.673.678)
Shares of investments valued by equity in retained earnings / accumuluated losses		-	-	-	-	(1.296.432)	-	(1.296.432)
Net profit/(loss) for the period		-	-	-	-	-	28.031.002	28.031.002
Balance as at 31 December 2011	**20**	**40.000.000**	**56.061.369**	**74.881.785**	**33.451.107**	**74.769.445**	**28.031.002**	**307.194.708**

		Share Capital	Capital Restatement Differences	Revaluation Surplus	Restricted Profit Reserves	Retained Earnings/ (Accumulated Losses)	Net Profit/(Loss) for the Period	Total Equity
Balance as at 1 January 2012	20	40.000.000	56.061.369	74.881.785	33.451.107	74.769.445	28.031.002	307.194.708
Transfer to retained earnings		-	-	-	-	28.031.002	(28.031.002)	-
Effect of subsidiary included in the consolidation		-	-	-	-	16.899	-	16.899
Net profit/(loss) for the period		-	-	-	-	-	(62.944.608)	(62.944.608)
Balance as at 31 December 2012	**20**	**40.000.000**	**56.061.369**	**74.881.785**	**33.451.107**	**102.817.346**	**(62.944.608)**	**244.266.999**

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

Notes to the Consolidated Statements of Cash Flows
for the years ended 31 December 2012 and 2011

	Notes	31 December 2012	31 December 2011
A. CASH FLOWS FROM PRINCIPAL ACTIVITIES			
Net profit/ (loss) for the period		(62.944.608)	28.031.002
Adjustments:			
Depreciation and amortisation	14,15	17.281.585	14.493.811
Change in provision for termination indemnity	18	1.507.095	945.518
Rediscount income/expense on receivables/payables, (net)	10	(4.453.333)	4.587.109
Interest expense (+)	26	87.685.169	57.024.112
Interest income (-)	26	(861.749)	(30.275.371)
Change in other provisions	16	1.235.042	(127.609)
Change in fair value of investment properties	13	(4.096.071)	(92.842.876)
Change in provision for doubtful receivables	10	639.443	(414.258)
Change in inventory provision	12	385.314	78.783
(Profit)/loss on sale of tangible and intangible assets, (net)	14,15	4.621.306	6.053.724
(Profit)/loss on sale of non-current assets held for sale, (net)	27	439.000	436.000
Operating profit/(loss) before working capital changes		41.438.193	**(12.010.055)**
(Increase)/decrease in other trade receivables and other receivables	10,11	195.319	(109.625.130)
Decrease/(increase) in balances due from related parties	10,30	(20.771.559)	186.401.283
(Increase)/decrease in inventories	12	5.999.427	(50.365.175)
(Increase) in other current assets	19	(2.769.563)	(21.218.045)
(Increase) in other non-current assets	19	(158.437)	(26.778)
Increase /(decrease) in other trade payables and other payables	10	(47.204.702)	67.785.243
Increase in trade payables to related parties	10,30	54.425.577	114.139.021
Change in tax payments	28	(2.726.710)	(929.650)
Change in deferred tax assets	28	1.490.081	(471.915)
Increase/(decrease) in other short term debts and liabilities	19	37.285.603	68.625.355
Net cash provided from operating activities		**67.203.229**	**242.304.154**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Change in investment properties	13	(272.780)	(89.149)
Tangible asset acquisitions	14	(12.663.404)	(34.559.274)
Intangible asset acquisitions	15	(904.691)	(1.392.122)
Cash provided from disposal of tangible and intangible assets	14,15	327.658	636.365
Cash provided from disposal of non-current assets held for sale	27	1.675.000	1.886.996
Change in investments valued by equity method	7	(18.324.993)	(257.577.003)
Acquisition of affiliates (-)	7	(1.909)	-
Net cash (used in) investing activities		**(30.165.119)**	**(291.094.187)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Interest payments (-)		(62.784.132)	(45.912.838)
Interests received (+)		861.749	30.275.371
Increase in bank loans and leasing debts	8	89.506.390	131.810.407
Increase/(decrease) in factoring debts	9	(49.055.598)	20.739.497
Dividend payment		-	(26.673.678)
Effect of subsidiary included in the consolidation		16.899	(1.296.432)
(Decrease)/incresae in other balances due to related parties	11	(5.054.081)	(50.478.641)
Net cash (used in)/ provided from financing activities		**(26.508.773)**	**58.463.686**
Increase/(decrease) in cash and cash equivalents, net		**10.529.337**	**9.673.653**
Cash and cash equivalents at the beginning of the period	6	**20.807.728**	**11.134.075**
Cash and cash equivalents at the end of the period	6	**31.337.065**	**20.807.728**

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

1. Organisation and Principal Activities

Altınyıldız Mensucat ve Konfeksiyon Fabrikaları Anonim Şirketi (the Parent Company) is a company incorporated in Istanbul at 26 January 1952. Majority of the Parent Company shares belong to Boyner Holding A.Ş. (Boyner Holding). 15% of the said shares were offered to public for the first time in 1991; and together with the subsequent offerings, 20,80% of the Company shares are currently traded on the Istanbul Stock Exchange. The shareholding structure of the Parent Company is as follows:

	31 December 2012		31 December 2011	
Name	Nominal Value	Shareholding(%)	Nominal Value	Shareholding(%)
Boyner Holding A.Ş.	31.630.945	79,08	31.630.945	79,08
Other shareholders *	49.055	0,12	49.055	0,12
Public offering	8.320.000	20,80	8.320.000	20,80
Total	40.000.000	100,00	40.000.000	100,00

* Represents shareholdings of less than 10%.

In the accompanying financial statements, the Parent Company has consolidated its subsidiaries, namely, Alticom GmBH, Altınyıldız Italia SRL, A&Y LLC, Altınyıldız Corporation, and Altınyıldız Pars A.Ş. which are branches established as a continuation of its operations mainly for the purpose of marketing its products in Germany, Italy, Dubai and the USA; BYN Gayrimenkul Geliştirme Anonim Şirketi (BYN) and Altınyıldız Gayrimenkul Yatırım ve Geliştirme A.Ş. (Altınyıldız GMY) which are companies operating in real estate development sector; Vista Sağlık Hizmetleri Ticaret Danışmanlık A.Ş.(Vista) acquired by Altınyıldız GMY as of 18 September 2012; and AY Marka Mağazacılık Anonim Şirketi (AY Marka) which is a company involved in retail store operations of branded articles. Furthermore, the Parent Company has a branch in Atatürk Airport Free Zone which is not an individual corporate body, and the said branch is also included in the consolidation. The Parent Company together with its consolidated subsidiaries and the free zone branch will be altogether referred to as the “Group” in the following notes.

The subsidiaries and affiliates of the Parent Company as of 31 December 2012 are as follows:

Subsidiaries **	Principal Activity	Share Capital (TL)	Participation Rate (%)
AY Marka	Retail business	23.834.133	99,99
BYN	Real estate development	16.000.000	99,99
Altınyıldız GMY	Real estate development	50.000	99,99
Alticom GmbH	Sales and marketing of textiles	306.679	100,00
Altınyıldız Corporation	Sales and marketing of textiles	228.183	100,00
A&Y LLC	Sales and marketing of textiles	135.919	99,99
Altınyıldız Italia SRL	Sales and marketing of textiles	51.748	100,00
Altınyıldız Pars A.Ş.	Sales and marketing of textiles	31.205	99,99
Vista	Healthcare services	1.655.000	99,99

** Included in the consolidated financial statements by full consolidation method.

1. Organisation and Principal Activities (continued)

Affiliates ***	Principal Activity	(%)
Boyner Büyük Mağazacılık A.Ş.	Retail business	29,99
Beymen Mağazacılık A.Ş.	Retail business	49,99

*** Included in the consolidated financial statements by equity method.

The Parent Company’s subsidiaries and affiliates as of 31 December 2011 are as follows:

Subsidiaries	Principal Activity	Share Capital (TL)	Participation Rate (%)
AY Marka	Retail business	23.834.133	99,99
BYN	Real estate development	16.000.000	99,99
Altınyıldız GMY	Real estate development	50.000	99,99
Alticom GmBH	Sales and marketing of textiles	306.679	100,00
Altınyıldız Corporation	Sales and marketing of textiles	228.183	100,00
A&Y LLC	Sales and marketing of textiles	135.919	99,99
Altınyıldız Italia SRL	Sales and marketing of textiles	51.748	100,00
Altınyıldız Pars A.Ş.	Sales and marketing of textiles	31.205	99,99

The principal activities of the Group are manufacturing and marketing of wool garments, hosiery, and ready made clothes as well as retail business and real estate development operations in 109 stores throughout the country (2011 – 125 stores). As of 31 December 2012 and 2011, the number of employees of the Group is 2.678 and 3.171, respectively.

Some of the Articles of Association of the Company have been amended as per the CMB Communiqué on Corporate Management Principles. The necessary legal permissions have been obtained in relation to the change in Articles of Association and will be submitted to the General Council.

The address of the Parent Company’s general administration building is as follows:

Yenibosna Merkez Mahallesi 29 Ekim Caddesi No: 22 Bahçelievler/İstanbul

The address of the Parent Company’s production facilities is as follows:

Çerkezköy Organize Sanayi Bölgesi 2. Kısım Yıldırım Beyazıt Mahallesi Barbaros Caddesi No:71 Tekirdağ

2. Presentation of the Financial Statements

i. Basis of Presentation :

The Parent Company and its subsidiaries located in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira in accordance with the prevailing commercial and financial legislation. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the rules and regulations of the country in which they operate. The accompanying consolidated financial statements are prepared in accordance with the Capital Markets Board (CMB) Communiqué Nr. XI/29 "Communiqué Related to the Financial Reporting Principles at the Capital Markets". This Communiqué has come in force starting with the first interim financial statements subsequent to 1 January 2008 and bears in its Article 5 the provision stating that the enterprises subject to CMB apply the International Accounting / Financial Reporting Standards as accepted by the European Union (EU) taking as basis the harmonic standards, namely the Turkish Accounting / Financial Reporting Standards (TAS/TFRS), issued by the Turkish Accounting Standards Board (TASB).

Furthermore, in the provisional Article 2 of the same Communiqué, it is stated that the IAS/IFRS are to be applied until the differences between the IAS/IFRS accepted by the European Union and those issued by the International Accounting Standards Board (IASB) are published by the TASB taking as basis the harmonic standards, TAS/TFRS, issued by the TASB.

However, the Turkish Accounting Standards Board (TASB) has not issued the differences between the IAS/IFRS accepted by the EU and the standards issued by the International Accounting Standards Board (IASB) as yet, hence the accompanying consolidated financial statements are prepared in accordance with the IAS/IFRS taking as basis the harmonic standards TAS/TFRS issued by the TASB. As required by the TFRS 1, comparative financial statements are prepared on the same basis. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying consolidated financial statements in order to comply with the TAS/TFRS.

The accompanying consolidated financial statements are presented in accordance with the mandatory formats and principles announced by CMB in its Weekly Bulletin dated 14-18 April 2008 Nr. 2008-16. In order to comply with the amendments to TAS 1 which are valid for the financial periods starting at or subsequent to 1 January 2009, the balance sheet is presented under the name of "the Statement of Financial Position" and the profit/loss sections are presented in a single statement of comprehensive income.

The functional currency of the Group is Turkish Lira (TL) and the accompanying consolidated financial statements and the related notes are presented in TL.

The Parent Company's consolidated financial statements prepared as of 31 December 2012 in accordance with the Communiqué XI/29 are approved at 5 March 2013 by the Company Management to be submitted to the Board of Directors.

The Board of Directors of the Parent Company and the CMB retain the right to amend the interim financial statements while the General Meeting and the CMB retain the right to amend the annual financial statements.

2. Presentation of the Financial Statements (continued)

ii. Adjustment of Financial Statements During Hyper-Inflationary Periods:

TAS 29 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005; hence, the financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004. The additions to non-monetary items subsequent to 1 January 2005 are stated at their nominal values.

iii. Consolidation Principles:

Consolidation is realized within the scope of the Parent Company, namely, Altınyıldız Mensucat ve Konfeksiyon Fabrikaları A.Ş. in accordance with the principles stated below.

The accounting policies used by the foreign subsidiaries included in the consolidation acting as branches have been changed when deemed necessary so as to conform to those used by the Parent Company.

The items of the statement of financial position have been translated to Turkish Lira at the exchange rate valid at the reporting date and the income and expense items are translated at the average exchange rate of the period. The foreign exchange differences arising from translation are reflected to the consolidated financial statements.

Full Consolidation Method

The minority shareholding in the subsidiaries, namely, AY Marka, BYN, Altınyıldız GMY, Vista, A&Y LLC and Altınyıldız Pars A.Ş. are at rate of 0,01% which is immaterial; hence, no minority interest has been calculated.

No goodwill has appeared in the transactions related to including the financials of Vista, an entity acquired by Altınyıldız GMY at 18 September 2012, in the consolidated financial statements.

There is no goodwill calculated as the Parent Company has participated in the consolidated subsidiaries since their dates of establishment.

The paid-in capital of the Parent Company and its subsidiaries as well as the items of their statements of financial position are added and inter-company balances among consolidated entities are eliminated.

The paid-in capital stated in the consolidated statement of financial position is that of the Parent Company while those of the subsidiaries are not recognized.

The income statement items of the Parent Company and its subsidiaries are added separately, and the sales of goods and services made among the consolidated entities are deducted from the total sales and cost of goods sold. The profit obtained from purchase and sale operations among consolidated companies is deducted from inventories and added onto the cost of goods sold and the loss originating from such operations are added onto the inventories and deducted from cost of goods sold in the consolidated financial statements. The inventory turnover method is used for elimination of inter-group profit on inventories. Income and expense items arising from operations among consolidated entities are eliminated in the related accounts in a reciprocal fashion.

2. Presentation of the Financial Statements (continued)

iii. Consolidation Principles (continued):

Equity Method

As per the equity method, the affiliates are initially recorded at cost.

For the period starting as of the date the affiliate is acquired by the Parent Company until the reporting date, the Parent Company's share of the increases and decreases in the affiliate's equity are either added to or deducted from the acquisition cost of the affiliate. The increases and decreases corresponding to the equity share in comparison with the acquisition cost are stated in the income statement as profit and loss, respectively. In case the differences arise from equity items other than profit and loss, adjustments in the relevant items need also to be made in the shareholders' equity of the Parent Company. The dividends received from affiliates are deducted from the related investments.

iv. Adjustments:

The accompanying consolidated financial statements are prepared in accordance with TAS/TFRS with the below mentioned adjustments which are not stated in the statutory records:

- Rediscount calculation on maturity cheques, notes receivable, customers, notes payable, and suppliers
- Depreciation and amortisation adjustment related to the useful lives of tangible and intangible assets
- Deferred tax adjustment
- Inventory provision
- Termination indemnity adjustment
- Maturity difference adjustment
- Adjustment of capitalized foreign exchange differences and financial expenditures
- Evaluation of listed financial assets as per the market value
- Provision for doubtful receivables
- Adjustment on fair value of investment properties
- Provision for sales returns and price differences
- Elimination of inter group balances and transactions as per the consolidation procedure.

v. Comparative Information and Restatements of Prior Period Financial Statements:

The consolidated statements of financial position as of 31 December 2012 and 2011 and the related notes as well as the consolidated statements of income, changes in equity, and cash flows for the years then ended and the related notes are presented comparatively. In order to comply with the presentation of the current period financial statements, the comparative information is reclassified when deemed necessary.

vi. Offsetting:

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

2. Presentation of the Financial Statements (continued)

vii. Changes and Errors in Accounting Policies and Accounting Estimates:

The Group has applied its accounting policies consistent with the prior year. Significant changes in the accounting policies and significant accounting errors are applied retrospectively and the prior period financials are re-prepared. In the event that the changes in the accounting estimates are related to one period only, they are applied only to the period in which the change has been made; however, if they are related to the future periods, they are applied both for the period in which the change has been made and for the future periods, prospectively.

viii. The New and Revised International Accounting / Financial Reporting Standards:

The Group has applied the revised standards effective from 1 January 2012 that are relevant to its operations. The new and revised standards effective from 1 January 2012 are as follows:

IAS 12 ''Income Taxes (Amendment)" is effective for annual periods beginning on or after 1 January 2012. Amendment has introduced clarification to the measurement of deferred tax assets and liabilities related to investment properties measured at fair value.

