

**PİMAŞ PLASTİK İNŞAAT MALZEMELERİ
ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

*This report consists of 2 pages of Independent
auditors report and 64 pages of financial
statements and explanatory notes.*

(Translated into English from the report
originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pimaş Plastik İnşaat Malzemeleri Anonim Şirketi

1. We have audited the accompanying consolidated balance sheet of Pimaş Plastik İnşaat Malzemeleri Anonim Şirketi and its subsidiaries (together will be referred as the "Group") as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Group Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pimaş Plastik İnşaat Malzemeleri Anonim Şirketi and its subsidiaries as at 31 December 2013, and of their financial performance and their cash flows for the year then ended in accordance with TAS (please see Note 2).

Other Matters

5. In accordance with Article 402 of Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation in terms of audit; and nothing has come to our attention that may cause us to believe that the Company's set of accounts prepared for the period 1 January-31 December 2013 does not comply with the code and the provisions of the Company's articles of association in relation to financial reporting.
6. In accordance with Article 378 of Turkish Commercial Code No. 6102, in publicly traded companies, the board of directors is obliged to establish a committee consisting of specialized experts, to run and to develop the necessary system for the purposes of early identification of any risks that may compromise the existence, development and continuation of the company; applying the necessary measures and remedies in this regard and managing such risks. According to paragraph 4 of Article 398 of the same code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include the evaluation of the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report, yet. Therefore, no separate report has been drawn up regarding this matter. On the other hand, the Company established the mentioned committee on 30 April 2013, and the committee is comprised of three members. Since the date of its establishment, the committee has held two meetings for the purposes of early identification of any risks that may compromise the existence and development of the Company, applying the necessary measures and remedies in this regard and managing such risks, and has submitted the relevant reports to the Board of Directors.

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



H. Erdem Selçuk
Partner

Istanbul, 3 March 2014

CONTENTS**PAGE**

CONSOLIDATED BALANCE SHEET	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	3
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7-64
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP	7
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	8-28
NOTE 3 BUSINESS COMBINATIONS	28
NOTE 4 INTERESTS IN OTHER ENTITIES.....	28
NOTE 5 SEGMENT REPORTING.....	29-30
NOTE 6 CASH AND CASH EQUIVALENTS	31
NOTE 7 FINANCIAL INVESTMENTS	31
NOTE 8 FINANCIAL BORROWINGS	32-33
NOTE 9 OTHER FINANCIAL LIABILITIES	33
NOTE 10 TRADE RECEIVABLES AND PAYABLES	34-35
NOTE 11 OTHER RECEIVABLES AND PAYABLES	35
NOTE 12 RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES	36
NOTE 13 INVENTORIES.....	36
NOTE 14 BIOLOGICAL ASSETS	36
NOTE 15 RECEIVABLES RELATED TO ONGOING CONSTRUCTION CONTRACTS	36
AND PROGRESS PAYMENTS	
NOTE 16 INVESTMENTS ACCOUNTED BY EQUITY METHOD	36
NOTE 17 INVESTMENT PROPERTIES	36
NOTE 18 PREPAID EXPENSES AND DEFERRED INCOME.....	37
NOTE 19 CURRENT TAX LIABILITIES.....	37
NOTE 20 PROPERTY, PLANT AND EQUIPMENT	38-40
NOTE 21 INTANGIBLE FIXED ASSETS	41
NOTE 22 GOODWILL.....	41
NOTE 23 GOVERNMENT GRANTS AND INCENTIVES.....	41
NOTE 24 PROVISIONS AND CONTINGENT ASSET AND LIABILITIES.....	42
NOTE 25 COMMITMENTS AND CONTINGENCIES.....	42
NOTE 26 EMPLOYEE BENEFITS	42-44
NOTE 27 OTHER ASSETS AND LIABILITIES.....	44-45
NOTE 28 SHAREHOLDERS' EQUITY.....	45-47
NOTE 29 REVENUE AND COST OF SALES.....	48
NOTE 30 MARKETING , SELLING AND DISTRIBUTION, AND GENERAL ADMINISTRATIVE EXPENSES	49
NOTE 31 EXPENSES BY NATURE.....	49-50
NOTE 32 OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES.....	50
NOTE 33 INCOME/LOSS FROM INVESTMENT ACTIVITIES	51
NOTE 34 FINANCE INCOME.....	51
NOTE 35 FINANCE EXPENSES.....	51
NOTE 36 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS	51
NOTE 37 TAX ASSETS AND LIABILITIES.....	52-54
NOTE 38 EARNINGS PER SHARE	54
NOTE 39 RELATED PARTY DISCLOSURES	54-56
NOTE 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	56-63
NOTE 41 FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK)	64
NOTE 42 EVENTS AFTER THE BALANCE SHEET DATE	64
NOTE 43 DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIVE	64

