Tümosan Engine and Tractor Industry Inc.

Financial statements for the period from January 1 to December 31, 2012 and independent audit report

Tümosan Engine and Tractor Industry Inc.

Contents

Independent audit report

To the Tümosarı Engine and Tractor Inc. Management's Partners;

1. We have audited the accompanying balance sheets of Tümosan Engine and Tractor Industry Inc. (hereinafter "Tümosan" or the "Company") prepared as at December 31, 2012* and its 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 Company management's responsibility concerning the financial statements

2. The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting standards published by the Capital Markets Board. This responsibility includes designing, implementing and maintaining the necessary internal control system relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, making accounting estimates that are reasonable in the circumstances and selecting appropriate accounting policies.

Responsibility of the independent auditing company

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the independent auditing standards promulgated by the Capital Markets Board. These standards require that we comply with ethical requirements and plan and perform the independent audit in such a manner that it may be ascertained with reasonable assurance whether the financial statements give a true and fair view.

4. Our audit involves using independent audit techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of independent audit techniques depends on our professional judgment, including the assessment of the risk of "material misstatements" in the financial statements due to error or fraud. In assessing this risk, the Company's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of the internal control system but to establish the relationship between the financial statements prepared by the Company management and the internal control system in order to design the independent audit techniques 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 the Company management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present, in accordance with the financial reporting standards promulgated by the Capital Markets Board, a true and fair view of the financial position of Tümosan Engine and Tractor Industry Inc. as at December 31, 2012 and of its financial performance and its cash flows for the year then ended.

Other issues

Without presenting a qualified opinion, we would like to draw attention to the following:
In the offering circular prepared on 22 November 2012 for the public offering of the Company, there is a provision regarding the Company's receivable of TL 82,425,792 as of September 30, 2012 from Albayrak Tourism Travel Construction Trade Inc., a related entity of the Company, stating that the amount remaining after deducting the amount to be used for purchases within the scope of "Daily Purchase Order Commitment" from the proceeds obtained from the public offering will be collected from the said company within six months from the public offering. In accordance with the aforementioned provision, the amount of TL 15,764,808 remaining after the repurchases made within the scope of "Daily Purchase Order Commitment" was paid to the Company following its public offering on December 5, 2012. As also presented in Note 27 of the financial statement, as of 31 December 2012, the Company's receivable from Albayrak Tourism Travel Construction Trade Inc. is TL 71,228,199 and this amount is payable until June 5, 2013.

Güney Independent Audit and Certified Public Accountancy Inc.
A member firm of Ernst & Young Global Limited

Metin Canoğulları, CPA,
Reponsible Partner, Chief Auditor

March 15, 2013
Istanbul, Turkey

Tümosan Engine and Tractor Industry Inc.

Cash-flow statement for the period ended December 31, 2012
(Currency: Turkish Lira (TL))

		Current period	Prior period
		-	-
		-	-
		Audited	Audited
Assets	Note references	December 31, 2012	December 31, 2011
Current assets		252,744,115	132,743,552
Cash and cash equivalents	5	22,021,785	288,474
Trade receivables	8	51,962,276	31,485,477
Receivables from related parties	27	79,150,558	966,243
Inventories	9	67,260,905	79,909,072
current assets	17	32,348,591	20,074,286
Fixed assets		75,278,795	145,871,009
Tangible fixed assets, net	10	74,139,688	82,621,444
Intangible fixed assets, net	11	418,512	528,805
Investment property	13	367,847	1,676,679
Receivables from related parties	27	352,748	60,975,839
Other fixed assets	17		68,242
Total assets		328,022,910	278,614,561
Liabilities			
Short-term liabilities		124,871,919	123,240,954
	6	47,393,248	26,103,263
Financial payables Trade payables Payables to	8	53,839,719	85,860,314
related parties Tax liability on income for the period	27	68,777	4,978
Debt provisions	25	7,838,393	2,283,955
Short-term provisions for employee benefits Other	14	4,403,167	5,161,229
long-term liabilities	16	385,980	333,770
	17	10,942,635	3,493,445
Long-term liabilities		4,661,182	13,357,477
			10,219,786
Financial payables	6	1,797,539	1,303,786
Provisions for employee benefits Other long-term	16	1,582,941	717,690
liabilities Deferred tax liability	25	1,280,702	1,116,215
Equity		198,489,809	142,016,130
Equity			
Paid-in capital	18	115,000,000	55,950,000
Share premium	18	26,241,624	-
Reserves on retained earnings	18	85,576	85,576
Tangible fixed assets valuation fund	2.3.1	39,371,136	39,371,136
Accumulated losses	26	(11,844,842)	(7,341,355)
Net income for the period		29,636,315	53,950,773
Total liabilities and equity		328,022,910	278,614,561

Tümosan Engine and Tractor Industry Inc.

Balance sheet as of December 31, 2012
(Currency: Turkish Lira (TL))

	Note references	Current period Audited January 1 - December 31, 2012	Prior period Audited January 1 - December 31, 2011
Real operating income			
Sales revenue	19	291,562,394	411,417,514
Cost of sales (-)	19	(237,962,299)	(320,763,822)
Gross profit	19	53,600,095	90,633,692
Research and development expenses (-)	20	(920,888)	(1,574,455)
Marketing, sales and distribution expenses (-)	20	(12,934,475)	(15,894,098)
General administrative expenses (-)	20	(5,339,586)	(4,076,615)
Other operating income	22	2,012,906	2,271,180
Other operating expenses (-)	22	(408,776)	(2,588,278)
Operating profit		36,009,276	68,771,426
Financial income	23	36,337,447	9,373,072
Financial expenses	24	(34,707,527)	(11,760,636)
Profit before tax		37,639,196	66,383,862
Tax expense			
- Tax expense for the period (-)	25	(7,838,393)	(13,169,524)
- Deferred tax income/(expense)	25	(164,488)	756,435
Net income for the period		29,636,315	53,950,773
Other comprehensive income/(expense): Tangible fixed asset revaluation fund	2.3.1	-	39,371,136
Other comprehensive income (after tax)			39,371,136
Total comprehensive income		29,636,315	93,321,909
Earnings per share attributable to major shareholders (full TL)	26	0.2803	0.5138
Weighted average number of shares (average numbers of shares for 1 TL*)		105,739,726	105,000,000

The accompanying accounting policies and notes on pages 7 to 54 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc.

Statement of changes in equity for the period ended December 31, 2012
(Currency: Turkish Lira (TL))

	Capital	Share premium (Note 18)	Tangible fixed assets valuation fund (Note 2.3.1)	Reserves on retained earnings	Accumulated profits/losses and net income for the period	Total
January 1, 2011	55,950,000	-	-	85,576	(7,341,355)	48,694,221
Net income for the period	-	-		-	53,950,773	53,950,773
Effect of change in accounting policies	-	-	39,371,136	-	-	39,371,136
Total comprehensive income			39,371,136	-	53,950,773	93,321,909
December 31, 2011	55,950,000	-	39,371,136	85,576	46,609,418	142,016,130
January 1, 2012	55,950,000	-	39,371,136	85,576	46,609,418	142,016,130
Transfers	49,050,000		-	-	(49,050,000)	-
Capital increase	10,000,000	26,241,624	-	-	-	36,241,624
Outflows relating to division	-	-	-	-	(9,404,260)	(9,404,260)
Net income for the period	-	-	-	-	29,636,315	29,636,315
Total comprehensive income	59,050,000	26,241,624	-	-	(28,817,945)	56,473,679
December 31, 2012	115,000,000	26,241,624	39,371,136	85,576	17,791,473	198,489,

Tümosan Engine and Tractor Industry Inc.

Cash-flow statement for the period ended December 31, 2012
(Currency: Turkish Lira (TL))

	Note references	Current period	Prior period
		Audited	Audited
		January 1 - December 31, 2012	January 1 - December 31, 2011
Net profit before tax		37,639,196	66,383,862
Reconciliation of net income to net cash provided by operating activities:			
Depreciation, amortisation and depletion	10,11,13	4,906,879	3,647,940
Provision for severance payments	16	360,061	230,608
Provision for doubtful receivables	8	-	201,095
Provision for inventories	9	1,283,313	895,018
Loss on sale of tangible fixed assets	22	-	906,992
Provision for unused vacation entitlements	16	52,210	77,432
Provision for warranties, net	14	(1,044,063)	2,885,172
Discount (income)/expenses, net	14	-	(1,041,981)
Provision for lawsuits	24	286,001	(51,419)
Interest and factoring expenses	23	9,879,253	1,320,844
Interest income		(9,964,252)	(3,381,241)
Net cash provided by operating activities before changes in operating assets and liabilities		43,398,598	72,074,322
Change in assets and liabilities			
Trade and other receivables, net		(20,476,799)	(20,062,249)
Commercial transactions with related parties, net		(17,188,476)	9,190
Inventories		11,011,762	(48,585,968)
Other current assets		(12,274,305)	(8,854,544)
Other fixed assets		(284,506)	52,667
Trade payables		(31,867,503)	58,577,630
Other liabilities and provisions		7,449,190	1,056,570
Other long-term liabilities and provisions Severance payments		(717,690)	(897,113)
paid		(80,906)	(96,959)
Taxes paid	16	(2,283,955)	(10,905,569)
Net cash from/(used in) operating activities		(23,114,590)	42,367,977
Cash used in investing activities			
Purchases of tangible and intangible fixed assets		(3,987,441)	(8,731,051)
Proceeds from the sale of tangible fixed assets	10.11	-	781,804
Interest received		43,185	251,643
Advances given to related parties		9,904,930	(57,846,441)
Net cash from/(used in) investing activities		5,960,674	(65,543,845)
Net cash used in financial activities			
Bank loans obtained		39,284,676	29,050,002
Loans and financial payables paid		(26,823,620)	(13,388,736)
Interest paid		(9,879,253)	(320,784)
non-trade transactions with related parties, net		63,799	4,051,048
Capital increase		36,241,624	-
Net cash from financial activities		38,887,226	19,391,530
Net (decrease)/increase in cash and cash equivalents		21,733,310	(3,784,338)
Cash and cash equivalents at the beginning of the period	5	248,474	4,032,812
Cash and cash equivalents at the end of the period	5	21,981,784	248,474

The accompanying accounting policies and notes on pages 7 to 54 are an integral part of these financial statements.

(Currency: Turkish Lira (TL))

1. Company's organization and area of activity

Tümosan Engine and Tractor Industry Inc. (formerly Alçelik Çelik Yapı Construction Industry and Trade Inc.) (hereinafter "Tümosan" or the "Company") was established in 1975 to produce engine parts, transmission organs and similar equipment, but later on has concentrated its activities in the production of diesel engines and tractors. Tümosan, being Turkey's first diesel-engine manufacturer, has been supplying diesel engines for tractors manufactured under the same brand, as well as other manufacturers of diesel-powered vehicles for many years.

The Company was included in the scope of privatization program on August 18, 1998, and the Company's shares belonging to the Mechanical and Chemical Industry Corporation were transferred to the Privatization Administration and it was decided to complete the privatization process within one year.

Four companies participated in the privatization tender held on April 24, 2000. Anadolu Joint Venture Group ranked first and Konya Selçuklu Joint Venture Group ranked second according to the results of the tender. As the entrepreneurs determined to be the buyers as a result of the tender were not able to sign the sales agreement within the given period of time, their tender guarantees were forfeited, and the tender could not be concluded positively.

Tümosan, which continued its activities limitedly after the tender, was attached to Sümer Holding on February 7, 2003.

The second tender for its privatization was announced in 2004 and Alçelik Çelik Yapı Construction Industry and Trade Inc. purchased Tümosan by means of an asset sale and the transfer was completed on July 1, 2004.

On December 5, 2012, 26% of the Company's shares were offered to the public at Istanbul Stock Exchange.