IFRS 7 "Financial Instruments": Disclosures - The main objectives of the amendment are to enhance transparency in transfer operations, to achieve a better understanding of the risks that the Company is exposed to in relation to transfer of financial assets and of their effects on the Company's financial position.

Standards and interpretations which have not yet become effective and also not early adopted by the Group:

- IFRS 9 "Financial Instruments" is effective for annual periods beginning on or after 1 January 2015. This standard amends the requirements for classification and measurement of financial assets. Adoption of IFRS 9 is only mandatory for the year ending 31 December 2015. The Company has not yet made assessment of the impact of these amendments.

- IFRS 10 "Consolidated Financial Statements" is effective for annual periods beginning on or after 1 January 2013. Introduces a single 'control model' which is taken as basis in determining whether the investment should be included within the scope of consolidation or not.

- IFRS 11 "Joint Arrangements" is effective for annual periods beginning on or after 1 January 2013. The standard outlines the accounting by entities that jointly control an arrangement. Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method only. In this case proportionate consolidation method will not longer be applied.

-IFRS 13 "Fair Value Measurement" is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single framework for measuring fair value of financial and non-financial items recognised in the statement of financial position or disclosed in the notes in the financial statements.

2. Presentation of the Financial Statements (continued)

viii. The New and Revised International Accounting /Financial Reporting Standards (continued):

- IAS 1 "Presentation of Financial Statements (Amendment), Presentation of Items of Other Compehensive Income"; is effective for annual periods beginning on or after 1 July 2012; however, the amendment may be early adopted to save work. Introduces amendments in presentation of other comprehensive income items. When this amendment is first adopted, there will be no impact on the transactions and balances(and comparative information) recognized in the financial statements. However, the statement of comprehensive income will be reestablished to include the subtotals of other comprehensive income items that can be reclassified to profit or loss and those that cannot be reclassified to profit or loss.

-IAS 19 "Employee Benefits" (Amendment); is effective for annual periods beginning on or after 1 January 2013. The "corridor" approach for deferring gains/losses for defined benefits plants is eliminated. Actuarial gains/losses related to defined benefit plans will be recognised in other comprehensive income rather than in profit or loss in the subsequent periods. Amendments to timing are made for recognition of liabilities for termination benefits.

-IAS 32 "Financial Instruments": Amendment to Presentation, Offsetting Financial Assets and Liabilities; is effective for annual periods beginning on or after 1 January 2014. The amendment has clarified and expanded the application guidance in relation to the offsetting of financial assets and liabilities in respect of the meaning of 'currently has a legally enforceable right of set off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts; and the unit of account for applying the offsetting requirements. When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for offsetting the entity's financial assets and financial liabilities.

-IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"; is effective for annual periods beginning on or after 1 January 2013. Clarifies the recognition of stripping costs in the production phase of a surface mine.

Improvements to IFRSs;

IASB has published the annual IFRS improvements introduced to the standards for the period 2009-2011. These are necessary but not urgent amendments. They are effective for annual periods beginning on or after 1 January 2013.

-IFRS 12 "Disclosure of Interest in Other Entities"; is effective for annual periods beginning on or after 1 January 2013. Combines existing disclosures from IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

-IFRS 7 "Financial Instruments: Disclosure (Amendment)"; is effective for annual periods beginning on or after 1 January 2013. Introduces additional disclosures required in relation to information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement (or similar arrangement).

2. Presentation of the Financial Statements (continued)

viii. The New and Revised International Accounting /Financial Reporting Standards (continued):

-IFRS 9 "Financial Instruments, mandatory effective date of IFRS 9 and transition disclosures"; is effective for annual periods beginning on or after 1 January 2015. Defers the effective date of IFRS 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.

-IAS 27 "Separate Financial Statements"; is effective for annual periods beginning on or after 1 January 2013. Upon cancellation of IAS 27, requirements for consolidation and disclosures of interests in other entities have been removed and inserted into IFRS 10 and IFRS 12, respectively.

-IAS 28 "Investments in Associates and Joint Ventures (Amendment)"; is effective for annual periods beginning on or after 1 January 2013. Disclosures removed and inserted into IFRS 12.

-IFRS 10, IFRS 11 and IFRS 12 "Transition Guidance- Consolidated Financial Statements, Joint Arrangements and Disclosures of Interest in Other Entities"; is effective for annual periods beginning on or after 1 January 2013. As the mandatory effective date of the amendment coincides with effective date of the standards themselves, and the amendment is guidance only, there will be no impact on amounts recognised in the financial statements.

-IAS 1 "Presentation of Financial Statements"; is effective for annual periods beginning on or after 1 January 2013. Clarifies the minimum comparative information required and also the requirements for comparative information where there has been a change in accounting policy, retrospective restatement or reclassification.

-IAS 16 "Property, Plant and Equipment"; is effective for annual periods beginning on or after 1 January 2013. Clarifies that items such as spare parts, stand-by or servicing equipment are required to be classified as property, plant and equipment (PPE) when they meet the definition of PPE. Otherwise they are required to be classified as inventory.

- IAS 32 "Financial Insturments: Presentation"; is effective for annual periods beginning on or after 1 January 2013. Clarifies that the following are required to be accounted for under IAS 12 Income Taxes:
. Income tax relating to distributions to holders of equity instruments
. Income tax relating to transaction costs of an equity instrument.

Other amendments have been made in IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 34 Interim Financial Reporting.

ix. Summary of Significant Accounting Policies and Valuation Methods:

(a) Financial Instruments:

Financial instruments consist of the financial assets and liabilities stated below:

i. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, banks and cheques received.

Cash is composed of Turkish Lira and foreign currency balances. Turkish Lira balances are stated at their carrying values and foreign currency balances are stated at the values translated to Turkish Lira at the foreign exchange rate issued by the Turkish Central Bank at the reporting date.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(a) Financial Instruments (continued):

i. Cash and Cash Equivalents (continued)

Bank accounts consist of time and demand deposit accounts. Turkish Lira deposit accounts are stated at cost and the foreign currency accounts converted into Turkish Lira at the foreign currency rate issued by the Central Bank at the reporting date.

The cheques received with maturity dates exceeding the reporting date are stated in trade receivables, and they are rediscounted at a rate equivalent to the interest rate constituted for government bonds in stock markets or other organized markets.

Fair Value

As the foreign currency cash and cash equivalents are translated into Turkish Lira at the foreign exchange rates valid at the reporting date, it is assumed that the fair values of these assets approximate to their book values.

As the deposit accounts, cash and cheques received are converted into cash in very short terms, and as there is no risk of value decrease, their carrying values are deemed to approximate to their fair values.

ii. Trade Receivables

Trade receivables are financial assets created by the Parent Company and its subsidiaries through selling goods and services directly to the customers. Trade receivables and post-dated cheques are subject to rediscount.

Fair Value

Rediscounted trade receivables for which provisions are accrued for doubtful receivables are assumed to approximate the fair values of these assets.

iii. Related Parties

A party is related to an entity if the party is a legal body or a real person which directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, and if the party is a subsidiary, an affiliate or a joint venture in which the entity is a venturer. Furthermore, members of the key management personnel of the entity, close members of the family of any individual referred to above, and parties representing post-employment benefit plan for the benefit of employees of the entity are also defined as related parties.

iv. Trade Payables

Trade payables are financial liabilities created by the Group through purchasing goods and services directly from the suppliers.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(a) Financial Instruments (continued):

iv. Trade Payables (continued)

Fair Value

Discounted values of trade payables are assumed to approximate the fair values of these liabilities.

v. Financial Liabilities

Financial liabilities consist of short and long term bank loans and commercial paper.

Short and long term bank loans and commercial paper are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the reporting date, discounted by the effective interest method.

Fair Value

The fair values of short and long term bank loans and commercial paper are assumed to be equivalent to their carrying values computed by adding the accrued interest liabilities calculated over the effective interest rate as of the reporting dates on the cost of the mentioned financial debts.

(b) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the “monthly weighted average cost” method. The net realizable value is calculated as the selling price in the ordinary course of business minus the cost of completion and disposal.

For forward inventory acquisitions, the acquisition cost of the asset is discounted to its spot price in which case the difference between the total amount of payment and the spot price is recognized in the financial statements as interest expense throughout the period.

Investment properties valued at fair value have changed into real estates held for trading; hence, they are transferred to inventories account. Estimated cost of real estates held for trading is the fair value at the date of change of the real estate’s area of use.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(c) Financial Assets :

The Group has classified its financial assets as those at fair value through profit or loss and those which are recognized at cost.

A financial asset is held for trading if the entity acquired it for the purpose of generating profit from short term fluctuations in price or is part of a portfolio of financial assets subject to trading for the purpose of generating short term profit independent from the purpose of acquisition. Financial assets held for trading are first recognized in the statement of financial position at cost including the transaction costs and in the following period, they are stated at their fair values. Differences between the fair value and cost are recognized in the other income and expenses account group in the statement of income.

The existence of published price quotations in an active market is the best evidence of fair value. In the event that an active market for a financial asset does not exist, the entity determines the fair value by using a valuation technique. The purpose of using a valuation technique is to estimate what the price of a financial asset would have been in a market transaction realized under normal business conditions on the measurement date, in an arm’s length transaction between knowledgeable, willing parties. The said valuation techniques include using market transactions between knowledgeable and willing parties in a collective bargaining environment realized during the recent periods; taking as reference the fair value of a similar financial instrument; and the discounted cash flow analyses and option price models. If a valuation technique used widely by the market participants is found for determining the price of an equity instrument and if it is verified that the said technique provides reliable price estimates in actual transactions in the market, the entity chooses to use this valuation technique. In estimating fair value by the selected valuation technique, the use of market inputs is emphasized whereas the use of specific inputs attributable to the entity is kept at a minimum. The selected technique should comprise all factors to be considered by the market participants in the process of price determination and it should be consistent with the generally accepted methods of economics related to pricing of financial instruments. The selected valuation technique is regularly monitored by the entity and the validity of the said technique is periodically evaluated by using the prices constituted in current observable market transactions of the same instrument (i.e., without making changes or re-arrangements) or the prices obtained from available market data.

(d) Tangible Assets:

Tangible assets are stated at cost less their accumulated depreciation and impairment loss, if any.

Tangible assets have been restated using the measuring unit current at 31 December 2004 from the dates of acquisition. Additions made subsequent to 1 January 2005 are stated at their nominal values. Depreciation is made over their inflation-adjusted values of tangible assets and the nominal values of additions subsequent to 1 January 2005 by straight-line method taking into consideration the estimated useful lives of the assets.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(d) Tangible Assets (continued):

The depreciation rates of tangible assets with respect to their average useful lives are stated in the table below:

Land improvements	4% - 25%
Buildings	2% - 20%
Machinery	7% - 12%
Plant and equipment	5% - 25%
Motor vehicles	15% - 25%
Furniture and fixtures	7% - 25%
Leasehold improvements	20%

Expenses arising from changing any part of a tangible asset are capitalized together with the maintenance and repair costs. Subsequent expenditures can also be capitalized if they are of the nature to increase future economic benefits of the said asset. All other expense items are accounted for in the statement of income on accrual basis.

If the payment for a tangible asset is made on an installment plan, the acquisition cost of the asset is set equivalent to its down payment amount. In that case, the difference between the total payment and the down payment is recognized as interest expense throughout the loan period except where capitalization is not allowed.

Costs like start-up costs of a new operation, cost of launching new products and services including advertisement costs, costs of operating at a new place or with a new customer including personnel training costs, and general administration costs cannot be directly associated with the asset as they are not included within the purchase price of the asset and they are not incurred for the purpose of bringing the assets to an operating position in line with the management goals; hence, such costs cannot be included in the acquisition cost of the asset.

(e) Intangible Assets:

Intangible assets are stated at their cost values less accumulated amortisation and impairment losses, if any.

The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. Intangible assets are amortized over their inflation-adjusted values and the nominal values of additions subsequent to 1 January 2005, as per their useful lives. Amortisation for all intangible assets is calculated by using the normal (straight-line) method on pro rata basis.

Rights	6,66% - 25%

Intangible assets are recognized as per the three critical attributes, i.e., its identifiability, control (power to obtain benefits from the assets), and future economic benefits. In that respect, training expenses, advertisement and promotion expenses, partial or full amount of reorganization expenses and start up operations expenses excluding those that can be included in the cost of tangible assets are recognized as expense in the financial statements at the time they are realized.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(e) Intangible Assets (continued):

If the payment for an intangible asset is made on an instalment plan, the acquisition cost of the asset is set equivalent to its down payment. In that case, the difference between the total payment and the down payment is recognized as interest expense throughout the loan period except where capitalization is not allowed.

(f) Long Term Assets Held for Sale :

Long term assets held for sale can only be classified as such when their recorded values are recovered not upon usage but upon a sale transaction where the depreciation is discontinued. Long term assets held for sale are valued by the lower of their recorded values and the value computed by deducting the sales expenses from their fair values.

(g) Assets and Liabilities in Foreign Currency:

Foreign currency assets and liabilities stated in the statement of financial position are translated into Turkish Lira at the foreign exchange rates announced by the Turkish Central Bank at the reporting dates. Transactions in foreign currencies during the period are translated into Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses arising from these transactions are included in the statement of comprehensive income.

The financial position items of the subsidiaries operating as branches abroad and included in the consolidation are translated to TL at the foreign exchange rate valid at the reporting date; and the income and expense items are translated at the average rate of exchange for the period. The exchange differences arising from the translation operation is reflected to the consolidated financial statements.

(h) Impairment of Assets:

Where the book value of an asset exceeds its recoverable value, provision is made for impairment loss so as to bring the book value of the asset down to the level of its fair value and the amount of the provision is recorded as expense in the statements of comprehensive income.

On the other hand, the recoverable value of cash generating assets is deemed to be the higher of their net sales price and the value in use. The value in use of the said assets is the present value of the future cash flows expected from these assets. In calculating the value in use, a pre-tax discount rate is used covering the future expected cash flows, time value of money, and risks attributed to the asset.

(i) Deferred Taxes:

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The main temporary differences arise from the income and expense items recognised in different periods with respect to the TAS/TFRS and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Group will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(j) Income Taxes:

Under the Turkish Tax Code, a company that has its head office or place of business in Turkey is subject to a corporate tax.

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

Corporate earnings are subject to corporation tax at a rate of 20%. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 15%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19,8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024 to be enacted as of 1 January 2004, the financial statements of the tax payers whose earnings are determined on balance sheet basis are subject to inflation adjustment in the event that the increase in price indices exceed 100% for the last three accounting periods including the current period and 10% for the current accounting period. In the 2012 and 2011 accounting periods, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

As of 31 December 2012, there is no tax base; hence, no tax provision has been made.

As of 31 December 2011, income tax provisions have been made in accordance with the prevailing tax legislation.

(k) Employee Benefits :

Under Turkish Labour Law Article 25/II, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TL 3.033,98 in respect of each year of service as of 31 December 2012 (31 December 2011– TL 2.731,85).

