

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS  
AND AUDITOR'S REVIEW REPORT  
FOR THE INTERIM PERIOD ENDED AT 30 JUNE 2014**

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.**

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## REVIEW REPORT RELATED TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.  
Board of Management  
İzmir

We have reviewed the accompanying condensed consolidated financial statements of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi (the Company) as of June 30, 2014, which comprise the statement of consolidated financial position and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows with the summary of the important accounting policies and other explanatory notes for the six-month-period then ended. The management of the Company is responsible for the preparation and fair presentation of these interim financial information in accordance with TFRS. Our responsibility is to express a conclusion on these interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention which may cause us to believe that as of 30 June 2014, the accompanying interim financial information, the financial position, financial performance and cash flows of the Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi are not prepared, in all material respects, in accordance with Turkish Accounting Standards.

Birleşim Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş.

Ergun Şenlik  
Partner

  
BİRLEŞİM BAĞIMSIZ DENETİM  
VE YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.  
Mecidiyeköy Mh. Meliye Sok. No:57/1  
Kadıköy-Kadıköy/ İSTANBUL  
Kadıköy V.D. 178 025 1800

İstanbul, 15 August 2014

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 JUNE 2014 AND 31 DECEMBER 2013**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Limited Audited</i>	<i>Audited</i>
		<b>Current</b>	<b>Prior</b>
	<b>Footnote</b>	<b>Period</b>	<b>Period</b>
	<b>References</b>	<b>30.06.2014</b>	<b>31.12.2013</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>482,552,456</b>	<b>380,791,187</b>
Cash and Cash equivalents	4	75,087,565	59,971,644
Financial Investments	5	8,491,290	4,570,577
<b>Trade Receivables</b>		<b>32,918,700</b>	<b>65,243,742</b>
<i>Trade Receivables from Related Parties</i>	7	498,091	297,633
<i>Trade Receivables from Third Parties</i>	7	32,420,609	64,946,109
<b>Other Receivables</b>		<b>83,501,758</b>	<b>84,554,051</b>
<i>Other Receivables from Related Parties</i>	9	80,237,480	77,131,772
<i>Other Receivables from Third Parties</i>	9	3,264,278	7,422,279
Derivative Financial Instruments	10	1,958,157	696,738
Inventories	11	250,466,778	140,986,886
Biological Assets	12	1,397,042	3,778,127
Prepaid Expenses	13	8,534,991	3,655,964
Assets related to Current Year Tax	14	3,172,760	5,815,114
Other Current Assets	21	17,023,415	11,518,344
<b>Non-Current Assets</b>		<b>277,480,438</b>	<b>257,305,427</b>
Financial Investments	5	2,750,000	2,750,000
Other Receivables	9	20,874	14,694
Investments Valued by Equity Method	15	112,331,444	107,335,435
Tangible Assets	16	147,891,106	134,270,062
Intangible Assets	17	114,111	166,660
Prepaid Expenses	13	6,861,534	2,601,219
Deferred Tax Assets	28	7,511,369	10,167,357
<b>TOTAL ASSETS</b>		<b>760,032,894</b>	<b>638,096,614</b>
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>		<b>350,331,620</b>	<b>292,912,286</b>
Short Term Loans	8	193,657,454	172,173,455
Current installments of long term borrowing:	8	23,488,704	20,971,284
<b>Trade Payables</b>		<b>98,198,201</b>	<b>71,572,873</b>
<i>Trade Payables to Related Parties</i>	7	1,708,117	748,589
<i>Trade Payables to Third Parties</i>	7	96,490,084	70,824,284
Employee Benefit Obligations:	20	4,052,900	3,413,065
<b>Other Payables</b>		<b>1,913,656</b>	<b>2,226,254</b>
<i>Other Payables to Related Parties</i>	9	1,032,723	1,227,287
<i>Other Payables to Third Parties</i>	9	880,933	998,967
Derivative Financial Instruments	10	412,330	6,164,062
Deferred Income	13	22,788,618	9,547,867
Tax Liabilities of Period Profit	28	5,285,603	6,487,101
Short Term Provisions	19	534,154	356,325
<b>Long-Term Liabilities</b>		<b>79,991,312</b>	<b>47,732,114</b>
Long Term Loan	8	71,430,710	41,058,430
Long Term Provisions for Employee Benefit:	19	7,947,130	6,392,684
Deferred Tax Liability	28	613,472	281,000
<b>EQUITY</b>		<b>329,709,962</b>	<b>297,452,214</b>
<b>Resources equity of main partners</b>		<b>327,412,328</b>	<b>295,306,152</b>
Paid in Capital Share	22.1	250,000,000	250,000,000
Inflation adjustments to paid in capital	22.2	485,133	485,133
Other comprehensive income/(expense) not to be reclassified to profit or loss			
<i>Actuarial gain/loss arising from retired benefits</i>	22.3	(1,789,997)	(319,081)
Other comprehensive income/expense to be reclassified to profit or loss			
<i>Foreign Currency Conversion Differences</i>	22.4	-	(1,091,445)
Restricted Reserves of Profit	22.5	9,754,762	8,507,915
Retained Earnings / Losses	22.6	36,476,783	12,010,490
Net Income / Loss for the Period		32,485,647	25,713,140
<b>Non-Controlling Shares</b>	22.7	<b>2,297,634</b>	<b>2,146,062</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>760,032,894</b>	<b>638,096,614</b>

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

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**FOR THE INTERIM PERIOD OF 01 JANUARY - 30 JUNE 2014 AND 2013**  
**CONSOLIDATED FINANCIAL STATEMENT AND OTHER COMPREHENSIVE INCOME STATEMENTS**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	Limited Audited Current Period 01.01- 30.06.2014	Limited Audited Prior Period 01.01- 30.06.2013	Limited Unaudited Prior Period 01.04- 30.06.2014	Limited Unaudited Prior Period 01.04- 30.06.2013
Revenue (net)	23.1	255,992,486	167,517,357	124,967,616	86,978,756
Cost of Sales (-)	23.2	(205,657,280)	(151,198,338)	(103,844,079)	(81,485,681)
<b>Gross Profit/Loss</b>		<b>50,335,206</b>	<b>16,319,019</b>	<b>21,123,537</b>	<b>5,493,075</b>
General Administrative Expenses (-)	24.2	(2,997,592)	(4,175,349)	(1,780,759)	(1,478,691)
Marketing, Selling and Distribution Expenses (-)	24.1	(6,951,395)	(4,486,526)	(3,933,404)	(2,798,032)
Other Operating Income	25.1	10,959,863	3,325,531	4,780,311	1,440,620
Other Operating Expenses (-)	25.2	(13,264,376)	(7,456,545)	(5,878,060)	(3,209,786)
<b>Operating Profit/Loss</b>		<b>38,081,706</b>	<b>3,526,130</b>	<b>14,311,625</b>	<b>(552,814)</b>
Income from Investment Activities	26.1	181,220	572,628	45,410	507,986
Expense from Investment Activities (-)	26.2	(4,500)	-	(4,500)	-
Shares of Investments Valued with Equity Method	26.3	4,996,009	3,465,701	2,954,052	2,633,085
<b>Financing Expenses Before Operating Profit / Loss</b>		<b>43,254,435</b>	<b>7,564,459</b>	<b>17,306,587</b>	<b>2,588,257</b>
Financial Income	27.1	26,159,047	15,882,056	11,845,061	11,086,546
Financial Expenses (-)	27.2	(28,390,065)	(18,341,896)	(6,368,246)	(14,416,990)
<b>Continuing Operations Before Tax Profit/Loss</b>		<b>41,023,417</b>	<b>5,104,619</b>	<b>22,783,402</b>	<b>(742,187)</b>
<b>Taxes Profit/loss of Continuing Operations</b>					
Income Expense Tax for the Period	28	(5,285,603)	(1,900,145)	(2,107,851)	(523,059)
Deferred Tax Income /Expense	28	(3,356,189)	1,273,814	(3,229,951)	939,988
<b>Current Period operating activity profit / (loss)</b>		<b>32,381,625</b>	<b>4,478,288</b>	<b>17,445,600</b>	<b>(325,258)</b>
<b>Period Profit/Loss</b>		<b>32,381,625</b>	<b>4,478,288</b>	<b>17,445,600</b>	<b>(325,258)</b>
<b>Distribution of the Period Income/Loss</b>					
Minority interest		(104,022)	(188,865)	(254,218)	(81,484)
Main Partner Shares		32,485,647	4,667,153	17,699,818	(243,774)
<b>Earning per share</b>		<b>0.1295</b>	<b>0.0179</b>	<b>0.0698</b>	<b>(0.0013)</b>
<b>Other Comprehensive Income:</b>					
<b>Income (Expenses) not to be reclassified on profit or loss</b>					
- Actuarial gain/loss arising from retired benefits		(1,838,645)	(366,298)	(1,441,099)	990,694
- Deferred Tax Income / (Expense)		367,730	73,259	41,481	(198,139)
<b>Income (Expenses) to be reclassified on profit or loss</b>					
Change in foreign currency translation differences		-	(142,963)	62,392	(142,963)
<b>Other comprehensive income</b>		<b>(1,470,915)</b>	<b>(436,002)</b>	<b>(1,337,226)</b>	<b>649,592</b>
<b>Total Comprehensive Income/(Expense)</b>		<b>30,910,710</b>	<b>4,042,286</b>	<b>16,108,374</b>	<b>324,334</b>
<b>Distribution of Total Comprehensive Income</b>					
Minority interest		(104,022)	(188,865)	(254,218)	(81,484)
Main Partner Shares		31,014,732	4,231,151	16,362,592	405,818

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

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDER'S EQUITY FOR THE INTERIM PERIOD OF 01 JANUARY - 30 JUNE 2014 AND 2013**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	Paid in Capital	Inflation Adjustment To Paid In Capital	Income (Expenses) To Be Reclassified On Profit Or Loss	Income (Expenses) Not To Be Reclassified On Profit Or Loss	Restricted reserves	Retained Profits		Resources quity Of Main Partners	Minority Interest	Total Equity
				Actuarial Gain/Loss Arising From Employee Benefits	Foreign Currency Translation Difference		Accumulated Profit/Loss	Net Profit/Loss Of The Period			
<b>Balances as at 01.01.2013</b>	<b>22</b>	<b>250,000,000</b>	<b>485,133</b>	<b>(1,044)</b>	<b>(575,365)</b>	<b>8,180,517</b>	<b>18,396,440</b>	<b>(6,058,552)</b>	<b>270,427,129</b>	<b>2,274,720</b>	<b>272,701,849</b>
Transfers	22	-	-	-	-	327,398	(6,385,950)	6,058,552	-	-	-
Because of the other changes	22	-	-	-	-	-	-	-	-	(14,255)	(14,255)
Total Comprehensive Income/Loss	22	-	-	(293,039)	(142,963)	-	-	4,667,153	4,231,151	(188,865)	4,042,286
<b>Balances as at 30.06.2013</b>	<b>22</b>	<b>250,000,000</b>	<b>485,133</b>	<b>(294,083)</b>	<b>(718,328)</b>	<b>8,507,915</b>	<b>12,010,490</b>	<b>4,667,153</b>	<b>274,658,280</b>	<b>2,071,600</b>	<b>276,729,880</b>
<b>Balances as at 01.01.2014</b>	<b>22</b>	<b>250,000,000</b>	<b>485,133</b>	<b>(319,081)</b>	<b>(1,091,445)</b>	<b>8,507,915</b>	<b>12,010,490</b>	<b>25,713,140</b>	<b>295,306,152</b>	<b>2,146,062</b>	<b>297,452,214</b>
Transfers	22	-	-	-	1,091,445	1,246,847	24,466,293	(25,713,140)	1,091,445	255,594	1,347,039
Total Comprehensive Income/Loss	22	-	-	(1,470,916)	-	-	-	32,485,647	31,014,731	(104,022)	30,910,709
<b>Balances as at 30.06.2014</b>	<b>22</b>	<b>250,000,000</b>	<b>485,133</b>	<b>(1,789,997)</b>	<b>-</b>	<b>9,754,762</b>	<b>36,476,783</b>	<b>32,485,647</b>	<b>327,412,328</b>	<b>2,297,634</b>	<b>329,709,962</b>

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

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD OF 01 JANUARY - 30 JUNE 2014 AND 2013**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	<i>Limited Audited</i>	<i>Limited Audited</i>
	Prior Period 01.01- 30.06.2014	Prior Period 01.01- 30.06.2013
Footnote References		
<b>A. CASH FLOWS FROM THE OPERATING ACTIVITIES</b>	<b>(12,698,686)</b>	<b>(52,063,548)</b>
<b>Profit/Loss for the period before tax</b>	<b>41,023,417</b>	<b>5,104,619</b>
Adjustment for depreciation, amortisation expenses	16-17 7,562,062	4,956,185
Adjustment for employee termination benefits	19-24.1 1,922,176	970,811
Adjustments related to the provisions	19 177,829	310,286
Adjustment for interest income and expense	8-27.2 1,159,926	523,588
Rediscount on notes receivables	25.2 1,170,758	499,925
Rediscount on notes payables	25.1 1,303,631	834,118
<b>Changes in the company capital</b>		
Adjustments related to the increase/decrease in financial assets	5 (3,920,713)	(5,344,765)
Adjustments related to the increase/decrease in trade receivables	7 31,154,284	17,331,950
Adjustments related to the increase/decrease in inventories	11 (109,479,892)	(58,904,550)
Adjustments related to the increase/decrease in biological assets	12 2,381,085	1,019,507
Adjustments for increase / decrease in other receivables related to the operations	9 1,046,113	(8,318,813)
Prepaid expenses	13 (9,139,342)	(4,443,116)
Other Assets	14+21 (5,496,901)	(4,181,090)
Adjustments for increase / decrease in trade payables	7 25,321,697	1,818,805
Adjustments for increase / decrease in other payables related with operations	9-13-20 13,567,988	2,958,237
Change in investments valued by equity method	(4,996,009)	(6,665,701)
Other Cash Entrance / Disposal	22.3 (969,694)	(366,298)
<b>Cash flow provided by operating activities</b>		
Tax payments/returns	28 (6,487,101)	(167,246)
<b>B. NET CASH FLOW PROVIDED BY INVESTMENT OPERATIONS</b>	<b>(19,477,460)</b>	<b>(16,256,211)</b>
Proceeds from sale of property, plant, equipment and intangible assets	16-17 23,797	891,792
Proceeds from purchase of property, plant, equipment and intangible assets	16-17 (19,501,257)	(17,133,748)
Change in minority interest	22.5 -	(14,255)
<b>C. NET CASH FLOW PROVIDED BY FINANCIAL ACTIVITIES</b>	<b>46,200,622</b>	<b>57,602,751</b>
Cash inflows/outflows from financial liabilities	8 53,318,948	57,304,236
Cash outflows from finance leases	8 (105,175)	1,422,195
Loss/gain on derivative financial instruments	10-27 (7,013,151)	(1,123,680)
<b>BEFORE THE IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE (A+B+C)</b>	<b>14,024,476</b>	<b>(10,717,008)</b>
<b>D. IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>	<b>1,091,445</b>	<b>(142,963)</b>
<b>NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>15,115,921</b>	<b>(10,859,971)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD</b>	<b>59,971,644</b>	<b>41,140,313</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	<b>5 75,087,565</b>	<b>30,280,342</b>

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

## **NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi (“Company”), its Subsidiaries and Equity participations are referred as “Group” in the accompanying consolidated financial statements.