Sares of Tümosan Engine and Tractor Industry Inc. are traded on the Istanbul Stock Exchange since 5 December 2012.
The Company's headquarters and factory are located at the following addresses:
<u>Head office:</u>
Istanbul World Trade Centre A3 Blok Kat: 8, 34149-Istanbul/Tukey
<u>Factory:</u>
Büyükkayacık Mahallesi Aksaray Çevre Yolu Caddesi No. 7/1 Selçuklu, Konya/Turkey
Information on the Company's shareholders and their shares is as follows:

	December 31, 2012	December 31, 2011
Ereğli Textile Tourism Industry and Trade Inc.	67.58%	78.18%
Muzaffer Albayrak	5.72%	6.27%
Ahmet Albayrak (son of Ahmet)	2.84%	3.11%
Bayram Albayrak	2.84%	3.11%
Nuri Albayrak	2.84%	3.11%
Kazım Albayrak	2.84%	3.11%
Mustafa Albayrak	2.84%	3.11%
Free-float portion	12.50%	-
	100%	100%

The Company is controlled by the Albayrak Family although Ereğli Textile Tourism Industry and Trade Inc. is the main shareholder.

As of December 31, 2012, the average number of white-collar workers employed by the Company is 106 (December 31, 2011 - 99) and the number of blue-collar workers is 255 (December 31, 2011 - 306).

2. Basis of presentation of financial statements

2.1 Basis of presentation

Applied financial reporting standards

The Company's financial statements are prepared in accordance with the financial reporting standards adopted by the Capital Markets Board ("CMB Financial Reporting Standards"). CMB's "Communiqué on Principles Relating to Financial Reporting in Capital Markets" (Serial XI, No. 29) sets down the principles and procedures pertaining to financial reports to be prepared by entities and the preparation and submission of financial reports. In accordance with this Communiqué, enterprises are required to prepare their financial statements in accordance with International Financial Reporting Standards ("IAS / IFRS") as in the form accepted by the European Union. However, IAS / IFRS will be applied until the differences between the IAS / IFRS accepted by the European Union and those published by the International Accounting Standards Board ("IASB") are announced by the Public Oversight, Accounting and Auditing Standards Authority ("POA"). In this context, Turkish Accounting / Financial Reporting Standards ("TAS / TFRS") published by POA that are not contrary to the adopted standards will be taken as a basis.

As at the date of preparation of the financial statements, the financial statements have been prepared, within the frame of the CMB's Communiqué Serial: XI, No. 29 and announcements clarifying this Communiqué, in accordance with the CMB Financial Reporting Standards which are based on IAS / IFRS. The financial statements and notes thereof are presented in accordance with the formats recommended by CMB's announcements dated April 14, 2006 and January 9, 2009 and with the inclusion of the compulsory information.

The Company complies with the principles and requirements of CMB, the Turkish Commercial Code ("TCC"), tax legislation and the requirements Uniform Chart of Accounts issued by the Ministry of Finance of the Republic of Turkey ("Ministry of Finance") in keeping accounting records and preparation of financial stamements. The financial statements have been prepared by applying the necessary adjustments and classifications to the statutory records in order to present them correctly in accordance with the CMB Financial Reporting Standards. The financial statements have been prepared on the basis of cost, except for plots for which revaluation model was initiated as of December 31, 2011.

The Company's balance sheet dated December 31, 2012 prepared pursuant to the CMB's Communiqué Serial: XI No. 29, and statement of comprehensive income for the period ended December 31, statement of changes in equity, cash-flow statement and notes were approved for publication by the Company Management on March 15, 2013. The General Meeting of Shareholders and various regulatory bodies have the right to amend the financial statements.

Functional and presentation currency

The functional and presentation currency of the Company is accepted as TL.

2.1 Changes in accounting policies

2.2 New and amended standards and interpretations

The accounting policies adopted in preparation of the financial statements for the reporting period ended December 31, 2012 are consistent with those of the previous year, except for the new and amended IFRS and IFRIC interpretations effective as of January 1, 2012 that are summarised below. The effects of these standards and interpretations on the Company’s financial position and performance are disclosed in the related paragraphs.

2. Basis of presentation of financial statements (continued)

The new standards, amendments and interpretations effective from 1 January 2012 are as follows:

IAS 12 Income Taxes - Recovery of Underlying Assets (Amendment)

It has been updated due to the fact that i) deferred taxes on investment property, which are measured with the fair value model under IAS 40, are calculated on the basis of the recovery of the carrying amount of property through sale, as rebuttable presumption, and ii) deferred taxes on non-depreciable assets, which are measured with the revaluation model within IAS 16, should always be calculated on a sale basis. The amendments need to be applied retrospectively. The amendment has not affected the Company's financial position or performance.

IFRS 7 Financial Instruments: Disclosures - Enhanced Disclosure Requirements - Derecognition (Amendment)

The intent of the amendment is to ensure that financial statement readers better understand transfer transactions (such as securitization) of financial assets - including possible risks that may remain on the party that transfers the financial asset. Furthermore, the amendment introduces additional disclosure requirements where disproportionate financial asset transfer transactions are made towards the end of the accounting period. It is not mandatory to give comparative disclosures. The amendment affects disclosure rules only and will not have an impact on the Company's financial position or performance.

Standards issued but not yet effective and not applied early

The new standards, interpretations and amendments published as of the date of approval of the financial statements but not yet effective for the current reporting period and not applied early by the Company are as follows. Unless otherwise stated, the Company will make the necessary changes that will affect the financial statements and notes after the entry into force of the new standards and interpretations.

IAS 1 Presentation of Financial Statements (Revised) - Presentation of Components of Other Comprehensive Income (Statement of Comprehensive Income)

The amendments are effective for annual periods beginning on or after 1 July 2012, but early application is allowed. The amendments made only change the grouping of items shown in the statement of other comprehensive income. Items that can be classified (or that may be reversed) to the income statement at a future date will be shown separately from items that can never be classified to the income statement. The amendments will be applied retrospectively. The amendment only affects basis of presentation and will not have an impact on the Company's financial position or performance.

IAS 19 Employee Benefits (Revised)

The standard is effective for annual periods beginning on or after January 1, 2013 and earlier application is permitted. Except for some exceptions, it will be implemented retroactively. Within the scope of the amendment to the standard, either many issues were clarified or amendments were made in the implementation. The most important ones of the many changes that have been made are the removal of the application of the mechanism of indemnification corridor and the determination of the distinction of short- and long-term employee benefits according to the estimated date of payment obligation rather than according to the principle of employee's entitlement. The Company is assessing the impact of the amended standard on its financial position and performance.

2. Basis of presentation of financial statements (continued)

IAS 27 Separate Financial Statements (Revised)

As a result of the publication of IFRS 10 and IFRS 12, IASB has also amended IAS 27. As a result of the amendments, IAS 27 now includes only the accounting of subsidiaries, jointly controlled entities and associated companies in separate financial statements. The transitional provision of these amendments are the same as in IFRS 10. It is not expected that this amendment will have a material effect on the Company's financial position or performance.

IAS 28 Investments in Associates and Joint Ventures (Amendment)

In consequence of the publication of IFRS 1 and IFRS 12, IASB has also amended IAS 28 and changed the name of the standard as IAS 28 Investments in Associates and Joint Ventures. With this amendment, equity method of accounting has also been introduced for joint ventures in addition to associates. The transitional provisions of these amendments are the same as IFRS 11. It is not expected that this standard will have an effect on the Company's financial position or performance.

IAS 32 Financial Instruments: Presentation - Offsetting of Financial Assets and Liabilities (Amendment)

The amendment clarifies the meaning of the expression "presence of a legal right available on offsetting the amounts accounted for" and clarifies the application area of IAS 32 offsetting principle in accounting systems (such as clearing offices) which are not realised simultaneously and where gross settlement is made. The amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. It is not expected that this standard will have a material effect on the Company's financial position or performance.

IFRS 7 Financial Instruments: Disclosures - Offsetting of Financial Assets and Liabilities (Amendment)

The clarifications provide useful information to the users of financial statmements i) for the assessment of the effects and possible effects of transactions that are set off on the company's financial position, and ii) for the comparison and analysis of financial statements prepared in accordance with IFRS and other generally accepted accounting principles. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2013 and interim periods therein. The amendment affects disclosure rules only and will not have an impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments - Classification and Disclosure

With the amendment made in December 2011, the new standard will be effective for annual periods beginning on or after 1 January 2015. The first phase of the standard IFRS 9 Financial Instruments introduces new provisions for the measurement and classification of financial assets and liabilities. It will not affect the Company's financial position or performance as of December 31, 2012.
The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and the measurement of financial liabilities that are classified as the ones which are measured by reflecting the fair value difference to profit or loss. These amendments require that the portion relating to credit risk of the fair value changes of this kind of financial liabilities be presented in the statement of other comprehensive income. Early application of the standard is permitted. This standard has not yet been endorsed by the European Union. The Company is assessing the impact of the standard on its financial position and performance.

2. Basis of presentation of financial statements (continued)

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods ending on or after January 1, 2013, and the amendments will be applied retrospectively with some different arrangements. Early application is allowed provided that the standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities are also applied simultaneously.
It replaces the consolidation part of the standard IAS 27 Consolidated and Separate Financial Statement. A new "control" definition has been made which will be used to determine which companies will be consolidated. It is a principle-based standard that leaves preparers of financial statement more space to decide. It is not expected that this standard will have an effect on the Company's financial position or performance.

IFRS 11 Joint Arrangements

The standard is effective for annual periods ending on or after January 1, 2013, and the amendments will be applied retrospectively with some arrangements. Early application is allowed provided that the standards IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities are also applied simultaneously.
The standard regulates how jointly controlled joint ventures and joint operations shall be accounted for. Under the new standard, proportionate consolidation of joint ventures is no longer allowed. It is not expected that this standard will have an effect on the Company's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods ending on or after January 1, 2013, and the amendments will be applied retrospectively with some different arrangements. Early application is permitted provided that the standards IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements standards are also applied simultaneously.
IFRS 12 comprises all disclosures related to consolidated financial statements previously contained in IAS 27 Consolidated and Separate Financial Statements and all notes disclosures required to be made in relation to associates, joint ventures, subsidiaries and structural entities previously contained in IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It is not expected that this standard will have an effect on the Company's financial position or performance.

IFRS 13 Fair Value Measurement

While the new standard explains how to measure the fair value pursuant to IFRS, it does not introduce any change as to when the fair value may be used and/or should be used. It is a guide for all fair value measurements. The new standard also introduces additional disclosure requirements for fair value measurements. This standard is mandatory for annual periods ending on or after January 1, 2013 and it will be implemented prospectively. Earlier adoption is permitted. New disclosures are required to be made as from the period when IFRS 13 will be applied - i.e. comparative disclosures with prior periods are not required. The Company is assessing the impact of the standard on its financial position and performance.

2. Basis of presentation of financial statements (continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
It applies to annual periods beginning on or after January 1, 2013. Earlier application is permitted. Companies will need to apply this interpretation's requirements to excavation costs incurred during the production phase as from the beginning of the period presented comparatively. The interpretation clarifies when and under what conditions the excavations in the production phase will be accounted for as assets and how the accounted assets will be measured in the first recognition and in subsequent periods. This interpretation does not apply to the Company and is not expected to have a significant impact on the Company's financial position or performance.

Implementation Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The amendment is effective for annual periods beginning on or after January 1, 2013. The amendments are made only in the implementation guidance to eliminate the need for retrospective adjustments. The date of initial application is defined as "the beginning of the annual reporting period in which IFRS 10 is applied for the first time". Assessment of whether or not control is present shall be made at the date of first application instead of the beginning of the comparative period. If the control assessment according to IFRS 10 differs from that made according to IAS 27/[IFRS] 12, retroactive adjustment effects should be identified. However, if the control assessment is the same, no retroactive adjustment is required. If more than one comparative period is presented, only one period is allowed to be retroactively adjusted. IASB has also amended IFRS 11 and IFRS 12 implementation guidance for the same reason and facilitated the transitional provisions. This amendment has not yet been adopted by the European Union. It is not expected that this amendment will have an effect on the Company's financial position or performance.