The Group has determined the termination indemnity liability stated in the accompanying consolidated financial statements as per the recognition and valuation principles stated in TAS 19 "Employee Benefits". As the characteristics of the termination indemnity liabilities are similar to the "Post Employment Benefit Plans" stated in this standard, these liabilities are calculated and stated in the financial statements on the basis of below mentioned "Proposed Unit Loan Method" and other various assumptions.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(k) Employee Benefits (continued):

- The dates that the employees will gain their pension rights are determined with respect to the prevailing social security laws with consideration to their past employment durations.
- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or, if higher than the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2012, the termination indemnity upper limit, to remain constant for restatement purposes, and this value is reduced by the actual discount rate of 3,57% (31 December 2011- 4,29%) calculated based upon the assumption that the expected annual inflation rate will be 5 % (31 December 2011 – 5%) and the expected discount rate will be 8,75% (31 December 2011 – 9,5%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the reporting date.

As of 31 December 2012 and 2011, assumptions for calculating termination indemnity are as follows:

	31 December 2012	31 December 2011
Discount rate	3,57%	4,29%
The ratio of the number of employees who have gained the right to receive termination indemnity in the prior years to the total number of employees	100%	100%

(l) Revenue:

Revenue from the sale of goods is recognized when the entity has transferred to the buyer the risks and rewards of ownership of the goods, when it is probable that the economic benefits associated with the transaction will flow to the entity, and when the amount of revenue can be measured reliably. For the sales recognized as revenue for the period, provisions are made for returns and discounts within the frame of past experiences and other relevant data. The revenues and expenses related to the same transaction are recognized simultaneously.

When cash or cash equivalents are received against sales, the received amount represents the sales revenue. However, in most cases, the Company makes forward sales and the fair value of the sales consideration is determined by discounting the receivables to their present values over the remaining period until maturity date. The interest rates used in determining the present value of the receivables are the interest rates used in discounting the sales price of the related product or service. The difference between the nominal value of the selling price and the fair value determined as such are recognized as maturity difference expenses in the related periods.

When the collection of amounts booked as revenue becomes doubtful, recognition is made by expensing the provision made for doubtful receivables and not by adjusting the revenue total.

The net sales comprise the sales consideration invoiced after discounts and returns are deducted.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(l) Revenue (continued):

Interest revenue accrual is calculated over the effective interest rate. Rent income and expenses related to real estate consist of operational leasings. The accounting of rent income/expenses is performed throughout the rental period by straight line method.

Dividends are recognized when the shareholder's right to receive payment is established.

Rental income is recognised over the lease term on a straight-line basis. Rental income is recognized as revenue when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of this revenue can be measured reliably. The total minimum rental payments to be received within the frame of the current rental contracts by period is set out in the table below (TL):

	31 December 2012	31 December 2011
Less than 1 year	7.854.986	7.566.083
More than 1 year, less than 5 years	39.151.118	36.180.172
Total	47.006.104	43.746.255

(m) Earnings/(Loss) per Share:

Earnings/(loss) per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Enterprises in Turkey can increase their capital through distributing bonus shares to their shareholders proportionate to their shareholding from retained earnings and differences arising from inflation adjustment in equity. These bonus shares are regarded as issued shares in the calculation of earnings/(loss) per share. Hence, retroactive calculation is made to arrive at the weighted average number of shares in respect of the bonus shares.

(n) Accounting Estimates:

During the preparation of financial statements in accordance with TAS/TFRS, the Management is required to disclose the book value of the assets and liabilities stated in the financial statements as of the reporting date and explanations regarding off balance sheet liabilities, and to provide assumptions that might affect the totals of income and expense realized during the period. However, actual results may vary from these results.

(o) Events After the Reporting Period:

If the Group receives information after the reporting date about conditions that existed at the reporting date, it updates the financial statements that relate to those conditions, in the light of the new information. If non-adjusting events after the reporting date are material, the Group discloses them during the related period.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(p) Provisions, Conditional Assets and Liabilities:

Provisions are recognised only if the following conditions are met:
(1) there is a present obligation as a result of a past obligating event,
(2) it is probable that outflow of economic resources is required because of this obligation,
(3) the amount of obligation can be reasonably estimated.
Where the effect of the time value of money is material, the amount of a provision recognized is the present value of the expenditures expected to be required to settle the obligation and discounted before tax when deemed necessary at a discount rate comprising special risks attributable to the liability. When discounting is required, the increase in provisions arising from time differences is stated as interest expense. In determining the amount to be recognized as provision in the financial statements, it is important to use the best estimate of expenditures which will be required to fulfill the obligation present at the reporting date. In making this estimate, all risks and uncertainties need to be taken into consideration.

Conditional liabilities and assets are not recognized in the financial statements but only disclosed in the notes to the financial statements. Where it becomes probable that the sources bearing future economic benefits will flow out of the entity, the items stated as conditional liabilities are recognized as provisions in the financial statements of the period of change in probability except where a reliable estimate cannot be made.

(r) Borrowing Costs :

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Upon completion of the necessary operations to make the qualifying asset ready for use or sale, the capitalization of the borrowing costs is discontinued.

(s) Finance and Operating Leases:

The lease operations where the risks and rewards related to the ownership of the subject asset belongs to the Company are classified as financial leases. Finance leases transferring all risks and rewards of ownership of the leased asset are recorded at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Thereby, the fixed asset depreciation followed up under the assets is made in accordance with the policies implemented for other similar assets. Where the lease period is shorter than the useful life of the leased asset and where it is not reasonably certain that the entity will acquire the related asset at the end of the lease period, the leased asset is depreciated within the lease period; however, if the useful live of the leased assets is shorter than the lease period, it is amortised during the useful life span. The lease obligation in the statement of financial position is lowered through principal repayments while the portion of lease payments corresponding to financial expenses is recognized in the statement of comprehensive income covering the lease period during which the expenses are formed.

Leases where the lessee retains all risks and rewards of ownership are classified as operating leases. Operating lease payments are stated as expense in the statement of income throughout the lease period on straight-line basis.

2. Presentation of the Financial Statements (continued)

ix. Summary of Significant Accounting Policies and Valuation Procedures Applied (continued):

(t) Investment Properties:

Investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity, and the cost of the investment property can be measured reliably. For measurement of investment properties subsequent to the initial recognition, the entity may choose either the cost model or the fair value model where the fair value can be estimated reliably, and they are accounted for in accordance with the points introduced in the “tangible assets” section. The Group prefers fair value model for its investment properties.

(u) Government Grants and Donations:

All government grants including non-monetary grants stated at fair value are recognized when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. A forgivable loan provided by the government is treated as a government grant where there is reasonable assurance that the terms of forgiveness of the loan will be met by the entity.

3. Business Combinations

As of 31 December 2012 and 2011, the Group did not have any transactions within the scope of business combinations.

4. Business Partnerships

Contractual enterprises that enable the Parent Company to realize an economic activity subject to joint control are referred to as business partnerships. Business partnerships are included in the accompanying consolidated financial statements by equity method.

5. Segment Reporting

The Group’s business operations are administered and organized with respect to the range of products and services provided by the Group. Information regarding the Group’s business activities as of 31 December 2012 comprise the earnings and profits obtained from operations i.e., textile, ready-made clothes, AY Marka Mağazacılık, real estate development (BYN and Altınyıldız GMY), and healthcare services (stated within Altınyıldız GMY due to the immateriality of the financial statement items of Vista)

5. Segment Reporting (continued)

As of 31 December 2012, segment reporting consists of the following (TL) :

1 January- 31 December 2012	Textile	Ready-Made Clothes	Ay Marka	BYN	Altınyıldız GYM	Undistributed	Elimination	Total
Sales revenue	199.923.389	124.654.911	350.574.063	7.152.505	-	-	(84.394.593)	597.910.275
Cost of sales (-)	(174.059.665)	(118.781.438)	(198.381.122)	-	-	-	85.545.421	(405.676.804)
Gross profit/(loss)	**25.863.724**	**5.873.473**	**152.192.941**	**7.152.505**	**-**	**-**	**1.150.828**	**192.233.471**
Marketing, sales and distribution expenses (-)	(9.345.521)	(7.112.020)	(136.310.361)	-	(68.009)	-	247.086	(152.588.825)
General administration expenses (-)	(15.484.458)	(5.812.642)	(14.762.631)	(1.788.596)	(1.838.405)	-	8.751	(39.677.981)
Research and development expenses (-)	(703.486)	-	-	-	-		-	(703.486)
Other operating income	850.875	148.478	3.910.521	4.232.965	12.348		(8.235)	9.146.952
Other operating expenses (-)	(1.185.228)	(12.844)	(4.893.163)	(11.397)	(28)		-	(6.102.660)
Operating profit / (loss)	**(4.094)**	**(6.915.555)**	**137.307**	**9.585.477**	**(1.894.094)**	**-**	**1.398.430**	**2.307.471**
Share in profit/(loss) of investments valued by equity method	18.314.420	-	-	-	-	-	-	18.314.420
Financial income	42.345.481	2.995.567	13.079.788	2.053.377	7.985.166	-	(7.738.062)	60.721.317
Financial expenses (-)	(90.650.065)	(5.955.353)	(40.103.974)	(4.454.377)	(10.830.540)	-	9.196.574	(142.797.735)
Profit / (loss) before tax from continuing operations	(29.994.258)	(9.875.341)	(26.886.879)	7.184.477	(4.739.468)	-	2.856.942	(61.454.527)
Taxes for the period	-	-	-	-	-	-	-	-
Deferred tax income/ (expense)	-	-	-	-	-	(1.490.081)	-	(1.490.081)
Profit/(Loss) for the period from continuing operations	(29.994.258)	(9.875.341)	(26.886.879)	7.184.477	(4.739.468)	(1.490.081)	2.856.942	(62.944.608)

31 December 2012	Textile	Ready-Made Clothes	Ay Marka	BYN	Altınyıldız GYM	Undistributed	Elimination	Total
Assets and Liabilities								
Segment assets	771.765.727	83.281.032	247.256.497	113.314.094	247.321.155	-	(168.661.826)	1.294.276.679
Undistributed assets	-	-	-	-	-	426.953	-	426.953
Total Assets	771.765.727	83.281.032	247.256.497	113.314.094	247.321.155	426.953	(168.661.826)	1.294.703.632
Segment liabilities	571.911.144	89.150.187	235.607.555	40.875.288	237.554.316	-	(124.661.857)	1.050.436.633
Undistributed liabilities						-		-
Total Liaiblities	571.911.144	89.150.187	235.607.555	40.875.288	237.554.316	-	(124.661.857)	1.050.436.633
Other Segment Information								
Depreciation	7.337.317	1.799.840	7.893.917	-	-	-	-	17.031.074
Amortisation	82.046	103.467	64.998	-	-	-	-	250.511

5. Segment Reporting (continued)

The Group's business operations are administered and organized with respect to the range of products and services provided by the Group. Information regarding the Group's business activities as of 31 December 2011 comprise the earnings and profits obtained from operations i.e., textile, ready-made clothes, AY Marka Mağazacılık, and real estate development (BYN and Altınyıldız GMY).

As of 31 December 2011, segment reporting consists of the following (TL) :

1 January-31 December 2011	**Textile**	**Ready-Made Clothes**	**Ay Marka**	**BYN**	**Altınyıldız GYM**	**Undistributed**	**Elimination**	**Total**
Sales revenue	244.113.153	130.426.962	352.453.312	5.516.836	-	-	(121.778.171)	610.732.092
Cost of sales (-)	(200.761.872)	(113.556.229)	(186.363.733)	-	-	-	118.069.366	(382.612.468)
Operating profit / (loss)	**43.351.281**	**16.870.733**	**166.089.579**	**5.516.836**	**-**	**-**	**(3.708.805)**	**228.119.624**
Marketing, sales and distribution expenses (-)	(11.540.316)	(5.264.039)	(125.852.959)	-	-	-	260.982	(142.396.332)
General administration expenses (-)	(13.975.461)	(7.261.791)	(12.028.513)	(1.861.418)	(6.249.901)	-	21.430	(41.355.654)
Research and development expenses (-)	(793.512)	-	-	-	-	-		(793.512)
Other operating income	1.311.086	301.302	1.510.164	2.123	92.842.876	-	-	95.967.551
Other operating expenses (-)	(6.323.863)	(1.513.619)	(2.284)	(24)	-	-	(10.522)	(7.850.312)
Operating profit / (loss)	**12.029.215**	**3.132.586**	**29.715.987**	**3.657.517**	**86.592.975**	**-**	**(3.436.915)**	**131.691.365**
Share in profit/(loss) of investments valued by equity method	(21.616.568)	-	-	-	-	-	-	(21.616.568)
Financial income	71.408.403	5.058.929	13.029.549	1.742.205	3.683.878	-	(11.361.086)	83.561.878
Financial expenses (-)	(86.855.707)	(7.586.490)	(34.594.059)	(13.671.949)	(31.541.779)	- -	11.541.122	(162.708.862)
Profit / (loss) before tax from continuing operations	**(25.034.657)**	**605.025**	**8.151.477**	**(8.272.227)**	**58.735.074**	**-**	**(3.256.879)**	**30.927.813**
Taxes for the period	-	-	-	-	-	(3.368.726)	-	(3.368.726)
Deferred tax income/ (expense)	-	-	-	-	-	471.915	-	471.915
Profit/(Loss) for the period from continuing operations	**(25.034.657)**	**605.025**	**8.151.477**	**(8.272.227)**	**58.735.074**	**(2.896.811)**	**(3.256.879)**	**28.031.002**

31 December 2011	**Textile**	**Ready-Made Clothes**	**Ay Marka**	**BYN**	**Altınyıldız GYM**	**Undistributed**	**Elimination**	**Total**
Assets and Liabilities								
Segment assets	780.913.219	113.070.292	355.549.822	110.114.600	230.972.923	-	(341.626.330)	1.248.994.526
Undistributed assets	-	-	-	-	-	1.917.034	-	1.917.034
Total Assets	**780.913.219**	**113.070.292**	**355.549.822**	**110.114.600**	**230.972.923**	**1.917.034**	**(341.626.330)**	**1.250.911.560**
Segment liabilities	527.075.101	109.064.105	315.347.902	44.860.272	216.483.516	-	(271.840.754)	940.990.142
Undistributed liabilities	-	-	-	-	-	2.726.710	-	2.726.710
Total Liaiblities	**527.075.101**	**109.064.105**	**315.347.902**	**44.860.272**	**216.483.516**	**2.726.710**	**(271.840.754)**	**943.716.852**
Other Segment Information								
Depreciation	6.672.044	1.360.563	6.300.172	-	-	-	-	14.332.779
Amortisation	50.078	68.952	42.002	-	-	-	-	161.032

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the following (TL) :

	31 December 2012		31 December 2011	
Cash		62.067		120.969
Bank deposits (Note 31(ii))		27.414.284		14.641.106
- Time deposits * (Note 31 (vi))	18.292.645		420.000	
- Demand deposits **	9.121.639		14.221.106	
Cheques and other liquid assets		3.860.714		6.045.653
Total		31.337.065		20.807.728

* As of 31 December 2012, the interest rate on TL time deposits at banks is 8% (31 December 2011 –7,5%).

** The Group has a blocked deposit of TL 2.456.556 as of 31 December 2012 (31 December 2011 – TL 4.038.280).

As of 31 December 2012, the total insurance on cash and cash equivalents amounts to TL 7.014.550 (31 December 2011 – TL 7.041.710).