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS	Notes	Current Period	Restated
		31 December 2013	Prior Period 31 December 2012
Current assets		138.475.246	115.765.214
Cash and cash equivalents	6	35.374.402	6.487.951
Trade receivables		70.627.383	74.530.565
- Trade receivables from related parties	39	697	-
- Other trade receivables	10	70.626.686	74.530.565
Other receivables		1.049.045	1.012.427
- Other receivables from third parties	11	1.049.045	1.012.427
Inventories	13	29.410.563	31.614.038
Prepaid expenses	18	889.490	1.096.971
Other current assets	27	319.619	177.068
SUBTOTAL		137.670.502	114.919.020
Asset classified as held for sale	36	804.744	846.194
Non-current assets		87.735.857	60.601.159
Financial investments	7	1.117.013	933.067
Trade receivables		984.551	128.499
- Other trade receivables	10	984.551	128.499
Other receivables		491.461	283.102
- Other receivables from third parties	11	491.461	283.102
Property, plant and equipment	20	84.740.479	58.610.447
Intangible asset		303.076	369.278
- Other intangible assets	21	303.076	369.278
Prepaid expenses	18	98.305	85.973
Other non-current asset	27	972	190.793
TOTAL ASSETS		226.211.103	176.366.373

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

LIABILITIES	Notes	Current Period 31 December 2013	Restated Prior Period 31 December 2012
Current liabilities		112.386.883	91.149.480
Short term financial borrowings	8	64.522.715	29.046.360
Short term portion of long term borrowings	8	14.371.601	28.131.376
Trade payables		16.465.385	20.717.079
- Trade payables to related parties	39	7.859	100.297
- Trade payables to third parties	10	16.457.526	20.616.782
Short term employee benefits	26	1.136.307	510.653
Other payables		7.229	5.713
- Other payables to third parties	11	7.229	5.713
Deferred income	18	12.714.890	9.349.701
Current tax liabilities	37	425.794	297.794
Provisions		1.192.103	1.266.048
- Employee benefits	26	1.192.103	1.266.048
Current tax payables	19	1.467.227	1.497.828
Other non-current liabilities	27	83.632	326.928
Non-current liabilities		6.635.147	16.465.649
Long term borrowings	8	293.650	10.949.685
Other payables		812.325	719.515
- Other payables to third parties	11	812.325	719.515
Long term provisions		2.655.100	2.403.372
- Long term provision for employee benefits	26	2.655.100	2.403.372
Deferred tax liabilities	37	2.874.072	2.393.077
Equity		107.189.073	68.751.244
Equity attributable to owners of the parents			
Paid in capital	28	36.000.000	18.000.000
Inflation adjustments on share capital	28	40.802.957	40.802.957
Share premium	28	91.953	-
Other comprehensive income or loss that will not be reclassified to profit or loss		56.997.053	32.981.684
- Revaluation fund	28	57.262.267	32.981.684
- Other losses		(265.214)	-
Other comprehensive income or loss that will be reclassified to profit or loss		311.026	2.118.543
- Currency translation reserve		(558.798)	1.387.447
- Other gains		869.824	731.096
Restricted reserves		5.883.119	5.883.119
Accumulated loss		(30.529.226)	(36.670.004)
Net profit / (loss) for the period		(2.367.809)	5.634.945
TOTAL LIABILITIES		226.211.103	176.366.373