The entities mentioned below are applied “Full Consolidation Method”:

- Menderes Tekstil Sanayi ve Ticaret A.Ş.
- Smyrna Seracılık Ticaret A.Ş.

The entities mentioned below are applied “Equity Pick up Method”:

- Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (\*)
- Menderes Tekstil Pazarlama A.Ş.
- Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

(\*) Akça Enerji and Osman Akça Tarım Ürünleri has been included to the consolidation with the equity method.

### **Menderes Tekstil Sanayi ve Ticaret A.Ş.**

Company produces cotton press, electric energy, yarn, fabric, valances, dust ruffles, ruffled and tailored shams, comforter shells, printed towels and linens in integrated cotton and synthetic textile establishment.

The Company’s address registered on the Trade Registry Gazette is Cumhuriyet Mah. Gazi Mustafa Kemal Bulvarı No: 242 Sarayköy, Denizli.

4,261 personnel are employed by the Company as of 30 June 2014, and average number of personnel is 4,089 for the period of 01.01-30.06.2014.

Company shares are traded in the Istanbul Stock Exchange since 2000.

### **Production Capacity (Textile)**

According to the capacity report from Denizli Industrial Chamber dated 25 December 2013, numbered 338 and valid until 26 December 2016, Company’s production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts per a day. The Company’s annual production capacity is as follows;

<b>Products</b>	<b>Unit</b>	<b>Amount</b>
Cotton yarn (is used in its production)	kg	5,227,967
Raw fabric woven (is used in its production)	m <sup>2</sup>	59,151,060
Knitted Fabric (is used in its production)	kg	1,001,700
Linens	unit	4,200,000
Pillow case	unit	12,600,000
Sheet	unit	6,600,000
Fabric painting (is used in its production)	kg	3,744,000
Fabric printing (is used in its production)	kg	13,500,000
Digital fabric printing (is used in its production)	kg	1,311,786

### **Production Capacity (Energy)**

According to the capacity report from Denizli Industrial Chamber dated 29 January 2014, numbered 24 and valid until 30 January 2017, Company’s production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts a day: The Company’s annual production capacity is as follows;

	<b>Unit</b>	<b>Amount</b>
Electricity energy	kilowatt hour	161,827,000
Steam (is used in its production)	Joule	617,569,920,000
Hot water (is used in its production)	Joule	238,360,320,000



**Smyrna Seracılık Ticaret A.Ş.**

Smyrna Seracılık Ticaret A.Ş. was established in 2007 in İzmir. It is engaged in agricultural production. In the Trade Registry Gazette numbered 7296 and dated 21 June 2009, the Company’s name has been changed from Smyrna Organik Tarım Sanayi ve Ticaret A.Ş. to Smyrna Seracılık Ticaret A.Ş. The Company has been included to the complete consolidation in 2009.

Smyrna Seracılık Ticaret A.Ş. has signed an agreement with the construction company for increasing the capacity of the plant which will be increased from 82,500 m2 to 206,232 m2 with adding 114,432 m2. Smyrna Seracılık A.Ş. has started to design environment and infrastructure of the new area. The new area will be constructed on the existing area, which is 196,932 m2, of Smyrna Seracılık Ticaret A.Ş.

According to the capacity report from Denizli Industrial Chamber dated 02 April 2012, numbered 80 Company’s production capacity has been calculated per 1 shifts and 8 working hours per day by main product is as follows;

<b>Product</b>	<b>Unit</b>	<b>Amount</b>
Tomato	Ton	2,400
Quick-frozen tomato	Ton	684

In the Trade Registry Gazette numbered 6911 dated 08 October 2007 the Company’s headquarter was changed to Denizli and the address is as follows;

The Company’s recorded address to the trade registry is; Köyiçi Mevkii, Tosunlar Kasabası Sarayköy, Denizli.

As of 30 June 2014, 171 personnel are employed in the Company and the average number of personnel is 162 for the period of 01.01-30.06.2014.

**Akça Enerji Üretim Otoprodüktör Grubu A.Ş.**

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. is established on 13 July 1998 in Denizli. It is engaged in producing electricity, hot water and steam.

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. and Osman Akça Tarım Ürünleri İthalat İhracat San. Ve Tic. A.Ş. has been included to the consolidation with the equity method.

**Menderes Tekstil Pazarlama A.Ş.**

Menderes Tekstil Pazarlama A.Ş. was established in 1998. Head quarter of the Company is in İzmir. Company engaged in marketing of home textile productions.

**Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.**

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. was established in 2006. Head quarter of the Company is in İzmir. Company operates vehicle inspection stations which are privatized within the context of law numbered 4046, in Aydın, Manisa, Denizli and İzmir for 20 years. Company has integrated 20 established and 4 mobile vehicle inspection stations. License rights has been started in 2008 and will continue until 2028.

**Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş.**

Osman Akça Tarım Ürünleri İthalat ve İhracat San. Ve Tic. A.Ş. was established on 25 July 1985. Head quarter of the company is in İzmir. Main activity is established to process agricultural products and the dried fruit.

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.a. Basis of Presentation

#### Compliance Statement

The Group is predicate on Turkish Commercial Code ("TCC"), tax legislation of the Republic of Turkey and the Uniform Chart of Accounts issued by the Ministry of Finance while maintaining its legal accounting records and preparing statutory financial statements. Financial statements, except financial assets and liabilities which are signified by the fair value, on the basis of historical cost in Turkish Lira ("TL") has been prepared. Financial statements prepared in accordance with the historical cost basis and in order to make fair presentation in accordance with IAS / IFRS, to the legal records required adjustments and reclassifications are reflected.

#### The Preparation of Financial Statements

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

#### Approval of Financial Statements

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 15 August 2014. Boards of Directors have authority to change financial statements.

#### Basis of consolidation

Menderes Tekstil Sanayi ve Ticaret A.Ş. (Parent Company)

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Public Offered Shares	51.9	51.9
Akça Holding A.Ş.	45.7	45.7
Other	2.4	2.4
	<b>100.0</b>	<b>100.0</b>

Aktur Araç Muayene İstasyon İşletmeleri A.Ş. (Participation)

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	48.0	48.0
Nihat Zeybekçi	49.5	49.5
Other	2.5	2.5
	<b>100.0</b>	<b>100.0</b>

Group and its subsidiaries Menderes Bulgaria Ltd. As of the report date is in the process of liquidation by the Group management have been excluded from the scope of consolidation.

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

(Amounts are expressed as Turkish Lira “TRY” unless otherwise stated.)

As of 30 June 2014 and 31 December 2013 capital structures of the subsidiaries and equity participations are as following:

**Smyrna Seracılık Ticaret A.Ş. (Subsidiary)**

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	79.17	79.2
Cemal İpekoğlu	-	20.4
Akça Holding A.Ş.	0.21	0.2
Ahmet Bilge Göksan	5.16	-
Rıza Akça	10.31	0.1
Dilek Göksan	5.16	0.1
Ali Atlamaz	-	<0.1
	<b>100.0</b>	<b>100.0</b>

**Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (Participation)**

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Tan Elektrik Üretim A.Ş.	45.71	45.71
Menderes Tekstil Sanayi ve Ticaret A.Ş.	20.00	20.0
Akça Holding A.Ş.	17.53	17.5
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	10.72	10.7
Selin Tekstil Sanayi Ticaret A.Ş.	5.55	5.6
Akçasaraylı Tekstil Ltd. Şti.	0.48	0.5
	<b>100.0</b>	<b>100.0</b>

**Menderes Tekstil Pazarlama A.Ş. (Participation)**

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	45.0	45.0
Akça Holding A.Ş.	45.0	45.0
Rıza Akça	5.0	4.5
Dilek Göksan	2.5	4.5
Ahmet Bilge Göksan	2.5	1.0
	<b>100.0</b>	<b>100.0</b>

Equity participations are accounted for using the equity pick-up method. Equity participations are companies in which Group has a voting right between 20% and 50% of the ordinary share capital or significant influence is exercised on the operations of the company..

Subsidiaries are included or excluded from the consolidation since the date Group has control over or loses control.

Minority shares of shareholders are pursued in net assets of the subsidiaries and in the result of the operations and consolidated balance sheet and income statements hissedarların payları, konsolide bilanço ve gelir tablosunda ana ortaklık dışı pay olarak gösterilmektedir.

Recognition in light of equity method was made to operating results, assets and liabilities of associates in financial consolidated tables attached. In equity method the associatess in consolidated statement are stated after the amount obtained from decreasing any impairment occured in share from associates net assets value. Loss exceeding the Group’s associates share are not recorded. Additional loss reserve is only made when Group is exposed to legal or constructive obligation or payments made in name of associate or partner.

### **Reporting Currency**

As of 30 June 2014 and 31 December 2013, Group’s functional and reporting currency unit is represented in TRY compared to previous periods.

### **Offsetting**

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

### **2.b. Changes in Accounting Policies**

A group only could change its accounting policy under following circumstances;

- If a standard or interpretation makes it necessary or
- If the change make effect of operations or incidents on financial position and performance or cash flows more appropriate and reliable.

Financial statements have to be comparable to see trends in financial position of companies, performance and cash flows for user of financial statements. This is why, if the change is not granting one of above conditions, each interim and fiscal periods has to be applied same accounting policy.

### **2.c. Changes in Accounting Estimates and Errors**

The accompanying financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by group management to be compatible with statements required by Capital Market Board. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

### **2.d. Comparative Information and Previous Periods Adjustments**

For the purpose of conducting a comparison of financial position and performance trend, Company’s current financial statements are prepared comparative with previous periods. Comparative information is reclassified to be compatible with the presentation of current financial statements, when necessary.

## **2.e. Adoption of New and Revised International Financing Reporting Standards**

Accounting policies considered in preparation of condensed consolidated interim financial statements as of and for the six-month period ended 30 June 2014 have been applied consistently with those used in the previous year apart from TFRS standards that are effective as of 1 January 2014 and all interpretations published by Turkey Financial Reporting Interpretations Committee (“TFRYK”). Impacts of these standards and interpretations on the financial position or performance of the Group are explained in related paragraphs.

**The new standards, amendments and interpretations which will be effective after 1 January 2014 are as follows;**

### **Investment Enterprises (IFRS10 ,IFRS12 and IAS27changes)**

TFRS 10 is amended for entities that meet the definition of an investment entity to qualify for the consolidation exception. According to the amendment, financial assets of an investment entity should be measured at fair value under TFRS 9 Financial Instruments, or to the extent possible under TMS 39 Financial Instruments: Recognition and Measurement. The amendments had no significant impact on the financial position or performance of the Company.

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

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Company.

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

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Company.

### **TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amended)**

Amendments to IAS 39 Financial Instruments: Recognition and Measurement provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments had no significant impact on the financial position or performance of the Company.

### **TFRIC Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The Interpretation had no significant impact on the financial position or performance of the Company.

### **Standards issued but not yet effective and not early adopted**

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

#### **TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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

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

#### **IFRS 9 Financial Instruments - Hedge Accounting and IFRS 9, IFRS 7 and IAS 39, the changes - IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. The new standard removes the 1 January 2015 effective date of IFRS 9. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

#### **Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)**

The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after 1 July 2014. Early application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### **IFRS 14 Regulatory Deferral Accounts**

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### **IFRS 15 Contracts with Customers**

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

#### **IAS 16 and IAS 38 can be Applied Depreciation and Amortization Methods for the sake of Clarity**

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate.

The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### **IFRS11 Joint activities in the Accounting of the Shares Acquired**

The amendments clarify whether IFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard’s definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

## **2.f. Summary of Significant Accounting Policy**

### **Cash and Cash Equivalents**

Cash and cash equivalent values contain cash on hand, bank deposits and high liquidity investments. Cash and cash equivalents are showed with obtaining costs and the total of accrued interests.

### Financial Investments

#### Initial measurement of financial assets and financial liabilities

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

When an entity uses settlement date accounting for an asset that is subsequently measured at cost or amortised cost, the asset is recognised initially at its fair value on the trade date

#### Subsequent measurement of financial assets

After initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction cost it may incur on sale or other disposal, except for the following financial assets

- (i) Loan and receivables which shall be measured at amortized cost using the effective interest method;
- (ii) Held-to-maturity investments which shall be measured at amortized cost using the effective interest method; and
- (iii) Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that is linked to and must be settled by delivery of such unquoted equity instruments which shall be measured at cost.

#### Financial assets and liabilities at fair value through profit or loss:

It is classified as tangible assets hold for future sale. A financial asset or financial liability is classified as tangible assets hold for future sale if it is:

- (i) Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (ii) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making; or
- (iii) A derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

#### Held-to maturity investments

Non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

- (i) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- (ii) Those that the entity designates as available for sale; and
- (iii) Those that meet the defination of loans and receivable



Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Marketable securities

Financial assets in which Parent Company has voting right below 20%, or over 20% which Parent Company does not exercise a significant influence, and subsidiaries or joint venture, which are not included in consolidation that they are immaterial or which are immaterial, that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

**Financial Borrowings**

Financial borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the borrowing period. Borrowing costs are charged to income statement when they incur and reclassified to bank loans.

**Trade Receivables and Payables**

The trade receivables and payables derived from providing services or selling goods by the Group and purchasing goods or receiving services are clarified with deferred financial income and expense in the accompanying financial statements. Post clarification, trade receivables and trade payables are calculated from the values of following the record of the original invoice values, by rediscounting with effective interest rate method. Short term receivables without designated interest rate are reflected the invoice values in case the effective interest rate effect is insignificant.

**Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All of the other borrowing costs are recorded in the income statement in the period in which they are incurred.

**Provision for Doubtful Receivables**

The Company sets provisions for doubtful receivable when it is realized uncollectible due to objective findings. Amount of this provision is the difference of registered and collectible amounts. All cash flow including the collectible sum amount from guarantee and assurance is discounted on the base of the effective interest rate of trade receivable occurred.

In case of collecting doubtful receivable that is provided, the collected amount is deducted from the provision for doubtful receivable and in case of a remaining balance; the balance is added to other income.

**Inventories**

Inventories are valued at the lower of cost or net realizable value. Inventory costs include purchasing costs. The cost of inventories is determined on the first in first out (FIFO) basis for each purchase. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

**Biological Assets**

Group’s biological assets consist of planted tomatoes. Due to no presence of active market for tomatoes, they were reflected in the accompanying combined financial statements with their costs minus if there is impairment in the cost then it is deducted.

**Property, Plant and Equipment**

Tangible assets are reflected with adjusted cost value according to the inflationary accounting effective as of 1 January 2005 for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated depreciation.

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line basis with prorates method based on the estimated useful lives of the assets. Expenses for the repair of property, plant and equipment are normally charged as an expense.

Economic useful lives of assets approximately are as follows:

	<u>Year</u>
Land improvements	10-30
Buildings	50
Machinery, plant and equipments	5-10
Motor vehicles	5
Fixtures and fittings	10

### **Intangible Assets**

Intangible assets are reflected with adjusted cost value according to the inflationary accounting effective as of 31 December 2004 for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated amortization.

Intangible assets comprise acquired usage rights, information systems, research and development expenses and other identified rights. They are recorded at acquisition cost and amortized on a straight-line based on pro-rata over their estimated useful lives for a period not exceeding between 10% and 20% for a year.