Improvements in IFRS

IASB has issued Annual Improvements to IFRS 2009 - 2011 cycle, which include changes to current standards. Necessary but not urgent changes are made within the scope of annual improvements. The effective date of the changes is the annual reporting period beginning on or after January 1, 2013. As long as the necessary disclosures are provided, early application is permitted. This project has not yet been accepted by the European Union. It is not expected that this project will have a material effect on the Company's financial position or performance.

IAS 1 Presentation of Financial Statements:

It has clarified the difference between additional comparative information that is optional and comparative information that must be presented as a minimum.

IAS 16 Property, Plant and Equipment:

It has clarified that spare parts and maintenance equipment, which conform to the definition of tangible fixed assets (property, plant and equipment), are not an inventory item.

IAS 32 Financial Instruments: Presentation:

It has clarifies that the tax effect of distributions to shareholders should be accounted for in accordance with IAS 12. The amendment requires that existing obligations in IAS 32 be removed and all income taxes arising from distributions made by companies to shareholders be accounted for in accordance with IAS 12.

IAS 34 Interim Financial Reporting:

IAS 34 clarifies the disclosures required about total segment assets and liabilities for each operating segment. The total assets and liabilities of operating segments should only be disclosed if such information is regularly reported to the authority powered to take decisions about the entity's operations and if there is a significant change in the total amounts disclosed compared to the previous year's financial statements.

2. Basis of presentation of financial statements (continued)

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 has been amended to provide an exception to the waiver of companies that meet the definition of an investment company from the consolidation provisions. With the exception introduced for the consolidation provisions, the investment companies are required to account for their subsidiaries at fair value in accordance with the provisions of IFRS 9 Financial Instruments. The amendment is effective for annual periods ending on or after 1 January 2014. Early application permitted. This amendment has not yet been adopted by the European Union. This amendment has not affected the Company's financial position or performance.

2.3 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents are composed of cash, demand deposits, and other short-term, highly liquid investments with a term of no more than 3 months at the time of purchase, which are readily convertible to cash and do not carry a risk of significant impairment.

Financial instruments

Financial assets

The Company has classified its financial assets as follows: trade receivables, available-for-sale financial investments and cash and cash equivalents. Classification is made according to the purpose of acquisition of financial assets. The management classifies the financial assets on the date of purchase.

Available-for-sale financial investments

The subsequent valuation following the initial recognition of available-for-sale securities classified under financial investments is made at fair value. Profit or loss arising from changes in the fair value of available-for-sale securities is presented in a separate line item under equity until the related assets are sold, converted to cash, or otherwise disposed of, or until their value decreases, and after that date, the accumulated fair value differences are associated with income and expenditure account.
The fair values of securities available for sale that are traded in active markets are determined either at the current market rates as of the balance sheet date or at the prices quoted on the Stock Exchange or at the current market buying prices.

Dividends received from securities available for sale are accounted for in dividend income.

2. Basis of presentation of financial statements (continued)

Trade receivables

Trade receivables are recognized with their invoiced amounts and are carried at their net values discounted using the effective interest rate method and, if any, after deducting provision for doubtful receivables in the following periods.

Notes and postdated cheques classified in trade receivables are carried at their discounted values rediscounted using the effective interest rate method.

The provision for doubtful receivables is recognized as an expense. If there is a concrete indication that the due receivables cannot be collected, a provision for doubtful receivables is allocated. The provision is the amount that is estimated by the Company management and considered to cover the possible losses that may arise from economic conditions or risks which the account carries by its very nature. Uncollectible receivables (bad debts) are completely deleted from the records in case they are detected.

The Company collects some of its receivables through factoring. Since the collection risk belongs to the Company until the factoring company collects the transferred receivables from the customers, the Company follows the related receivables in the financial statements. Advances received from the factoring company in exchange of these receivables are reported as factoring payables under "Financial Payables". Factoring expenses are accounted for on accrual basis in financing expenses account.

Impairment of financial assets

At each balance sheet date, financial assets or groups of financial assets are assessed on whether there are any indicators of impairment. An impairment loss exists if, after the initial recognition of a financial asset, one or more events occur and there is an objective indicator that the related financial asset, or assets group, is impaired in value due to the negative impact of the said event(s) on the foreseeable future cash flows of the related financial asset, or assets group. The amount of impairment on loans and receivables is the difference between the asset's carrying amount and the present value of its anticipated future cash flows, which are discounted using the financial asset's effective interest rate. The Company follows its receivables separately and does not allocate a collective provision.

For all financial assets, except for trade receivables where the carrying amount is written down by the use of a provision, the impairment is directly deducted from the carrying amount of the related financial asset. A trade receivable will be deducted and deleted from the reserve account if it cannot be collected. Changes in the reserve account are recognized in the statement of comprehensive income/(expense)

Negative differences between the acquisition cost and the fair value of available-for-sale financial assets are associated with the statement of comprehensive income in case the difference is significant and prolonged. Impairment losses recognized in profit or loss (income statement) relating to investments in equity instruments classified as available for sale are not reversed through profit or loss.

Except for equity instruments available for sale, if the impairment loss decreases in the following period and the decrease can be attributed to an event occurring after the impairment loss is recognized, the previously recognized impairment loss will be cancelled in the statement of comprehensive income in a manner that will not exceed the amount of the amortized cost that would have been achieved if the impairment of the investment had not been accounted for at the date the impairment was cancelled.

The increase occurred after the impairment in the fair value of available-for-sale equity instruments is accounted for directly in equity.

2. Basis of presentation of financial statements (continued)

Financial liabilities

Financial liabilities are recognised at their fair value and are carried at amortised cost using the effective interest method in the following periods together with the interest expense calculated according to the effective interest rate.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the related interest expense over the relevant period. The effective interest rate is the rate at which the estimated future cash payments are discounted over the expected life of the financial instrument or a shorter period, where applicable, to arrive at the net present value of the related financial liability.

Bank loans

All bank loans are recorded at time of the initial recognition at the cost value that is considered to reflect their fair value and that includes the transaction cost.
After initial recognition, the loans are shown with their net values discounted using the effective interest rate method. When the discounted value is calculated, the costs at the time of initial issue and the discounts and premiums during the reimbursement are taken into account.

Trade payables

Trade payables are recognised at discounted cost value representing the fair value of the invoiced or uninvoiced amount related to the purchase of goods and services to be incurred in the future. A part of the Company's trade payables is paid by the factoring company and the bank, and the Company owes the amount paid to the factoring company or bank; the related amounts are shown respectively as factoring payables and letter of credit liabilities under "Financial Payables" in the financial statements.

Recognition and derecognition of financial assets and liabilities

All purchases and sales of financial assets are recognised on the transaction date, i.e. on the date the Company commits to purchase or sell the asset. Such purchases and sales are trades that generally require the delivery of the financial asset within the time-frame determined by general custom and regulations of the market.

A financial asset (or part of a financial asset, or a part of a group consisting of similar financial assets) is derecognized;

- if the time relating to the right to obtain cash flow from the asset is over;
- if the Company has the right to obtain cash flow from the asset but is obligated to pay the full amount without spending too much time under an agreement requiring direct transfer to a third party;
- if, in the case Company transfers its right to obtain cash flows from the asset, (a) all risks or rewards with respect to the asset have been transferred or (b) all controls on the asset have been transferred although all rights or rewards have not been transferred.

If, in the case the Company transfers its right to obtain cash flows from the asset, all risks or rewards with respect to the asset have not been transferred or controls on it have not been transferred, the asset is carried in the financial statements according to the Company's ongoing relationship with the asset.

Financial liabilities are derecognised if the debts arising from these liabilities are abolished, cancelled or expired.

2. Basis of presentation of financial statements (continued)

Netting / Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

Effects of changes in foreign exchange rates

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates when they are initially recognized. Monetary assets and liabilities denominated in foreign currencies are measured at the rates prevailing at the reporting date and foreign exchange gains and losses resulting therefrom are recognized in the comprehensive income statement for the related period. All monetary assets and liabilities are translated at the period-end exchange rates and the related foreign exchange differences are recognized in the comprehensive income statement. Non-monetary items denominated in foreign currencies and measured at cost value are translated into functional currency at the rates prevailing at the initial transaction date. Non-monetary items denominated in foreign currencies and measured at fair value are translated into functional currency at the exchange rates prevailing at the time the fair value was determined.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ('reporting entity').

(a) A person or a close member of that person's family is deemed related to the reporting entity in the following situations:
If that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity;
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is deemed related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related with the others).
- (ii) The entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One of the entities is a joint venture of a third entity and the other entity is an associate of that third entity.
- (v) The entity has a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity has itself such a plan, the sponsoring employers are also related to the reporting entity.

2. Basis of presentation of financial statements (continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in subparagraph (i) of (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of its parent company).

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes all expenses incurred in bringing the inventories to their present location and condition. Material, direct labor and general manufacturing costs consist the cost included in the inventories. Direct raw materials and supplies, work in process, finished goods, commodities, and spare parts that consist other inventories are valued using the moving weighted average cost method.

The Company has allocated provision for impairment of inventories for the parts of spare parts and commodity inventories that are not expected to be sold/used.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Tangible fixed assets

Tangible fixed assets other than land are stated at cost less accumulated depreciation and impairment, if any. Lands are presented at fair value in accordance with the revaluation model as permitted by IAS 16 and are not subject to depreciation. When the tangible assets are sold, the income or expense that arises after the deduction of the cost and accumulated depreciation of these assets from the related accounts is included in the comprehensive income/loss statement.

The initial cost of a tangible fixed asset comprises its purchase price, import duties, non-refundable taxes and any directly attributable costs of preparing the asset to its working for its intended use. Expenses such as repair and maintenance that occur after the use of the tangible fixed asset has started are recognized as expense in the period in which they are incurred. If the expenditures made provide economic added value for the future use of the related tangible asset, these costs are added to the cost of the asset.

Tangible fixed assets are capitalized and depreciated when their capacity is fully available for use. Depreciable assets are depreciated using straight-line method on prorata basis over their expected useful lives.

Depreciation periods are as follows:

	Period
Buildings	25-50 years
Machinery and equipment	4-20 years
Vehicles	4-5 years
Furniture and fixtures	2-10 years
Rights	7-14 years
Special costs	5 years

The useful life and depreciation method are regularly reviewed and accordingly the compliance of the method and period of depreciation with the economic benefits to be gained from the related asset are looked through and thus prospective amendments are made if they are in compliance.

2. Basis of presentation of financial statements (continued)

Intangible fixed assets

Intangibles fixed assets consisting of software rights are recognized at acquisition cost. Software rights are amortised over their adjusted cost values using straight-line method of depreciation on prorata basis over 3 to 15 years.

The carrying values of intangible fixed assets are reviewed and the necessary provision is allocated if the changes in conditions and the events indicate a possible decrease in the carrying value.

Investment property

Investment property is property held to earn rental income and/or for the purpose of capital appreciation. It is measured initially at cost, including transaction costs directly associated with the acquisition. The book value also covers the cost of replacing a part of the investment property if the recognition principle of adding such costs is met. This value does not cover daily expenditures made for the provision of services for investment properties.

Depreciation is calculated using the ordinary depreciation method over the estimated useful life of the investment property other than land. In this context, depreciation period applied for buildings is 25 to 50 years.

Research and development expenses

Research expenditures are recognized as an expense when they occur (Note 20). Costs incurred in development projects (related to the design and testing of new or improved products) are recognized as intangible fixed assets if the following conditions are met:

- In case the intangible asset is completed, it can be sold and used taking account of its technical feasibility;
- The management's intention to complete the intangible asset and either use it or sell it;
- The intangible assets can be used or sold; the demonstration of possible future economic benefits;
- Sufficient technical, financial and other resources for the completion, use or sale of the intangible asset;
- Reliable measurement of costs incurred during the development of the intangible asset.