7. Financial Assets and Investments Valued by Equity Method

Financial investments consist of the following (TL) :

	31 December 2012		31 December 2011	
	Participation Rate	Amount	Participation Rate	Amount
Doğu Yatırım Holding A.Ş.	< 1%	104.891	< 1%	104.891
BBA Beymen Boğaziçi Alboy A.Ş.	< 1%	74.171	< 1%	74.171
Alsis Sigorta Acentalığı A.Ş.	< 1%	11.370	< 1%	11.361
Beymen Ayrıcalıklı Yapı Geliştirme A.Ş.	< 1%	1.200	-	-
BNR Teknoloji A.Ş.	< 1%	700	-	-
Lom Renkli Giyim Ürünleri Paz. A.Ş.	< 1%	104	< 1%	104
Total		192.436		190.527

Financial investments are valued at cost and below 1%.

Investments valued by equity method consist of the following (TL) :

	31 December 2012		31 December 2011	
	Participation Rate	Amount	Participation Rate	Amount
Boyner Büyük Mağazacılık A.Ş.*	29,99%	75.711.739	29,99%	73.641.397
Beymen Mağazacılık *A.Ş.***	49,99%	231.254.651	49,99%	215.000.000
Total		306.966.390		288.641.397

7. Financial Assets and Investments Valued by Equity Method (continued)

Changes in investments during the year are as follows (TL);

	31 December 2012	31 December 2011
Beginning	288.641.397	31.064.394
Value increase upon share acquisition	-	280.490.000
Effect of transition to Equity Method	-	(22.912.997)
Share in profit/(loss) of Boyner Büyük Mağazacılık A.Ş.	2.059.769	-
Share in profit/(loss) of Beymen Mağazacılık A.Ş.	16.254.651	-
Effect of reclassification made from Boyner Büyük Mağazacılık A.Ş. Equity	10.573	-
Total	306.966.390	288.641.397

As of 16.12.2011, the Parent Company has acquired 21,84% of Boyner Büyük Mağazacılık A.Ş. for a total of TL 65.490.000 and Beymen Mağazacılık A.Ş. for a total of TL 215.000.000.

* As of 7 September 2012, Boyner Büyük Mağazacılık has acquired 63% of the shares of Yeni Karamürsel Giyim ve İhtiyaç Maddeleri Ticaret ve Sanayi A.Ş. (YKM A.Ş.) and a direct 20,62% interest in Yeni Karamürsel Giyim ve İhtiyaç Maddeleri Pazarlama A.Ş. (YKM Pazarlama A.Ş.) 56,25% interest of which belongs to YKM A.Ş. As of 31 December 2012, the total consolidated assets and liabilities of Boyner Büyük Mağazacılık A.Ş. amount to TL 858.267.827 and TL 730.529.664, respectively, and the equity total in the consolidated statement of financial position is TL 127.738.163 and the parent company equity amounts to TL 106.920.542. The net sales volume for the year ended 31 December 2012 is TL 935.090.980 and the net profit for the period is TL 6.868.185. As of 31 December 2012, the market value of the investment in TL 4,31.

As of 31 December 2011, the total assets and total liabilities amount to TL 373.023.074 and TL 273.005.972, respectively, and the equity total in the statement of financial position is TL 100.017.102. The net sales volume for the year ended 31 December 2011 is TL 660.147.222 and the net profit for the period is TL 23.854.239. As of 31 December 2011, the market value of the investment in TL 2.32.

** As of 31 December 2012, the total assets and total liabilities of Beymen Mağazacılık A.Ş. amount to TL 263.333.789 and TL 203.157.863, respectively, and the equity total in the statement of financial position is TL 60.175.926. The net sales for the year ended 31 December 2012 is TL 464.104.397 and the net profit for the period is TL 32.515.806.

As of 31 December 2011, the total assets and total liabilities amount to TL 256.229.442 and TL 228.569.322, respectively, and the equity total in the statement of financial position is TL 27.660.120. The net sales for the year ended 31 December 2011 is TL 367.379.177 and the net profit for the period is TL 17.167.102.

8. Financial Liabilities

Short term financial liabilities consist of the following (TL) :

	31 December 2012	31 December 2011
Bank loans (Note 31(iii))	129.337.250	147.934.005
Short term portion of long term financial liabilities (Note 31(iii))	161.796.173	115.127.858
Bonds issued(*)	135.705.266	-
Lease obligations (Note 31(iii))	6.343.097	5.856.094
Total	433.181.786	268.917.957

(*) Pursuant to the permit given by the Capital Markets Board on 1 October 2012, the commercial paper with a nominal value of TL 150.000.000 maturing in 364 days starting from 3 October 2012 with a fixed interest of 11,77% has been offered to qualified investors. The said commercial paper has no coupon payments and its amortization will be done in a single transaction at the maturity date. The interest on the said commercial paper has been paid in advance.

As of 31 December 2012, the average interest rate on short term TL loans is 11,60%; the average interest rate on USD loans is 9%; and the average interest rate on Euro loans is 8,61% (31 December 2011 – TL – 15,78%; USD – 8,52%, Euro - 9%).

As of 31 December 2012, the interest rate on short term portion of long term USD loans varies between 7,5% and 9%; the average interest rate on Euro loans varies between 5,7% and 9%; the interest rate on TL loans varies between 12,2% and 15,75% (31 December 2011 - USD – 9%; TL- 11,9%- 15,75%, Euro- 5,08% - 7,1%).

Short term bank loans consist of the following (TL):

	31 December 2012	31 December 2011
TL loans	91.245.350	133.372.288
USD loans	15.417.309	4.764.027
Euro loans	22.669.307	9.782.531
Other	5.284	15.159
Total	129.337.250	147.934.005

Long term financial liabilities consist of the following (TL) :

	31 December 2012	31 December 2011
Bank loans (Note 31(ii))	110.943.051	181.670.277
Lease obligations (Note 31 (ii))	5.220.435	9.250.648
Total	116.163.486	190.920.925

The breakdown of long term bank loans is stated below (TL) :

	31 December 2012	31 December 2011
TL loans	42.602.610	18.552.767
Euro loans	68.340.441	163.117.510
Total	110.943.051	181.670.277

8. Financial Liabilities (continued)

As of 31 December 2012, the average interest rate on long term TL loans varies between 12,28% and 13,40% ; the average interest rate on Euro loans varies between 5,78% and 9% (31 December 2011 – TL – 12,96%; – 15,75%, Euro – 5,083% - 9%).

The due dates of long term loans are 23 January 2014 and 26 January 2017.

In relation to the bank loans elaborated as of 31 December 2012 above, there is a mortgage lien of Euro 40.000.000 and TL 200.000.000 and guarantee notes amounting to TL 200.000.000 on the mall classified by the Group as investment property at a fair value of TL 110.692.000 and the land classified by the Group as plant area inventory at a value of TL 225.743.750 (31 December 2011 – Mortgage lien of Euro 40.000.000 and TL 200.000.000, and guarantee note of TL 200.000.000).

Breakdown of long term lease obligations are as follows (TL):

	31 December 2012	31 December 2011
Total lease payments	12.539.967	16.775.311
Interests payable in future years (-)	(976.435)	(1.668.569)
Total	11.563.532	15.106.742
Lease obligations with maturities up to 1 year	6.343.097	5.856.094
Lease obligations with maturities exceeding 1 year	5.220.435	9.250.648
Total	11.563.532	15.106.742

Breakdown of short term lease obligations is as follows (TL):

	31 December 2012	31 December 2011
Euro	463.409	447.330
USD	4.581.147	4.262.370
TL	1.298.541	1.146.394
Total	6.343.097	5.856.094

Breakdown of long term lease obligations is as follows (TL):

	31 December 2012	31 December 2011
Euro	262.776	754.622
USD	3.746.861	2.502.961
TL	1.210.798	5.993.065
Total	5.220.435	9.250.648

As of 31 December 2012, guarantee notes have been given in relation to the lease obligations elaborated above at a total of USD 833.070, Euro 19.677, and TL 1.712.800 (31 December 2011 – USD 1.340.031 and TL 2.729.344).

9. Other Financial Liabilities

As of 31 December 2012 and 2011, the entire amount of the Group's other financial liabilities account represents the totals obtained against the receivables transferred to factoring institutions. The Group transfers some of its receivables as "revocable" to the local factoring companies. As the Group has not transferred all of its risks related to the said trade receivables given on discount to the factoring institutions and as these institutions reserve the right of recourse to the Parent Company for the aforesaid totals in case of failure to collect the total either partially or in full before maturity, the said amount is not excluded from the accompanying consolidated financial statements and the liabilities to the factoring institutions are recognized as "other financial liabilities".

10. Trade Receivables and Payables

Short term trade receivables consist of the following:

	31 December 2012	31 December 2011
Trade receivables	139.040.329	107.777.790
Notes receivable *	142.004.413	174.192.223
Doubtful receivables	6.350.495	5.711.052
Provision for doubtful receivables (-)	(6.350.495)	(5.711.052)
Rediscount on receivables (-)	(4.121.064)	(9.561.492)
Total other trade receivables (Note 31 (ii))	276.923.678	272.408.521
Trade receivables from related parties	35.482.941	35.852.125
Rediscount on related parties (-)	(630.253)	(1.531.525)
Total trade receivables from related parties (Note 30,31 (ii))	34.852.688	34.320.600
Total short term trade receivables	311.776.366	306.729.121

* A portion of the notes receivable amounting to TL 75.160.111 has been transferred to factoring institutions (31 December 2011 – TL 99.314.672). The factoring debts related to this transaction have been classified under 'other financial liabilities' account (Note 9,31(iii)).

Long term trade receivables consist of the following (TL) :

	31 December 2012	31 December 2011
Trade receivables	35.000	98.000
Rediscount on receivables (-)	(2.938)	(14.699)
Total long term trade receivables (Note 31 (ii))	32.062	83.301

The collection period of trade receivables vary with the type of product and the agreements entered into with the customer such that the average period of collection is 90 days for local sales of ready made clothes, 53 days for export ready made cloths, 220 days for local textile sales and 65 days for textile exports.

10. Trade Receivables and Payables (continued)

When cash or cash equivalents are received against sales, the received amount represents the sales revenue. However, in most cases, the Company makes forward sales and the fair value of the sales consideration is determined by discounting the receivables to their present values over the remaining period until maturity date. The interest rates used in determining the present value of the receivables are the interest rates used in discounting the sales price of the related product or service which are 6,2% for TL, 0,20% for USD, and 0,05% for Euro as of 31 December 2012 (31 December 2011 – 11,09% for TL, 0,24 for USD, and 1,10% for Euro). The difference between the nominal value of the selling price and the fair value determined as such is recognized as maturity difference expense in the related periods.

The Group makes provisions for doubtful receivables on customer basis for trade receivables with collection problems. The provision amount covers the balances due from customers failing to realize repayment and those whose collaterals are deemed unrealizable.

As of 31 December 2012 and 2011, changes in provision for doubtful trade receivables is set out in the table below (TL):

	31 December 2012	31 December 2011
Opening balance	5.711.052	6.125.310
Provisions made (Note 22)	766.128	170.402
Collections made during the year (-)	(126.685)	(584.660)
Closing balance	6.350.495	5.711.052

Trade payables consist of the following (TL) :

	31 December 2012	31 December 2011
Suppliers	95.725.755	144.011.700
Rediscount on payables (-)	(532.742)	(1.388.865)
Total other trade payables (Note 31 (iii))	95.193.013	142.622.835
Trade payables to related parties	170.992.973	116.366.529
Rediscount on related parties (-)	(2.213.329)	(3.257.334)
Total trade payables to related parties (Notes 30,31 (iii))	168.779.644	113.109.195
Total trade payables	263.972.657	255.732.030

The average payment terms of trade payables for textile purchases is 133 days for local purchases and 199 days for imports; and for ready-made clothing purchases, it is 148 days for local purchases and 116 days for imports.

10. Trade Receivables and Payables (continued)

When cash or cash equivalents are used in payments against purchases made, the paid amount represents the cost value. However, in most cases, the Company makes forward purchases and the fair value of the purchase value is determined by discounting the payables to their present values over the remaining period until maturity date.
The interest rates used in determining the present value of the payables are the average interest rates used in discounting the acquisition price of the related product or service which are 6,2% for TL, 0,43% for USD, and 0,18% for Euro (31 December 2011 – 11,09% for TL, 0,72% for USD, and 1,14% for Euro). The difference between the nominal value of the buying price and the fair value determined as such are recognized as maturity difference income in the related periods.

11. Other Receivables and Payables

Short term other receivables consist of the following (TL) :

	31 December 2012	31 December 2011
Deposits and guarantees given	49.935	36.745
Due from personnel	111.505	53.150
Other	209.265	36.245
Total other receivables(Note 31(ii))	370.705	126.140
Other receivables from related parties (Note 30,31(ii))	22.965.143	1.824.400
Total other receivables	23.335.848	1.950.540

Long term other receivables consist of the following (TL) :

As of 31 December 2012, the long term other receivables amounting to TL 458.154 consist of deposits and guarantees given (31 December 2011- TL 549.210) (Note 31 (ii)).

Short term other payables consist of the following (TL) :

	31 December 2012	31 December 2011
Due to personnel	6.286.420	3.910.422
Social security premiums payable	2.001.258	3.928.517
Taxes and funds payable	2.237.164	1.810.107
Other	762.676	557.229
Total other payables (Note 31(iii))	11.287.518	10.206.275
Other payables to related parties (Note 30,31(iii))	10.718.559	15.772.640
Total other payables	22.006.077	25.978.915

12. Inventories

Inventories consist of the following (TL) :

	31 December 2012	31 December 2011
Raw materials and supplies	24.793.824	33.187.850
Semi-finished goods	27.505.472	27.293.262
Finished goods	62.475.067	55.875.647
Trade goods	43.468.371	48.228.602
Merchandise *	225.743.750	225.743.750
Other	344.059	859
Inventory provision (-)	(1.341.538)	(956.224)
Total	382.989.005	389.373.746

* The account balance consists of real estates held for trading (Note 13).

As of 31 December 2012, the total insurance on inventories amounts to TL 181.204.172 (31 December 2011 - TL 163.739.248).

As of 31 December 2012 and 2011, changes in inventory provision are set out in the table below (TL) :

	31 December 2012	31 December 2011
Opening balance	956.224	877.441
Provisions made	385.314	78.783
Closing balance	1.341.538	956.224

13. Investment Properties

As of 31 December 2012 and 2011, changes in investment properties are set out in the table below (TL):

Cost	Opening 1 January 2012	Additions	Transfers	Closing 31 December 2012
Starcity Mall	106.323.149	4.368.851	-	110.692.000
Retail store	43.972	-	-	43.972
Sub total	106.367.121	4.368.851	-	110.735.972
Accumulated depreciation (-)	(32.386)	(881)	-	(33.267)
Net Book Value	106.334.735	4.367.970	-	110.702.705

13. Investment Properties (continued)

Cost	Opening 1 January 2011	Additions	Transfers	Closing 31 December 2011
Factory plot (Note 12)*	132.900.874	92.842.876	(225.743.750)	-
Starcity Mall	106.234.000	89.149	-	106.323.149
Retail store	43.972	-	-	43.972
Sub total	239.178.846	92.932.025	(225.743.750)	106.367.121
Accumulated depreciation (-)	(31.506)	(880)	-	(32.386)
Net Book Value	239.147.340	92.931.145	(225.743.750)	106.334.735

* The factory plot is classified under inventories.