### **Leasing**

Company acquired assets under finance lease agreements and capitalized at the inception of the lease starting from acquired date. Payables to lease are pursued under financial leasing liability in balance sheet. Calculation of minimum leasing payment is to find out current market value as the valid proportion is calculated practically in financial leasing process then it is, otherwise proportion of interest rate of loan is used as discount factor. Expenses of asset acquisition through financial leasing are included in costs. The liability from financial leasing is decomposed into interest rate and the main loan. Expenses of interest rate are calculated with the fixed interest rate and are issued in related periods.

### **Impairment of assets**

In the case of detecting that carrying values of fixed assets fall below the level that can realize / can be gained from this asset in the future due to different events and situations, material and non-material fixed assets are tested in terms of value losses. In the case of being over the value of book value of material and non-material fixed assets realizable value or the value that can be gained from this asset in the future, provision are made for fixed asset value diminution.

### **Provision Employee Benefits / Severance Pay**

#### **• Severance Pay**

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. As of 30 June 2014, such payments are calculated on the basis of 30 days' pay limited to a maximum of TRY 3,438 (31 December 2013: TRY 3,255) per year of employment at the rate of pay applicable at the date of retirement.

Company used “Projection Method” to calculate the termination benefits and the duration to be completed based on the past experience and discounted with rate of Treasury bond at balance sheet date. The calculated profits and losses are reflected in income statements

#### **• Social Insurance Premium**

Company pays social security contribution to social security organization compulsorily. So long as the company pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid

### **Taxes**

Taxes on income for the period comprise current tax and the change in the deferred taxes. The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates enacted by the balance sheet date. Deferred tax is accounted for using the “liability” method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is accounted by temporary differences between the values of assets and liabilities in financial statements using “liability method” and the values of financial statements for the legal purpose. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit. Net deferred tax assets created from term differences deducted in proportion as tax allowances in conditions of there is no certain information for the coming periods.

### **Accounting Estimates**

During the preparation of financial statements, the Company management is required to disclose the carrying amount of value of the assets and liabilities stated in the financial statements as of the balance sheet date and to give explanations regarding off balance sheet liabilities, and to provide assumptions that might affect the totals of income and expense realized during the period. However, actual results may vary from these results.

### **Provisions, Conditional Liabilities and Conditional Assets**

#### Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### Conditional Liabilities and Conditional Assets

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

### **Investments Subject to Equity Pick-up Method**

Equities valued with equity pick-up method are carried at their initial acquisition cost. This amount is accounted by equity pick-up method by restating subject to company accounting policies calculating the share of company from the net assets

### **Revenue**

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

#### *Sales of Goods:*

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
  - The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
  - The amount of revenue can be measured reliably,
  - It is probable that the economic benefits associated with the transaction will flow to the entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Rendering of services:*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

#### *Interest income:*

Interest income is accrued in proportion as effective interest rate which reduces estimated cash addition to recorded value of the asset in corresponding period.

#### *Dividend and other incomes:*

Dividend income which obtained from share investments, is recorded when shareholders' have the right to get dividend.

Other incomes are recorded with the possibility of having the worth giving service or accrual of the facts related with income, making the transfer of risk and benefit, determination of income amount and enrollment of economic benefits related with the procedure.

### **Leasing procedures**

#### *Operating lease as owner*

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In operating lease, the rented assets are classified under the tangible fixed assets in the balance sheet. The income from the rent and lease are reflected at the end of procedures in equal amounts in other incomes account. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Company's rental incomes derived from assets subjected to operating lease, are not fixed related to the contracts, those rent incomes are considered as future sales percentage described in the contracts.

### **The Effects of Exchange Rates**

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TRY as the rates in the balance sheet date. Foreign exchange and losses are reflected to the financial statements.

The foreign currency rates for USD, EUR and GBP, used at the end of the period are as following;

	30.06.2014	31.12.2013
USD	2.1234	2.1343
EUR	2.8919	2.9365
GBP	3.6094	3.5114

### **Derivative financial instruments and instruments to protect from risk**

Company's derivative financial instruments include foreign currency forward contracts and interest rate swap transactions.

The acquisition cost is used by recording derived financial instruments and foreign exchange commitments and transaction cost is added to acquisition cost. Derived financial instruments are appreciated with reasonable value in the following periods. All derived financial instruments are reclassified as financial instruments of no balance sheet but associated with income sheet. All derived financial instruments are reclassified as financial instruments of no balance sheet but associated with income sheet.

At the end of valuation, the derived financial instruments which are appreciated with the reasonable value and associated with income statement will be reflected as a result of valuation to the income sheet.

It has been calculated with comparison of the revalued gains and losses in the forward purchase and sale agreements of foreign currency with the foreign exchange spot rate as of balance sheet date and the revalued original amount calculated with linear method with valid foreign exchange spot rate as of starting date of agreements. Amounts related with income statement have been classified as income/expense accruals under other receivables and other payables in the balance sheet.

### **Effects of Change in Currency Rate**

Assets and liabilities in foreign currency and purchase and sale commitments create exchange risk. Foreign exchange risk stemming from depreciation or appreciation of Turkish Lira managed by top management by following the currency position of the Group and taking position according to approved limits.

### **Earnings Per Share / (Loss)**

The amount of gain/ loss per share is calculated by dividing the period gain/ loss of the company with weighted average share unit in the period.

In Turkey, companies can increase their share capital by making distribution of “bonus shares” to existing shareholders from Inflation adjustment difference in shareholder’s equity. For the purpose of the earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of “bonus shares” issued without corresponding change in resources by giving them retroactive effect for the period in which they were issued and each earlier period.

### **Other Balance Sheet Entries**

Other balance sheet entries are reflected with their book values.

### **Cash Flow Statement**

Cash flow statement is prepared in accordance with communiqué by Capital Market Board.

### **Subsequent Events**

Although subsequent events arise after the explanation of the financial information to the public or any announcement related to profitability, it encloses all the events with balance sheet date and authorization date for the diffusion of the balance sheet. Group adjusts the amounts in the financial statements if there exists any events necessitates adjustment.

### **Related Parties**

In the presence of one of the following criteria, parties are considered as related to the Company,

- a) Directly, or indirectly through one or more intermediaries, the party,
  - (i) Controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) Has an interest in Group that gives it significant influence over the Group; or
  - (iii) Has joint control over the Group;
- (b) The party is an associate of the Group,
- (c) The party is a joint venture, in which the Group is a venture,
- (d) The party is member of the key management personnel of the Group or its parent,
- (e) The party is a close member of the family of any individual referred to in (a) or (d),
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or
- (g) The party has a defined benefit plan for the employees of the Company or a related party of the Company.

Transactions with related parties are transfer of resources or obligations between related parties, regardless of whether a price is charged. Group interacts with its related parties within the frame of ordinary business activities (Note 6).

Details of related parties are as follows:

#### *Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.*

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. was established in 2006. Head quarter of the Company is in İzmir. Company operates vehicle inspection stations which are privatized within the context of law b-numbered 4046, in Aydın, Manisa, Denizli and İzmir for 20 years. Aktur Araç Muayene İstasyonları İşletmeciliği has integrated 20 established and 4 mobile vehicle inspection stations.

#### *Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş. "Osman Akça Tarım Ürünleri"*

Osman Akça Tarım Ürünleri İthalat ve İhracat San. ve Tic. A.Ş. was established on 25 July 1985. Head quarter of the company is in İzmir. Main activity is established to process the fruit and agricultural products.

#### *Tan Elektrik Üretim A.Ş. "Tan Elektrik"*

Tan Elektrik Üretim A.Ş. was established in Izmir on 18 July 2006 as "MTT Elektrik Üretim A.Ş." The company name was changed to "Tan Elektrik Üretim A.Ş." on 9 November 2006. Main activity of company is building production facilities, joining in to operation, renting, generating electricity and marketing electricity to customers.

*Akçamen Tekstil Sanayi ve Ticaret A.Ş. “Akçamen Tekstil”*

Akçamen Tekstil Sanayi ve Ticaret A.Ş. was established on 26 July 1994. Head quarter of the company is in İzmir. No. 7186 on 11 November 2008 in the Trade Registry Gazette the company was changed to the center of Denizli. Main activity is to produce cotton.

*Ak-San Sigorta ve Aracılık Hizmetleri Ltd. Şti. “Aksan Sigorta”*

Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti. was established on 13 March 1997. Head quarter of the company is in İzmir. Main activity is insurance intermediary services.

*Selin Tekstil Sanayi ve Ticaret A.Ş. “Selin Tekstil”*

Selin Tekstil Sanayi ve Ticaret A.Ş. was established in 1992. Head quarter of the company is in Denizli. Main activity is outsourcing of textile manufacturing.

*Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. “Akçasaraylı Tekstil”*

Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. was Established in 1990 in İzmir. It is engaged of the sale of textile products.

A Trademark Lease contract was made between Menderes Tekstil San. and Tic. A.Ş. and Akça Saraylı Tekstil San. ve Tic. Ltd. Şti. With this contract signed, Akça Saraylı Tekstil San. ve Tic. Ltd.Şti. is obliged to pay 2% of its annual net sales to Menderes Tekstil San. ve Tic. A.Ş. as a leasing fee. Consequently, Akça Saraylı Tekstil San. ve Tic. Ltd. Şti. leased the trademarks of mendereshome store-menderesstore-menderestore.

*Akça Holding A.Ş. “Akça Holding”*

Akça Holding A.Ş. was established in 1994 in İzmir. It is engaged in providing financial support to the group firms.

*Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.”Akça Solar”*

Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş. was established in 4 September 2012 in Denizli. It is engaged in the production and sale of every kind of renewable energy (sun energy, wind energy, etc.).

**2.g Significant accounting judgments, estimates and assumptions**

There is no significant accounting judgments, estimates and assumptions on the accompanying financial statements.

**2.f. Segment reporting of results of operations**

Group mainly operates in textile and agriculture sectors, agricultural production is conducting by Smyrna Balance sheet items and operating results are given in Note 3.



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**NOT 3 – SEGMENT REPORTING**

<b>30 June 2014</b>	<b>Textile Sector</b>	<b>Agricultural Sector</b>	<b>Elimination</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	75,065,637	21,928	-	75,087,565
Financial Assets	8,491,290	-	-	8,491,290
Trade Receivables	31,270,671	1,648,029	-	32,918,700
Other Receivables	95,672,230	-	(12,170,472)	83,501,758
Derivative Financial Instruments	1,958,157	-	-	1,958,157
Inventories	249,791,320	675,458	-	250,466,778
Biological Assets	-	1,397,042	-	1,397,042
Prepaid Expenses	8,512,205	22,786	-	8,534,991
Other Current Assets	3,117,499	55,261	-	3,172,760
Other Current Assets	14,602,338	2,421,077	-	17,023,415
<b>Current Assets</b>	<b>488,481,347</b>	<b>6,241,581</b>	<b>(12,170,472)</b>	<b>482,552,456</b>
Investments	-	2,750,000	-	2,750,000
Other Receivables	17,748	3,126	-	20,874
Investments Valued With Equity Method	121,831,444	-	(9,500,000)	112,331,444
Tangible Assets	120,450,389	27,440,717	-	147,891,106
Intangible Assets	113,988	123	-	114,111
Prepaid Expenses	6,699,523	162,011	-	6,861,534
Deferred Tax Assets	7,805,034	405,714	(699,379)	7,511,369
<b>Non-Current Assets</b>	<b>256,918,126</b>	<b>30,761,691</b>	<b>(10,199,379)</b>	<b>277,480,438</b>
<b>TOTAL ASSETS</b>	<b>745,399,473</b>	<b>37,003,272</b>	<b>(22,369,851)</b>	<b>760,032,894</b>
<b>LIABILITIES</b>				
Short Term Borrowings	193,657,454	-	-	193,657,454
Current Installments of Long Term Borrowings	20,603,960	2,884,744	-	23,488,704
Trade Payables	97,324,753	873,448	-	98,198,201
Scope of Employee Benefits Liabilities	3,848,379	204,521	-	4,052,900
Other Payables	1,378,621	12,705,507	(12,170,472)	1,913,656
Derivative Financial Instruments	412,330	-	-	412,330
Deferred Incomes	22,698,215	90,403	-	22,788,618
Corporation Tax Liabilities	5,285,603	-	-	5,285,603
Short Term Provisions	534,154	-	-	534,154
<b>Short Term Liabilities</b>	<b>345,743,469</b>	<b>16,758,623</b>	<b>(12,170,472)</b>	<b>350,331,620</b>
Long Term Borrowings	63,027,140	8,403,570	-	71,430,710
Provisions For Employee Long Term Benefits Include	7,840,470	106,660	-	7,947,130
Deferred Tax Liabilities	607,082	705,769	(699,379)	613,472
<b>Long Term Liabilities</b>	<b>71,474,692</b>	<b>9,215,999</b>	<b>(699,379)</b>	<b>79,991,312</b>
Paid in Capital Share	250,000,000	12,000,000	(12,000,000)	250,000,000
Inflation Adjustments to Shareholders' Equity	485,133	-	-	485,133
Income (Expenses) to be Reclassified on Profit or Loss				
Foreign Currency Translation Differences	(1,091,445)	-	-	(1,091,445)
Income (Expenses) not to be Reclassified on Profit or Loss				
Actuarial Benefit / Loss of the Retirement Plans	(1,789,997)	-	-	(1,789,997)
Restricted Reserves	9,698,409	56,353	-	9,754,762
Retained Earnings / Losses	38,001,081	(528,399)	95,546	37,568,228
Net Profit / Loss for the Period	32,878,131	(499,304)	106,820	32,485,647
Minority Interest	-	-	2,297,634	2,297,634
<b>SHAREHOLDERS' EQUITY</b>	<b>328,181,312</b>	<b>11,028,650</b>	<b>(9,500,000)</b>	<b>329,709,962</b>
<b>TOTAL LIABILITIES</b>	<b>745,399,473</b>	<b>37,003,272</b>	<b>(22,369,851)</b>	<b>760,032,894</b>

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,**  
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<b>30 June 2014</b>	<b>Textile Sector</b>	<b>Agricultural Sector</b>	<b>Elimination</b>	<b>Total</b>
Revenues	247,713,830	8,278,656	-	255,992,486
Cost of Sales (-)	(198,986,167)	(6,671,113)	-	(205,657,280)
<b>GROSS PROFIT/LOSS</b>	<b>48,727,663</b>	<b>1,607,543</b>	-	<b>50,335,206</b>
General Administrative Expenses (-)	(2,724,277)	(273,315)	-	(2,997,592)
Marketing expenses (-)	(6,194,952)	(756,443)	-	(6,951,395)
Other Operating Income	10,474,915	482,150	2,798	10,959,863
Other Operating Expenses (-)	(13,151,041)	(113,335)	-	(13,264,376)
<b>OPERATING PROFIT/LOSS</b>	<b>37,132,308</b>	<b>946,600</b>	<b>2,798</b>	<b>38,081,706</b>
Investing Activities Income	180,637	583	-	181,220
Investing Activities Expenses	(4,500)	-	-	(4,500)
Profit /Loss from the participations valued by Equity Method	4,996,009	-	-	4,996,009
<b>OPERATIONS PROFIT/LOSS BEFORE FINANCING EXPENSES</b>	<b>42,304,454</b>	<b>947,183</b>	<b>2,798</b>	<b>43,254,435</b>
Financial Income (+)	26,927,565	-	(768,518)	26,159,047
Financial Expenses (-)	(28,180,953)	(977,630)	768,518	(28,390,065)
<b>CONTINUING OPERATIONS PROFIT/LOSS BEFORE TAX</b>	<b>41,051,066</b>	<b>(30,447)</b>	<b>2,798</b>	<b>41,023,417</b>
<b>Continuing Operations Tax Income/Expense</b>				
- Income/Expense Tax for the period	(5,285,603)	-	-	(5,285,603)
- Deferred Tax Income/Expense	(2,887,332)	(468,857)	-	(3,356,189)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>32,878,131</b>	<b>(499,304)</b>	<b>2,798</b>	<b>32,381,625</b>

**NOT 4 – CASH AND CASH EQUIVALENTS**

As of 30 June 2014 and 31 December 2013 details of cash and cash equivalents are as following:

	<b>30.06.2014</b>	<b>31.12.2013</b>
Cash	39,020	6,474
Banks	74,950,725	59,860,042
Demand deposits	16,897,368	21,533,674
Time deposits	58,053,357	38,326,368
Interest accruals for banks	97,820	105,128
	<b>75,087,565</b>	<b>59,971,644</b>

As of 30 June 2014 and 31 December 2013, maturity schedule of time deposits in the cash and cash equivalents are as following:

	<b>30.06.2014</b>	<b>31.12.2013</b>
Within 1 month	56,989,827	32,104,500
1-3 month	1,063,530	6,221,868
	<b>58,053,357</b>	<b>38,326,368</b>

As of 30 June 2014, effective interest rates of time deposits in TRY and USD are 9.83% and 0.91% (31.12.2013: for TRY 6.44%, USD 2.35%)

As of 30 June 2014, average maturity date of time deposits is 15 days (31 December 2013: 39 days). As of 30.06.2014, time deposits consist of TRY 55,126,934 and USD 1,378,178 (TRY 2,926,423) (31.12.2013: TRY 32,122,751 and USD 2,906,628 (TRY 6,203,617)).