Other development costs that do not meet these criteria are recognised as expense in the period in which they are incurred. Development costs recorded as expense in prior periods cannot be capitalised in subsequent periods. Capitalized development costs are recognized as intangible fixed assets and are amortized on a straight-line basis over the useful life not exceeding 5 years from the date the related asset is ready for use.

Government grants

All government grants, including non-monetary government grants monitored at fair value, are recognised in the financial statements only when there is reasonable assurance that the Company will comply with necessary conditions attached to the grant and the grant will be received or when the Company receives the grant. Government grants are accounted for as a deduction from the costs of the capitalizable intangible fixed assets that are intended to be financed with these grants.

2. Basis of presentation of financial statements (continued)

Impairment of non-financial assets

Impairment test is conducted for depreciable assets if it is not possible for the asset to recover its carrying amount. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level where cash flows are separately identifiable (cash-generating units). Non-financial assets are reviewed at each reporting date for possible indications of impairment.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that require significant time to be ready for their intended use or sale are capitalized as part of the cost of the related assets. Other borrowing costs are accounted for as expense in the periods they are incurred. Borrowing costs include interest and other costs incurred due to borrowing.

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are only recognised if, and only if the Company has a present obligation resulting from a past event, and there is a probability of an outflow of economic resources providing economic benefit to the entity due to this obligation and the amount of the obligation can be estimated reliably.
Where the time value of money is material, provisions are reflected with the discounted value of possible future costs at the balance sheet date. Provisions are reviewed at each balance sheet date and necessary adjustments are made to reflect the management's best estimates.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements, but disclosed in the notes if the situation requiring the transfer of resources is not highly probable. Contingent assets are not recognized in the financial statements, but disclosed in the notes where an inflow of economic benefits is probable.

Leasing transactions - as lessee

Finance leases

The Company recognizes fixed assets acquired through finance lease at the fair value at the beginning of the lease date on the balance sheet or, if lower, the value of the minimum rent payments at the balance sheet date (they are included in the related tangible asset items in the financial statements). In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease if this is practicable to determine, if not, borrowing interest rate is used as the discount factor. The expenses incurred during the initial acquisition of the fixed asset subject to finance lease are included in the cost. The liability arising from the leasing transaction is divided into interest payable and principal debt. Interest expenses are calculated over the fixed interest rate and included in the comprehensive income statement accounts of the related period. Leased fixed assets recognized in the financial statements are depreciated according to the corresponding useful lives of the depreciable assets owned by the Company.

2. Basis of presentation of financial statements (continued)

Operating leases

If, in the lease of an asset, all risks and benefits remain with the lessor, such leases are classified as operating leases. Lease payments made under an operating lease are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Taxes calculated on the basis of the company's earnings

Tax expenses or income is the sum of the current and deferred taxes calculated in relation to the gains or losses incurred in the period.
In the calculation of current and deferred tax, the tax rates that are valid as at the balance sheet date are used in accordance with the tax legislation in force in the country in which the Company operates.
Deferred tax is calculated according to the balance sheet liability method. Deferred tax is the tax effect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their statutory tax bases, and is accounted for financial reporting purposes.
Deferred tax assets are recognised for all deductible temporary differences, unused grants and financial losses carried forward, to the extent that it is probable that a future taxable profits will be available where this time time differences can be utilised. The deferred tax asset is reviewed at each balance sheet date and the carrying amount of the deferred tax asset is reduced in cases where it is not possible to generate sufficient taxable profit for future use of the deferred tax asset.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the enterprise.
Deferred tax is directly associated with equity account group if it relates to transactions that are directly associated with equity at a similar or different period.
The Company recognises the deferred tax asset for deductible temporary differecences only in the following situations and only when both situations are probable:
(a) Temporary differences will reverse in the foreseeable future; and
(b) The taxable profit will be available against which the deductible temporary difference can be utilized.
Employee benefits *Provision for severance payments*
Pursuant to the existing Turkish Labour law, the Company is obligated to make a certain amount of severance payment to the personnel that leaves work due to retirement or resignation or that is dismissed from work for reasons other than misconduct after serving at least for one year.
The Company calculated the provision for severance pay contained in the financial statements using the "Projection Method" based on the Company's experience gained in the past years concerning the completion of the personnel's period of service and severance pay entitlements and discounted them according to the government bond rates on the date of the balance sheet. All actuarial gains and losses calculated are recognised in the statement of comprehensive income/expense.

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2. Basis of presentation of financial statements (continued)

Unused vacation entitlements

The unused vacation entitlements in the financial statements represent the estimated total sum of possible future liabilities related to the accumulated vacation days of the employees as of the balance sheet date.

Events occurring after the balance sheet date

Post-balance-sheet events (events requiring adjustments) that provide additional information about the Company's position at the balance sheet date are reflected in the accompanying financial statements. Post-balance-sheet events that do not require adjustment are disclosed in the notes if they are material.

Earnings per share (TL)

Earnings per share disclosed in the statement of comprehensive income are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the reporting period.

In Turkey, companies can increase their capital through "bonus shares" distributed to their present shareholders from prior years' earnings. Such "bonus share" distributions are treated as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in these calculations is found by also taking into account the retrospective effects of such share distributions.

Income

Sales revenues are recognised on an accrual basis at the fair value of the consideration received or receivable in the cases where the goods are delivered or the service is provided, the product-related important risks and benefits are transferred to the buyer, the amount of income can be calculated reliably or it is very likely that the Company will obtain the economic benefits related to the transaction. Net sales show the invoiced value, excluding sales tax of the sold product or completed service, less rebates and discounts (Note 20).

Interest income obtained within other income is calculated using the effective interest rate method and recognized on an accrual basis, and rental income obtained within operating lease is recognized on a periodical accrual basis.

Cash-flow statement

In the statement of cash flows, cash flows for the period are classified and reported as operating, investing and financing activities.

Cash flows from operating activities show the Company's cash flows from tractor and engine selling activities.

Cash flows related to investing activities show the cash flows which the Company uses in its investment activities (tangible and intangible investments and financial investments).

Cash flows from financing activities represent the resources which the Company uses in its financing activities and the repayments of those resources.

Cash and cash equivalents include cash, checking accounts and other short-term highly liquid investments with a maturity of 3 months or less at the time of purchase, which are readily convertible to cash and not subject to significant risks in terms of change in value.

2. Basis of presentation of financial statements (continued)

Fixed assets held for transfer and discontinued operations

The activities to be disposed of are the activities and cash flows, which the Company has disposed of or classified as available-for-sale asset, that can be separated from the entirety of the Company. The activities to be disposed of represent a separate field of activity or geographical area of activity, and are part of a separate plan for sale or disposal, or are a subsidiary purchased for sale. The Company measures the activities to be disposed of at the lower of the carrying amounts of the related assets and liabilities and their fair value less costs to sell.

2.3.1 Changes in accounting policies

Lands

As of 31 December 2011, the Company changed its policy in the measurement of lands after the recognition within the frame of IAS 16, and decided to apply the revaluation method, which represents the fair value, instead of applying the cost model. The Company determined the fair value of its lands according to the valuation work made by a valuation company holding a valuation licence issued by CMB and recognized them as of 31 December 2011. This voluntary change in accounting policies requires a retrospective application in financial statements. However, retrospective application was not possible because it was determined that it was not possible to obtain sufficient and healthy information and to make a reliable assessment for determining the fair value of the lands. The following accounting entries were made in the financial statements of December 31, 2011 due to the change in the Company's accounting policy:

Increase in the value of lands: 41,443,301 TL.
Increase in tangible fixed assets valuation fund: 39,371,136 TL.
Increase in deferred tax liability: 2,072,165 TL.

Inventories

As at 1 January 2012, the Company changed its valuation method for inventories from moving weighted average method to first-in-first-out (FIFO) basis. This voluntary change in accounting policies requires a retrospective application in financial statements. However, retrospective application was not possible because it was not practical to determine the retrospective effects of the change in inventory valuation method.

2.4 Significant accounting judgements, estimates and assumptions

In the preparation of the financial statements, the Company's management is required to make judgements, estimations and assumptions to determine the liabilities and commitments that may occur as of the balance sheet date and the amounts of income and expenses for the reporting period, which will effect the amounts of reported assets and liabilities. Actual results may differ from estimates. Estimations are regularly reviewed and revised and necessary adjustments are made, and they are reflected in the statement comprehensive income for the period in which they occur.

2. Basis of presentation of financial statements (continued)

Significant assumptions, which were made taking into consideration the main sources of estimations that were available at the balance sheet date or that may be realised in the future, that may have a significant effect on the amounts reflected in the financial statements are as folows:

Useful lives of tangible and intangible fixed assets

The Company's management has made significant assumptions in determining the economic lifetimes of tangible assets (Note 2.3). The Company constantly reviews the physical and economic usability of the machinery and equipment currently in use. The physical and economic lifetimes of the main production lines has been determined based on the assumption that the main production lines are not overly worn due to below-capacity production during and after the privatisation process.

Provision for warranties

Repair and maintenance costs made for the goods manufactured and sold by the Company, labour and material costs of the authorised services provided free of charge to the customers within the warranty period, initial maintenance costs incurred by the Company and results of estimations according to historical data for possible returns and repair levels of products in the coming years whose proceeds have been recognised as income in the current period are recognised as warranty expenses (Notes 15 and 21) The Company provides a two-year warranty for the goods which it sells. As the Company expects a significant part of the warranty expenses to be realised within 1 year, the Company reflects the provisions for warranties as short-term expenses.

Provision for doubtful trade receivables

The Company management has made estimates for the determination of doubtful trade receivables in its trade receivables portfolio, taking into account past collection history and the current status of customers (Note 8).

Provision for severance payments

Provision for severance pay is determined using actuarial calculations based on a number of assumptions, including discount rates, future salary increases and employee turnover rates. Because these plans are long-term, the assumptions involve significant uncertainties (Note 17).

Provision for inventories

In relation to inventory impairment, inventories are examined physically and in terms of the length of time passed, their usability is determined according to the technical personnel's opinions and a provision is allocated for the items which are estimated as unusable (Note 9). In the determination of the net realizable value of inventories, the list prices and data regarding the average discount rates given during the year are used, and estimates related to the sales expenses to be incurred are made.

Deferred taxes

Deferred tax assets are accounted for to the extent that it is very likely that a taxable profit will be available to benefit from tax advantage in the future. Deferred tax assets are calculated on the basis of unused tax deductions and other temporary differences if the tax advantage is probable (Note 26).

(Currency: Turkish Lira (TL))

3. Business combinations

The Company does not have a business combination in the current and prior periods.

4. Reporting by segments

The Company management does not report financial information by segments because there are no different types of products and different geographical areas that need to be reported by segments. The distribution of the Company's sales according to geographical markets (domestic-foreign) and product groups are shown in Note 20.

5. Cash and cash equivalents

As of December 31, 2012 and December 31, 2011, the amounts of the Company's time deposits, their average rates of return and their average maturity are as follows:

	December 31, 2012	December 31, 2011
Cash Bank-demand deposit Bank-time deposit	5,999 21,968,573 47,213	1,759 242,231 44,484
	22,021,785	288,474

On 31 December 2012 and 31 December 2011, the TL-denominated time deposit amounting to TL 40,000 is a guarantee for an oil company with which the Company has an agreement and is held as time deposit in the bank. This time deposit's interest rate is 6.5% per annum (2011 - 6.5%).
The details of cash and cash equivalents in the cash-flow statements as of December 31, 2012 and December 31, 2011 are as follows:

	December 31, 2012	December 31, 2011
Cash	5,999	1,759
Banks	22,015,785	286,715
Less: Blocked bank deposits	(40,000)	(40,000)
Cash and cash equivalents in the cash-flow statement	**21,981,784**	**248,474**

(Currency: Turkish Lira (TL))

6. Financial payables

6.1 Short-term financial payables

a) Liabilities to financial institutions

	December 31, 2012	December 31, 2011
Payables to financial institutions	23,274,471	24,641,506
Payables from factoring transactions (*)	25,916,316	11,681,543
	49,190,787	36,323,049
Less: long-term payables to financial institutions	(1,797,539)	(10,219,786)
Short-term financial payables	47,393,248	26,103,263

(*) Liabilities from factoring transactions are about postdated cheques and notes transferred revocably to factoring institutions and are shown in the balance sheet assets within postdated cheques and notes receivable, details of which are given in Note 8.