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD BETWEEN 1 JANUARY-31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period 1 January 31 December 2013	Restated Prior Period 1 January 31 December 2012
PROFIT OR LOSS ITEM			
Revenue	5, 29	171.726.876	172.683.194
Cost of sales (-)	5, 29	(137.745.312)	(143.047.868)
GROSS PROFIT		33.981.564	29.635.326
General administrative expenses (-)	5, 30	(10.145.427)	(9.246.973)
Marketing expenses (-)	5, 30	(13.243.870)	(14.218.944)
Other income from operating activities	5, 32	4.252.848	3.643.128
Other expenses from operating activities (-)	5, 32	(5.007.028)	(2.911.214)
OPERATING PROFIT		9.838.087	6.901.323
Income from investment activities	33	3.141.727	47.749
Loss from investment activities	33	-	(99.490)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSES)		12.979.814	6.849.582
Finance expenses (-)	5, 35	(15.514.773)	(4.653.592)
Finance income	5, 34	-	4.732.681
CONTINUING OPERATIONS (LOSS) / PROFIT BEFORE TAX		(2.534.959)	6.928.671
Continuing operations tax income / (expense)			
- Current tax expense	5, 37	(820.418)	(1.379.087)
- Deferred tax income	5, 37	987.568	85.361
CONTINUING OPERATIONS (LOSS) / PROFIT FOR THE PERIOD		(2.367.809)	5.634.945
(LOSS) / PROFIT FOR THE PERIOD		(2.367.809)	5.634.945
Distribution of net (loss) / profit for the year			
Non-controlling interest		-	-
Owners of the parent		(2.367.809)	5.634.945
(Losses) / earnings per share (TL)			
(Losses) / earnings per share for continuing operations (TL)	38	(0,0012)	0,0031

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**AUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Current Period	Restated Prior Period
	1 January- 31 December 2013	1 January - 31 December 2012
(LOSS) / PROFIT FOR THE PERIOD	(2.367.809)	5.634.945
Other comprehensive income / (loss)		
Items that will not be reclassified to profit or loss		
Gain on revaluation of property	24.786.416	500.342
Actuarial loss on defined benefit plans	(331.517)	-
Deferred tax effect of actuarial loss on defined benefit plans	66.303	-
Items that will be reclassified to profit or loss		
Currency translation reserves	(1.946.245)	189.958
Other items of comprehensive income that may be reclassified subsequently to profit or loss	146.029	284.320
Deferred tax expense/income	(7.301)	(14.216)
Total Comprehensive Income (after tax)	22.713.685	960.404
TOTAL COMPREHENSIVE INCOME	20.345.876	6.595.349
Distribution of total comprehensive income		
Non-controlling interests	-	-
Owners of the parent	20.345.876	6.595.349

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

**Other comprehensive
income or loss that will
not be reclassified
to profit or loss**

**Other comprehensive
income or loss that will
be reclassified to profit
or loss**

	Share capital	Inflation adjustment on share capital	Share Premium	Gain/loss on revaluation and remeasurement	Other losses	Currency translation reserves	Other gains	Restricted reserves appropriated from profit	Prior years' losses	Net profit/loss for the period	Equity Attributable to Owners of the Company
Balance at 1 January 2013	18.000.000	40.802.957	-	32.981.684	-	1.387.447	731.096	5.883.119	(36.670.004)	5.634.945	68.751.244
Transfers	-	-	-	-	-	-	-	-	5.634.945	(5.634.945)	-
Total comprehensive income / (loss)	-	-	-	24.786.416	(265.214)	(1.946.245)	138.728	-	-	(2.367.809)	20.345.876
Capital increase	18.000.000	-	91.953	-	-	-	-	-	-	-	18.091.953
Increase / (decrease) due to other changes	-	-	-	(505.833)	-	-	-	-	505.833	-	-
Balance at 31 December 2013	36.000.000	40.802.957	91.953	57.262.267	(265.214)	(558.798)	869.824	5.883.119	(30.529.226)	(2.367.809)	107.189.073
Balance at 1 January 2012	18.000.000	40.802.957	-	32.950.084	-	1.197.489	460.992	5.878.995	(26.694.523)	(10.440.099)	62.155.895
Transfers	-	-	-	-	-	-	-	4.124	(10.444.223)	10.440.099	-
Total comprehensive income / (loss)	-	-	-	500.342	-	189.958	270.104	-	-	5.634.945	6.595.349
Increase / (decrease) due to other changes	-	-	-	(468.742)	-	-	-	-	468.742	-	-
Balance at 31 December 2012	18.000.000	40.802.957	-	32.981.684	-	1.387.447	731.096	5.883.119	(36.670.004)	5.634.945	68.751.244