As of 30.06.2014, the blockage's amount on the less than 3 months bank deposits of the Group TRY 20,000,000 and USD 1,050,000 (TRY 2,229,570) or the borrowings are taken from Şekerbank T.A.Ş. (31.12.2013: USD 1,850,000 (TRY 3,948,455)).

**NOTE 5 – FINANCIAL INVESTMENTS**

**Short Term Financial Investments**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Deposits with maturities over 3 months	8,443,708	4,515,300
Bank interest accruals	47,582	55,277
	<b>8,491,290</b>	<b>4,570,577</b>

As of 30 June 2014, the effective interest rate of USD time deposit is 9.05% and 1.37% (31.12.2013: TRY - 8.78%, USD - 2.50%).

As of 30 June 2014, the average maturity of time deposits are 225 days. (31.12.2013: 170). As of 30.06.2014, time deposit consist of TRY 139,998 and USD 3,910,773 (TRY 8,303,710) (31.12.2013: TRY 139,985 ve USD 2,050,000 (TRY 4,375,315)).

As of 30 June 2014, the blockage’s amount on the more than 3 months bank deposits of the Group is USD 2,850,000 (TRY 6,051,690) for the borrowings are taken from Şekerbank T.A.Ş (31.12.2013: USD 2,050,000 (TRY 4,375,315)).

**Long Term Financial Investments**

<b>Long Term Financial Investments</b>	<b>30.06.2014</b>	<b>31.12.2013</b>
Tan Elektrik Üretim A.Ş.	2,750,000	2,750,000
	<b>2,750,000</b>	<b>2,750,000</b>

On the 8 January 2013, Smyrna Seracılık A.Ş. have collaborated to Tan Elektrik Üretim A.Ş. 21% share of the capital on the basis of nominal value.

**NOTE 6 – DUE TO FROM RELATED PARTIES**

**i) Due from / to related parties**

**a) Trade receivables from related parties (Note 7):**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	506,958	90,825
Menderes Tekstil Pazarlama A.Ş.	-	207,572
Discount	(8,867)	(764)
	<b>498,091</b>	<b>297,633</b>

**b) Trade payables to related parties (Note 7):**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Selin Tekstil Sanayi ve Ticaret A.Ş.	1,605,681	753,608
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	116,192	939
Discount	(13,756)	(5,958)
	<b>1,708,117</b>	<b>748,589</b>

**c) Due from shareholders (Note 9):**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	38,875,185	37,956,354
Akça Holding A.Ş.	-	5,954
	<b>38,875,185</b>	<b>37,962,308</b>

**d) Non-trade receivables from related parties (Note 9):**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	39,942,774	39,159,100
Tan Elektrik Üretim A.Ş.	1,419,521	10,364
	<b>41,362,295</b>	<b>39,169,464</b>

**e) Due to shareholders (Note 9):**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Rıza Akça	264,079	681,726
Ali Atlamaz	154,126	16,665
	<b>418,205</b>	<b>698,391</b>

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**f) Due to subsidiaries (Note 9):**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Akça Solar Üretim Sanayi Ticaret A.Ş.	63,784	148,403
Akçamen Tekstil A.Ş.	62,519	65,744
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	488,215	314,749
	<b>614,518</b>	<b>528,896</b>

**g) Advances received from related parties (Note 13):**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Menderes Tekstil Pazarlama A.Ş.	5,756,997	6,271,610
	<b>5,756,997</b>	<b>6,271,610</b>

**ii) Major sales to related parties and major purchases from related parties:**

**a) Major sales to related parties (Note 23.1):**

	<b>01.01.- 30.06.2014</b>	<b>01.01.- 30.06.2013</b>	<b>01.04.- 30.06.2014</b>	<b>01.04.- 30.06.2013</b>
Menderes Tekstil Pazarlama A.Ş.	36,816,057	32,699,845	17,108,493	16,824,561
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	61,957	-	61,957	-
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	881,818	551,988	532,166	263,691
Aktur Araç Muayene İstasyonları İşl. A.Ş.	21,700	14,200	11,700	6,600
	<b>37,781,532</b>	<b>33,266,033</b>	<b>17,714,316</b>	<b>17,094,852</b>

**b) Major purchases from related parties (Note 23.2):**

	<b>01.01.- 30.06.2014</b>	<b>01.01.- 30.06.2013</b>	<b>01.04.- 30.06.2014</b>	<b>01.04.- 30.06.2013</b>
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	222,600	320,600	211,300	108,000
Selin Tekstil Sanayi ve Ticaret A.Ş.	15,890,900	12,450,000	8,980,900	6,675,000
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	128,050	49,500	39,275	49,500
Akça Holding A.Ş.	18,476	33,322	7,320	17,271
	<b>16,260,026</b>	<b>12,853,422</b>	<b>9,238,795</b>	<b>6,849,771</b>

**iii) Other income and expenses resulting from transactions between related parties:**

**a) Benefits provided to member of the board of directors, gross (Note 24):**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Members of the Board of Directors	1,041,418	536,761	672,596	335,166
	<b>1,041,418</b>	<b>536,761</b>	<b>672,596</b>	<b>335,166</b>

**b) Service expenses paid to related parties (Note 24):**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	58,465	81,600	11,524	42,576
Akça Holding A.Ş.	108,694	78,617	76,338	39,740
	<b>167,159</b>	<b>160,217</b>	<b>87,862</b>	<b>82,316</b>

**c) Rent incomes from related parties (Note 26.1):**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Menderes Tekstil Pazarlama A.Ş.	5,400	5,100	2,700	2,550
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	14,010	13,200	7,005	6,600
Selin Tekstil Sanayi ve Ticaret A.Ş.	14,010	13,200	7,005	6,600
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	35,550	25,500	17,775	12,750
Akçamen Tekstil Sanayi Ticaret A.Ş.	4,500	4,500	2,250	2,250
	<b>73,470</b>	<b>61,500</b>	<b>36,735</b>	<b>30,750</b>

**d) Service income from related parties (Note 24):**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Menderes Tekstil Pazarlama A.Ş.	30,000	28,500	15,000	14,250
	<b>30,000</b>	<b>28,500</b>	<b>15,000</b>	<b>14,250</b>

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**e) Foreign exchange income from the related parties (Note 27.1):**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	1,999,029	6,972,523	738,316	5,868,087
	<b>1,999,029</b>	<b>6,972,523</b>	<b>738,316</b>	<b>5,868,087</b>

**f) Interest income from related parties (Note 27.1):**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	3,646,865	1,493,324	1,804,907	1,315,608
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	2,292,110	960,437	1,070,730	541,076
Tan Elektrik	32,734	1,389	29,942	1,389
	<b>5,971,709</b>	<b>2,455,150</b>	<b>2,905,579</b>	<b>1,858,073</b>

**g) Foreign exchange expenses paid to the related parties (Note 27.2):**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	366	458,563	366	458,563
	<b>366</b>	<b>458,563</b>	<b>366</b>	<b>458,563</b>

**h) Interest expenses paid to related parties (Note 27.2):**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	126	833,640	-	671,149
Akça Holding A.Ş.	-	5,224	-	3,026
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	18,956	32,454	9,813	6,909
Menderes Tekstil Pazarlama A.Ş.	66,952	114,655	7,580	-
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	10,920	-	7,699
Akçamen Tekstil Sanayi Ticaret A.Ş.	3,631	2,958	1,757	2,094
Akça Solar	6,146	12,863	2,380	12,863
	<b>95,811</b>	<b>1,012,714</b>	<b>21,530</b>	<b>703,740</b>



**NOT 7 – TRADE RECEIVABLES AND TRADE PAYABLES**

**Short Term Trade Receivables**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Trade receivables	31,637,313	62,922,498
Cheques and notes	1,051,080	-
Unearned interest on trade receivables	(267,784)	(416,727)
Doubtful trade receivables	277,924	251,802
Provision for doubtful receivables (-)	(277,924)	(251,802)
Income Accruals	-	2,440,338
<b>Trade Receivables From Third Parties</b>	<b>32,420,609</b>	<b>64,946,109</b>
Receivables from related parties (Note 6-i-a)	506,958	90,825
Receivables from related parties (Note 6-i-a)	-	207,572
Unearned interests on receivables from related parties	(8,867)	(764)
<b>Trade Receivables From Related Parties</b>	<b>498,091</b>	<b>297,633</b>
<b>Total Short-Term Trade Receivables</b>	<b>32,918,700</b>	<b>65,243,742</b>

As of 30.06.2014 and 31.12.2013, Group has TRY 950,000 guarantee given as a provision for receivables.

Maturity schedule of notes receivable as of 30.06.2014 and 31.12.2013 are as following:

	<b>30.06.2014</b>	<b>31.12.2013</b>
1-30 days	96,061	67,623
31-60 days	109,467	75,949
61-90 days	845,552	-
121-150 days	-	32,000
151-180 days	-	32,000
	<b>1,051,080</b>	<b>207,572</b>

As of 30.06.2014 and 31.12.2013, movement of provision for doubtful receivables is as following:

	<b>30.06.2014</b>	<b>31.12.2013</b>
Opening balance	251,802	212,837
Provision for the period	26,122	38,965
<b>Closing balance</b>	<b>277,924</b>	<b>251,802</b>

**Short Term Trade Payables**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Trade payables	88,800,177	63,806,934
Unearned interests on trade payables	(820,913)	(816,370)
Notes payable	8,550,962	7,878,600
Unearned interests on notes payables	(64,934)	(71,779)
Expense accruals	24,792	26,899
<b>Trade Payables From Third Parties</b>	<b>96,490,084</b>	<b>70,824,284</b>
Due to related parties (Note 6-i-b)	1,708,410	754,547
Unearned interests on notes payables to related parties (Not 6-i-b)	(293)	(5,958)
<b>Trade Payables to Related Parties</b>	<b>1,708,117</b>	<b>748,589</b>
<b>Total Short-Term Trade Payables</b>	<b>98,198,201</b>	<b>71,572,873</b>

As of 30.06.2014, sureties have given amounting to USD 10,725,458 ( TRY 22,774,438) and EUR 768,144 (TRY 2,221,395) for trade payables of the Group by bank (31.12.2013: USD 1,366,619 (TRY 2,916,775) and EUR 854,908 (TRY 2,510,437)).

As of 30.06.2014 and 31.12.2013, maturity breakdown of notes payables are as following:

	<b>30.06.2014</b>	<b>31.12.2013</b>
1 – 30 days	4,718,137	3,865,129
31 – 60 days	2,471,567	2,705,307
61 – 90 days	59,903	1,308,164
91 – 120 days	433,785	-
121 – 150 days	433,785	-
151 – 180 days	433,785	-
	<b>8,550,962</b>	<b>7,878,600</b>

**NOTE 8 – FINANCIAL BORROWINGS**

	<b>30.06.2014</b>	<b>31.12.2013</b>
<b>Short term financial borrowings:</b>		
TRY borrowings	1,319,445	719,189
USD borrowings	168,693,594	130,676,921
EUR borrowings	20,703,308	38,894,841
GBP borrowings	2,123,962	1,305,089
<b>Accrued interest of short term financial borrowings:</b>		
USD accrued interest of financial borrowings	564,616	401,926
EUR accrued interest of financial borrowings	252,529	175,489
GBP accrued interest of financial borrowings	-	-
<b>Short term financial borrowings</b>	<b>193,657,454</b>	<b>172,173,455</b>
<b>Current installments of long-term borrowings:</b>		
<b>Lease Payables:</b>		
USD lease payables, net	213,673	209,318
EUR lease payables, net	5,773,512	4,983,654
<b>Borrowings:</b>		
USD borrowings	14,357,549	10,278,181
EUR borrowings	2,801,190	5,322,109
<b>Accrued interest of long term financial borrowings:</b>		
TRY accrued interest of financial borrowings	1,349	-
USD accrued interest of financial borrowings	104,074	20,887
EUR accrued interest of financial borrowings	237,357	157,135
<b>Current installments of long-term borrowings</b>	<b>23,488,704</b>	<b>20,971,284</b>
<b>Long term lease payables:</b>		
USD lease payables, net	148,677	258,207
EUR lease payables, net	13,769,193	14,548,613
<b>Long term borrowings:</b>		
USD borrowings	12,969,357	6,385,373
EUR borrowings	44,543,483	19,866,237
<b>Long term financial borrowings</b>	<b>71,430,710</b>	<b>41,058,430</b>
<b>Total financial liabilities</b>	<b>288,576,868</b>	<b>234,203,169</b>

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

(Amounts are expressed as Turkish Lira “TRY” unless otherwise stated.)

As of 30.06.2014 and 31.12. 2013, maturity analyses of borrowings and other financial borrowings are as following:

	<b>30.06.2014</b>	<b>31.12.2013</b>
Within 3 month	102,279,503	90,030,154
Between 3 - 12 months	107,719,545	97,166,176
Between 1 – 5 years	57,512,840	26,251,610
	<b>267,511,888</b>	<b>213,447,940</b>

As of 30.06.2014 and 31.12. 2013, maturity schedule of long term bank borrowings are as following:

	<b>30.06.2014</b>	<b>31.12.2013</b>
Between 1-2 years	15,770,547	11,707,482
Between 2-3 years	2,801,190	5,322,109
Between 3-4 years	2,801,190	5,322,109
Between 4-5 years	25,439,883	3,899,910
Between 5-6 years	10,700,030	-
	<b>57,512,840</b>	<b>26,251,610</b>

As of 30.06.2014, effective interest rates for USD, EUR and GBP bank loans are 3.21%, 4,53 % and 3.00%. (31.12.2013: USD-2.64%, EUR-3.74 % and GBP-3.80%).

As of 30.06.2014, the blockage’s amount on the bank deposits of the Group is TRY 20,000,000 and USD 3,900,000 (TRY 8,540,220) for the borrowings are taken from Şekerbank T.A.Ş. (31.12.2013: USD 3,900,000 (TRY 8,323,770)).