Comparison between the cost values and fair values of investment properties as of 31 December 2012 is as follows:

Name	Date of Expertise Report	Fair Value (TL)	Cost Value (TL)
Starcity Mall	31 December 2012	110.692.000	76.747

Comparison between the cost values of investment properties and their fair values as of 31 December 2011 is as follows:

Name	Date of Expertise Report	Fair Value (TL)	Cost Value (TL)
Factory plot*	30 September 2011	225.743.750	159.480
Starcity Mall	22 November 2010	106.234.000	76.747

* As stated in the special circumstance announcement communicated to the ISE on 14 June 2010, the Group has participated with a total of TL 49.960 representing 49.960 shares in Altınyıldız Gayrimenkul Yatırım ve Geliştirme Anonim Şirketi, a company with a share capital of TL 50.000 nominal value owned by Altınyıldız Mensucat ve Konfeksiyon Fabrikaları A.Ş., BBA Beymen Boğaziçi Alboy Mağazacılık Tekstil Sanayi ve Ticaret A.Ş., Boyner Bireysel Ürünler Satış ve Pazarlama A.Ş., Alsis Sigorta Acentalığı A.Ş. and Lom Renkli Giyim Ürünleri Pazarlama A.Ş. Pursuant to the Board decision of 27 September 2010, the Parent Company has sold to Altınyıldız Gayrimenkul Yatırım ve Geliştirme A.Ş. the factory plot of 71.838 m^2 that the Company has used for manufacturing and recognized as land under tangible assets. Altınyıldız Gayrimenkul Yatırım ve Geliştirme A.Ş. has entered into an agreement for revenue sharing in return for land sale with Fer Gayrimenkul Geliştirme ve İnşaat A.Ş. on 29 September 2010 for the purpose realizing a project comprising offices, residence units, and commercial units to be constructed on the land purchased. The said project is expected to be completed within three years. The fair value of the said plot of land has been deteremined in the valuation report of 30 September 2011 as TL 225.743.750 as a result of which a total of TL 92.842.876 has been recorded as income under the Other Operating Income account group. As the zoning permit has been duly received, the anticipated increases in the fair value until the permit is received will not be associated with the statement of income, and the land will be evaluated within the scope of TAS 2.

13. Investment Properties (continued)

** The ownership of Starcity Mall is shared between BYN Gayrimenkul Geliştirme A.Ş. and Merkür İnşaat Ticaret A.Ş. at the rates of 2/5 and 3/5, respectively.

Since April 2010, 2/5 of the rent income is included and consolidated in the financial statements of BYN Gayrimenkul A.Ş.; and for that reason, the related investment is recorded in the accompanying consolidated financial statements as Investment Property in accordance with TAS 40. The Group has delegated the valuation study on the said mall to Elit Gayrimenkul Değerleme A.Ş which is a valuation company authorized by the Capital Markets Board. The Group has recognized in the accompaying consolidated statement of comprehensive income the said mall at its fair value of TL 110.692.000 corresponding to 2/5 of TL 276.730.000 which is the total consideration stated in the real estate valuation report dated 31 December 2012. The valuation difference of TL 4.096.071 on the other hand, is recognized in the other operating income account group in the statement of comprehensive income for the related period. A total of TL 272.780 has been added to the value of the said land during the current period.

14. Tangible Assets

Tangible assets consist of the following (TL) :

As of 31 December 2012;

Cost	Opening 1 January 2012	Additions	Disposals (-)	Transfers	Closing 31 December 2012
Land	66.492	-	-	-	66.492
Plant, machinery and equipment	122.347.918	3.276.907	(2.650.390)	344.644	123.319.079
Furniture and fixtures	15.294.548	575.108	(4.247.045)	-	11.622.611
Motor vehicles	405.797	-	-	-	405.797
Leasehold improvements	60.586.369	5.631.237	(6.597.988)	3.125.742	62.745.360
Investments in progress	2.681.043	3.180.152	-	(3.470.386)	2.390.809
Sub total	201.382.167	12.663.404	(13.495.423)	-	200.550.148
Accumulated depreciation (-)	Opening 1 January 2012	Additions	Disposals (-)	Transfers	Closing 31 December 2012
Plant, machinery and equipment	99.152.022	6.614.059	(2.604.916)	-	103.161.165
Furniture and fixtures	11.974.761	995.620	(4.218.175)	-	8.752.206
Motor vehicles	405.797	-	-	-	405.797
Leasehold improvements	27.840.594	9.420.514	(1.723.368)	-	35.537.740
Sub total	139.373.174	17.030.193	(8.546.459)	-	147.856.908
Net Book Value	62.008.993	(4.366.789)	(4.948.964)	-	52.693.240

14. Tangible Assets (continued)

Tangible assets consist of the following (TL) (continued) :

As of 31 December 2011;

Cost	Opening 1 January 2011	Additions	Disposals (-)	Transfers*	Closing 31 December 2011
Land	66.492	-	-	-	66.492
Land improvements	930.341	-	(930.341)	-	-
Buildings	38.174.675	-	(38.174.675)	-	-
Plant, machinery and equipment	156.979.701	2.411.552	(36.527.764)	(515.571)	122.347.918
Furniture and fixtures	13.476.709	2.255.576	(680.676)	242.939	15.294.548
Motor vehicles	467.145	-	(61.348)	-	405.797
Leasehold improvements	32.533.166	14.097.689	-	13.955.514	60.586.369
Investments in progress	569.468	15.794.457	-	(13.682.882)	2.681.043
Sub total	243.197.697	34.559.274	(76.374.804)	-	201.382.167

Accumulated depreciation (-)	Opening 1 January 2011	Additions	Disposals (-)	Transfers	Closing 31 December 2011
Land improvements	906.881	3.297	(910.178)	-	-
Buildings	31.601.705	236.490	(31.838.195)	-	-
Plant, machinery and equipment	129.247.444	6.164.446	(36.197.579)	(62.289)	99.152.022
Furniture and fixtures	11.863.723	788.449	(677.411)	-	11.974.761
Motor vehicles	467.149	-	(61.352)	-	405.797
Leasehold improvements	20.639.088	7.139.217	-	62.289	27.840.594
Sub total	194.725.990	14.331.899	(69.684.715)	-	139.373.174
Net Book Value	48.471.707	20.227.375	(6.690.089)	-	62.008.993

As of 31 December 2012 and 2011, the insurance totals on tangible assets amount to TL 477.458.906 and TL 457.774.271, respectively.

15. Intangible Assets

Intangible assets consist of the following (TL) :

As of 31 December 2012;

Cost	Opening 1 January 2012	Additions	Disposals(-)	Transfers	Closing 31 December 2012
Rights*	24.612.918	904.691	(603.217)	-	24.914.392

Accumulated amortisation(-)	Opening 1 January 2011	Additions	Disposals(-)	Transfers	Closing 31 December 2012
Rights	5.095.826	250.511	(603.217)	-	4.743.120
Net Book Value	19.517.092	654.180	-	-	20.171.272

As of 31 December 2011;

Cost	Opening 1 January 2011	Additions	Disposals(-)	Transfers	Closing 31 December 2011
Rights*	23.220.796	1.392.122	-	-	24.612.918

Accumulated amortisation(-)	Opening 1 January 2011	Additions	Disposals(-)	Transfers	Closing 31 December 2011
Rights	4.934.794	161.032	-	-	5.095.826
Net Book Value	18.286.002	1.231.090	-	-	19.517.092

* The indicated amount represents the brand value of T-box acquired by Ay Marka Mağazacılık A.Ş. (a subsidiary) from Boyner Holding A.Ş. The said brand value is determined as TL 17.368.000 and the valuation is realized by experts appointed by Istanbul 11th Commercial Court of First Instance by file nr 2010/321.

16. Provisions, Conditional Assets and Liabilities

As of 31 December 2012 and 2011, the provisions for short term liabilities consist of the following (TL) :

	31 December 2012	31 December 2011
Provision for returns and price difference	8.428.845	7.193.803

16. Provisions, Conditional Assets and Liabilities (continued)

Conditional assets and liabilities are as follows;

a) Guarantees given in each period are stated below (TL):

		31 December 2012		31 December 2011	
	Currency	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Guarantee letters given	TL	-	99.132	-	103.832
Guarantee letters given	USD	152.593	272.012	214.565	405.291
Guarantee letters given	Euro	6.000	14.110	6.000	14.663
Guarantee notes given*	TL	-	202.684.625		204.103.111
Guarantee notes given	USD	7.662.086	13.658.435	7.784.126	14.703.436
Guarantee notes given	Euro	109.677	257.927	30.921	75.565
Sureties given	TL	-	39.500.000	-	-
Sureties given **	USD	4.000.000	7.130.400	4.000.000	7.555.600
Sureties given ***	Euro	49.314.881	115.973.806	61.090.221	149.292.282
Mortgages given ****	TL	-	200.000.000		200.000.000
Mortgages given ****	Euro	40.000.000	94.068.000	40.000.000	97.752.000
Total			673.658.447		674.005.780

* The guarantee notes of TL 200.000.000 on investment properties.

** The sureties given by the Parent Company to Boyner Holding A.Ş. and Ay Marka Mağazacılık A.Ş. for the loans they have used.

*** The surety given by the Parent Company to Altınyıldız Gayrimenkul Yatırım ve Geliştirme A.Ş. for the loan it has used.

**** The mortgages on investment properties amounting to Euro 40.000.000 and TL 200.000.000.

16. Provisions, Conditional Assets and Liabilities (continued)

Guarantees, Sureties, and Mortgages given by the Group:

	31 December 2012				31 December 2011			
	Original Amount			TL	Original Amount			TL
	TL	USD	Euro	Equivalent	TL	USD	Euro	Equivalent
A. Guarantees, sureties, and mortgages given by the Group in the name of its own corporate body	402.783.757	7.814.679	40.115.677	511.054.241	404.206.943	7.998.691	40.036.921	517.157.898
- Guarantees	202.783.757	7.814.679	115.677	216.986.241	204.206.943	7.998.691	36.921	219.405.898
- Sureties	None	None	None	None	None	None	None	None
- Mortgages	200.000.000	None	40.000.000	294.068.000	200.000.000	None	40.000.000	297.752.000
B. Total guarantees, sureties, and mortgages given behalf of the entities included in the scope of full consolidation	39.500.000	4.000.000	49.314.881	162.604.206	None	4.000.000	61.090.221	156.847.882
- Guarantees	39.500.000	4.000.000	49.314.881	162.604.206	None	4.000.000	61.090.221	156.847.882
- Sureties	None	None	None	None	None	None	None	None
- Mortgages	None	None	None	None	None	None	None	None
C. Total guarantees, sureties, and mortgages given as collateral for other third parties' debts for the purpose of continuing ordinary commercial operations	None	None	None	None	None	None	None	None
D. Total other guarantees, sureties, and mortgages given	None	None	None	None	None	None	None	None
i. Total guarantees, sureties, and mortgages given on behalf of the Parent Company	None	None	None	None	None	None	None	None
ii. Total guarantees, sureties, and mortgages given on behalf of other group companies which are not included in the scope of items B and C	None	None	None	None	None	None	None	None
iii. Total guarantees, sureties, and mortgages given on behalf of third parties which are not included in the scope of item C	None	None	None	None	None	None	None	None
Total	442.283.757	11.814.679	89.430.558	673.658.447	404.206.943	11.998.691	101.127.142	674.005.780

As of 31 December 2012 and 2011, there are no other guarantees, sureties, and mortgages given by the Group.

16. Provisions, Conditional Assets and Liabilities (continued)

b) Guarantees received for trade receivables in each period are as follows (TL) :

	31 December 2012	31 December 2011
Guarantee letters received	7.106.440	4.641.030
Guarantee cheques received	10.992.569	5.039.974
Guarantee notes received	36.624.278	32.249.292
Mortgages received	23.808.000	17.648.000
Sureties and bill guarantees received	6.688.180	5.841.370
	85.219.467	65.419.666

Guarantees received consist of the following (TL):

		31 December 2012		31 December 2011	
	Currency	Original Amount	TL Equivalent	Original Amount	TL Equivalent
Guarantee letters received	TL	-	4.061.400	-	1.800.000
Guarantee letters received	USD	920.000	1.639.992	1.200.000	1.855.200
Guarantee letters received	Euro	597.460	1.405.048	481.104	985.830
Mortgages received	TL	-	23.808.000	-	17.648.000
Sureties and bill guarantees received	TL	-	300.000	-	300.000
Sureties and bill guarantees received	USD	3.434.580	6.122.482	3.434.580	5.309.861
Sureties and bill guarantees received	Euro	112.981	265.698	112.981	231.509
Guarantee cheques received	TL	-	10.795.140	-	4.995.140
Guarantee cheques received	USD	110.753	197.429	29.000	44.834
Guarantee cheques received	Euro	-	-	-	-
Guarantee notes received	TL	-	35.405.267	-	30.957.727
Guarantee notes received	USD	550.000	980.430	702.000	1.085.292
Guarantee notes received	Euro	101.450	238.581	100.665	206.273
Total			85.219.467		65.419.666

17. Commitments

Payment commitments related to operational and financial leasings are as follows:

Vehicle leasing commitments:

	31 December 2012	31 December 2011
In 1 year	1.312.388	1.908.359
1 – 5 years	584.066	1.615.442
Total	1.896.454	3.523.801

Operational leasing commitments (Store leasing):

	31 December 2012	31 December 2011
In 1 year	35.427.203	38.250.937
1 – 5 years	88.184.217	91.255.592
5- 10 years	19.707.880	15.519.344
Total	143.319.300	145.025.873

Financial leasing commitments:

	31 December 2012	31 December 2011
In 1 year	6.343.097	5.856.094
1 – 5 years	5.220.435	9.250.648
Total	11.563.532	15.106.742

Operational leasing commitments (Office leasing):

	31 December 2012	31 December 2011
In 1 year	11.204.010	11.271.822
1 – 5 years	22.649.434	35.195.297
Total	33.853.444	46.467.119

The export commitments of the Group as of 31 December 2012 amounts to USD 10.291.184 (31 December 2011 – USD 10.134.211).

18. Employee Benefits

Liabilities related to employee benefits consist of provisions for termination indemnity stated in the following (TL) :

	31 December 2012	31 December 2011
Opening balance	10.639.221	9.693.703
Increase during the year	3.486.298	2.892.422
Payments made at contract terminations (-)	(4.406.598)	(4.415.898)
Actuarial losses/earnings	2.427.395	2.468.994
Closing balance	12.146.316	10.639.221

19. Other Assets and Liabilities

Other current assets consist of the following (TL) :

	31 December 2012	31 December 2011
Order advances given	15.669.991	21.476.610
Prepaid taxes and funds and other taxes	32.037.094	24.805.809
Expenses related to future months	3.826.203	2.518.294
Other	77.986	40.998
Total	51.611.274	48.841.711

Other non-current assets consist of the following (TL) :

	31 December 2012	31 December 2011
Expenses related to future years	1.580.862	1.422.425

Other short term liabilities consist of the following (TL) :

	31 December 2012	31 December 2011
Order advances received *	118.143.244	80.986.950
Expenses related to future months	566.301	377.981
Provision for expenses	501.896	105.340
Total	119.211.441	81.470.271

* TL 115.067.786 of the indicated total consists of advances received for real estate sales (31 December 2011- TL 75.461.691)

19. Other Assets and Liabilities (continued)

Other long term liabilities consist of the following (TL) :

	31 December 2012	31 December 2011
Income related to future years	42.374	211.864
Public debts, deferred or payable by instalments	86.070	387.323
Deposits and guarantees received	37.470	22.294
Total	165.914	621.481

20. Equity

As of 31 December 2012 and 2011, the Parent Company share capital consists of the following (TL):

	31 December 2012		31 December 2011	
	Shareholding	Amount (TL)	Shareholding	Amount (TL)
Boyner Holding A.Ş.	79,08%	31.630.948	79,08%	31.630.948
Other shareholders *	0,12%	49.052	0,12%	49.052
Public offering	20,80%	8.320.000	20,80%	8.320.000
Paid-in capital	100,00%	40.000.000	100,00%	40.000.000
Inflation adjustment difference in share capital		56.061.369		56.061.369
Total adjusted capital		96.061.369		96.061.369

* Represents shareholdings of less than 10%.

As of 31 December 2012 and 2011, the registered share capital of the Parent Company is TL 40.000.000.