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period 2013	Restated Prior Period 2012
A. CASH FLOWS FROM OPERATING ACTIVITIES		23.718.087	13.825.790
(Loss) / Profit for the Period		(2.367.809)	5.634.945
Adjustments to Reconcile Profit / (Loss) for the Period			
- Adjustments Related to Depreciation and Amortization Expenses	31	4.820.074	4.782.791
- Adjustments Related to Provision for Impairment charge	10, 13	617.864	1.239.260
- Adjustments Related to Provisions		817.087	1.661.654
- Adjustments Related to Interest Income and Expenses	32, 35	2.807.306	3.975.914
- Adjustments Related to Unrealized Currency Translation Differences		14.007.322	(3.512.500)
- Adjustments Related to Undistributed Profits of Associates		(37.917)	(29.804)
- Adjustments Related to Tax Expense/Income	37	(167.150)	1.293.726
- Adjustments Related to Gain/Loss on Disposal of Non-currents Assets	32	(33.402)	(27.614)
- Adjustments Related to Gain/Loss from Investing or Financing Activities		(16.995)	84.950
Changes in Capital			
- Adjustments Related to Increase / Decrease in Inventories	13	2.174.635	(1.973.957)
- Adjustments Related to Increase / Decrease in Trade Receivables		2.428.406	570.649
- Adjustments Related to Increase / Decrease in Other Receivables Related to Operations		(2.558)	1.806.398
- Adjustments Related to Increase / Decrease in Trade Payables	10	(4.251.694)	3.646.761
- Adjustments Related to Increase / Decrease in Other Payables Related to Operations		3.811.272	(4.204.432)
Cash Generated from Operations			
- Interest Received	32	670.332	497.205
- Taxes Paid	37	(692.418)	(1.081.293)
- Other Cash Outflows		(866.268)	(538.863)
B. Cash Flows Used in Investing Activities		(2.062.524)	(5.554.051)
- Proceeds on Tangible and Intangible Fixed Assets Sales		26.599	35.349
- Tangible and Intangible Fixed Assets Purchases	20, 21	(2.106.118)	(5.377.604)
- Proceeds from Sale of Other Non-currents Assets		-	133.814
- Payments for Sale of Other Non-currents Assets		-	(360.150)
- Dividends Received		16.995	14.540
C. Cash Flows from Financing Activities		11.667.538	(9.651.446)
- Cash Inflows from Issue of Shares or Other Equity Instruments	28	18.091.953	-
- Cash Inflows from Borrowings		108.648.524	77.600.056
- Cash Outflows for Borrowings		(111.220.830)	(82.944.433)
- Interest Paid		(3.852.109)	(4.307.069)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		33.323.101	(1.379.707)
D. EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
CASH EQUIVALENTS		(4.436.650)	533.671
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		28.886.451	(846.036)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	6.487.951	7.333.987
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	6	35.374.402	6.487.951

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Pimaş Plastik İnşaat Malzemeleri A.Ş. ("Pimaş" or the "Company") was founded in 1963 in İstanbul. 16,18% of Pimaş shares are traded in İstanbul Stok Exchange (ISE). Registered address of the Company is Beylikbağı Mahallesi, İstanbul Cad. No:29 Gebze / Kocaeli.

Mainly operation activities of the Pimaş are production of all kinds of plastic or similar material (plastic building construction materials obtained from unplasticized PVC and plastic window section) which consist of mainly synthetic raw material, import and export sales of this kind of material goods are performed as wholesale and retail.

Main shareholder of Pimaş is Enka İnşaat ve Sanayi A.Ş. (Enka İnşaat) and Enka İnşaat's main shareholders are Tara and Gülçelik families.

As of 31 December 2013 and 2012, registered name of subsidiaries of Pimaş, these companies' nature of business country of origins and founding years are listed below:

Subsidiaries	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)	
			31 December 2013	31 December 2012
S.C. Pimapen Logistic Center S.R.L.	Marketing of PVC door and window section	Romania	100%	100%
Enwin Rus Ltd	Production and marketing of PVC door and window section	Russia	100%	100%
EnWin Window Systems B.V. (*)	Managing associations	Netherlands	-	100%

(*) The entity have been liquidated.