The interest and foreign exchange details of financial loans are as follows:

	December 31, 2012		December 31, 2011	
	Effective interest rate %	TL Amount	Effective interest rate %	TL Amount
Short term:				
- US dollar (*)	0%-7.63%	9,578,749	7.48%	12,051,127
- TL	13.58%-19.64%	11,898,182	19.31%	2,370,593
Long term:				
- US dollar (*)	0%-7.63%	102,555	7.48%	8,790,682
- TL	17.77% - 19.64%	1,694,985	19.31%	1,429,104
		23,274,471		24,641,506

(*) In 2012, the Company received an interest-free loan of US dollar 618,420 from the Technology Development Foundation of Turkey. As of December 31, 2012, there is a total financial liability of TL 769,602 (US* dollar 327,253), including a short-term debt of TL 367,465 (US dollar 156,255) and long-term debt of TL 402,137 (US dollar 170,998).

(Currency: Turkish Lira (TL))

6. Financial payables (continued)

Financial loans are measured at discounted value using the effective interest rate method and their carrying amounts are assumed to be close to their fair values.

	December 31, 2012	December 31, 2011
Long-term payables to financial institutions	1,797,539	10,219,786
Long-term financial payables	1,797,539	10,219,786

The maturities of long-term financial payables are as follows:

	December 31, 2012	December 31, 2011
2013	-	10,219,786
2014	1,762,867	-
2015	34,672	
	1,797,539	10,219,786

7. Other financial liabilities

The Company does not have other financial liabilities as of December 31, 2012 and December 31, 2011.

8. Trade receivables and payables

a) Trade receivables

	December 31, 2012	December 31, 2011
Trade receivables	5,375,255	5,018,326
Postdated cheques and notes receivable	49,091,882	29,033,754
	54,467,137	34,052,080
Less: Provision for doubtful receivables	(2,504,861)	(2,566,603)
	51,962,276	31,485,477

The movement of the provision for doubtful receivables as of December 31, 2012 and 2011 is as follows:

	2012	2011
Balance on January 1	(2,566,603)	(2,365,508)
Provisions allocated during the period	(245,313)	(201,095)
Provisions no longer required	307,055	-
Balance on December 31	**(2.504.861)**	**(2,566,603)**

(Currency: Turkish Lira (TL))

8. Trade receivables and payables (continued)

As of December 31, 2012 and December 31, 2011, the aging schedule relating to trade receivables for which a provision for doubtful receivables is not allocated is as follows:

			Provision not allocated despite being overdue			
	Total	Amounts that are not past due and for which a provision is not allocated	Up to 1 month	1 to 3 months	3 to 4 months	4 months and over
December 31, 2012	4,677,268	3,470,635	-	-	34,425	1,172,208
December 31, 2011	4,998,287	4,786,065	154,594	57,628	-	-

The Company has a letter of guarantee amounting to TL 852,000 and a mortgage for the receivable amounting to TL 558,981 from its trade receivables that are past due by 6 months and more. The part of TL 26,327 of the remaining amount was collected in 2013.

The Company did not allocate any provision for its past-due receivables not yet collected because it does not foresee a problem in their collections due to its long-term relationship with the customers related with the receivables and the ongoing trade with the customers in question.

b) Trade payables

	December 31, 2012	December 31, 2011
Trade payables	19,047,028	31,479,522
Notes payable	34,792,691	54,380,792
	53,839,719	85,860,314

9. Inventories

	December 31, 2012	December 31, 2011
Materials and spare parts	46,844,753	44,081,237
Work in process inventories	3,282,684	2,062,036
Finished goods inventories	11,427,876	16,933,831
Trade goods	2,393,352	3,238,823
Goods in transit	4,630,509	14,523,118
	68,579,174	80,839,045
Less: Provision for inventories (*)	(1,318,269)	(929,973)
	67,260,905	79,909,072

(*) As of December 31, 2012, provision allocated for impairment of finished goods inventories and trade goods is recognised in cost-of-sales account.

(Currency: Turkish Lira (TL))

9. Inventories (continued)

As at 31 December 2012 and 31 December 2011, there are no pledges or mortgages on inventories.
As of December 31, 2012 and December 31, 2011, the amount of inventories written down and recognised as expense is TL 214,137,198 and TL 281,679,443 respectively.

The movements in inventory impairment by periods are as follows;

	2012	2011
Balance on January 1	(929,973)	(803,842)
Expense for the current period	(1,283,313)	(895,018)
Disposed of in the current period	895,017	768,887
Balance on December 31	(1,318,2691)	(929,973)

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the reporting period ended December 31, 2012 (continued)
(Currency: Turkish Lira (TL))

10. Tangible fixed assets

	Lands (**)	Overland plants	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Special costs	Investments in progress (*)	Total
Cost									-
January 1, 2012	43,698,539	-	7,817,378	45,551,634	1,704,514	2,290,006	308,184	1,811,687	103,181,942
Inflows	-	2,520	604,767	935,264	487,854	289,983		1,117,945	3,438,333
Transfers to investment property	-	-	(445,783)	-	-	-	-	-	(445,783)
Transfers to assets held for transfer	-	-	-	(7,407,683)	-	(8,394)	-	(1,184,740)	(8,600,817)
December 31, 2012	43,698,539	2,520	7,976,362	39,079,215	2,192,368	2,571,595	308,184	1,744,892	97,573,675
Accumulated depreciation									
January 1, 2012	-	-	1,065,587	17,640,817	436,954	1,124,892	292,247	-	20,560,498
Depreciation for the current period	-	208	213,833	3,433,041	293,888	280,154	2,681		4,223,804
Transfers to investment property	-	-	(75,416)	-	-	-	-	-	(75,416)
Transfers to assets held for transfer	-		(273,11$)	(993,390)		(8,394)	-	-	(1,274,899)
December 31, 2012	-	208	930,889	20,080,468	730,842	1,396,652	294,928	-	23,433,987
Net book value on January 1, 2012	43,698,539	-	6,751,791	27,910,817	1,267,560	1,165,114	15,936	1,811,687	82,621,444
Net book value on December 31, 2012	43,698,539	2,312	7,045,473	18,998,747	1,461,526	1,174,943	13,256	1,744,892	74,139,688

(*) As of December 31, 2012, the Company has received TL 203,519 grant from TUBITAK for the development expenses which it monitors in the account of investments in progress. The Company has offset this grant income with development expenses, which it monitors under the account for investments in progress.

(**) In May 2012, TSKB Real Estate Appraisal Inc., a company licensed by the Capital Markets Board, determined the fair values of the lands using the comparable price method.

(Currency: Turkish Lira (TL))

10. Tangible fixed assets

	Lands (**)	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Special costs	Investments in progress (*)	Total
Cost								
January 1, 2011	2,255,238	7,044,978	34,842,820	1,079,378	1,384,863	308,184	8,035,724	54,951,185
Inflows	-	772,400	4,014,847	725,191	983,623	-	2,068,183	8,565,254
Outflows	-	-	(1,461,324)	(100,055)	(78,480)	-	(137,939)	(1,777,798)
Transfers	-	-	8,155,291	-	-	-	(8,155,291)	-
Effect of the change in accounting policy**	41,443,301							41,443,301
December 31, 2011	43,698,539	7,817,378	45,551,634	1,704,514	2,290,006	308,184	1,811,687	103,181,942
Accumulated depreciation		-						
January 1, 2011	-	904,510	15,525,225	269,626	998,037	238,023	-	17,935,421
Depreciation for the current year	-	161,077	2,700,227	186,139	204,608	54,225	-	3,306,476
Outflows		-	(584,635)	(18,811)	(77,953)	-		(681,399)
December 31, 2011	-	1,065,587	17,640,817	436,954	1,124,892	292,248	-	20,560,498
Net book value on January 1, 2011	2,255,230	6,140,468	19,317,595	809,752	386,826	70,161	8,035,724	37,015,764
Net book value on December 31, 2011	43,698,539	6,751,791	27,910,617	1,267,560	1,185,114	15,936	1,811,687	82,621,444

(*) As of December 31, 2012, the Company has obtained TL 592,401 grant from TUBITAK for the development expenses which it monitors in the account of investments in progress. The Company has offset this grant income with development expenses, which it monitors under the account for investments in progress.

(Currency: Turkish Lira (TL))

11. Intangible Fixed Assets

	2012	2011
Net book value on January 1	528,805	1,258,262
Purchases Amortisation charges Outflows, net	549,108 (659,401)	165,796 (302,853) (592,397)
Net book value on December 31	418,512	528,808
December 31,		
Cost	1,649,419	920,551
Accumulated amortisation charges	(1,230,907)	(391,746)
Net book value	418,512	528,805

There are no pledges or mortgages on the Company's intangible fixed assets.

12. Completely depreciated and amortised tangible and intangible fixed assets

The book values of tangible and intangible fixed assets that have completed accumulated depreciation for the periods and that have been amortized, but which are still in use in the related periods, are as follows.

	December 31, 2012	December 31, 2011
Machinery and equipment	7,174,763	6,791,259
Vehicles	338,810	252,870
Furniture and fixtures	1,000,754	886,294
Rights	125,547	63,216
Special costs	285,538	271,138
	8,925,412	8,264,777

(Currency: Turkish Lira (TL))

13. Investment properties

	2012	2011
Cost		
Balance on January 1	1,930,542	1,930,542
Transfers from tangible fixed assets (**)	445,783	-
Transfers to assets held for transfer (*)	(1,930,542)	-
Balance on December 31	445,783	1,930,542
Depreciation		
Balance on January 1	253,863	215,252
Depreciation expense for the period	23,674	38,611
Transfers from tangible fixed assets (**)	75,416	-
Transfers to assets held for transfer (*)	(275,017)	-
Balance on December 31	77,936	253,863
Net book value on December 31	367,847	1,676,679

(*) As of December 31, 2011, investment properties consist of apartments rented as offices. These investment properties are leased to the related parties controlled by the parent company through operating lease. The Company transferred these assets to Tümosan Foundry Inc., which was newly established through partial division on 4 July 2012 pursuant to the decision of the Board of Management dated 15 March 2012.

(**) The assets classified as investment property as of December 31, 2012 consist of buildings with a net book value of TL 374,836 as of January 1, 2012. In the current period, the Company obtained TL 76,463 rental income from these investment properties. The Company determined the fair value of these investment properties approx. as TL 2,220,000 according to the valuation study made by TSKB Real Estate Appraisal Inc. in May 2012.

There are mortgages amounting to TL 6,000,000 on the Company's investment properties relating to the debts taken on from financial institutions by the companies managed by the Albayrak Family.

14. Provisions, contingent assets and liabilities

Debt provisions

	December 31, 2012	December 31, 2011
Provision for warranties	4,117,166	5,161,229
Provision for litigation expenses (*)	286,001	
	4,403,167	5,161,229

(*) Includes provision for lawsuits filed against the Company.