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 156,200,000 (TRY 331,675,080), EUR 26,140,426 (TRY 75,595,498) and TRY 73,170,000.

As of 30.06.2014 and 31.12.2013, details of financial leasing borrowings of group are as follows:

	<b>30.06.2014</b>	<b>31.12.2013</b>
Short term lease payables	6,735,546	5,949,073
Cost of deferred lease payables (-)	(748,361)	(756,101)
	<b>5,987,185</b>	<b>5,192,972</b>
	<b>30.06.2014</b>	<b>31.12.2013</b>
Long term lease payables	14,782,952	15,897,372
Cost of deferred lease payables (-)	(865,082)	(1,090,552)
	<b>13,917,870</b>	<b>14,806,820</b>

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,**  
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As of 30 June 2014, maturity schedule of repayment of lease payables are as following:

	<b>Lease Payables</b>	<b>Cost of deferred lease payables</b>	<b>Total liabilities</b>
Between 0 – 1 years	6,735,546	(748,361)	5,987,185
Between 1 – 2 years	5,944,831	(491,927)	5,452,904
Between 2 – 3 years	4,799,446	(267,071)	4,532,375
Between 3 – 4 years	3,292,385	(96,473)	3,195,912
Between 4 – 5 years	746,290	(9,611)	736,679
Between 5 – 6 years	-	-	-
	<b>21,518,498</b>	<b>(1,613,443)</b>	<b>19,905,055</b>

As of 31 December 2013, maturity schedule of repayment of lease payables are as following:

	<b>Lease Payables</b>	<b>Cost of deferred lease payables</b>	<b>Total liabilities</b>
Between 0 – 1 years	5,949,073	(756,101)	5,192,972
Between 1 – 2 years	5,303,713	(531,534)	4,772,179
Between 2 – 3 years	4,444,791	(341,764)	4,103,027
Between 3 – 4 years	4,091,573	(177,113)	3,914,460
Between 4 – 5 years	1,963,601	(39,186)	1,924,415
Between 5 – 6 years	93,694	(955)	92,739
	<b>21,846,445</b>	<b>(1,846,653)</b>	<b>19,999,792</b>

**NOTE 9 – OTHER RECEIVABLES AND PAYABLES**

**Other Current Receivables**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Deposit and guarantees given	140,320	250,918
VAT return receivables	3,123,958	4,249,319
Sundry debtors	-	2,922,042
<b>Other Receivables from Third Parties</b>	<b>3,264,278</b>	<b>7,422,279</b>
Due from shareholders (Note 6-i-d)	38,875,185	37,962,308
Due from related parties (Note 6-i-c)	41,362,295	39,169,464
<b>Other Receivables from Related Parties</b>	<b>80,237,480</b>	<b>77,131,772</b>
	<b>83,501,758</b>	<b>84,554,051</b>

As of 30 June 2014, non-trade receivables from Osman Akça Tarım Ürünleri İthalat İhracat A.Ş. comprise 16.63% of total current assets and 10.56% of total assets. (As of 31 December 2013, it composes 20.26% of the total current assets and 12.09% of total assets).

**Other Non-Current Receivables**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Deposits given and guarantees	20,874	14,694
	<b>20,874</b>	<b>14,694</b>

**Other Current Payables**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Deposit and guarantees received	6,000	6,000
Taxes and funds payables	873,807	991,018
Sundry payables	1,126	1,949
<b>Other Payables from third parties</b>	<b>880,933</b>	<b>998,967</b>
Due to shareholders (Note 37-i-e)	418,205	698,391
Due to related parties (Note 37-i-f)	614,518	528,896
<b>Other Payables from related parties</b>	<b>1,032,723</b>	<b>1,227,287</b>
	<b>1,913,656</b>	<b>2,226,254</b>

**NOTE 10 – DERRIVATIVE INSTRUMENTS**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Income accrual of forward exchange	1,958,157	696,738
	<b>1,958,157</b>	<b>696,738</b>
	<b>30.06.2014</b>	<b>31.12.2013</b>
Expense accrual of forward exchange	412,330	6,164,062
	<b>412,330</b>	<b>6,164,062</b>

**NOTE 11 – INVENTORIES**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Raw materials	93,999,206	69,988,059
Work in progress	79,177,520	41,578,636
Finished goods	76,540,302	28,629,984
Merchandises	24,810	226,208
Other Inventories	724,940	563,999
	<b>250,466,778</b>	<b>140,986,886</b>

The Group’s all inventories were insured.

**NOTE 12 – BIOLOGICAL ASSETS**

**Current biological assets**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Biological assets (tomato)	1,397,042	3,778,127
	<b>1,397,042</b>	<b>3,778,127</b>

Group’s biological assets consist of tomatoes. If available impairment and cost is indicated after provision in the combined financial statements Due to no presence of active market for growing tomatoes, they were reflected in the accompanying combined financial statements with their costs minus if there is impairment in the cost then it is deducted.

**NOTE 13 – PREPAID EXPENSES AND DEFERRED INCOME**

**Short term prepaid expenses**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Order advances given	8,172,548	3,148,319
Prepaid expenses	359,512	507,645
Advances given for business purposes	2,931	-
	<b>8,534,991</b>	<b>3,655,964</b>

**Long term prepaid expenses**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Advances given for purchases of tangible assets	6,717,224	2,456,908
Prepaid expenses	144,310	144,311
	<b>6,861,534</b>	<b>2,601,219</b>

**Short term deferred income**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Advances received	22,788,618	9,547,867
	<b>22,788,618</b>	<b>9,547,867</b>

**NOTE 14 – CURRENT PERIOD TAX INCOME ASSET**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Prepaid taxes and funds	3,172,760	5,815,114
	<b>3,172,760</b>	<b>5,815,114</b>

**NOTE 15 – INVESTMENTS VALUED WITH EQUITY PICK-UP METHOD**

As of 30.06.2014 and 31.12.2013, Akça Enerji Üretim Otoprodüktör Grubu A.Ş., Menderes Tekstil Pazarlama A.Ş. and Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. are held subject to equity pick-up method by the Group, with rate of 20%, 45% and 48% respectively:

	<b>30.06.2014</b>	<b>Share (%)</b>	<b>31.12.2013</b>	<b>Share (%)</b>
Akça Enerji Üretim Dağıtım Otoprodüktör A.Ş.	2,290,678	20%	2,627,460	20%
Menderes Tekstil Pazarlama A.Ş.	11,516,549	45%	10,390,720	45%
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	98,524,217	48%	94,317,255	48%
	<b>112,331,444</b>		<b>107,335,435</b>	



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The total assets, liabilities and owner’s equity of the investments which are evaluated by the help of the equity pick up method with the summary income statement related to the periods ended 30.06.2014 and 31.12.2013 are as follows;

*Akça Enerji Üretim Otoprodüktör Grubu A.Ş.*

	<b>30.06.2014</b>	<b>31.12.2013</b>
Current Assets	15,343,750	12,326,427
Non-current Assets	56,582,446	44,992,402
<b>Total Assets</b>	<b>71,926,196</b>	<b>57,318,829</b>
Current liabilities	43,212,536	43,910,762
Non-current liabilities	17,260,272	270,769
Shareholders’ Equity	11,453,388	13,137,298
<b>Total Equities</b>	<b>71,926,196</b>	<b>57,318,829</b>
Sales, net	128,050	387,145
Cost of sales, net	(101,595)	(305,140)
Net profit / (loss)	(1,676,832)	(7,192,449)

*Menderes Tekstil Pazarlama A.Ş.*

	<b>30.06.2014</b>	<b>31.12.2013</b>
Current Assets	17,523,593	15,789,992
Non-current Assets	9,324,021	5,166,250
<b>Total Assets</b>	<b>26,847,614</b>	<b>20,956,242</b>
Current liabilities	1,094,048	690,545
Non-current liabilities	161,234	106,936
Shareholders’ Equity	25,592,332	20,158,761
<b>Total Equities</b>	<b>26,847,614</b>	<b>20,956,242</b>
Sales, net	40,562,573	54,661,428
Cost of sales, net	(36,604,608)	(51,937,046)
Net profit / (loss)	2,598,565	1,844,044

*Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.*

	<b>30.06.2014</b>	<b>31.12.2013</b>
Current Assets	45,080,227	40,658,792
Non-current Assets	294,287,364	320,064,863
<b>Total Assets</b>	<b>339,367,591</b>	<b>360,723,655</b>
Current liabilities	23,148,677	29,282,961
Non-current liabilities	110,960,129	120,848,480
Shareholders’ Equity	205,258,785	210,592,214
<b>Total Equities</b>	<b>339,367,591</b>	<b>360,723,655</b>
Sales, net	101,456,731	186,256,433
Cost of sales, net	(85,749,589)	(156,873,508)
Net profit / (loss)	10,776,707	32,480,159

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,**  
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**NOTE 16 – TANGIBLE FIXES ASSETS**

<b>Cost</b>	<b>Land and land improvements</b>	<b>Buildings</b>	<b>Property, plant and equipment</b>	<b>Vehicles</b>	<b>Fixtures and fittings</b>	<b>Construction in progress</b>	<b>Total</b>
<b>01 January 2013 Opening</b>	12,520,203	49,883,719	198,939,322	1,199,613	6,295,466	17,377,899	286,216,222
Additions	231,718	85,750	25,359,313	812,205	969,211	29,373,484	56,831,681
Disposals	-	-	(10,965,199)	(153,229)	(3,715,380)	-	(14,833,808)
Transfers	16,848,306	4,926,825	21,639,753	-	330,303	(43,745,187)	-
<b>31 December 2013 closing balance</b>	<b>29,600,227</b>	<b>54,896,294</b>	<b>234,973,189</b>	<b>1,858,589</b>	<b>3,879,600</b>	<b>3,006,196</b>	<b>328,214,095</b>
Additions	5,077	-	3,798,139	92,166	1,090,127	14,514,258	19,499,767
Disposals	-	-	(6,822,745)	(353)	-	-	(6,823,098)
Transfers	-	2,701,537	8,937,493	-	423,515	(12,062,545)	-
<b>30 June 2014 closing balance</b>	<b>29,605,304</b>	<b>57,597,831</b>	<b>240,886,076</b>	<b>1,950,402</b>	<b>5,393,242</b>	<b>5,457,909</b>	<b>340,890,764</b>
<b>Accumulated depreciation</b>							
<b>1 January 2013 Opening balance</b>	<b>2,164,965</b>	<b>12,969,568</b>	<b>176,790,327</b>	<b>563,574</b>	<b>4,905,613</b>	<b>-</b>	<b>197,394,047</b>
Additions	633,673	1,033,222	8,195,772	185,392	389,486	-	10,437,545
Disposals	-	-	(10,039,311)	(153,229)	(3,695,019)	-	(13,887,559)
<b>31 December 2013 closing balance</b>	<b>2,798,638</b>	<b>14,002,790</b>	<b>174,946,788</b>	<b>595,737</b>	<b>1,600,080</b>	<b>-</b>	<b>193,944,033</b>
Additions	1,006,812	559,040	5,514,290	147,479	288,847	-	7,516,468
Disposals of Foreign Currency Translation Adjustments	-	-	(1,653,097)	-	-	-	(1,653,097)
Disposals	-	-	(6,807,393)	(353)	-	-	(6,807,746)
<b>30 June 2014 closing balance</b>	<b>3,805,450</b>	<b>14,561,830</b>	<b>172,000,588</b>	<b>742,863</b>	<b>1,888,927</b>	<b>-</b>	<b>192,999,658</b>
<b>31.12.2013, Net Book Value</b>	<b>26,801,589</b>	<b>40,893,504</b>	<b>60,026,401</b>	<b>1,262,852</b>	<b>2,279,520</b>	<b>3,006,196</b>	<b>134,270,062</b>
<b>30.06.2014, Net Book Value</b>	<b>25,799,854</b>	<b>43,036,001</b>	<b>68,885,488</b>	<b>1,207,539</b>	<b>3,504,315</b>	<b>5,457,909</b>	<b>147,891,106</b>

As of 30 June 2014, the depreciation expense of tangible fixed assets for the period is TRY 7,516,468 (31 December 2013: TRY 10,437,545).

As of 31 30 June 2014, fixed assets were insured for TRY 147,389,873, EUR 7,688,000 (TRY 22,232,927) (31 December 2013: TRY 146,069,254, USD 344,393 (TRY 735,038), EUR 7,931,080 (TRY 23,289,616)).

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 156,200,000 (TRY 331,675,080), EUR 26,140,426 (TRY 75,595,498) and TRY 73,170,000.

**NOTE 17 – INTANGIBLE ASSETS**

<b>Cost</b>	<b>Rights</b>	<b>Research and development expenses</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>01 January 2013 Opening</b>	27,720	163,323	539,345	730,388
Additions	-	188,109	83,574	271,683
Disposals	-	(351,432)	(325,363)	(676,795)
31 December 2013 closing balance	27,720	-	297,556	325,276
Additions	1,490	-	-	1,490
Disposals	-	-	(10,000)	(10,000)
30 June 2014 closing balance	29,210	-	287,556	316,766
<b>Accumulated depreciation</b>				
<b>1 December 2013 Opening balance</b>	6,797	2,732	297,967	307,496
Additions	9,350	-	96,428	105,778
Disposals	-	(2,732)	(251,926)	(254,658)
31 December 2013 closing balance	16,147	-	142,469	158,616
Additions	4,895	-	40,699	45,594
Disposals	(583)	-	(972)	(1,555)
30 June 2014 closing balance	20,459	-	182,196	202,655
<b>31.12.2013, Net Book Value</b>	<b>11,573</b>	<b>-</b>	<b>155,087</b>	<b>166,660</b>
<b>30.06.2014, Net Book Value</b>	<b>8,751</b>	<b>-</b>	<b>105,360</b>	<b>114,111</b>

As of 30 June 2014, the amortization expense of intangible fixed assets for the period is TRY 45,594 (31 December 2013: TRY 18,682).

**NOTE 18 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

As of 30.06.2014 and 31.12.2013 the Group's guarantee / pledge / mortgage position are as following:

<b>Guarantees, security and mortgage (GSM) given by the Group</b>	<b>30.06.2014</b>	<b>31.12.2013</b>
A. Total Amount of GSM given on behalf of legal entity	786,616,064	542,344,590
B. Total Amount of GSM given for partnerships which included in full consolidation	11,460	11,460
C. Total Amount of GSM given for the purpose of guaranteeing third party loans to carry the regular trade activities	None	None
D. Total Amount of other GSM given	None	None
i. Total Amount of GSM given for the Parent Company	111,397,931	211,295,700
ii. Total Amount of GSM Given for Other Group Companies not Included in B and C Clauses	123,215,896	207,167,080
iii. Total Amount of GSM Given for Third Parties not Included in C Clause	None	None
<b>Total</b>	<b>1,021,241,351</b>	<b>960,818,830</b>

As of 30 June 2014, ratio which is other GSM given by the Group over its equity is 72% (31.12.2013: 140%).

Group has given joint and collective guarantee at most USD 5,565,586 (TRY 11,817,965) for the financial leasing agreement signed between Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. and İş Finansal Kiralama A.Ş (31 December 2013: USD 5,565,586 (TRY 11,878,630))

The sum of loans granted bail by the Group in favor of relevant institutions is USD 21,215,000 (TRY 40,047,931). (31 December 2013: USD 91,500,000 (TRY 195,288,450)). Loans Granted bail amount is USD 99,000,000 (TRY 210,216,600) these are from relevant institutions that is the Group is a party related to credit agreements. (31.12.2013: 99,000,000 USD (TRY 211,295,700)).