Pimaş and subsidiaries are subject to consolidation referred to as the "Group" in the accompanying consolidated financial statements.

The average numbers of employees during the year are as follows by category:

	2013	2012
White-collar	156	171
Blue-collar	126	123
	282	294

Approval of the consolidated financial statements:

The consolidated financial statements approved on 3 March 2014 by the Board of Directors of Pimaş. The general assembly and the various regulatory institutions have the authority to modify the statutory financial statements and therefore the accompanying consolidated financial statements after this date.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The Company maintains their books of account and prepares their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiaries that are registered in foreign countries Pimapen Romania and EnWin Rus Ltd. maintain their books of account in accordance with the prevailing accounting principles in their registered countries which are Romania and Russia respectively.

The accompanying consolidated financial statements have been prepared in accordance with the Communiqué Series II, 14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. Turkish Accounting Standards/Turkish Financial Reporting Standards and additions and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA") are predicated on in accordance with article 5th of the Communiqué.

Additionally, the consolidated financial statements and notes are presented in accordance with the formats complying with CMB's announcement dated 7 June 2013.

The financial statements are prepared on historical cost basis except for the revaluation of certain fixed assets (Land and Buildings) and financial instruments (financial investments). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional Currency

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including adopters the implementation of IAS/IFRS), use of inflationary accounting standards have been discontinued effective 1 January 2005. Pursuant effectuation, "Financial Reporting Standards in Hyperinflationary Economies" issued by the International Accounting Standards Committee (IASC), ("IAS/TAS 29") was no longer applied henceforward.

The Company's foreign affiliates Pimapen Romania is not accepted as hyperinflationary economies operating in Romania, its functional currency is Euro. Functional currency of Enwin Russia operating in Russia as subsidiary is Ruble. In accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates), balance sheet items are translated to TL, using Euro and Ruble rates, are with the rate prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate in the case of uncertain transaction date. Gain/loss arising from the translation is recognized in the currency translation reserves under equity.

As of 31 December 2013 and 2012, the T.C. Central Bank exchange rates as follows:

	31 December 2013	31 December 2012
Euro	2,9365	2,3517
Russian Ruble	0,0648	0,0581

Average exchange rates used in the periods of January 1, 2013 - December 31, 2013 and January 1, 2012 - 31 December 2012 are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Euro	2,5289	2,3041
Russian Ruble	0,0596	0,0576

Offsetting

Financial assets and liabilities which presented in balance sheet offset in the case of have enforceable legal right to offset the asset and liabilities and collect / pay these assets and liabilities on a net basis or intends to finalizing simultaneously.

Comperative Information and Restatement of Prior Period Consolidated Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior year in order to give information about financial position and performance. In order to maintain consistency, with current year consolidated financial statements, comparative information are reclassified and significant changes are disclosed if necessary.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Comperative Information and Restatement of Prior Period Consolidated Financial Statements (cont'd)

In the current period, the Company has reclassified its prior period consolidated financial statements in order to comply with the formats declared at 7 June 2013 and 20/670 no by CMB. Such restatements do not have any effect on the net loss for the period and total equity with regards to the prior years; The effects and amounts of these restatements related to 2012 consolidated financial statements are described below.

- In 2012, the Entity presented TL 846.082 of advances given and TL 250.889 of prepaid expenses under "Other current assets". In the current year, the Entity has reclassified these balances under "Short-term prepaid expenses".

- In 2012, the Entity presented TL 85.973 of advances given under "Other non-current assets". In the current year, the Entity has reclassified this balance under "Long-term prepaid expenses".

- In 2012, the Entity presented TL 48.461 of early payment premium provision under "Debt provisions". In the current year, the Entity has reclassified this amount under "Trade payables to third parties".

- In 2012, the Entity presented TL 417.749 of social security premiums payable under "Other current liabilities" and TL 92.904 of due to personnel under "Provisions for employee benefits". In the current year, the Entity has reclassified these balances under "Payables related to employee benefits".