As of 31 December 2012 and 2011, the Parent Company share capital consists of 4.000.000.000 issued shares of Kr 1 nominal value each.

Inflation Adjustment Differences in Share Capital

Upon the inflation adjustment made until 31 December 2004, equity items have been recognized at their recorded values in the statement financial position. The adjustment differences related to these account items are stated as a whole in the financial statements under the inflation adjustment differences account, and as of 31 December 2005, the total has reached TL 57.212.651 after deduction of accumulated losses the details of which are stated in Note 20. The balance after the capital increase of TL 1.151.282 made from this account as of 31 December 2006 is TL 56.061.369.

20. Equity (continued)

Revaluation Funds

As stated in Note 13, the factory plot was previously stated at cost in the Parent Company financials; however, as per the real estate expertise report, it is currently recorded at fair value. The valuation difference arising from this change is stated in the Revaluation Funds account under the Equity account group. After the said plot of land has become an investment property and transferred from the fixed assets account group to investment properties at a fair value of TL 132.900.874 determined by the real estate expertise report dated 14 October 2010, the total of TL 74.881.785 continues to be recognized under the Revaluation Funds account group.

Changes in Real Estate Fair Value Difference as of 31 December 2012 and 2011 are set out in the table below (TL):

	31 December 2012	31 December 2011
Related to the land on which the plant is located	78.824.810	78.824.810
Related to the land classified as investment property	15.722.470	15.722.470
Total fair value difference	94.547.280	94.547.280
Classification of the special fund arising from sale of investment property to restricted profit reserves	(15.722.470)	(15.722.470)
Deferred tax effect	(3.943.025)	(3.943.025)
End of the period	74.881.785	74.881.785

Restricted Profit Reserves

Restricted profit reserves consist of legal reserves, gain on sale of participation stocks, and income from sale of investment properties as stated in the following (TL):

	31 December 2012	31 December 2011
Legal reserves	10.467.368	10.467.368
Special fund arising from participation share sales revenue exemption	1.080.833	1.080.833
Special fund arising from sale of investment property	21.902.906	21.902.906
Total	33.451.107	33.451.107

20. Equity (continued)

Legal Reserves

As per the Turkish Commercial Code, legal reserves are divided as First Legal Reserves and Second Legal Reserves. First Legal Reserves are appropriated out of net profit for the period at the rate of 5% until the reserve is equal to 20% of the Company's share capital. Second Legal Reserves are appropriated at a rate of 10% of all dividend distributions that exceed 5% of the Company's share capital. First and second reserves cannot be distributed until they exceed 50% of the total share capital; however, in the event that the optional reserves are fully consumed, they may be used to cover losses.

Special Fund Related to Exemption for Sale Revenue on Participation Shares and Real Estate

Companies are exempt from 75% of the earnings arising from the sale of participation shares, real estates, pre-emotive rights, founder's shares, and redeemed shares which are stated among their assets for a minimum of 2 full years. In order to be able to benefit from the exemption, the said earnings should be retained in a funds account in the liability section and no to be withdrawn from the entity for a period of 5 years. The sales worth should be collected until the end of the second calendar year following the year that the sale is realized. In the application of exemption, it is of importance that the earnings to be transferred to the funds account are recognized in the statement of income while the date the transfer is realized to the funds account is also a key factor. In relation to the subject matter, certain amendments are made in the General Communiqué Nr 3 and Section 5.6.2.3.2 of the Communiqué Nr 1. As per the provisions of the Communiqué, the entire amount of the earnings (including the 75% exemption) will be transferred to the resulting accounts and the amount subject to exemption will be written in the related section on the tax return form to have the exemption applied. On the other hand, the total amount subject to exemption is transferred from the profit for the period to the "Special Funds" account latest until the due date of the corporation tax return of the year the company makes the earnings.

Retained Earnings/(Accumulated Losses)

The accumulated losses arising from the first time application of inflation accounting as of 31 December 2003 amount to TL 78.189.385 and the said total is stated at the purchasing power at 31 December 2004. As per the CMB resolution dated 30 December 2003 Nr 1630, the accumulated losses are deducted from the related reserves and the equity inflation adjustment differences.

The net loss for the period of TL 1.072.323 formed in the Parent Company's financial statements as of 31 December 2006 within the frame of the principles stated in the "Announcement on the Formats of Financial Statements and Related Notes to be Prepared in accordance with the Communiqué related to Principles of Financial Reporting in Capital Markets Nr XI/29" declared by the CMB resolution dated 17 April 2008 Nr 11/467 is netted off with the retained earnings in the accompanying financial statements as of 31 December 2012 and 2011. As per the same principles, the retained earnings except for the net profit for the period and the extraordinary reserves that are by nature in the form of retained earnings are stated in the retained earnings / accumulated losses account.

21. Sales and Cost of Sales

Sales revenues consist of the following (TL) :

	31 December 2012	31 December 2011
Local sales	666.994.211	641.190.295
Exports	64.118.353	74.581.812
Other sales	835.975	212.954
Sales returns (-)	(80.312.260)	(62.618.930)
Sales deductions (-)	(2.917.365)	(1.984.153)
Other deductions (-)	(50.808.639)	(40.649.886)
Sales revenues, net	597.910.275	610.732.092

Cost of sales consists of the following (TL):

	31 December 2012	31 December 2011
A. Direct raw materials and supplies	103.340.083	141.758.494
B. Direct labour expenses	80.499.361	82.957.558
C. Overhead	60.523.458	60.185.615
D. Semi-finished goods utilization	(212.210)	(1.259.337)
1. Beginning inventory (+)	27.293.262	26.033.925
2. Ending inventory (-)	(27.505.472)	(27.293.262)
Cost of finished goods produced	244.150.692	283.642.330
E. Change in finished goods inventory	(6.214.106)	(14.697.055)
1. Beginning inventory (+)	54.919.423	40.222.368
2. Ending inventory (-) (*)	(61.133.529)	(54.919.423)
I. Cost of finished goods sold	237.936.586	268.945.275
A. Beginning inventory of trade goods (+)	48.228.602	28.963.709
B. Acquisitions during the period (+)	162.979.987	132.932.086
C. Ending inventory of trade goods (-)	(43.468.371)	(48.228.602)
II. Cost of Trade Goods Sold	167.740.218	113.667.193
Cost of Sales (I+II)	405.676.804	382.612.468

(*) The indicated total differs by the amount of provision for impairment made at the period ends related to the finished goods inventory, the details of which are presented in Note 12.

21. Sales and Cost of Sales (continued)

General manufacturing expenses consists of the following (TL) :

	31 December 2012	31 December 2011
Indirect material expenses	17.456.851	18.624.401
Energy expenses	11.174.856	11.968.760
Building-Machinery rent expenses	8.945.634	7.656.859
Depreciation and amortisation expenses	8.554.298	7.659.832
Service expenses	5.521.700	5.017.245
Indirect labor expenses	4.666.892	3.915.783
Outsourced benefits and services	2.560.217	2.693.331
Maintenance and repair expenses	1.643.010	2.649.404
Total	60.523.458	60.185.615

22. Research and Development Expenses, Marketing, Sales and Distribution Expenses, General Administration Expenses

Research and development expenses; marketing, sales and distribution expenses; and general administration expenses consist of the following (TL) :

	31 December 2012	31 December 2011
Marketing, sales, and distribution expenses	152.588.825	142.396.332
General administration expenses	39.677.981	41.355.654
Research and development expenses	703.486	793.512
Total	192.970.292	184.545.498

Research and Development Expenses;

	31 December 2012	31 December 2011
Wages and salaries	332.989	393.222
Outsourced benefits and services	198.307	152.883
Material utilization expenses	116.806	169.347
Service labour expenses	19.611	45.840
Travel expenses	17.243	14.299
Depreciation and amortisation expenses	7.580	8.298
Insurance expenses	7.033	2.404
Other	3.917	7.219
Total	703.486	793.512

22. Research and Development Expenses, Marketing, Sales and Distribution Expenses, General Administration Expenses (continued)

Research and development expenses; marketing, sales and distribution expenses; and general administration expenses consist of the following (TL) (continued):

Marketing, sales, and distribution expenses;

	31 December 2012	31 December 2011
Wages and salaries	55.172.441	48.439.111
Rent expenses	36.426.562	29.474.057
Brand store and exportation expenses	25.176.648	30.075.897
Outsourced benefits and services	15.323.874	14.052.181
Depreciation and amortisation expenses	7.301.274	5.847.830
Patent and licensing expenses	3.408.599	3.709.412
Material utilization expenses	3.204.398	3.683.506
Travel expenses	1.390.260	1.890.942
Service labour expenses	1.034.316	752.171
Representation and hospitality expenses	963.113	1.099.574
Insurance expenses	356.724	346.928
Taxes, duties, and fees	347.010	661.049
Other	2.483.606	2.363.674
Total	152.588.825	142.396.332

General Administration Expenses;

	31 December 2012	31 December 2011
Wages and salaries	19.624.023	18.045.413
Holding service share	6.955.089	7.873.321
Outsourced benefits and services	2.750.971	2.883.854
Rent expenses	2.464.308	2.281.461
Depreciation and amortisation expenses	1.418.433	977.851
Taxes, duties, and fees	1.199.709	1.000.506
Travel expenses	748.465	716.244
Service labour expenses	671.160	751.800
Provision for doubtful receivables (Note 10, 23)	766.128	170.402
Insurance expense	527.170	324.175
Starcity service share	468.390	534.301
Material utilization expenses	132.255	286.380
Brand store and exportation expenses	112.244	350.554
Factory land expenses	-	2.948.152
Other	1.839.636	2.211.240
Total	39.677.981	41.355.654

23. Operating Expenses by Nature

Distribution of operating expenses by nature is stated in the following (TL) :

	31 December 2012	31 December 2011
Personnel expenses	75.129.453	66.877.746
Brand store and exportation expenses	25.288.892	30.426.451
Rent expenses	38.890.870	31.760.493
Outsourced benefit and service expenses	18.273.152	17.089.589
Taxes, duties, and fees	1.546.719	1.661.555
Depreciation and amortisation expenses	8.727.287	6.833.979
Holding service share expenses	6.955.089	7.873.321
Material consumption expenses	3.453.459	4.139.233
Patent, license expenses	3.408.599	3.709.412
Travel expenses	2.155.968	2.621.485
Service and labor expenses	1.725.087	1.549.811
Provision for doubtful receivables	766.128	170.402
Representation and hospitality expenses	963.113	1.441.508
Insurance expenses	890.927	673.507
Starcity service share	468.390	534.301
Factory plot expense	-	2.948.152
Other	4.327.159	4.234.553
Total	192.970.292	184.545.498

24. Other Operating Income/(Expense)

Other operating income consists of the following (TL):

	31 December 2012	31 December 2011
Income on valuation of investment properties	4.096.071	92.842.876
Rent income	1.750.458	219.640
Bank income	671.788	-
Commission income	61.665	518.188
Insurance income	314.576	296.006
Advertisement income	310.029	166.412
Income from exposition support	247.667	218.997
Profit on sale of fixed assets	399.137	631.519
Provisions no longer required	128.685	125.428
Other	1.166.876	948.485
Total	9.146.952	95.967.551

24. Other Operating Income/(Expenses) (continued)

Other operating expenses consist of the following (TL) :

	31 December 2012	31 December 2011
Expenses related to stores shut down	4.574.823	-
Loss on sale of real estate	439.000	436.000
Loss on sale of fixed assets	352.654	6.685.243
Commission expenses	239.938	-
Other	496.245	729.069
Total	6.102.660	7.850.312

25. Financial Income

Financial income consists of the following (TL) :

	31 December 2012	31 December 2011
Foreign exchange gains	41.998.714	40.160.402
Interest income	861.749	30.275.371
Rediscount and forward sales interest income	17.860.854	13.126.105
Total	60.721.317	83.561.878

26. Financial Expenses

Financial expenses consist of the following (TL) :

	31 December 2012	31 December 2011
Loan interest expenses	62.784.132	45.912.838
Foreign exchange losses	28.504.691	78.676.983
Factoring expenses	24.901.037	11.111.274
Credit card commissions	5.878.771	5.808.951
Rediscount and forward purchase interest expenses	15.251.434	20.332.124
Expenses related to bills and bonds	4.624.767	-
Other	852.903	866.692
Total	142.797.735	162.708.862

27. Non-Current Assets Held for Sale

The Parent Company has taken over the ownership of sixty flats against its overdue receivables in 2008. As the said flats cannot be used in the Parent Company operations, they are stated as investment properties in the consolidated financial statements as of 31 December 2009 until decision is made for their purpose of utilization according to the future market conditions. As of 31 December 2012 and 2011, the said flats are classified as Non-Current Assets Held for Sale as the Parent Company management has already started disposal of the flats in 2010 and plans to do so for all of them at the soonest possible time.

27. Non-Current Assets Held for Sale (continued)

Changes in non-current assets held for sale are as follows (TL);

	31 December 2012	31 December 2011
Beginning	2.544.000	4.867.000
Current period sales	(2.114.000)	(2.323.000)
Ending	430.000	2.544.000

28. Tax Assets and Liabilities

a) Corporation Tax;

The Turkish corporation tax rate for 2012 is 20% (31 December 2011 – 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Taxes on profit for the period consist of the following (TL) :

	31 December 2012	31 December 2011
Corporation tax calculated	-	(3.368.726)
Prepaid taxes (-)	-	642.016
	-	(2.726.710)

Tax income and expenses stated in the statement of comprehensive income are stated below (TL):

	31 December 2012	31 December 2011
Current period corporation tax expense	-	(3.368.726)
Deferred tax income/(expense)	(1.490.081)	471.915
Total tax income/(expense)	(1.490.081)	(2.896.811)

Calculation of Corporation Tax provision stated in the statement of comprehensive income is summarized below (TL) :

	31 December 2012	31 December 2011
Profit/(loss) as per statutory books	(89.651.389)	15.015.323
Disallowable expenses	2.634.880	3.556.772
Prior year loss deduction	(1.620.438)	-
Tax-exempt income (-)	-	(1.728.466)
Sub Total	(88.636.947)	16.843.629
Tax rate (%)	20	20
Tax provision	-	3.368.726

28. Tax Assets and Liabilities (continued)

b) Deferred Tax Assets and Liabilities;

Temporary differences creating a basis for deferred tax calculations and deferred tax assets/liabilities and deferred tax income/expenses are as follows (TL):

Tax bases of deferred tax assets/(liabilities)	31 December 2012	31 December 2011
Fixed assets	(11.029.659)	(11.768.339)
Real estate valuation differences associated with equity	(19.715.130)	(19.715.130)
Provision for termination indemnity	12.146.316	10.639.221
Real estate valuation difference associated with the income statement	(999.126)	(170.216)
Rediscount on receivables and payables	2.068.158	6.554.868
Provision for sales returns and price differences	8.428.845	7.193.803
Provision for doubtful receivables	5.782.092	5.522.736
Inventories	5.267.810	7.903.805
Fair value difference in financial assets	(3.889.415)	691.235
Loan discount	(127.777)	(127.353)
Other	4.202.660	2.860.558
Tax base of deferred tax assets/(liability), net	2.134.774	9.585.188

Deferred tax assets/(liabilities)	31 December 2012	31 December 2011
Fixed assets	(2.205.936)	(2.353.671)
Real estate valuation differences associated with equity	(3.943.025)	(3.943.025)
Provision for termination indemnity	2.429.264	2.127.844
Real estate valuation difference associated with the income statement	(199.825)	(34.043)
Rediscount on receivables and payables	413.632	1.310.973
Provision for sales returns and price differences	1.685.769	1.438.761
Provision for doubtful receivables	1.156.418	1.104.547
Inventories	1.053.562	566.208
Fair value difference in financial assets	(777.883)	1.152.800
Loan discount	(25.555)	(25.471)
Other	840.532	572.111
Deferred tax assets/(liabilities), net	426.953	1.917.034

28. Tax Assets and Liabilities (continued)

Deferred tax income/(expense) (TL) :

	31 December 2012	31 December 2011
Current period deferred tax asset/(liability)	426.953	1.917.034
Reversal of prior period deferred tax (liability)/asset	(1.917.034)	(1.445.119)
Deferred tax income/(expense)	(1.490.081)	471.915

Deferred tax assets and liabilities are offset due to fulfillment of conditions such that there is an applicable right for offsetting current tax assets and liabilities, and furthermore, it is intended to fulfill the current tax liabilities simultaneously with the formation of current tax assets.