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**  
(Amounts are expressed as Turkish Lira “TRY” unless otherwise stated.)

As of 30 June 2014, details of the commitments are as following:

	FX type	FX amount	FX rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	TRY	71,570,000	1.0000	71,570,000
Türkiye Vakıflar Bankası T.A.O	USD	147,700,000	2.1234	313,626,180
Vakıf Finansal Kiralama Anonim Şirketi	USD	8,500,000	2.1234	18,048,900
Vakıf Finansal Kiralama Anonim Şirketi	EURO	5,140,426	2.8919	14,865,598
Türkiye Finans Katılım Bankası A.Ş.	TRY	1,600,000	1.0000	1,600,000
Türkiye Vakıflar Bankası T.A.O	EURO	21,000,000	2.8919	60,729,900
				<b>480,440,578</b>

Total amount of mortgage on lands and buildings of the company given to financial institutions is USD 156,200,000 (TRY 331,675,080 ), EUR 26,140,426 (TRY 75,595,498), and TRY 73,170,000.

Bank Details of Guarantee Letters Given	FX type	TRY Equivalent
Electricity Distribution Company	TRY	1,664,413
Tax Office	TRY	71,250
Custom Office	TRY	5,117,086
Other	TRY	891,504
		<b>7,744,253</b>

Bank Details of Guarantee Letters Given	FX type	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O.	TRY	4,987,879
Türkiye Finans Katılım Bankası A.Ş.	TRY	58,000
Alternatifbank A.Ş.	TRY	854,400
Tekstilbankası A.Ş.	TRY	11,460
Halk Bank A.Ş.	TRY	886,612
Akbank Denizli Ticaret Şubesi	TRY	945,902
		<b>7,744,253</b>

As of 30.06.2014, bank has given guarantees for trade payables of USD 10,725,458 (TRY 22,774,438) and EUR 768,144 (TRY 2,221,395) (31.12.2013: USD 1,366,619 (TRY 2,916,775) and EUR 854,908 (TRY 2,510,437)).

As of 30.06.2014, Group has deposit blockage amount of USD 1,050,000 (TRY 2,229,570) and TRY 20,000,000 for bank loans used from Şekerbank T.A.Ş. (31.12.2013: USD 1,850,000 (TRY 3,948,455)).

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

(Amounts are expressed as Turkish Lira “TRY” unless otherwise stated.)

**General Borrowing**

Contracts:	FX Type	FX Amount	FX Rate	TRY Equivalent
ING Bank A.Ş.	TRY	7,000,000	1.0000	7,000,000
Finansbank A.Ş.	TRY	13,000,000	1.0000	13,000,000
Odea Bank A.Ş.	TRY	7,000,000	1.0000	7,000,000
Vakıfbank A.Ş.	TRY	21,100,000	1.0000	21,100,000
Halk Bankası A.Ş.	TRY	10,000,000	1.0000	10,000,000
Albarakaturk A.Ş.	TRY	15,000,000	1.0000	15,000,000
Şekerbank A.Ş.	USD	20,000,000	2.1234	42,468,000
Tekstilbank	USD	3,490,000	2.1234	7,410,666
Vakıfbank A.Ş.	USD	5,200,000	2.1234	11,041,680
Alternatif Bank A.Ş.	USD	6,000,000	2.1234	12,740,400
Denizbank A.Ş.	USD	9,000,000	2.1234	19,110,600
Eximbank A.Ş.	USD	25,000,000	2.1234	53,085,000

**218,956,346**

Guarantee Notes Given	Bank Name	FX Type	FX Amount	FX Rate	TRY Equivalent
Ekspo Factoring A.Ş.	Şekerbank T.A.Ş.	USD	5,330,400	2.1234	11,318,571

**11,318,571**

Guarantee Notes Given	FX Type	FX Amount	FX Rate	TRY Equivalent
Eximbank	USD	678,125	2.1234	1,439,931

**1,439,931**

Bond	Bank Name	FX Type	FX Amount	FX Rate	TRY Equivalent
Türk Eximbank	T. Vakıflar Bankası T.A.O.	USD	15,000,000	2.1234	31,851,000
Türk Eximbank	Denizbank A.Ş.	USD	4,000,000	2.1234	8,493,600
Türk Eximbank	Şekerbank T.A.Ş.	USD	4,600,000	2.1234	9,767,640
Türk Eximbank	Finansbank A.Ş.	USD	2,300,000	2.1234	4,883,820
Türk Eximbank	Halkbank A.Ş.	USD	3,025,000	2.1234	6,423,285
Türk Eximbank	Alternatif Bank A.Ş.	USD	1,000,000	2.1234	2,123,400
Türk Eximbank	Odea Bank	USD	750,000	2.1234	1,592,550
Türk Eximbank	Turkland Bank	USD	750,000	2.1234	1,592,550

**66,727,845**

Guarantee Letters Received	Bank Name	FX Type	FX Amount
İtimat Manifatura	Kuveyt Türk Katılım Bankası	TRY	200,000
İtimat Manifatura	Türkiye Finans Katılım Bankası A.Ş.	TRY	750,000

**950,000**

**NOTE 19 – SHORT TERM PROVISIONS**

**Other Short Term Provisions**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Provision for the court cases	534,154	356,325
	<b>534,154</b>	<b>356,325</b>

**Provisions for employee benefits**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Provision for severance pay	7,947,130	6,392,684
	<b>7,947,130</b>	<b>6,392,684</b>

For the period 01 January – 30 June 2014, average personnel number including subcontractors employed by the Group is 4,251.

The rate of retirement probability used is 98%.

For the period ended at 30.06.2014 and 31.12.2013, the movement schedule of severance pay provision is as following;

	<b>30.06.2014</b>	<b>31.12.2013</b>
Balance of 1 January	6,392,684	5,667,560
Increase in the period	362,324	3,074,348
Interest cost	467,838	306,543
Severance pay paid in the period	(1,114,361)	(3,053,313)
Actuarial profit/(loss)	1,838,645	397,546
<b>Balance at the end of the period</b>	<b>7,947,130</b>	<b>6,392,684</b>

**NOTE 20 – EMPLOYEE BENEFITS LIABILITIES**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Due to personnel	3,018,679	2,557,956
Social security deductions payable	1,034,221	855,109
	<b>4,052,900</b>	<b>3,413,065</b>

**NOTE 21 – OTHER CURRENT ASSETS AND LIABILITIES**

**Other current assets**

	<b>30.06.2014</b>	<b>31.12.2013</b>
VAT carried forward	17,023,415	11,518,344
	<b>17,023,415</b>	<b>11,518,344</b>

**NOTE 22 – SHARE CAPITAL**

**22.1 Paid in Capital**

As of 30 June 2014, Group’s paid in capital was divided into 250,000,000 shares as each valued at TRY 1 nominally (31 December 2013: 250,000,000 units).

As of 30 June 2014 and 31 December 2013, Group’s paid in capital is as follows:

Shareholders:	30.06.2014		31.12.2013	
	Share (%)	TRY	Share (%)	TRY
Public Offer	51.93%	129,828,520	51.93%	129,828,520
Akça Holding A.Ş.	45.68%	114,208,053	45.68%	114,208,053
Other	2.39%	5,963,427	2.39%	5,963,427
<b>Total</b>	<b>100.00%</b>	<b>250,000,000</b>	<b>100.00%</b>	<b>250,000,000</b>

According to company’s main article of association, more than half of the Members of Board required to be elected from the candidates which are pointed out from A Group shareholders.

As of 20.01.2012 Group has decided to increase their capital from TRY 225,000,000 to TRY 250,000,000.

**22.2 Capital Adjustment Differences**

	30.06.2014	31.12.2013
Inflation adjustment difference in capital	485,133	485,133
	<b>485,133</b>	<b>485,133</b>

**22.3 Income (Expenses) not to be reclassified on Profit or Loss**

**22.3.1 Actuarial Benefit/ (Loss) of the Retirement Plans**

	30.06.2014	31.12.2013
Actuarial benefit/ (loss) of the retirement plans	(1,789,997)	(319,081)
	<b>(1,789,997)</b>	<b>(319,081)</b>

**22.4 Income (Expenses) to be reclassified on Profit or Loss**

**22.4.1 Foreign Currency Translation Differences**

	30.06.2014	31.12.2013
Foreign Currency Translation Differences	-	(1,091,445)
	<b>-</b>	<b>(1,091,445)</b>



## **22.5 Restricted Reserves Appropriated from Profit**

	<b>30.06.2014</b>	<b>31.12.2013</b>
Legal reserves	9,754,762	8,507,915
	<b>9,754,762</b>	<b>8,507,915</b>

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5 %, until the total reserve reaches a maximum of 20 % of the Group’s share capital. The second legal reserve is appropriated at the rate of 10 % of all distributions in excess of 5 % of the Group’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50 % of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Listed companies are subject to dividend requirements regulated by the CMB as follows:

It was announced in the CMB decision dated January 9, 2009, number 1/6 that without considering the fact that a profit distribution has been declared in the general assemblies of the subsidiaries, joint ventures and associates, which are consolidated into the parent company’s financial statements, the net income from these companies that are consolidated into the financial statements of the parent company can be considered when calculating the distributable amount, as long as the statutory reserves of these entities are sufficient for a such profit distribution. After completing these requirements, the parent company may distribute profit by considering the net income included in the consolidated financial statements prepared in accordance with Communiqué No. XI-29 of CMB.

In accordance with the CMB decision dated January 27, 2010, it’s decided to remove the obligation related with the minimum dividend distribution rate for publicly traded companies.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source for capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. However, in case inflation adjustment to shareholders' equity is used on cash profit distribution, it will be subject to corporation tax.

## **22.6 Retained Earnings / Losses**

In accordance with the communiqué Serial: XI No: 29, effective from 1 January 2008, and its related announcements, “Paid-in Share Capital”, “Restricted Reserves Appropriated from Profit” and “Share Premium” should be presented with statutory amounts. The restatement differences arise during the application of the communiqué should be presented in “Adjustment to Share Capital”, if the difference is resulted from paid-in share capital and not has not added to capital yet; should be presented in “Retained Earnings / Losses”, if the difference is resulted from “Restricted Reserves Appropriated from Profit” and “Share Premium” and has not been subject to profit distribution or has not added to capital yet.

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

(Amounts are expressed as Turkish Lira “TRY” unless otherwise stated.)

According to the decision dated 30 December 2003 and numbered 66/1630 of Capital Market Board, “Previous Year’s Losses” account which arises from first time application of inflation adjustment on financial statements is taken into consideration as deductible item, during the calculation of distributable profit for the inflation adjusted financial statements under the profit distribution principles of the Capital Market Board. Nonetheless, it is also possible to set off “Previous Year’s Losses” with the Company’s current profit and accumulated profit. The remaining part of prior year’ loss is possibly set off extraordinary reserves, legal reserves and inflation effect on shareholder’s equity account, respectively.

In accordance with Turkish Commercial Code, legal reserves consist of first and second legal reserves. Until the Company’s legal reserve reaches 20% of the nominal paid-up share capital, legal reserves are set aside as the first 5% of net income. The second legal reserve, on 5% of the Company’s share capital is divided into 10% of all profits from the distribution. According to the Turkish Commercial Code, legal reserves for distribution unless they exceed 50%, but can be used to offset losses at the point of profit reserves have been exhausted.

**22.7 Minority Interest**

<b>30 June 2014</b>	<b>Total Shareholders’ Equity</b>	<b>Profit/(Loss) of the Period</b>	<b>Parent Company Share</b>	<b>Minority Interest</b>	<b>Minority part of Shareholders’ Equity</b>	<b>Minority part of Profit/(Loss)</b>
Smryna	11,528,944	(499,304)	79%	21%	2,297,634	(104,022)
					<b>2,297,634</b>	

  

<b>31 December 2013</b>	<b>Total Shareholders’ Equity</b>	<b>Profit/(Loss) of the Period</b>	<b>Parent Company Share</b>	<b>Minority Interest</b>	<b>Minority part of Shareholders’ Equity</b>	<b>Minority part of Profit/(Loss)</b>
Menderes Bulgaria	(2,583,924)	-	90%	10%	(258,392)	-
Smyrna	11,911,935	(370,561)	79%	21%	2,404,454	(77,200)
					<b>2,146,062</b>	

**NOTE 23 – SALES AND COST OF SALES**

**23.1 Sales**

	<b>01.01.- 30.06.2014</b>	<b>01.01.- 30.06.2013</b>	<b>01.04.- 30.06.2014</b>	<b>01.04.- 30.06.2013</b>
Domestic sales	76,256,063	47,719,549	40,360,346	25,895,457
Export sales	179,482,383	123,241,066	84,455,752	62,230,297
Other sales	390,031	492,664	166,309	460,506
	<b>256,128,477</b>	<b>171,453,279</b>	<b>124,982,407</b>	<b>88,586,260</b>
Sales returns	(135,991)	(3,910,290)	(14,791)	(1,581,872)
Sales discounts	-	(25,632)	-	(25,632)
<b>Sales Income, (net)</b>	<b>255,992,486</b>	<b>167,517,357</b>	<b>124,967,616</b>	<b>86,978,756</b>

**23.2 Cost of Sales**

	<b>01.01.- 30.06.2014</b>	<b>01.01.- 30.06.2013</b>	<b>01.04.- 30.06.2014</b>	<b>01.04.- 30.06.2013</b>
Direct material cost	224,684,299	150,131,175	110,322,283	78,634,189
Direct labor cost	37,919,462	28,197,818	21,416,129	14,889,956
General production overheads	9,333,655	5,851,265	4,718,014	3,339,092
Depreciation expenses	5,901,814	3,513,415	2,786,703	1,228,477
<u>Change in semi-finished goods</u>				
1. Beginning inventory (+)	41,578,636	40,051,875	-	-
2. Ending inventory (-)	(79,177,520)	(49,584,146)	(9,572,412)	3,884,072
Cost of finished goods produced	240,240,346	178,161,402	129,670,717	101,975,786
<u>Change in finished goods inventory</u>				
1. Beginning inventory (+)	28,629,984	11,551,256	-	-
2. Ending inventory (-)	(76,540,302)	(47,210,030)	(34,125,611)	(26,407,462)
Cost of finished goods sold	192,330,028	142,502,628	95,545,106	75,568,324
<u>Cost of merchandise</u>				
1. Beginning Merchandise Inventory (+)	226,208	255,339	-	-
2. Purchases During the Period (+)	5,987,212	4,490,533	2,319,260	2,833,540
3. Ending Merchandise Inventory (-)	(24,810)	(160,823)	290,910	166,659
Cost of merchandise sold	6,188,610	4,585,049	2,610,170	3,000,199
Cost of other service rendered	536,246	865,606	94,146	390,768
Cost of biological assets	5,495,148	2,928,429	5,039,986	2,366,490
Depreciation of biological assets	1,107,248	316,626	554,671	159,900
<b>Cost of sales, net</b>	<b>205,657,280</b>	<b>151,198,338</b>	<b>103,844,079</b>	<b>81,485,681</b>