- In 2012, the Entity presented TL 1.497.827 of taxes and funds payable under "Other current liabilities". In the current year, the Entity has reclassified this balance under "Payables related to current tax".

- In 2012, the Entity presented TL 5.713 of deposits taken under "Other liabilities". In the current year, the Entity has reclassified this balance under "Other payables".

- In 2012, the Entity presented TL 9.349.701 of advances received under "Other payables". In the current year, the Entity has reclassified this balance under "Deferred income".

- In 2012, the Entity presented TL 5.883.119 under "Special funds". In the current year, the Entity has reclassified this balance under "Restricted reserves".

- In 2012, the Entity presented TL 99.490 of loss on sale of fixed assets from investing activities under "Other operating expenses". In the current year, the Entity has reclassified this balance under "Expenses from investing activities".

- In 2012, the Entity presented TL 1.406.163 of maturity date difference income from operating activities under "Finance income". In the current year, the Entity has reclassified this amount under "Other income from operating activities".

- In 2012, the Entity presented TL 497.205 of interest income on bank deposits from operating activities under "Finance income". In the current year, the Entity has reclassified this balance under "Other income from operating activities".

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Comperative Information and Restatement of Prior Period Consolidated Financial Statements (cont'd)

- In 2012, the Entity presented TL 47.749 of dividend income from investing activities under "Other income". In the current year, the Entity has reclassified this balance under "Income from investing activities"

- In 2012, the Entity presented TL 5.932.013 of foreign exchange gain from operating activities under "Finance income". In the current year, the Entity has reclassified this balance under "Other income from operating activities"

- In 2012, the Entity presented TL 5.986.469 of foreign exchange loss from operating activities under "Finance expenses". In the current year, the Entity has reclassified this balance under "Other expenses from operating activities"

- In 2014, gain and losses due to foreign currency differences amounting TL 2.157.826 which was netted-off before between reclassified "Finance income" and "Finance expenses" is and included in "Finance income" and "Finance expenses".

- Gain and losses due to foreign exchange rate differences from operating activities amounting TL 5.249.244 netted-off from "Other operating income" and "Other operating losses" on the income statement for the year ended 31 December 2012.

- In 2012, the Entity presented TL 70.663 of foreign exchange loss from operating activities under "Finance income". In the current year, the Entity has reclassified this balance under "Other expenses from operating activities"

- In 2012, the Entity presented TL 1.115.265 of foreign exchange loss from operating activities under "Finance income". In the current year, the Entity has reclassified this balance under "Other expenses from operating activities"

These reclassifications have no effect on income statement.

Basis of consolidation

Details of the Company's subsidiaries as at 31 December 2013 and 2012 are as follows:

Company name	The Group's share capital rate and voting rights ratio	
	31 December 2013	31 December 2012
S.C. Pimapen Logistic Center S.R.L.	100%	100%
Enwin Window Systems B.V. (*)	-	100%
Enwin Rus Ltd.	100%	100%

(*) The entity have been liquidated.

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control of an entity in order to obtain benefits from its activities is provided by having the power to control the financial and operating policies.

As of 31 December 2013 consolidated financial statements include the accounts of Pimapen Romania and Pimapen Russia.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Basis of consolidation (cont'd)

The control relation is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. During consolidation inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated. The consolidated financial statements are prepared using consistent accounting policies for similar transactions and other events in similar circumstances.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Inside Group transactions, balances, income and expenses are eliminated on consolidation. There is no non-controlling share in the net assets of subsidiaries.

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior year financial statements are restated. If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In current year, Group has not made any change affecting its accounting policies.

2.3 Changes and Errors in Accounting Estimates

If the changes in the accounting estimates and errors are for only one period, changes are applied in the current year. When the changes in estimates affect the following periods changes are applied both on the current and following years prospectively. In the current period, there are not material errors and changes in accounting estimates of the Group.

2.4 Adoption of New and Revised Turkish Financial Reporting Standards

(a) New and Revised TFRSs affecting the consolidated financial statements and disclosures

The Group has applied the following new and revised TFRSs that have affected the reported amounts in the consolidated financial statements.