(Currency: Turkish Lira (TL))

14. Provisions, contingent assets and liabilities (continued)

The movements of provision for warranty expenses over periods are as follows:

	2012	2011
Balance on January 1	5,161,229	2,276,057
Provision used during the period	(5,841,291)	(4,514,966)
Provision allocated during the period	4,797,228	7,400,138
Balance on December 31	4,117,166	5,161,229

15. Commitments

The Company's position for the guarantees, pledges and mortgages (GPM) as of December 31, 2012 and December 31, 2011 is as follows. GPMs given by the Company:

	December 31, 2012	December 31, 2011
A: Guarantees and mortgages given on behalf of its own legal personality	15,856,855	3,408,449
B: The total amount of GPMs given on behalf of other third parties for the continuation of its ordinary business operations (*)	260,663,519	232,008,692
C: The total amount of other GPMs given	-	6,000,000
i. The total amount of GPMs given on behalf of the main shareholder	-	
ii. The total amount of GPMs given on behalf the other Group companies that do not fall under Articles B and C	-	6,000,000
Total	276,520,374	241,417,141

Details of GPMs in foreign currency are as follows (TL equivalents):

	December 31, 2012	December 31, 2011
Turkish lira	275,329,002	241,417,141
US dollar	1,191,372	-
Total	276,520,374	241,417,141

(*) The Company and the Turkish Ziraat Bank (hereinafter the "Bank") signed an agreement in December 2010. According to this agreement, in the event the customer that has purchased the tractor which the Company sells through Tümosan's tractor vendors (Vendor) using credit via the Bank fails to repay the credit, the Bank has the right to request from the Company the difference between the income obtained from the forced sale of the tractor and the 75% of the insurable value determined by the Association of the Insurance and Reinsurance Companies of Turkey for the related tractor. However, the Company reflects the difference that the Bank will demand from it to the Vendor that has sold the tractor. Therefore, the liability is ultimately transferred to the Vendor although the guarantee mentioned above is a guarantee given to the Bank by the Company.

(Currency: Turkish Lira (TL))

16. Provision for employee benefits
a) Short-term employee benefits

	December 31, 2012	December 31, 2011
Provision for unused vacations	385,980	333,770
	385,980	333,770

b) Long-term employee benefits

	December 31, 2012	December 31, 2011
Provision for severance payments	1,582,941	1,303,786
	1,582,941	1,303,786

Pursuant to the existing Turkish Labour Law, the Company is obligated to make a certain amount of severance payment to the personnel, who has served at least for one year, that leaves work due to retirement or resignation or that is dismissed from work for reasons other than misconduct or that is obliged to leave work because of compulsory military service. The amount payable consists of one month's salary for each year of service and is limited to TL 3,034 as of 31 December 2012 and TL 2,732 as of 31 December 2011.

Based on the information gained from past experience, the Company has discounted the benefits gained by employees entitled to severance payments by using the government bond rates valid at the balance sheet date and reflected the discounted net values to the financial statements. Provision for severance payments is allocated by calculating the present value of the possible liability to be paid in case of the employees' retirement. Accordingly, the actuarial assumptions used to calculate the liability as of 31 December 2012 and 31 December 2011 are as follows:

	December 31, 2012	December 31, 2011
Discount rate	8.6%	10.00%
Estimated limit/wage increase	5.00%	5.10%
Net discount rate	3.43%	4.66%

The movement of the provision for severance payment is as follows:

	2012	2011
Balance on January 1	1,303,786	1,170,137
Service cost	365,179	422,620
Interest expense	112,126	117,014
Actuarial income	(117,244)	(309,026)
Paid	(80,906)	(96,959)
Balance on December 31	1,582,941	1,303,786

(Currency: Turkish Lira (TL))

17. Other assets and liabilities

a) Other current assets

	December 31, 2012	December 31, 2011
Deferred VAT	30,880,679	17,945,143
Advances given for orders	684,815	1,781,406
Prepaid expenses	706,259	117,817
Other	76,838	229,920
	32,348,591	20,074,286

b) Other fixed assets

	December 31, 2012	December 31, 2011
Other fixed assets	352,748	68,242
	352,748	68,242

c) Other liabilities

Other short-term liabilities

	December 31, 2012	December 31, 2011
Advances received for orders	5,963,558	2,052,127
Taxes and funds payable	4,269,019	715,593
Payables to employees	428,833	457,958
Social security withholdings payable	262,168	237,548
Other VAT	19,057	20,436
Expense accruals		9,783
	10,942,635	3,493,445

(Currency: Turkish Lira (TL))

18. Equity

a) Capital

The Company's shareholders and their shares in capital as of December 31, 2012 and December 31, 2011 are as follows:

	December 31, 2012		December 31, 2011	
	Rate %	TL	Rate %	TL
Ereğli Textile Tourism Industry and Trade Inc.	67.58	77,716,552	78.18	43,742,725
Muzaffer Albayrak	5.72	6,586,381	6.27	3,509,600
Ahmet Albayrak (son of Ahmet)	2.84	3,264,543	3.11	1,739,535
Bayram Albayrak	2.84	3,264,543	3.11	1,739,535
Nuri Albayrak	2.84	3,264,543	3.11	1,739,535
Kazım Albayrak	2.84	3,264,543	3.11	1,739,535
Mustafa Albayrak	2.84	3,264,543	3.11	1,739,535
Free float portion	12.50	14,374,352		
Capital	100	115,000,000	100	55,950,000
Paid-in capital		115,000,000		55,950,000

The Company increased its paid-in capital from TL 55,950,000 to TL 115,000,000 with a volume of TL 49,050,000 throug a bonus issue by transfering from accumulated profits in accordance with the decision taken at the Ordinary General Meeting of Shareholders dated May 16, 2012 and TL 10,000,000 through rights issues to be paid in cash in accordance with the decision taken at the Board of Management's meeting dated December 4, 2012. As of December 31, 2012, the Company's capital is fully paid up and consists of 115,000,000 shares with nominal value of TL 115,000,000 and TL 1 per share (December 31, 2011 - Capital: TL 55,950,000 and 55,950,000 shares with TL 1 per share).

In accordance with the Communiqué (Serial: XI, No: 29), which entered into force on January 1, 2008, and CMB announcements explaining this Communiqué, "Paid-in Capital", "Reserves on Retained Earnings" and "Share Premiums" are required to be presented at the amounts in statutory records.

The differences in valuations during the implementation of the said Communiqué:

– should be related with the "Capital Adjustment Differences" to be coming after the "Paid-in Capital" item if the differences arise from the "Paid-in Capital" and are not yet added to the capital;
– should be related with the "Accumulated Profits/Losses" if the differences arise from "Reserves on Retained Earnings" and "Share Premiums" and are not yet subject to profit distribution or capital increase. Other equity items are presented with their amounts valuated within the framework of CMB's Financial Reporting Standards.

Share premiums:

In the public offering held on December 5, 2012, the Company increased its capital by TL 10,000,000 by restricting its shareholders' subscription rights and reflected the share premium of TL 26,241,624, which was obtained after deducting the public offering expenses of TL 3,758,376 occurred during this transaction, in the equity on its financial statements.

(Currency: Turkish Lira (TL))

18. Equity (continued)

Dividend Distribution
Companies whose shares are traded on ISE are subject to the dividend requirement imposed by CMB as follows:
Pursuant to Article 19 of the Capital Markets Law No. 6392 which entered into force on 30 December 2012, publicly-listed companies distribute their profits within the frame of their dividend distribution policies to be determined by the general meeting of shareholders and in accordance with the provisions of the applicable legislation. The Capital Markets Board may identify different principles by corporations of similar characteristics with regard to dividend distribution policies of corporations.
Unless and until both the reserve required to be set aside according to the law, and the dividend determined for payment to shareholders in the articles of association are reserved, it cannot be decided to set aside other reserve, or to carry dividend forward to next year, or to distribute dividend to beneficial interest certificate, board members and company's employees, nor can profit shares be distributed to the said persons unless and until the dividend determined for shareholders are fully paid in cash.
In publicly-listed companies, dividends shall be distributed equally to all of the shares existing as of the date of distribution, regardless of their dates of issuance and acquisition.
According to the legislations in force, dividends can be distributed, depending on the decision of the general meeting of shareholders, in cash, or as bonus share distribution to shareholders by adding the capital, or both in the form of cash and bonus share with certain rates, or the amount of dividends can be kept in the company without distributing them as per the principles set out in the Communiqué Serial: IV, No: 27, in which CMB regulates the principles regarding distribution of dividends to be followed by the publicly-listed companies, the provisions of articles of association, the companys' dividend distribution policies disclosed to public.

b) Reserves on retained earnings

Pursuant to the Turkish Commercial Code, the first order legal reserves are required to be set aside as 5% of the statutory net profit until reaching up to 20% of the company's paid-in capital. Pursuant to the Turkish Commercial Code, legal reserves can only be used for transactions aimed at offsetting losses or ensuring the entity's ability to continue as a going concern, unless they exceed 50% of the paid-in capital. Furthermore, in order to benefit from real estate and participating interest sales gains exemption, 75% of such gains must be held in a passive fund account (special reserves) and not withdrawn for 5 years.

The details of the reserves on retained earnings mentioned above are as follows:

	December 31, 2012	December 31, 2011
Legal reserves on retained earnings	85,576	85,576
	85,576	85,576

c) Accumulated profits/(losses)
The equity items in the Company's statutory financial statements prepared in accordance with the Tax Procedure Law are as follows:

	December 31, 2012	December 31, 2011
Legal reserves	85,576	85,576
Accumulated losses	(8,117,902)	(5,478,457)
Net income for the period	31,353,572	56,387,332
	23,321,246	50,994,451

(Currency: Turkish Lira (TL))

19. Sales and cost of sales
a) Statement of sales and cost of sales

Sales:	2012	2011
Domestic sales	285,933,089	406,770,910
Foreign sales	7,590,857	4,707,155
Sales returns and allowances	(1,961,552)	(60,551)
Total sales, net	291,562,394	411,417,514

Cost of sales:	2012	2011
Expenses for raw materials and supplies	214,137,198	281,679,443
General production expenses	12,672,138	10,407,272
Depreciation and amortisation expenses	4,444,448	3,186,051
Personnel expenses	5,950,188	6,796,786
Changes in work-in-process inventories	1,220,648	951,587
Changes in finished goods inventories	(5,746,712)	16,097,933
	232,677,908	319,119,072
Cost of trade goods sold	5,284,391	1,664,750
	5,284,391	1,664,750
Total cost of sales (-)	237,962,299	320,783,822
Gross profit	53,600,095	90,633,692

b) Distribution of sales by product groups (net)

	2012	2011
Tractor sales	284,792,533	407,910,086
Engine sales	2,127,294	1,759,629
Spare part sales	4,642,567	1,747,799
Total sales	291,562,394	411,417,514

20. Operating expenses

	2012	2011
Marketing, sales and distribution expenses	12,934,475	15,894,098
General administrative expenses	5,339,586	4,076,615
Research and development expenses	920,888	1,574,455
	19,194,949	21,545,168

(Currency: Turkish Lira (TL))

20. Operating expenses (continued)

a) Research and development expenses

	2012	2011
Personnel expenses	833,759	868,273
Furniture and fixtures and depreciation expenses	87,129	-
Outsourced benefits and services	-	548,931
Project and study expenses	-	26,100
Raw materials and supplies	-	2,392
Other	-	128,759
	920,888	1,574,455

b) Marketing, sales and distribution expenses

	2012	2011
Provision for warranty expenses	4,797,228	7,400,138
Sales transportation expenses	2,466,060	3,282,344
Personnel expenses	1,885,640	1,383,120
Promotion expenses	1,169,253	1,609,336
Advertising and announcement expenses	951,069	736,835
Fair and exhibition expenses	378,289	459,269
Accommodation expenses	193,742	171,109
Fuel expenses	181,357	100,268
Premium and commission expenses	100,725	181,460
Vehicle rental expenses	93,243	95,218
Representation and entertainment expenses	29,527	-
Mobile service meal and accommodation expenses	25,105	27,266
Mobile service car rental expenses	925	-
Other	662,312	447,735
	12,934,475	15,894,098

c) General administrative expenses

	2012	2011
Personnel expenses	1,967,910	1,425,079
Financial and legal consulting expenses	610,305	213,035
Depreciation and amortization expenses	462,432	461,889
Data processing materials expenses	399,282	351,929
Real estate rental expenses (rental expenses)	341,112	241,773
Litigation, enforcement and proceeding expenses	339,214	
Travel and accommodation expenses	141,381	90,910
Letter of guarantee commissions	129,976	51,703
Subscription expenses	108,243	108,932
Stationery expenses	59,340	34,172
Fuel expenses	46,751	55,122
Telephone expenses	44,940	61,311
Electricity expenses	24,271	
Internet expenses	12,277	
Vehicle rental expenses	6,413	43,233
Other	645,739	917,527
	5,339,586	4,076,615