As of all reporting dates, derecognized deferred tax assets are reviewed. In the event that it is likely for the future financial profits to allow gaining deferred tax assets, deferred tax assets which have not been recorded in the prior period are recognized.

29. Earnings/(Loss) Per Share

Earnings per share is calculated by dividing the net profit for the period by the weighted average number of Parent Company shares during the period. The calculation is made as follows:

	31 December 2012	31 December 2011
Profit/(loss) for the current period (TL)	(62.944.608)	28.031.002
Weighted average number of shares *	40.000.000	40.000.000
Earnings per share of the Parent Company (TL)	(1,57)	0,70

* per share of TL 1 nominal value

30. Related Party Disclosures

a) Balances due from related parties consist of the following (TL) :

	31 December 2012		31 December 2011	
	Trade	Other	Trade	Other
Boyner Holding A.Ş.	27.969	22.965.143 **	-	1.824.400
BBA Beymen Boğaziçi Alboy Mağazacılık Tekstil San. Ve Tic. A.Ş.	111.646	-	-	-
H.F. Boyner Biraderler Eksport A.Ş.	-	-	413	-
Beymen Mağazacılık A.Ş.	1.326	-	4.136	-
Benetton Giyim San. Ticaret A.Ş. *	-	-	72.570	-
Boyner Büyük Mağazacılık A.Ş.	11.621.185	-	21.593.683	-
BR Mağazacılık A.Ş.	14.445.979	-	10.986.451	-
Fırsat Teknoloji A.Ş.	1.947.803	-	949.376	-
YKM A.Ş.	1.674.063	-	-	-
Ran Konfeksiyon Tekstil Deri ve Yan Ürünler Ith. ve İhr. Turizm Ltd.	5.022.717	-	713.971	-
Total	34.852.688	22.965.143	34.320.600	1.824.400

* No longer related to the Group as of 24 September 2012.
** TL 20.821.737 of the other receivables comprise placement utilized by Boyner Holding A.Ş. The loans used by Altınyıldız A.Ş. and all costs incurred in relation to the factoring operations are reflected to this amount with the addition of related commissions. The interest and commissions are accrued to Boyner Holding A.Ş. on a monthly basis.

b) Balances due to related parties consist of the following (TL) :

	31 December 2012		31 December 2011	
	Trade	Other	Trade	Other
Boyner Holding A.Ş.	40.044.152	10.290.043	840.157	15.341.388****
BBA Beymen Boğaziçi Alboy Mağazacılık Teks.San. ve Tic. A.Ş	224.707	-	705.862******	-
Beymen Mağazacılık A.Ş.	8.999.703	-	193.325	-
Bofis Turizm ve Ticaret A.Ş.***	-	-	93.869	-
Alsis Sigorta Acentalığı A.Ş.	566.420	-	478.387	-
BR Mağazacılık A.Ş.	-	-	113.272	-
Boyner Bireysel Ürünler Satış Ve Paz. A.Ş.	-	-	1.379	-
BNR Teknoloji A.Ş.	118.943.473*****	-	110.088.705*****	-
Boğaziçi Yatçılık ve Turizm Yatırımları ve Ticaret A.Ş.	-	-	10.620	-
Boyner Büyük Mağazacılık A.Ş.	1.189	-	-	-
Ran Konfeksiyon Tekstil Deri ve Yan Ürünler Ith. ve İhr. Turizm Ltd.	-	-	784.486	-
Dividends payable	-	428.516	-	431.252
Total	168.779.644	10.718.559	113.310.062	15.772.640

30. Related Party Disclosures (continued)

b) Balances due to related parties consist of the following (continued) (TL) :

*** No longer related to the Group as of 13 November 2012.

**** Altınyıldız Mensucat ve Konfeksiyon A.Ş. has acquired shares of TL 20.096.712, representing 21,83% of the nominal share capital of Boyner Büyük Mağazacılık A.Ş., a company within the portfolio of Boyner Holding A.Ş., for a total of TL 65.490.000 with respect to the valuation made by related legal authorities. Similarly, Altınyıldız Mensucat ve Konfeksiyon A.Ş. has also acquired shares of TL 43.112.500, representing 49,99% of the nominal share capital of Beymen Mağazacılık A.Ş. for a total of TL 215.000.000 with respect to the valuation made by related legal authorities.

***** Represents payables arising from notes received from related parites for financing purposes.

****** TL 200.867 of the total amount comprises long term debts.

c) Transactions with related parties are summarized below (TL) :

Income	31 December 2012	31 December 2011
Sale of goods	96.108.796	94.011.504
Service sales	2.504.868	2.797.558
Other sales	123.986	1.214.094
Foreign exchange gains	-	13.374.339
Interest income	572.748	30.167.299
Total	99.310.398	141.564.794

Expenses	31 December 2012	31 December 2011
Procurement of goods	4.651.509	4.306.534
Service acquisitions	4.386.060	4.440.499
Holding consultancy share	6.955.089	8.406.452
Other acquisitions	3.378.491	284.585.650
Foreign exchange losses	-	4.711.144
Interest expenses	7.668.041	-
Total	27.039.190	306.450.279

30. Related Party Disclosures (continued)

d) Sales made to and purchases made from related parties for the years ended 31 December 2012 and 2011 are elaborated on company basis in the table below (TL) :

Purchases	31 December 2012			31 December 2011		
	Goods	Services	Interest/Other	Goods	Services	Interest/Other
Boyner Holding A.Ş.	-	8.334.055	2.071.202	-	9.348.545	285.378.212***
Boyner Büyük Mağazacılık A.Ş. *	-	9.766	8.135.110	-	15.750	3.374.631
Boğaziçi Yatçılık ve Turizm Yatırımları ve Ticaret A.Ş.	-	101.400	-	-	71.800	-
Ran Konfeksiyon Tekstil Deri Yan Ürünler Ith. ve İhr. Turizm Ltd.	795.416	8.384	120.096	2.048.123	41.845	104.827
BBA Beymen Boğaziçi Alboy Mağazacılık Teks.San. ve Tic. A.Ş.	-		8.185	142.005	26.543	-
Benetton Giyim San.Tic. A.Ş. *	2.657		-	561	-	171.768
Bofis Turizm ve Ticaret A.Ş. **	-	510.915	-	-	1.099.376	-
Alsis Sigorta Acentalığı A.Ş.	-	2.081.258	-	-	1.788.982	-
Beymen Mağazacılık A.Ş.	1.633.364	11.131	470.207	1.156.497	-	10.743
Boyner Bireysel Ürünler Satış Ve Paz. A.Ş.	-		-	-	1.169	-
BNR Teknoloji A.Ş.	-	259.240	239.938	-	229.414	256.613
H.F. Boyner Bıraderler Eksport A.Ş.	-		-	-	-	-
YKM A.Ş.	-	-	1.794	-	-	-
BR Mağazacılık A.Ş.	2.220.072	25.000	-	959.348	214.157	-
Boyner San. ve Mensuca Fab. A.Ş.	-	-	-	-	9.330	-
Total	4.651.509	11.341.149	11.046.532	4.306.534	12.846.911	289.296.794

* Comprises transactions until 24 September 2012 subsequent to which the entity is no longer related to the Group.

** Comprises transactions until 13 November 2012 subsequent to which the entity is no longer related to the Group.

*** Altınyıldız Mensucat ve Konfeksiyon A.Ş. has acquired shares of TL 20.096.712, representing 21,83% of the nominal share capital of Boyner Büyük Mağazacılık A.Ş., a company within the portfolio of Boyner Holding A.Ş., for a total of TL 65.490.000 with respect to the valuation made by related legal authorities. Similarly, Altınyıldız Mensucat ve Konfeksiyon A.Ş. has also acquired shares of TL 43.112.500, representing 49,99% of the nominal share capital of Beymen Mağazacılık A.Ş. for a total of TL 215.000.000 with respect to the valuation made by related legal authorities.

30. Related Party Disclosures (continued)

d) Sales made to and purchases made from related parties for the years ended 31 December 2012 and 2011 are elaborated on company basis in the table below (TL) (continued):

Sales	31 December 2012			31 December 2011		
	Goods	Services	Interest/Other	Goods	Services	Interest/Other
Boyner Holding A.Ş.	-	1.507.368	632.114	-	1.904.735	44.320.336
BBA Beymen Boğaziçi Alboy Mağazacılık Teks.San. ve Tic. A.Ş	-	-	64.620	279.640	-	435.396
Beymen Mağazacılık A.Ş.	6.661.148	10.176	-	5.229.928	-	-
Boyner Büyük Mağazacılık A.Ş.	32.584.214	303.058	-	29.183.054	90.961	-
Ran Konfeksiyon Tekstil Deri ve Yan Ürünler Ith. ve İhr. Turizm Ltd.	4.786.047	399.522		25.770.151	679.536	-
Benetton Giyim San.Tic. A.Ş.	1.570.254	26.681	-	405.174	28.253	-
Boyner Bireysel Ürünler Sat.ve Paz.A.Ş.				-	-	-
Bofis Turizm ve Ticaret A.Ş.				-	-	-
H.F. Boyner Biraderler Export A.Ş				-	-	-
BR Mağazacılık A.Ş.	42.445.577	172.283	-	31.570.525	86.599	-
Alsis Sigorta Acentalığı A.Ş.	-	66.820	-	-	-	-
Fırsat Teknoloji A.Ş.	5.982.415	18.960	-	1.573.032	7.474	-
YKM A.Ş.	2.079.141	-	-	-	-	-
Total	96.108.796	2.504.868	696.734	94.011.504	2.797.558	44.755.732

e) The top management team comprises of board members, general manager and deputy general managers. 31 December 2012, the Group has provided as remuneration a total of TL 30.000 to the independent board members and a total of TL 11.280.967 to the top executives, adding up to a total remuneration of TL 11.310.967 (31 December 2011 – independent board members: TL 20.000, top executives TL 4.905.717, total remuneration: TL 4.925.717).

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments

The Group’s management policies and implementations related to risks arising from financial instruments are stated in the following:

i. Funding Risk

The funding risk on the present and potential liabilities is monitored through providing sufficient amount of funding commitments from loan providers with high funding potential.

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

ii. Credit Risk

Credit risk is the risk of loss arising from one of the parties to a transaction that does not fulfill his liabilities in relation to a financial instrument. The Group tries to monitor its credit risk through limiting the transactions made with certain parties and by continuous evaluation of the credibility of its related parties.

Majority of the trade receivables are due from dealers and related companies. The Group has established an effective control system over the dealers and the credit risk arising from these transactions are followed up by the management. The Group has a high number of customers; hence its credit risk is dispersed. In managing the risk arising from non-related parties, the Group receives bank guarantees, credit insurance, mortgages on real estate and guarantee cheques and notes based on a principle to secure its receivables to the highest extent possible.

The collection of payments against exports is secured by Letter of Credit, guarantee letters, or advance payment methods.

The credit risks incurred by the Group by type of financial instruments are set out in the table below:

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

ii. Credit Risk (continued)

As of 31 December 2012 and 2011, the credit risks incurred by the Group by type of financial instruments are set out in the table below (TL):

	31 December 2012					
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party	Bank Deposits	Other
Maximum credit risk incurred as of the reporting date (1)(Notes 6,10,11)	34.852.688	276.955.740	22.965.143	828.859	27.414.284	3.922.781
- Part of maximum risk covered by collaterals (Note 16)	-	85.219.467	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired (2)	34.852.688	234.408.378	22.965.143	828.859	27.414.284	3.922.781
B. Book value of financial assets whose conditions are revised, which otherwise would be considered as overdue or impaired	-	22.387.813	-	-	-	-
- Portion covered by collaterals(3)	-	36.043.000	-	-	-	-
C. Net book value of overdue assets that are not impaired	-	20.159.549	-	-	-	-
- Portion covered by collaterals (4)	-	560.280	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	6.350.495	-	-	-	-
- Impairment loss (-)	-	(6.350.495)	-	-	-	-
- Portion covered by collaterals	-	-	-	-	-	-

(1) The indicated totals represent the maximum credit risks incurred as of the reporting date without taking into consideration the guarantees held or other elements that improve creditability.

(2) The indicated totals comprise customers with which no collection problems have been encountered or those which have succeeded to realize payment even if delayed.

(3) The Group has obtained guarantee notes of TL 29.800.000 and mortgages of TL 6.243.000 against its receivables whose conditions are revised, which otherwise would be considered overdue or impaired.

(4) The Group has obtained guarantee notes of TL 235.280, guarantee cheques of TL 100.000 and mortgages of TL 225.000 against its overdue receivables which are not impaired.

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

ii. Credit Risk (continued)

As of 31 December 2012 and 2011, the credit risks incurred by the Group by type of financial instruments are set out in the table below (TL) (continued):

	31 December 2011					
	Trade receivables		Other receivables			
	Related Party	Other Party	Related Party	Other Party	Bank Deposits	Other
Maximum credit risk incurred as of the reporting date (1)(Notes 6,10,11)	34.320.600	272.491.822	1.824.400	675.350	14.641.106	6.166.622
- Part of maximum risk covered by collaterals (Note 16)	-	65.419.666	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired (2)	34.320.600	240.463.701	1.824.400	675.350	14.641.106	6.166.622
B. Book value of financial assets whose conditions are revised, which otherwise would be considered as overdue or impaired	-	21.390.155	-	-	-	-
- Portion covered by collaterals(3)	-	38.893.000	-	-	-	-
C. Net book value of overdue assets that are not impaired	-	10.637.966	-	-	-	-
- Portion covered by collaterals (4)	-	2.422.373	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	5.711.052	-	-	-	-
- Impairment loss (-)	-	(5.711.052)	-	-	-	-
- Portion covered by collaterals	-	-	-	-	-	-

(1) The indicated totals represent the maximum credit risks incurred as of the reporting date without taking into consideration the guarantees held or other elements that improve creditability.

(2) The indicated totals comprise customers with which no collection problems have been encountered or those which have succeeded to realize payment even if delayed.

(3) The Group has obtained guarantee notes of TL 29.800.000 and mortgages of TL 9.093.000 against its receivables whose conditions are revised, which otherwise would be considered overdue or impaired

(4) The Group has obtained guarantee notes of TL 2.322.373 and guarantee cheques of TL 100.000 against its overdue receivables which are not impaired.

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

ii. Credit Risk (continued)

The aging chart of the Group's overdue assets which are not impaired is as follows (TL):

Trade receivables	31 December 2012	31 December 2011
1 – 30 days past due	7.855.608	3.630.282
1 – 3 months past due	7.182.944	844.031
3 – 12 months past due	2.931.346	5.599.975
More than 12 months past due	2.189.651	563.678
Total	20.159.549	10.637.966
Portion covered by collaterals	560.280	2.422.373

iii. Liquidity Risk

The Group is eligible to use banks as well as its suppliers and shareholders as funding resources. The Group's liquidity risk is continuously evaluated through determining and monitoring changes in funding conditions required for achieving the targets set within the scope of the Group's strategy.