Amendments to TAS 1 Presentation of Items of Other Comprehensive Income

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.4 Adoption of New and Revised Turkish Financial Reporting Standards (cont'd)

(a) New and Revised TFRSs affecting the reported financial performance and/or financial position (cont'd)

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including TFRS 10, TFRS 11, TFRS 12, TAS 27 (as revised in 2011) and TAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

TFRS 10 replaces the parts of TAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of TFRS 10. Under TFRS 10, there is only one basis for consolidation, that is, control. In addition, TFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in TFRS 10 to deal with complex scenarios.

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

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

The amendments to TFRS 10, 11 and 12 were issued on June 2012 to clarify the transmission rules during the preliminary implementation process.

TFRS 13 Fair Value Measurement

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

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.4 Adoption of New and Revised Turkish Financial Reporting Standards (cont'd)

(a) New and Revised TFRSs affecting the reported financial performance and/or financial position (cont'd)

Amendments to TAS 1 Presentation of Financial Statements

(as part of the *Annual Improvements to TFRSs 2009-2011 Cycle* issued in May 2012)

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

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

TAS 19 Employee Benefits

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

(b) The standards, amendments and interpretations to existing standard that are valid from 2013 but not affecting the Group's financial statements

TFRS 7 (Amendments) Offsetting Financial Assets and Financial Liabilities and the related disclosures

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

Annual Improvements to TFRSs 2009 - 2011 Cycle issued in May 2012

- Amendments to TAS 16 *Property, Plant and Equipment*;
- Amendments to TAS 32 *Financial Instruments: Presentation* and;
- Amendments to TAS 34 *Interim Financial Reporting*

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.4 Adoption of New and Revised Turkish Financial Reporting Standards (cont'd)

(b) The standards, amendments and interpretations to existing standard that are valid from 2013 but not affecting the Group's financial statements (cont'd)

Amendments to TAS 16

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

Amendments to TAS 32

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

Amendments to TAS 34

The amendments to TAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to TAS 34 did not have an effect on the Group's consolidated financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group management anticipates that IFRIC 20 will have no effect to the Group's consolidated financial statements as the Group does not engage in such activities.

(c) New and revised TFRSs in issue but not yet effective;

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

TFRS 9 ²	<i>Financial Instruments</i>
TFRS 9 ve TFRS 7 ²	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
TMS 32 ¹	<i>Offsetting Financial Assets and Financial Liabilities</i>

¹ Effective for annual periods beginning on or after 1 January 2014..

² Effective for annual periods beginning on or after 1 January 2015.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.5 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods

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

- The Group transfers 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 and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued with weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down. Cost of finished goods consists of raw material, direct labor, variable and fixed overhead expenses. Obsolete inventory items are derecognized.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Tangible Fixed Assets

All tangible fixed assets are initially recorded at cost. Land and buildings are carried taking into account with revalued amounts, if there is accumulated impairment. Revalued amount of an asset are determined by less accumulated depreciation and impairment losses occurs after the period that fair value determined in revaluation date. Land is not depreciated. Revaluation frequency is depend on the revaluation of tangible fixed assets is subject to changes in fair value. Revaluation is made regularly in order to prevent the occurrence of material differences between carrying value that determined at balance sheet date and book value.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity after the deferred tax affect is deducted, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

All tangible fixed assets are presented deducting the cost less accumulated depreciation and provision for impairment.

When the property, plant and equipment asset is sold, cost and accumulated depreciation own to this asset are deducted from related accounts. Income or expense arising from the sale is included in the consolidated income statement.

The initial cost of property consists of the plant and equipment purchase price, import duties and non-refundable taxes, the costs to make the tangible fixed asset is ready to use. After the start using of tangible property, such as repair and maintenance costs are recognized as an expense in the period. These expenses are added to the cost of the asset and are depreciated over the remaining life if increase in economic value used in the future to the fixed assets.

Tangible fixed assets are capitalized and depreciated in the case of ready to use with full capacity. Depreciable assets, using the straight-line method at rates based on the estimated useful lives are prorate depreciated. Amortization periods are as follows:

	<u>Useful Life (Years)</u>
Land and land improvements	5-16
Buildings	25-45
Machinery and equipment	2-10
Motor vehicles	5
Furniture and fixtures	5
Other tangible assets	5

The useful lives are reviewed on a regular basis; accordingly, the method and period of depreciation are consistent with the economic benefits from items of property.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Fixed Assets

Intangible assets consist of purchased rights in computer softwares.