(Currency: Turkish Lira (TL))

21. Expenses by nature

The breakdown of the depreciation, amortisation and depletion expenses is as follows:

a) Depreciation and amortisation expenses

	2012	2011
Cost of sales	4,444,448	3,186,051
General administrative expenses	462,432	461,889
	4,906,880	3,647,940

b) Employee benefits

	2012	2011
Wages and salaries	8,465,875	8,361,304
Social security costs	1,526,899	1,395,449
Expenses for employee benefits	644,723	716,505
	10,637,497	10,473,258

22. Other operating income/expenses

a) Other operating expenses

	2012	2011
Provision for doubtful receivables Donations and		201,095
grants	245,313	589,799
Restructured tax charges	26,200	214,739
Loss on sale of fixed assets	137,263	906,992
Other		675,653
	408,776	2,588,278

b) Other operating income

	2012	2011
Revenues from sales of scraps and raw materials	454,422	1,240,066
Rental income	445,707	289,908
Other	1,112,777	741,206
	2,012,906	2,271,180

(Currency: Turkish Lira (TL))

23. Financial income

	2012	2011
Income from exchange rate differences Interest	26,373,195	5,991,831
income	9,964,252	3,361,241
	36,337,447	9,373,072

24. Financial expenses

	2012	2011
Losses from exchange differences (-)	24,828,274	10,439,792
Factoring commission expenses (-)	6,743,019	80,158
Interest expenses (-)	3,136,234	1,240,666
	34,707,527	11,760,636

25. Tax assets and liabilities

	2012	2011
Corporate income tax for the current period	(7,838,393)	(13,189,524)
Deferred tax (income)/expenses	(164,488)	756,435
	(8,002,881)	(12,433,089)

In Turkey, the corporate income tax rate is 20% Corporate income tax rate is applied to the net corporation profit calculated by adding non-deductable expenses to the corporation's commercial earnings and deducting exemptions and discounts in tax laws.

Transfer pricing is regulated by Article 13 entitled "Disguised Profit Distribution Through Transfer Pricing" of the Corporate Income Tax Law, and detailed explanations on the subject are given in "General Communiqué on Disguised Profit Distribution Through Transfer Pricing".
*

Pursuant to the said arrangements, if goods or services are purchased or sold with related parties at prices that do not comply with the arm’s length principle, the related profit is considered to have been distributed in a disguised manner through transfer pricing, and such profit distributions are not accepted as tax deductible for corporate income tax purposes.

According to the Corporate Income Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base for a period not exceeding 5 years. Statements and related accounting records can be reviewed by the tax office within five years, including transfer pricing from transactions with related parties, and tax calculations can be revised.

The Company calculates deferred tax assets and liabilities taking into account the effects of temporary differences arising as a result of different assessments of the balance sheet items between the financial statements prepared in accordance with the CMB Financial Reporting Standards and the statutory financial statements. Such temporary differences usually result from the recognition of income and expenses in different reporting periods according to CMB Financial Reporting Standards and Tax Laws.

(Currency: Turkish Lira (TL))

25. Tax assets and liabilities (continued)

Deferred tax assets and liabilities

As of December 31, 2012 and December 31, 2011, the breakdown of the deferred tax liability calculated over temporary differences subject to deferred tax using the prevailing tax rates is summarised below:
Deferred taxes

	Taxable temporary differences		Deferred tax assets/(liabilities)		Income statement and other comprehensive income	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Tangible and intangible fixed assets	4,890,782	3,563,239	(978,156)	(716,648)	(261,508)	813,740
Provision for severance payments	(1,582,941)	(1,303,786)	316,588	260,757	55,831	26,730
Provision for vacation	(385,980)	(333,770)	77,196	66,754	10,442	15,486
Provision for inventories	(1,318,269)	(929,973)	263,654	185,995	77,659	25,227
Effect of inventory valuation adjustments	2,221,450	(1,025,736)	(444,290)	205,147	(649,437)	201,820
Provision for doubtful receivables	(2,504,861)	(2,566,603)	500,972	513,321	(12,349)	40,219
Effects of rediscount adjustments	(462,975)	(233,349)	92,595	46,670	45,925	(7,543)
Provision for warranty expenses	(4,117,166)	(5,161,229)	823,433	1,032,246	(208,613)	577,035
Interest accruals	-	3,149,995	•	(629,999)	629,999	(845,343)
Financial losses carried forward	-	-	-	-	-	(72,359)
Tangible fixed assets valuation fund	41,443,301	41,443,301	(2,072,165)	(2,072,165)	-	-
Provision for lawsuits	(286,001)	-	57,200	-	57,200	-
Other	(411,355)	41,461	82,271	(8,293)	90,563	(18,577)
Deferred tax liabilities, net	37,485,985	36,663,550	(1,280,702)	(1,116,215)	(164,488)	756,435

(Currency: Turkish Lira (TL))

25. Tax assets and liabilities (continued)

For the periods ended December 31, 2012 and 2011, the reconciliation between the tax expense determined by applying the statutory tax rate to pre-tax profit and the total provision for tax in the accompanying statement of comprehensive income is as follows:

	December 31, 2012	December 31, 2011
Profit before tax	37,639,196	66,383,862
Applicable corporate income tax rate - 20% Effect	(7,527,839)	(13,276,772)
of non-deductible expenses Effect of other	(156,760)	(248,251)
permanent differences	(318,282)	1,091,934
Tax expense	(8,002,881)	(12,433,089)

26. Earnings per share

Earnings per share is calculated by dividing the net income for the period by the weighted average number of shares in issue during the period.

In Turkey, companies are entitled to increase their capital through the distribution of bonus shares to be covered from the revaluation surplus fund or accumulated profits. In the calculation of earnings per share, such increases are accepted as bonus issue. Dividend distributions added to capital are also considered in the same way. Therefore, when calculating the average number of shares, it is considered that such shares are in issue during the year. Thus, the weighted average number of the shares used to calculate the earnings per share has been determined taking into account retrospective effects.

	December 31, 2012	December 31, 2011
The weighted average number of shares outstanding during the year	105,739,726	105,000,000
(*) (1 TL each)	29,636,315	53,950,773
Net income for the period	0.2803	0.5138
Earnings per share (TL)		

(*) At the Ordinary General Meeting of Shareholders dated May 16, 2012, the Company increased its capital from TL 55,950,000 to TL 105,000,000 through a bonus issue.

At the Board of Management's meeting held on December 4, 2012, the Company increased its capital from TL 105,000,000 to TL 115,000,000 through rights issues.

(Currency: Turkish Lira (TL))

27. Related party disclosures

The Company conducts various transactions with related parties during its operations. The details of outstanding balances with related parties are as follows:
(a) Receivables/payables concerning related parties:

						December 31, 2012
				Receivables		Payables
		Short term		Long term		Short term
Balances with related parties	Trade	non-trade	Trade	non-trade	Trade	Trade
Shareholders						
Ereğli Textile Tourism Industry Trade Inc. (1)	-	6,420,116	-	-	-	-
Other (1)	-	1,093,714	-	-	-	-
Other companies managed by the main shareholder						
Albil Central Services and Trade Inc. (2)	-	-	-	-	63,794	-
Albayrak Tourism Travel Construction Trade Inc.	-	71,228,199	-	-	-	-
(2) (*)	-	-	-	-	-	-
Albayrak Holding Inc. (2)	-	-	-	-	4,983	-
Dolu Fuel Marketing Inc. (2)	-	-	-	-	-	-
Güneş Albayrak Tourism Travel Industry and	147,162	-	-	-	-	-
Trade Inc. (2)	-	-	-	-	-	-
Kademe Waste Technologies Industry Inc. (2)	261,367	-	-	-	-	-
Net Publishing Industry Trade Inc. (2)						
Tümosan Foundry Inc.						
	408,629	78,742,029	-	-	68,777	-

				Receivables		December 31, 2011
		Short term		Long term		Short term
Balances with related parties	Trade	non-trade	Trade	non-trade	Trade	Trade non-
Other companies managed by the main shareholder						
Alabil Central Services and Trade Inc. (2)	87,310	-	-	-	-	-
Albayrak Tourism Travel Construction Trade Inc. (2)(*)	-	-	-	60,975,839	-	4,078
Other	-	-	-	-	-	-
Receivables from shareholders (1)	-	899,933	-	-	-	-
	87,310	898,933		60,975,839		4,978

(1) Shareholder
(2) Companies controlled by the ultimate partner (Albayrak Group)
(*) In the offering circular prepared on 22 November 2012 for the public offering of the Company, there is a provision regarding the Company's receivable of TL 82,425,792 as of September 30, 2012 from Albayrak Tourism Travel Construction Trade Inc., which is a related entity of the Company, stating that the amount remaining after deducting the amount to be used for purchases within the scope of "Daily Purchase Order Commitment" from the proceeds obtained from the public offering will be collected from the said company in cash within six months following the public offering. In accordance with the aforementioned provision, the amount of TL 15,764,808 remaining after the repurchases made within the scope of "Daily Purchase Order Commitment" was paid to the Company following its public offering on December 5, 2012. As of December 31, 2012, the Company's receivable from Albayrak Tourism Travel Construction Trade Inc. amounts to TL 71,228,199 and this amount is payable until June 5, 2012. For this receivable, interest amounts of TL 3,129,398 for the year ended 31 December 2011 and TL 12,869,260 for the

current period ended 31 December 2012 were accrued at the interest rate of 17.50% per annum. The Company also accrued interest of TL 165,068 at the interest rate of 17.50% per annum with respect to its receivables from Muzaffer Albayrak as of December 31, 2012.

27. Related party disclosures

As of December 31, 2012 and December 31, 2011, there is no guarantee obtained from and/or given to related parties.

(b) Transactions made with related parties during the year:

Service and other purchases

	2012	2011
Tümosan Foundry Inc. (c)	1,384,852	-
Reklam Piri Media Communication Inc. (b)	1,031,518	-
Albil Central Services and Trade Inc. (a)	1,000,432	-
Net Publishing Industry and Trade Inc. (d)	250,000	394,710
Kademe Waste Technologies Industry Inc. (d)	31,780	-
Albayrak Tourism Trade Construction Imp. Exp. Ltd. (d)	1,469	-
Ereğli Textile Tourism Industry and Trade Inc. (d)	1,080	708
Yeşil Adamlar Waste Management Inc. (d)	-	179,720
Güneş Albayrak Tourism Travel Industry and Trade Inc.	-	20,580
(d) Albayrak Tourism Travel Construction Trade Inc. (d)	-	11,246
	3,701,131	606,964

(1) Albayrak Group controls the company.

(a) The Company receives data processing service from this company.

(b) The Company receives advertising service from this company.

(c) The Company purchases raw materials from this company.

(d) Other purchases

Sales and other income

	January 1 - December 31, 2012			January 1 - December 31, 2011		
Interest Rent	Interest	Rent	Other	Interest	Rent	Other
Albayrak Tourism Travel						
Construction Trade Inc. (d)		148,397	1,575	3,689,697	-	-
Albayrak Tourism Travel Inc. (d)	12,869,260	-	41,667	-	-	-
Ereğli Textile Tourism Industry and	-	67,449	-	-	-	121,852
Trade Inc. (d)	-	-	-	-	20,443	-
Güneş Albayrak Tourism Travel	-	49,305	-	-	-	-
Industry and Trade (d)	-	76,463	671,617	-	-	-
Albil Central Services and Trade Inc.	-	11,664	798,579			
(a) - Kademe Waste Technologies	-	4,950	-	-	-	-
Industry Inc. (d) - Tümosan Foundry	165,068	-	-	-	-	-
Inc. (c) Varaka Paper Production Inc.						
(d) Muzaffer Albayrak (d)						
	13,034,328	358,228	1,513,438	3,689,697	20,443	121,852

Benefits provided to the top management

As of December 31, 2012, the total amount of benefits and advantages provided for the top management is TL 712,716 (December 31, 2011 - TL 769,513).