**NOTE 24 – GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SALES AND DISTRIBUTION EXPENSES**

	<b>01.01.-</b> <b>30.06.2014</b>	<b>01.01.-</b> <b>30.06.2013</b>	<b>01.04.-</b> <b>30.06.2014</b>	<b>01.04.-</b> <b>30.06.2013</b>
Marketing, sales and distribution expenses	6,951,395	4,486,526	3,933,404	2,798,032
General administrative expenses	2,997,592	4,175,349	1,780,759	1,478,691
	<b>9,948,987</b>	<b>8,661,875</b>	<b>5,714,163</b>	<b>4,276,723</b>

**24.1 Marketing, sales and distribution expenses:**

	<b>01.01.-</b> <b>30.06.2014</b>	<b>01.01.-</b> <b>30.06.2013</b>	<b>01.04.-</b> <b>30.06.2014</b>	<b>01.04.-</b> <b>30.06.2013</b>
Personnel expenses	2,094,436	1,203,219	1,324,854	649,210
Export expenses	3,562,322	2,956,353	1,594,051	1,948,409
Transportation of domestic sale	447,274	200,590	206,732	98,428
Depreciation expenses	13,017	21,861	13,017	12,114
Other expenses	834,346	104,503	794,750	89,871
	<b>6,951,395</b>	<b>4,486,526</b>	<b>3,933,404</b>	<b>2,798,032</b>

**24.2 General administrative expenses:**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Personnel expenses	220,809	49,500	24,601	3,375
Insurance expenses	377,991	312,812	207,454	163,518
Representation and accommodation expenses	83,491	58,835	83,491	56,960
Communication expenses	63,456	60,741	32,128	29,379
Rent expenses	4,820	99,718	2,362	48,785
Education and consultancy expenses	118,825	53,590	1,584	12,037
General administrative material consumption	151,870	110,321	74,418	56,871
Capital market expenses	62,500	62,500	62,500	-
Repair and maintenance expenses	502	44,731	153	23,818
Traveling expenses	183,889	183,453	98,649	68,681
Chamber fee expenses	7,544	16,752	2,859	16,632
Tax and duty expenses	377,452	291,100	311,193	242,528
Chamber fee expenses (*)	108,694	78,617	76,338	39,740
Notary and insurance expenses	10,554	14,305	986	7,473
Aid and donation expenses	63,543	299,957	22,755	46,456
Audit and consulting expenses	77,461	154,186	39,312	48,593
Electricity expenses	150,709	136,804	78,858	73,293
Lawsuit provisions	144,313	310,286	66,159	310,286
Severance pay provision expenses	15,289	443,598	13,184	(861,830)
Doubtful receivable provisions	26,122	65,240	26,122	65,240
Depreciation expenses	539,983	1,104,283	531,087	969,239
Rent office expenses	21,000	21,000	10,500	10,500
Other expenses	186,775	203,020	14,066	47,117
	<b>2,997,592</b>	<b>4,175,349</b>	<b>1,780,759</b>	<b>1,478,691</b>

(\*) Composed of the personnel expenses reflected to Group by Akça Holding.

**NOTE 25 – INCOME/ EXPENSE FROM OTHER OPERATIONS****25.1 Income From Other Operations**

	01.01.- 30.06.2014	01.01.- 30.06.2013	01.04.- 30.06.2014	01.04.- 30.06.2013
Reversal of unnecessary provision	770,484	-	284,591	-
Foreign exchange gain	7,067,557	1,407,206	3,449,781	846,648
Discount income / expenses on trade payables, net	1,303,631	834,118	(102,439)	61,607
Prior period income and profit	105,330	194,556	82,640	91,626
SGK Incentive Income	1,243,617	723,089	764,336	332,974
Other income and profit	469,244	166,562	301,402	107,765
	<b>10,959,863</b>	<b>3,325,531</b>	<b>4,780,311</b>	<b>1,440,620</b>

**25.2 Other operating expenses (-)**

	<b>01.01.-</b>	<b>01.01.-</b>	<b>01.04.-</b>	<b>01.04.-</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Commissions expenses	(7,785,450)	(6,042,672)	(4,047,295)	(3,114,981)
Foreign exchange losses	(4,132,886)	(928,413)	(1,782,754)	(164,847)
Discount income / expenses on trade receivables	(1,170,758)	(499,925)	(63,360)	52,464
Other expenses and losses	(175,282)	14,465	15,349	17,578
	<b>(13,264,376)</b>	<b>(7,456,545)</b>	<b>(5,878,060)</b>	<b>(3,209,786)</b>

**NOTE 26 – INVESTMENT OPERATING INCOME/(EXPENSE)**

**26.1 Investment Operating Income**

	<b>01.01.-</b>	<b>01.01.-</b>	<b>01.04.-</b>	<b>01.04.-</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Rent income	-	121,946	-	57,305
Profit on sale of fixed assets	181,220	450,682	45,410	450,681
	<b>181,220</b>	<b>572,628</b>	<b>45,410</b>	<b>507,986</b>

**26.2 Investment Operating Expense**

	<b>01.01.-</b>	<b>01.01.-</b>	<b>01.04.-</b>	<b>01.04.-</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Losses on sale of fixed assets	(4,500)	-	(4,500)	-
	<b>(4,500)</b>	<b>-</b>	<b>(4,500)</b>	<b>-</b>

**26.3 Other Operating Income and Profit or Other Operating Expenses and Losses**

	<b>01.01.-</b>	<b>01.01.-</b>	<b>01.04.-</b>	<b>01.04.-</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Shares related with investment valued by the equity method	4,996,009	3,465,701	2,954,052	2,633,085
	<b>4,996,009</b>	<b>3,465,701</b>	<b>2,954,052</b>	<b>2,633,085</b>

**NOTE 27 – FINANCIAL INCOME / EXPENSES**

**27.1 Financial Income**

	<b>01.01.- 30.06.2014</b>	<b>01.01.- 30.06.2013</b>	<b>01.04.- 30.06.2014</b>	<b>01.04.- 30.06.2013</b>
Interest income	294,789	189,687	135,564	92,547
Maturity differences due from related parties	5,971,709	2,455,150	2,905,579	1,858,073
Foreign exchange income	16,176,913	3,781,443	6,571,445	1,727,971
Foreign exchange gain related parties	1,999,029	6,972,523	738,316	5,868,087
Foreign exchange gains arising from future contract	1,716,607	2,483,253	1,494,157	1,539,868
	<b>26,159,047</b>	<b>15,882,056</b>	<b>11,845,061</b>	<b>11,086,546</b>

**27.2 Financial Expenses (-)**

	<b>01.01.- 30.06.2014</b>	<b>01.01.- 30.06.2013</b>	<b>01.04.- 30.06.2014</b>	<b>01.04.- 30.06.2013</b>
Interest expenses	(4,204,756)	(2,150,626)	(1,799,050)	(1,234,658)
Foreign exchange losses	(20,429,519)	(12,800,175)	(5,007,946)	(10,099,848)
Foreign exchange losses on related parties	(366)	(458,563)	(366)	(458,563)
Commission expenses of borrowing	(1,756,089)	(354,755)	(1,166,252)	(133,261)
Commission expenses of letter of guarantees	(25,770)	(11,258)	(12,901)	(6,343)
Maturity differences expenses on related parties	(95,811)	(1,012,714)	(21,530)	(703,740)
Foreign exchange losses arising from futures contracts	(1,852,079)	(1,092,892)	1,655,665	(1,339,352)
Other financial expenses	(25,675)	(460,913)	(15,866)	(441,225)
	<b>(28,390,065)</b>	<b>(18,341,896)</b>	<b>(6,368,246)</b>	<b>(14,416,990)</b>

## **NOTE 28 – TAX ASSETS AND LIABILITIES**

Group is liable to corporation tax valid in Turkey. The necessary provisions are made on the attached financial statements for expected tax liabilities related to the group’s current period activity results.

Corporation tax rate that will be accrued over corporation tax base is calculated over the tax base that remains after adding expenses recorded as expense in determination of commercial earnings that are nondeductible from tax base and subtracting tax-exempt profit, tax- free income and other deductions (if there are losses from previous years and used investment allowances if preferred).

The applied effective interest rate in the year of 2014 is 20% (2013: 20%)

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 20% in 2013 (2013: 20%).

There is no absolute and certain confirmation procedure related to tax evaluation in Turkey. Companies prepare their tax return between 1-25 Aprils coming after the related year’s balancing period (for the companies having special account period, between 1-25 of fourth month following the closing of period). These tax returns and related accounting records may be inspected and changed by tax department in five years.

There are some exceptions on Corporation Tax Law. These exceptions that company will possibly utilize are explained as below;

### *Taxable losses*

According to Turkish Tax Legislation, deduction of financial losses which are decelerated on financial statements, are possible to deduct from profit of the company with the condition not exceeding 5 years. However, financial losses are not possible to be set-off from previous year profits.

### *Issue Premium Exception*

The Premium income provided by the disposing of stocks, formed while the establishments of Incorporated Companies or while increasing their capital, below their nominal values is an exemption from Corporation tax.

### *The Real Estate and Subsidiary Share Sales Gain Exemption*

The 75% of income of corporations composed of subsidiary shares, real estates, privilege, and promoter’s stock and perpetual bonds are exemptions of Corporation tax. In order to benefit from exemption, the questioned income should be kept in a fund account in liabilities and should not be removed of operation during 5 years. The sale price should be received at the end of the following 2nd calendar year. Corporations getting income from the sale of such kind of values they own, like Stocks and bonds and real estate trading and renting are beyond the scope of exemption.

### *Investment Allowance Exemptions*

Post abolishment of the law numbered 5479, temporary 69 th article is added to Income Tax Legislation related investment allowance.



According to this execution, Income and Corporation Taxpayers;

a. As of 31 December 2005, its existence is subject and the investment allowance amount that was not able to be deducted from 2005 earnings,

b. In the extent of investment incentive certificate which were issued and based on the application before 24 April 2003, ante abolishment of Income Tax Legislation numbered 193 and dated 09 April 2003 and law numbered 4842, in the extent of certificate the commenced investment projects relying on 1, 2, 3, 4, 5 and 6th the article of appendix and the ones commenced after 01 January 2006,

c. In the extent of abolished 19th article of Income Tax Legislation numbered 193, the started investments prior to 01 January 2006, in terms of economical and technical completeness the ones started post the date,

In terms of regulatory provisions effective on 31 December 2005, calculated amounts of exemptions from investment allowances, again in the extent of legal provisions valid on 31 December 2005 (including tax rate related legal provisions) was deducted merely from earnings of 2006, 2007 and 2008. However, with the decision numbered 2006/95, which was taken during the meeting of the Constitutional Court on 15 October 2009, the phrase “... only related to the years 2006, 2007 and 2008...” which was a part of the Temporary Article 69 of the Income Tax Law was cancelled and the cancellation became effective from the date the decision has been published in the Official Gazette on 8 January.2010. According to the decision, the investment incentive amount outstanding that cannot be deducted from 2008 taxable income previously will be deducted from taxable income of the subsequent profitable years.

Regarding the cancellation decision taken by the Constitutional Court, an amendment was made in the 69th article in Income Tax Regulation using the regulation numbered 6009 and dated 23/07/2010. Consequently, in compliance with the cancellation decision of the Constitutional Court, the year limitation has been abolished and investment allowance has been limited to 25% of the profit. Corporate tax ratio of 30% in the previous regulation for the ones who benefit from investment allowance has been decreased to the effective corporate tax with the amendment made (2010: 20%).

Within the frame of the Communiqué “Decision regarding Government Incentive Assistance in Investment” dated 16 July 2009 and numbered 2009/01, newly investing companies are held subject to investment incentives based on the some regions.

Investment incentives and grants are; discount in corporation and income taxes (differs from region to region), provision for the investment, interest support.

Group is qualified for the investment incentives stated above due to the current and future investment expenditures. The investment area is within the 2nd Region according to the law numbered 5520, article 32/A; so the Company is qualified for 55% discount on corporation tax rate, which reduces corporation tax rate to 9% in accordance with Communiqué, 20% of total investment expenditures will be deducted from accrued corporation tax amount in the coming periods.

#### **Withholding tax**

In addition to Corporation tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 income tax stoppage rate was changed as 15%. Dividends that are added to capital without distribution are not subject to income tax stoppage. It is necessary to make tax withholding at 19,8% over investment allowance balance utilized based on investment incentive certificate taken before 24 April 2003. 40% of group activities directly related to production investment certificate investment expenses made after this date can be deducted. Tax withholding cannot be made on investment expenses without incentive certificate.

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*Deferred Tax:*

The potential deferred tax assets/(liabilities) of the Group represents the tax effects of temporary differences, arising between the financial statements reported for Communiqué purposes and the statutory tax financial statements. Such differences arise due to the different treatment of certain items of income and expense included in the Communiqué financial statements compared to the local tax return, in accordance with applicable tax laws.

As of balance sheet date, accumulated temporary differences and deferred tax assets and liabilities prepared by using current applicable tax rate is as follows:

	30.06.2014		31.12.2013	
	Cumulative temporary differences	Deferred tax / (liability)	Cumulative temporary differences	Deferred tax / (liability)
<i>Deferred tax assets:</i>				
Rediscount receivables	276,651	55,330	417,491	83,498
Severance pay provision	7,947,130	1,589,426	6,392,684	1,278,537
Reversal of capitalized financial expenses	3,904,937	780,987	11,034,714	2,206,943
Reversal of capitalized on buildings	3,656,129	182,806	2,992,047	149,602
Tangible fixed assets (except land, building, land improvements and depreciations excluded), net	22,180,444	4,436,089	21,658,162	4,331,632
Tangible fixed assets (land, building, land improvements and depreciations), net	553,675	27,684	398,131	19,907
Financial fixes assets	4,127,564	206,378	9,123,573	456,179
Provision for the court cases	373,296	74,659	310,286	62,057
Forward	-	-	5,467,324	1,093,465
Allowable financial losses	758,756	151,751	349,432	69,886
Other	31,300	6,259	2,078,255	415,651
<b>Deferred tax assets</b>		<b>7,511,369</b>		<b>10,167,357</b>
<i>Deferred tax liabilities:</i>				
Rediscount payables	886,140	177,230	894,107	178,822
Foreign exchange	593,010	118,602	468,432	93,686
Forward	1,545,827	309,165	-	-
Other	42,377	8,475	42,468	8,492
<b>Deferred tax liabilities</b>		<b>613,472</b>		<b>281,000</b>
<b>Deferred tax assets/(liabilities), net</b>		<b>6,897,897</b>		<b>9,886,357</b>

For the period ended 30.06.2014 and 31.12.2013 movements of deferred tax assets and liabilities are as following:

	01.01.- 30.06.2014	01.01.- 30.06.2013
Current corporation tax	(5,285,603)	-
Deferred tax assets/(liabilities), net	(3,356,189)	(1,900,145)
	<b>(8,641,792)</b>	<b>(1,900,145)</b>
	01.01.- 30.06.2014	01.01.- 31.12.2013
<b>Deferred Tax (Asset) / Liability Movements</b>		
Opening balance	9,886,357	7,363,830
Deferred tax expense / (income)	(3,356,189)	2,443,017
Actuarial (gain) / loss effect prior periods	367,729	79,510
<b>Closing balance</b>	<b>6,897,897</b>	<b>9,886,357</b>

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Agreement of tax provision that is shown in income statement is as follows:

	<b>01.01.- 30.06.2014</b>	<b>01.01.- 30.06.2013</b>
Unaudited profit before tax	21,149,746	6,649,930
Total additions to tax base	7,927,675	3,451,436
Total deductions from tax base	(881,525)	(600,640)
Unaudited financial profit	28,195,896	9,500,726
Investment allowances	(3,214,332)	-
<b>Tax base (20%)</b>	<b>24,981,564</b>	<b>9,500,726</b>
<b>Tax base (9%)</b>	<b>3,214,332</b>	<b>-</b>
Effective tax rate	20%	20%
	9%	9%
<b>Calculated tax (20%)</b>	<b>4,996,313</b>	<b>1,900,145</b>
<b>Calculated tax (9%)</b>	<b>289,290</b>	<b>-</b>
Total calculated tax	5,285,603	1,900,145
Tax provision in the income statements	(5,285,603)	(1,900,145)

**NOTE 29 – EARNINGS PER SHARE**

	<b>01.01.- 30.06.2014</b>	<b>01.01.- 30.06.2013</b>	<b>01.04.- 30.06.2014</b>	<b>01.04.- 30.06.2013</b>
Net profit / (loss) for the period	32,381,625	4,478,288	17,445,600	(325,258)
Weighted-average number of shares outstanding (per share with TRY 1 value)	250,000,000	250,000,000	250,000,000	250,000,000
<b>Profit per share (TRY)</b>	<b>0.1295</b>	<b>0.0179</b>	<b>0.0698</b>	<b>(0.0013)</b>

**NOTE 30 – FINANCIAL INSTRUMENTS**

	<b>30.06.2014</b>	<b>31.12.2013</b>
<b>Financial assets</b>		
Cash and cash equivalents	75,087,565	59,971,644
Trade receivables	32,918,700	65,243,742
Financial assets	11,241,290	7,320,577
<b>Financial liabilities</b>		
Borrowings	268,671,813	214,203,377
Lease payables	19,905,055	19,999,792
Other payables	1,913,656	2,226,254
Trade payables	98,198,201	71,572,873

**NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**

**Financial Instruments**

**Credit Risk**

Group is subject to credit risk arising from trade receivables related to credit sales and deposits at banks. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary and making only cash based sales to customer considered as having a higher risk. Collect ability of trade receivables are evaluated by management depending on their past experiences and current economic condition, and presented in the financial statements net of adequate doubtful provision.