The Group manages its liquidity risk by monitoring expected and actual cash flows on regular basis and by maintaining continuity of funds and borrowing reserves through matching the maturities of financial assets and liabilities.

The Group's liquid assets exceed its short term liabilities by a total of TL (503.470.364) as of 31 December 2012 and a total of TL(360.461.258) as of 31 December 2011. The Group's short term liabilities exceed its current assets by a total of TL 120.481.359. This result indicates a working capital deficit; however, it is expected to be enhanced as stated in the following.

- With the help of flexible production and sales strategy that started to be applied in 2013, the inventory and trade receivables which increased in 2012 are expected to decrease.
- As part of the new sales strategy, there will be more emphasis placed on exports in 2013 and the average amount of trade receivables will decrease as a result of sales with short maturity.
- The performance results of the textiles, ready-made clothes, and AY Marka segments are expected to be much higher than that in 2012.
- As per the agreement entered into between Altınyıldız Gayrimenkul Yatırım ve Geliştirme A.Ş. and Fer Gayrimenkul Geliştirme ve İnşaat A.Ş., the IstWest sales consisting of residence units, offices and commercial units will decrease the outstanding loans approximately by TL 180.000.000. The collections to be made in 2013 are expected to reach a total of TL 100.000.000.
- It is planned to increase the amount of borrowings in 2013 through capital market instruments and to issue new bonds with due dates exceeding 1 year.

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

iii. Liquidity Risk (continued)

As of 31 December 2012 and 2011, the liquidity risk arising from the Group's financial liabilities consist of the following (TL):

31 December 2012

Maturities as per Contract	Book Value	Total Cash Outflows per Contract	Less than 3 months (I)	3-12 months (II)	1-5 Years (III)	5 – 10 years (IV)
Non-Derivative Financial Liabilities						
Bank Loans (Note 8)	402.076.474	429.608.545	199.247.642	126.869.356	103.491.547	-
Lease Obligations (Note 8)	11.563.532	12.539.967	1.775.637	5.274.692	5.489.638	-
Bonds issued	135.705.266	150.000.000	-	150.000.000	-	-
Other Financial Liabilities (Note 9)	75.160.111	75.160.111	52.974.807	22.185.304	-	-
Trade Payables to Related Parties (Note 10, 30)	168.779.644	170.992.973	61.406.050	109.586.923	-	-
Other Trade Payables (Note 10)	95.193.013	95.725.756	55.816.158	39.909.598	-	-
Other Payables to Related Parties (Note 11)	10.718.559	10.718.559	10.718.559	-	-	-
Other Payables (Note 11)	11.287.518	11.287.518	11.287.518	-	-	-
Total	910.484.117	956.033.429	393.226.371	453.825.873	108.981.185	-

31 December 2011

Maturities as per Contract	Book Value	Total Cash Outflows per Contract	Less than 3 months (I)	3-12 months (II)	1-5 Years (III)	5 – 10 years (IV)
Non-Derivative Financial Liabilities						
Bank Loans (Note 8)	444.732.140	484.858.870	201.408.119	88.929.131	193.314.620	1.207.000
Lease Obligations (Note 8)	15.106.742	16.774.619	1.748.497	5.080.241	9.945.881	-
Other Financial Liabilities (Note 9)	99.314.672	99.314.673	31.541.254	67.773.419	-	-
Trade Payables to Related Parties (Note 10, 30)	113.310.062	116.567.396	27.465.972	88.900.557	200.867	-
Other Trade Payables (Note 10)	142.622.835	144.011.700	88.919.818	55.091.882	-	-
Other Payables to Related Parties (Note 11)	15.772.640	15.772.640	15.772.640	-	-	-
Other Payables (Note 11)	10.206.275	10.206.275	10.206.275	-	-	-
Total	841.065.366	887.506.173	377.062.575	305.775.230	203.461.368	1.207.000

As of 31 December 2012, the sum of open credits classified among contract cash outflows maturing in less than 3 months amounts to TL 55.983.840 (31 December 2011 – TL 69.500.688).

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

iv. Price Risk

For hedging purposes, the Group monitors its price risk through sales, cost, and profitability analyses and following up on changes in market conditions.

v. Foreign Currency Risk

The Group carries foreign currency risk because of its foreign currency loans and payables abroad. The risk is decreased at a certain rate due to the exports and foreign currency receivables from the local market.

The rate of net foreign currency position to equity is monitored by the management on regular basis.

The foreign currency risk is anticipated to decrease upon using local resources to cover some of the purchases made abroad.

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

v. Foreign Currency Risk (continued)

Foreign currency position as of 31 December 2012 and 2011 is set out in the table below:

	31 December 2012						31 December 2011					
	TL Equivalent (Functional Currency)	USD	Euro	GBP	CHF	IRR	TL Equivalent (Functional Currency)	USD	Euro	GBP	CHF	IRR
1. Trade Receivables	22.611.229	5.265.978	5.433.102	155.730	-	-	27.063.859	9.280.827	3.580.925	268.166	-	-
2a. Monetary Financial Assets (including Cash and Bank deposits)	22.154.576	10.783.851	1.176.830	41.716	42	303.970.231	8.303.216	1.000.486	2.545.767	64.992	42	14.213.904
2b. Non-monetary Financial Assets	11.932.194	5.989.465	530.135	3.015	-	-	23.417.381	9.263.242	2.389.458	3.939	34.491	-
3.Other	118.148	2.742	48.161	-	-	-	16.703	-	6.835	-	-	-
4. Current Assets (1+2+3)	56.816.147	22.042.036	7.188.228	200.461	42	303.970.231	58.801.159	19.544.555	8.522.985	337.097	34.533	14.213.904
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	376.155	89.621	15.860	-	-	1.240.300.000	445.901	105.363	15.860	-	-	1.240.300.000
7. Other	-	-	-	-	-	-	-	-	-	-	-	-
8. Long Term Assets (5+6+7)	376.155	89.621	15.860	-	-	1.240.300.000	445.901	105.363	15.860	-	-	1.240.300.000
9. Total Assets (4+8)	57.192.302	22.131.657	7.204.088	200.461	42	1.544.270.231	59.247.060	19.649.918	8.538.845	337.097	34.533	1.254.513.904
10. Trade Payables	80.353.321	28.136.292	12.695.771	3.542	-	2.290.555.601	116.036.786	41.672.582	15.161.668	5.274	3.059	1.477.000.000
11. Financial Liabilities	139.183.172	53.346.472	18.747.183	-	-	-	102.910.260	29.724.769	19.135.422	-	-	-
12.a Monetary Other Liabilities	191.496	-	51.360	-	-	-	89.279	-	36.533	-	-	-
12.b Non-monetary Other Liabilities	714.916	176.333	94.095	62.457	-	-	665.917	217.922	104.035	15	-	-
13. Short Term Liabilities (10+11+12)	220.442.905	81.659.097	31.588.409	65.999	-	2.290.555.601	219.702.242	71.615.273	34.437.658	5.289	3.059	1.477.000.000
14. Trade Payables	-	-	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	72.350.074	2.101.908	29.171.753	-	-	-	170.126.076	3.172.781	67.163.029	-	-	-
16.a Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
16.b Non-monetary Other Liabilities	12.645	-	5.377	-	-	-	13.140	-	5.377	-	-	-
17. Long Term Liabilities (14+15+16)	72.362.719	2.101.908	29.177.130	-	-	-	170.139.216	3.172.781	67.168.406	-	-	-
18. Total Liabilities (13+17)	292.805.624	83.761.005	60.765.539	65.999	-	2.290.555.601	389.841.458	74.788.054	101.606.064	5.289	3.059	1.477.000.000
19. Net asset / (liability) position of derecognized foreign currency derivative instruments (19a-19b)	-	-	-	-	-	-	-	-	-	-	-	-
19a. Total value of derecognized derivative instruments of asset nature in foreign currency	-	-	-	-	-	-	-	-	-	-	-	-
19b. Total value of derecognized derivative instruments of liability nature in foreign currency	-	-	-	-	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(235.613.322)	(61.629.348)	(53.561.451)	134.462	42	(746.285.370)	(330.594.398)	(55.138.136)	(93.067.219)	331.808	31.474	(222.486.096)
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(247.312.258)	(67.534.843)	(54.056.135)	193.904	42	(1.986.585.370)	(353.795.326)	(64.288.819)	(95.369.960)	327.884	(3.017)	(1.462.786.096)
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	-	-	-	-	-	-	-	-	-	-	-	-
23. Hedged Portion of Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
24. Hedged Portion of Foreign Currency Liabilities	-	-	-	-	-		-	-	-	-	-	
25. Exports	62.510.613	10.816.280	14.828.772	427.656	-	-	73.235.143	19.760.310	16.051.738	692.368	-	-
26. Imports	128.546.590	51.516.825	15.314.538	121.359	5.777	-	145.258.212	60.999.559	18.526.353	13.231	141.266	-

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

v. Foreign Currency Risk (continued)

Foreign Currency Sensitivity Analysis

As of 31 December 2012 and 2011, a potential change of 10% in Turkish Lira against the foreign currencies stated below will decrease the Group's profit by the amounts stated below. This analysis is based on the assumption that variables, especially the interest rates, will remain constant.

31 December 2012				
	Profit/Loss		Equity	
	Value increase in foreign currency	Value decrease in foreign currency	Value increase in foreign currency	Value decrease in foreign currency
When USD changes by 10% against TL:				
1- Net assets /liabilities in USD	(10.986.048)	10.986.048	-	-
2- Portion hedged from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	(10.986.048)	10.986.048	-	-
When Euro changes by 10% against TL:				
4- Net assets /liabilities in Euro	(12.596.047)	12.596.047	-	-
5- Portion hedged from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	(12.596.047)	12.596.047	-	-
When other currencies change at an average of 10% against TL:				
7- Net assets /liabilities in other foreign currencies	20.762	(20.762)	-	-
8- Portion hedged from the risk of other foreign currencies (-)	-	-	-	-
9- Net Effect of Other Foreign Currencies (7+8)	20.762	(20.762)	-	-
TOTAL (3+6+9)	(23.561.333)	23.561.333	-	-

31 December 2011				
	Profit/Loss		Equity	
	Value increase in foreign currency	Value decrease in foreign currency	Value increase in foreign currency	Value decrease in foreign currency
When USD changes by 10% against TL:				
1- Net assets /liabilities in USD	(10.415.042)	10.415.042	-	-
2- Portion hedged from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	(10.415.042)	10.415.042	-	-
When Euro changes by 10% against TL:				
4- Net assets /liabilities in Euro	(22.743.767)	22.743.767	-	-
5- Portion hedged from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	(22.743.767)	22.743.767	-	-
When other currencies change at an average of 10% against TL:				
7- Net assets /liabilities in other foreign currencies	99.369	(99.369)	-	-
8- Portion hedged from the risk of other foreign currencies (-)	-	-	-	-
9- Net Effect of Other Foreign Currencies (7+8)	99.369	(99.369)	-	-
TOTAL (3+6+9)	(33.059.440)	33.059.440	-	-

31. Nature and Extent of Exposure to Risks Arising from Financial Instruments (continued)

vi. Interest Rate Risk

The Group is exposed to interest risk because of its interest generating assets and liabilities. The Group's activities are exposed to the risk of interest rate fluctuations when the interest -sensitive assets and liabilities are depreciated at different times and amounts or when their prices are revised. The said interest rate risk is continuously monitored and managed by the company management by balancing the Company's interest-sensitive assets and liabilities.

For the purpose keeping the effect of interest rate fluctuations on the financial debts at a minimum level, the company management maintains the "fixed interest/variable interest" and "TL/foreign currency" balances in these liabilities.

Interest Risk Sensitivity Analysis

The financial instruments of the Group which are sensitive to interest rates are stated in the following (TL):

		31 December 2012		31 December 2011
Financial instruments with fixed interest				
Financial assets		18.292.645		420.000
-Time deposits (Note 6)	18.292.645		420.000	
Financial liabilities		416.729.913		261.321.909
Financial instruments with variable interest				
Financial liabilities		132.615.359		198.516.973

If the interest on loans with variable interest denominated in TL, USD and Euro on renewal dates were higher/lower by 100 basis points with all other variables remaining constant as of 31 December 2012, the current period profit before tax would be lower/higher by TL 2.511.869 as a result of high/low interest expenses arising from loans with variable interest (31 December 2011 – TL 1.332.881).

vii. Capital Risk Management

In capital management, the Group aims to enable continuity of the Group's operations and to maintain the most suitable capital structure so as to provide earnings to its partners and benefits to other shareholders and to decrease capital cost.

In order to maintain or re-arrange the capital structure, the Group may change the amount of dividends paid to shareholders, return the capital to shareholders, issue new shares, and sell its assets in order to decrease the level of its borrowings.

The Group monitors the share capital by using the debt/equity ratio. This ratio is found by dividing the net total debts to total equity. The net total debts is calculated by deducting the cash and cash equivalents from the total financial debts (long or short term).

	(TL)	
	31 December 2012	31 December 2011
Financial debts	549.345.272	459.838.882
Less: cash and cash equivalents	(31.337.065)	(20.807.728)
Net financial debts	518.008.207	439.031.154
Total equity	244.266.998	307.194.708
Net financial debts/Total equity Ratio	212%	143%

32. Fair Value Disclosures Related to Financial Instruments

The market values and carrying values of financial assets and liabilities are set out in the table below (TL) :

	31 December 2012		31 December 2011	
	Carrying Value	Market Value	Carrying Value	Market Value
Financial assets				
Cash and cash equivalents	31.337.065	31.337.065	20.807.728	20.807.728
Other trade receivables	276.923.678	276.923.678	272.408.521	272.408.521
Trade receivables from related parties	34.852.688	34.852.688	34.320.600	34.320.600
Other receivables	370.705	370.705	126.140	126.140
Other receivables from related parties	22.965.143	22.965.143	1.824.400	1.824.400
Other current assets *	77.986	77.986	40.998	40.998
Long term trade receivables	32.062	32.062	83.301	83.301
Long term other receivables	458.154	458.154	549.210	549.210
Long term financial assets	307.158.826	307.158.826	288.831.924	279.221.209
Financial liabilities				
Short term financial debts	(433.181.786)	(433.181.786)	(268.917.957)	(268.917.957)
Other financial liabilities	(75.160.111)	(75.160.111)	(99.314.672)	(99.314.672)
Trade payables	(95.193.013)	(95.193.013)	(142.622.835)	(142.622.835)
Trade payables to related parties	(168.779.644)	(168.779.644)	(113.109.195)	(113.109.195)
Other payables to related parties	(10.718.559)	(10.718.559)	(15.772.640)	(15.772.640)
Long term financial debts	(116.163.486)	(116.163.486)	(190.920.925)	(190.920.925)
Long term trade payables to related parties	-	-	(200.867)	(200.867)
Net	(225.020.292)	(225.020.292)	(211.866.269)	(221.476.984)

* Non-financial instruments such as advances given, deferred VAT, other VAT, expenses related to future months and prepaid taxes and funds are not included in the 'other current assets'.

The Group does not have hedge accounting implementations.

33. Events After the Reporting Period

- The upper limit of termination indemnity which stood at TL 3.033,98 as of 31 December 2012 has been increased to TL 3.129,25 as of 1 January 2013 (31 December 2011 – TL 2.731,85).

- Pursuant to the resolution of the Board of Directors dated 5 November 2012, the sales office in Italy, namely, Altınyıldız İtalya SRL, whose principal activity is Sales and Marketing of Textile Products, will be closed. Due to the time required to fulfill legal procedures, the closing of the subsidiary will be realized in 2013.

- Legal applications have been made to amend some of the articles in the Company's Articles of Association in accordance with the New Turkish Code of Commerce and the Capital Markets Law. Subsequent to receipt of the necessary legal permits, the said amendments will be submitted to the approval of the General Council.