(Currency: Turkish Lira (TL))

28. Financial risk management and policies

The Company's major financial instruments consist of bank loans, finance lease liabilities, factoring liabilities, cash and short-term deposits. The main purpose of the financial instruments is to finance the activities of the Company. The Company also has financial instruments such as trade receivables and payables which arise as a result of its activities. The main risks which the Company's financial instruments generate are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Management's policies regarding the management of these risks are summarised below. The Company also takes into account the market-value risk of all its financial instruments.

Capital management

The company aims to increase its profitability in capital management by using the debt and equity balance in the most efficient way on the one hand and trying to maintain the continuity of its activities on the other hand. The Company's capital structure consists of payables, cash and cash equivalents and equity items, which comprise issued capital, capital reserves and profit reserves, as disclosed in Note 19.
The Company's top management assesses the capital cost of the Company and the risk inherent in each capital class. Based on the assessments of the top management and of the Board of Management, the Company intends to keep the capital structure stable by acquiring new debt or repaying existing debt.
The Company monitors the capital using the debt/equity ratio. This ratio is calculated by dividing net debt by total equity. Net debt is calculated by deducting cash and cash equivalents from total debt (which comprises financial payables, trade and other payables and other short- and long-term liabilities as shown in the balance sheet).

	December 31, 2012	December 31, 2011
Total debt	129,533,101	136,598,431
Less: Cash and cash equivalents	22,021,785	288,474
Net debt	107,511,316	136,309,957
Total equity	198,489,809	142,016,130
Debt equity balance	90,978,493	5,706,173
Net financial liability/equity ratio	54%	96%

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

Interest rate risk
As of December 31, 2012 and December 31, 2011, the Company does not carry any interest rate risk since it has no variable interest rate loans.

Foreign currency risk

The Company is exposed principally to currency risk in respect of the euro and US dollar and this currency risk arises in general from trade receivables, trade payables and financial payables in the euro and US dollar. In order to minimise this risk, the Company monitors its financial position, cash inflows/outflows with detailed cash-flow statements.

The Company's net foreign-exchange position as of December 31, 2012 and December 31, 2011 is as follows:

On a total basis	December 31, 2012	December 31, 2011
A. Assets in foreign currency	1,116,677	291,173
B. Liabilities in foreign currency	(14,383,952)	(37,459,969)
Net foreign-exchange position (A + B)	(13,267,275)	(37,168,796)

Tümosan Engine and Tractor Industry Inc.

Notes to the financial statements for the reporting period ended December 31, 2012 (continued)
(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

As of December 31, 2012 and December 31, 2011, the details of the Company's foreign-currency position are as follows:
December 31, 2012

	US dollar	TL equivalent	Euro	TL equivalent	GBP	TL equivalent	CHF	TL equivalent	Total TL equivalent
Cash and cash equivalents	22,784	40,615	20,938	49,240	-	-		-	89,855
Trade receivables	269 ,345	480,134	232,465	546,689	-	-		-	1,026,823
Current assets	292,129	520,749	253,403	595,929	-	-		.	1,116,678
Total assets	292,129	520,749	253,403	595,929	-	-		-	1,116,678
Short-term financial payables and factoring payables	5,373,471	9,578,749	-	-	-	-		-	9,578,749
Trade payables	59,666	106,363	2,041,669	4,801,396	-	-		-“	4,907,759
Short-term liabilities	5,433,137	9,685,112	2,041,669	4,801,396	-	-		-	14,486,508
Long-term financial payables	(57,531)	(102,555)	-	-	-	-		-	(102,555)
Long-term liabilities	(57,531)	(102,555)	-	-	-	-		-	(102,555)
Total liabilities	5,375,606	9,582,557	2,041,669	4,801,396-	-	-		-	14,383,953
Net foreign-currency position	(5,083,477)		(9,061,808) (1,788,266)	(4,205,467)-	-	-		-	(13,267,275)

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

December 31, 2011

	US dollar	TL equivalent	Euro	TL equivalent	Total TL equivalent
Cash and cash equivalents	2	4	10,016	24,477	24,481
Trade receivables	141,189	266,692	-	-	266,692
Current assets	141,191	266,696	10,016	24,477	291,173
Total assets	141,191	266,696	10,016	24,477	291,173
Short-term financial payables and factoring payables Trade payables	6,379,971	12,051,127	6,800,522	16,618,161	12,051,127 16,616,161
Short-term liabilities	6,379,971	12,051,127	6,800,522	16,618,161	28,669,288
Long-term financial payables	4,653,863	8,790,681	-	-	8,790,681
Long-term liabilities	4,653,863	8,790,681	-	-	8,790,681
Total liabilities	11,033,834	20,841,808	6,800,522	16,616,161	37,459,969
Net foreign-currency position	(10,892,643)	(20,575,112)	(6,790,506)	(16,594,639)	(37,168,796)

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

In the profit/loss segment of the foreign currency sensitivity statement, it is presented how the statement of comprehensive income will be affected if the TL gains/loses 10% against the following foreign currencies as of December 31, 2012 and December 31, 2011. When analysing, it is assumed that all other variables, especially the interest rates, remain constant. The Group's sensitivity analysis for exchange rate risk as of December 31, 2012 and December 31, 2011 is as follows:

			December 31, 2012
			Profit/(loss)
		Appreciation of the Foreign Currency	Depreciation of the Foreign Currency
	If the US dollar appreciates/depreciates 10% against the Turkish lira		
1-	Income/(loss) arising from US dollar net asset/(liability)	(906,181)	906,181
2-	Hedged amount from US dollar risk (-)		
	Net effect of the US dollar		
	If the euro appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from euro net asset/(liability)	(420,547)	420,547
4-	4- Hedged amount from euro risk (-)		
	Net effect of the euro	(420,547)	420,547
	Total net effect	(1,326,728)	1,326,728

			December 31, 2011
			Profit/(loss)
		Appreciation of the Foreign Currency	Depreciation of the Foreign Currency
	If the US dollar appreciates/depreciates 10% against the Turkish lira		
1-	Income/(loss) arising from US dollar net asset/(liability)	(2,057,511)	2,057,511
2-	Hedged amount from US dollar risk (-)	-	-
	Net effect of the US dollar	(2,057,511)	2,057,511
	If the euro appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from euro net asset/(liability)	(1,659,464)	1,659,464
4-	4- Hedged amount from euro risk (-)	-	-
	Net effect of the euro	(1,659,464)	1,659,464
	Total net effect	(3,716,975)	3,716,975

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

Credit risk

Credit risk is defined as the risk that the Company could incur a loss as a result of one of the parties of the financial instrument not fulfilling its contractual obligation. The Company seeks to mitigate credit risk by performing transactions only with creditworthy parties and, where possible, by obtaining sufficient guarantees. The credit risks to which the Company is exposed and the credit ratings of the customers are monitored continuously. The credit risk is controlled through the limits set for the customers and reviewed and approved by the Company's management.
Trade receivables include a large number of customers. Credit evaluations are made continuously based on the balances of the customers' trade receivables.

As of December 31, 2012	Receivables					
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Other current assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	408,529	64,467,137	78,742,029	-	-	22,015,786
The portion of the maximum risk secured by guarantee etc. (2)	-	46,486,850	-	-		-
A. Net book value of financial assets that are neither past due nor impaired	408,529	53,250,604	78,742,020	-	-	22,016,786
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated	-	-	-	-	-	-
C. Net book value of assets that are past due but not impaired	-	1,206,633	-	-	-	-
- The portion secured by guarantee etc.	-	-	-	-	-	-
D. Net book value of impaired assets						-
			-	-	-	-
- Past due (gross book value)	-	2,504,861	-	-	-	-
- Impairment (-)	-	(2,604,861)	-	-	-	-
- The portion of the net value secured by guarantee etc.	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The portion of the net value secured by guarantee etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

As of December 31, 2011	Receivables					
	Trade receivables		Other receivables			
	Related party	Other party	Other party	Other party	Other current assets	Deposits in banks
The maximum exposure to credit risk at the reporting date	87,310	34,052,080	61,674,772	-	-	288,715
(A+B+C+D+E) (1)	-	35,654,850	-	-	-	-
- The portion of the maximum risk secured by guarantee etc. (2)	-	-	-	-		-
A. Net book value of financial assets that are neither past due nor impaired	87,310	33,792,500	61,874,772	-	-	288,715
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated	-	-	-	-	-	-
C. Net book value of assets that are past due but not impaired	-	259,580	-	-	-	-
- The portion secured by guarantee, etc.	-		-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	
- Past due (gross book value)	-	-	-	-	-	-
- Impairment (-) 2,568,803	-	2,566,603	-	-	-	-
- Portion of the net value secured by guarantee etc.	-	(2,566,603)	-	-	-	-
- Not past due (gross book value) '	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Portion of the net value secured by guarantee etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.
aturity structure of trade receivables that were overdue but not impaired is as follows:

	December 31, 2012	December 31, 2011
1-30 days overdue	-	57,628
1-3 month overdue	-	154,594
3-6 months overdue	34,425	-
6 months-5 years overdue	1,172,208	-
	1,206,633	212,222

(Currency: Turkish Lira (TL))

28. Financial risk management and policies (continued)

The following statement presents the position of the Company's financial liabilities as of December 31, 2012 and December 31, 2011 according to the maturities of undiscounted contractual payments.

December 31, 2012	Book value	Less than 3 months	3 to 12 moths	1 to 5 years	Having no fixed term	Total
Financial payables	49,190,787	32,896,629	15,840,738	1,797,539	-	50,234,908
Trade payables	63,839,719	84,192,811	-	-	-	54,192,811
Payables to related parties	68,777	68,777	-	-	-	66,777
Other short-term liabilities	10,942,638	10,942,636	-	-	-	10,942,635
Total	114,041,918	97,800,852	15,840,738	1,797,839	-	116,439,129

December 31, 2011	Book value	Less than 3 months	3 to 12 moths	1 to 5 years	Having no fixed term	Total
Financial payables	36,323,049	15,670,565	11,389,845	10,457,164		37,517,594
Trade payables	85,660,314	87,135,644				87,135,544
Payables to related parties	4,976	4,978				4,978
Other short-term liabilities	3,493,445	3,493,445				3,403,445
Other long-term liabilities	717,690		-	717,690	-	717,690
Total	126,399,476	106,304,632	11,389,845	11,174,874	-	128,669,351

29. Financial instruments (Fair value disclosures and disclosures related to hedge accounting)

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties in an arm's-length transaction, other than a forced sale or liquidation.
The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is used in interpreting market data to estimate fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.
The following methods and assumptions were used to estimate the fair value of financial instruments for which fair value could be determined:

Financial assets

It is accepted that the fair value of the foreign-currency-based balances translated with the year-end exchange rates approximates their carrying amounts. Cash and cash equivalents are shown at their fair values. Trade receivables and receivable from related parties are recorded at their discounted values and it is assumed that their fair values approximate their carrying amounts.

Financial liabilities

Trade payables, payables to related parties, financial payables and other monetary liabilities are estimated to approximate their fair values with their discounted carrying amounts and it is accepted that the fair values of the foreign-exchange-based balances translated with the year-end exchange rates approximate their carrying amounts.

30. Events after the balance sheet date

Pursuant to the Board of Management's decision dated March 4, 2013 and numbered 2013-02, it has been decided to pledge a total of 46,000,000 non-free float B-group shares of the Company belonging to Ereğli Textile Tourism Industry and Trade Inc. in favour of a financial institution as collateral for all non-cash loans extended, or to be extended, by that financial institution personally and/or as surety to Albayrak Group of Companies.