Group allocated the provision for doubtful receivables if there is objective evidence about the loan/credit will not stay the collection of the possibilities. Moreover, a possible impairment of financial assets are reviewed for the purpose of determining the carrying value and fair value of financial assets and is tested by comparing.

As of 30 June 2014, Maximum net credit risk is as following:

	Trade Receivables		Other Receivables		Bank Deposit
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	498,091	32,420,609	80,237,480	3,264,278	74,950,725
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	498,091	32,420,609	80,237,480	3,264,278	74,950,725
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-
The part under guarantee with collateral etc	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	277,924	-	-	-
Impairment (-)	-	(277,924)	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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31 December 2013, maximum net credit risk as of is as following:

	Trade Receivables		Other Receivables		Bank Deposit
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	297,633	64,946,109	77,131,772	7,436,973	59,860,042
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	297,633	64,946,109	77,131,772	4,514,931	59,860,042
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	2,922,042	-
The part under guarantee with collateral etc	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	251,802	-	-	-
Impairment (-)	-	(251,802)	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral etc	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

As of 31 December 2013, aging of overdue receivables is as following:

	Trade Receivables	Other Receivables
Overdue 1 - 30 day	-	-
Overdue 1 – 3 months	-	-
Overdue 3 - 12 months	-	-
Overdue 1 - 5 year	-	2,922,042
	-	<b>2,922,042</b>

### **Liquidity Risk**

Liquidity risk is the Group’s possibility of not fulfilling net funding liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources, are reasons of liquidity risk. The Group management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

As of 30 June 2014, Group’s liquidity risk table is shown below:

<b>Maturities according to agreement</b>	<b>Book Value</b>	<b>Contractual Total cash outflow (=I+II+III)</b>	<b>Less than 3 months (I)</b>	<b>3 – 12 months (II)</b>	<b>1- 5 Years (III)</b>
<b>Financial Liabilities Non Derivatives</b>	<b>388,605,100</b>	<b>402,271,420</b>	<b>174,126,923</b>	<b>143,184,019</b>	<b>84,960,478</b>
Financial borrowings	268,671,813	267,511,886	102,279,500	107,719,547	57,512,839
Financial leasing	19,905,055	21,518,498	1,655,407	5,080,139	14,782,952
Trade payables	98,198,201	99,095,282	68,882,886	30,212,396	-
Other liabilities	1,830,031	14,145,754	1,309,130	171,937	12,664,687
	<b>388,605,100</b>	<b>402,271,420</b>	<b>174,126,923</b>	<b>143,184,019</b>	<b>84,960,478</b>

As of 31 December 2013, Group’s liquidity risk table is shown below:

<b>Maturities according to agreement</b>	<b>Book Value</b>	<b>Contractual Total cash outflow (=I+II+III)</b>	<b>Less than 3 months (I)</b>	<b>3 – 12 months (II)</b>	<b>1- 5 Years (III)</b>
<b>Financial Liabilities Non Derivatives</b>	<b>308,002,296</b>	<b>313,675,588</b>	<b>161,430,046</b>	<b>109,150,868</b>	<b>43,094,674</b>
Financial borrowings	214,203,377	217,163,581	91,068,881	98,888,093	27,206,607
Financial leasing	19,999,792	21,818,773	1,538,131	4,392,575	15,888,067
Trade payables	71,572,873	72,466,980	67,830,067	4,636,913	-
Other liabilities	2,226,254	2,226,254	992,967	1,233,287	-
	<b>308,002,296</b>	<b>313,675,588</b>	<b>161,430,046</b>	<b>109,150,868</b>	<b>43,094,674</b>

### **Interest Rate Risk**

The group’s financial liabilities exposure the Group to interest rate risk. The group’s financial liabilities mainly consist of fixed rate borrowings. As of 30 June 2014, according to the current balance sheet position, in the case of 1% decrease / increase and keeping fixed all the variables the Group’s net profit will increase / decrease TRY 892,507.

### Foreign Currency Risk

The effects occurring from exchange rate fluctuation, in case of having foreign currency assets, liabilities, off-balance sheet liabilities, are foreign currency risk. Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of profit/loss. Monetary liabilities of the Company exceed monetary assets of the Company; in case of exchange rate rise, the Company is exposed to foreign currency risk.

#### Foreign Currency Risk Sensitivity

As of 30 June 2014, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 2,380,227 more / less.

	Profit / Loss		Profit / Loss	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
	In the case of increasing / losing value of TRY by 10% against USD			
1-USD net asset / liability	(17,750,955)	17,750,955	-	-
2-Part of hedged from USD risk (-)	-	-	-	-
<b>3-USD net effect (1+2)</b>	<b>(17,750,955)</b>	<b>17,750,955</b>	-	-
	In the case of increasing / losing value of TRY by 10% against EUR			
4- Euro net asset / liability	(6,205,452)	6,205,452	(731,928)	731,928
5- Part of hedged from Euro risk (-)	-	-	-	-
<b>6-Euro net effect (4+5)</b>	<b>(6,205,452)</b>	<b>6,205,452</b>	<b>(731,928)</b>	<b>731,928</b>
	In the case of increasing / losing value of TRY by 10% against GBP			
7- GBP net asset / liability	154,136	(154,136)	-	-
8- Part of hedged from GBP risk (-)	-	-	-	-
<b>9- GBP net effect 7+8)</b>	<b>154,136</b>	<b>(154,136)</b>	-	-
<b>TOTAL (3+6+9)</b>				
1-USD net asset / liability	<b>(23,802,271)</b>	<b>23,802,271</b>	<b>(731,928)</b>	<b>731,928</b>

As of 31 December 2013, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 19,109,983 more / less.

	Profit / Loss		Profit / Loss	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
	In the case of increasing / losing value of TRY by 10% against USD			
1-USD net asset / liability	(16,588,927)	16,588,927	-	-
2-Part of hedged from USD risk (-)	-	-	-	-
<b>3-USD net effect (1+2)</b>	<b>(16,588,927)</b>	<b>16,588,927</b>	-	-
	In the case of increasing / losing value of TRY by 10% against EUR			
4- Euro net asset / liability	(2,644,990)	2,644,990	(775,223)	775,223
5- Part of hedged from Euro risk (-)	-	-	-	-
<b>6-Euro net effect (4+5)</b>	<b>(2,644,990)</b>	<b>2,644,990</b>	<b>(775,223)</b>	<b>775,223</b>
	In the case of increasing / losing value of TRY by 10% against GBP			
7- GBP net asset / liability	123,934	(123,934)	-	-
8- Part of hedged from GBP risk (-)	-	-	-	-
<b>9- GBP net effect 7+8)</b>	<b>123,934</b>	<b>(123,934)</b>	-	-
<b>TOTAL (3+6+9)</b>	<b>(19,109,983)</b>	<b>19,109,983</b>	<b>(775,223)</b>	<b>775,223</b>

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As of 30 June 2014, amounts of assets and liabilities of the Group in foreign currency are as follows:

	TRY Equivalent (Functional Unit)	USD	EUR	GBP
1. Trade Receivables	22,091,228	3,921,111	3,580,152	945,226
2a. Monetary Financial Assets (including cash and banks)	24,618,550	8,566,999	2,222,119	343
2b. Non-monetary financial assets	-	-	-	-
3. Other	38,875,185	14,450,228	2,745,320	69,923
<b>4. Current Assets (1+2+3)</b>	<b>85,584,963</b>	<b>26,938,338</b>	<b>8,547,591</b>	<b>1,015,492</b>
5. Trade Receivables	-	-	-	-
6a. Monetary financial receivables	8,349,818	3,932,287	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>8,349,818</b>	<b>3,932,287</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>93,934,781</b>	<b>30,870,625</b>	<b>8,547,591</b>	<b>1,015,492</b>
10. Trade Payables	50,352,370	21,581,830	1,564,892	-
11. Financial Liabilities	209,758,843	86,504,577	8,282,120	588,453
12a. Other monetary financial liabilities	14,333,437	273,241	4,755,779	-
12b. Other non-monetary financial liabilities	-	-	-	-
<b>13. Current Liabilities (10+11+12)</b>	<b>274,444,650</b>	<b>108,359,648</b>	<b>14,602,792</b>	<b>588,453</b>
14. Trade Payables	-	-	-	-
15. Financial Liabilities	57,512,838	6,107,825	15,402,843	-
16a. Other monetary financial liabilities	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>57,512,838</b>	<b>6,107,825</b>	<b>15,402,843</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>331,957,488</b>	<b>114,467,473</b>	<b>30,005,635</b>	<b>588,453</b>
<b>19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Off-balance sheet foreign currency derivative assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Off-balance sheet foreign currency derivative liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net foreign currency asset / liabilities (9-18+19)</b>	<b>(238,022,707)</b>	<b>(83,596,848)</b>	<b>(21,458,044)</b>	<b>427,039</b>
<b>21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(276,897,892)</b>	<b>(98,047,076)</b>	<b>(24,203,364)</b>	<b>357,116</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Exports*</b>	<b>182,450,442</b>	<b>82,385,745</b>	<b>-</b>	<b>-</b>
<b>24. Imports*</b>	<b>140,596,664</b>	<b>63,486,615</b>	<b>-</b>	<b>-</b>

(\*) As of 30 June 2014, exports and imports' balances were appreciated with average rate of exchange.



**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.,**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**  
(Amounts are expressed as Turkish Lira “TRY” unless otherwise stated.)

As of 31 December 2013, amounts of assets and liabilities of the Group in foreign currency are as follows:

	TRY Equivalent (Functional Unit)	ABD Doları	Euro	GBP
1. Trade Receivables	46,481,702	5,303,588	11,043,984	777,922
2a. Monetary Financial Assets (including cash and banks)	11,960,787	5,420,267	133,029	476
2b. Non-monetary financial assets	2,766,797	1,068,180	165,837	-
3. Other	29,108,685	-	9,912,714	-
<b>4. Current Assets (1+2+3)</b>	<b>90,317,971</b>	<b>11,792,035</b>	<b>21,255,564</b>	<b>778,398</b>
5. Trade Receivables	-	-	-	-
6a. Monetary financial receivables	-	-	-	-
6b. Non-monetary financial assets	180,947	-	61,620	-
7. Other	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>180,947</b>	<b>-</b>	<b>61,620</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>90,498,918</b>	<b>11,792,035</b>	<b>21,317,184</b>	<b>778,398</b>
10. Trade Payables	24,768,252	9,362,385	1,629,870	-
11. Financial Liabilities	192,425,550	66,338,954	16,868,119	371,672
12a. Other monetary financial liabilities	22,996,659	10,686,326	-	53,777
12b. Other non-monetary financial liabilities	349,854	16,978	106,800	-
<b>13. Current Liabilities (10+11+12)</b>	<b>240,540,315</b>	<b>86,404,643</b>	<b>18,604,789</b>	<b>425,449</b>
14. Trade Payables	-	-	-	-
15. Financial Liabilities	41,058,430	3,112,768	11,719,683	-
16a. Other monetary financial liabilities	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>41,058,430</b>	<b>3,112,768</b>	<b>11,719,683</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>281,598,745</b>	<b>89,517,411</b>	<b>30,324,472</b>	<b>425,449</b>
<b>19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Off-balance sheet foreign currency derivative assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Off-balance sheet foreign currency derivative liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net foreign currency asset / liabilities (9-18+19)</b>	<b>(191,099,827)</b>	<b>(77,725,376)</b>	<b>(9,007,288)</b>	<b>352,949</b>
<b>21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(222,806,402)</b>	<b>(78,776,578)</b>	<b>(19,040,659)</b>	<b>352,949</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Exports*</b>	<b>377,875,499</b>	<b>198,842,796</b>	<b>-</b>	<b>-</b>
<b>24. Imports*</b>	<b>194,440,020</b>	<b>102,316,761</b>	<b>-</b>	<b>-</b>

(\*) As of 31 December 2013, exports and imports' balances were appreciated with average rate of exchange.

**NOTE 32 – FINANCIAL INSTRUMENTS (STATEMENTS OF FAIR VALUES AND STATEMENTS WITHIN ACCOUNTING ENSURING FINANCIAL RISK)**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available markets information in Turkey and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented here in are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are utilized for the current values of financial instruments which are predictable in practice:

Financial Assets

Monetary assets for which fair value approximates carrying value:

- Balances denominated in foreign currencies are converted at period exchange rates.
- The fair value of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying amounts in the financial statements.
- The carrying value of trade receivables, net of allowances for possible non-recovery of uncollectible are considered to approximate their fair values.

Financial Liabilities

Monetary liabilities for which fair value approximates carrying value:

- The fair value of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
- The fair values of long-term bank borrowings, which are denominated in foreign currencies and converted at period exchange rates, are considered to approximate their carrying values.
- The carrying amount of accounts payable and accrued expenses reported in the financial statements for estimated third party payer setTR Yements approximates its fair values.

Capital Risk Management

In capital management, the Group aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Company follows capital by using debt to equity ratio. This rate is found by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from total payable amount (as shown in balance sheet, trade and other payables and loans). Total capital, as shown in balance sheet, is calculated by adding up equity and net debt.

As of 30.06.2014 and 31.12.2013 net debt / total equity ratio is as follows:

	<b>30.06.2014</b>	<b>31.12.2013</b>
Total debts	430,322,932	340,644,400
Liquid assets	(75,087,565)	(59,971,644)
Net debt	355,235,367	280,672,756
Total equity	329,709,962	297,452,214
Total capital	684,945,329	578,124,970
Net Debt/Total Equity ratio	52%	49%