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

Derecognition of Intangible Fixed Assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment of the carried amount which arising from revaluation of fixed assets, recorded as liability for the purpose of offsetting the revaluation funds in the equity. Following the offset, impairment that exceeds revaluation fund is recorded as an expense in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets which are assets that necessarily take a substantial period to get ready for their intended use or sale (qualifying assets), are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs recognized in the income statement in the period when they incurred.

Assets Held For Sale

Held for sale fixed assets represent to the property which were taken in response to the debtor's inability to pay reduced for the obligations of the Group. Non-current assets held for sale represent the property taken in response to the obligations of the Group debtor's which has fallen inability to pay. A court order or the consent of the customer's right to use the asset has been acquired, the amount of bad debts or received these assets at the lower of the fair value of an asset held for sale are recorded as non-current assets. If the group does not use these assets for the operations, depreciation will be calculated. When the assets sold, the difference between the selling price and the carrying value of the asset recognized in the consolidated satatement of income. These assets are recorded in the consolidated balance sheet as held for sale non-current assets.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Assets

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

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Financial assets at FVTPL

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

Available-for-sale financial assets

Available-for-sale financial assets (AFS) are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Available-for-sale financial assets (cont'd)

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial..

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

2.5 Summary of Significant Accounting Policies (Cont'd)

Impairment of financial assets (Cont'd)

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss

Cash and cash equivalents

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

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Trade receivables

Trade receivables, notes payables and postdated checks are recognize at the value of invoice and receivables are carried to the balance sheet with reduced net values after deducting allowance for doubtful receivables. Receivables contains the cost of financing, the interest rate of 12% (31 December 2012: 12%) were taking into account to the net value of the balance sheet date.

Trade receivables basis foreign currency are subject to rediscount using the interest rates on the contracts, and using the Libor and Euribor rates if the contract is not included the interest rates.

If there is substantial proof that overdue receivables cannot be collected, provisions for doubtful trade receivables are recorded after deducting the collateral receivables are written-off when the collection of cannot be these are considered as unlikely.

Financial liabilities

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

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial liabilities (cont'd)

Financial liabilities at FVTPL

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

Other financial liabilities

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade payables

Trade payables and invoice values of debt securities located in trade payables and are recognized and carried with amortized cost on the balance sheet. Trade payables cost of financing the interest rate of 12% (31 December 2012: 12%) were taking into account the net value of the balance sheet date. Trade payables denominated in foreign currencies, interest rates if the contract is not included in the relevant agreements on using Libor and Euribor rates are subject to rediscount.

Foreign currency transactions

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

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign currency transactions (cont'd)

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

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and,
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Earnings per share

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events after the balance sheet date

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) will be explained in the relevant note.

The Group restates its consolidated financial statements if such subsequent events arise.

Provisions, contingent assets and liabilities

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

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

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

Related Parties

Presence of one of the following criteria, the Group and the party are considered related:

- (a) Directly, or indirectly through one or more intermediaries:
 - (i) controls, is controlled by, or is under common control with the Group (parent, subsidiaries and fellow subsidiaries, including the same);
 - (ii) has an interest in the Group that gives it significant influence over, or
 - (iii) has joint control over the Group;
- (b) The party is an affiliate the Group;
- (c) The party is a joint venture of the Group is a joint enterprise;
- (d) The party is a member of the key management personnel of the Group or its parent;
- (e) The (a) or (d) any individual is a close family member;
- (f) The party controlled by a common control or significant influence, or as explained in (d) or (e) any individual, either directly or indirectly, a property is important to have the right to vote.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Related Parties (cont'd)

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

Pimaş's parent company Enka İnşaat ve Sanayi A.Ş. (Enka Construction), respectively. The accompanying consolidated financial statements for the Enka İnşaat ve Sanayi A.Ş. and their affiliates and subsidiaries and other Group companies and the balances are shown as separate line items referred to as associated companies those companies.

Taxes on corporate income

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis according to the tax legislation of the country the entity operates.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

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

Deferred Tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Taxes on corporate income (cont'd)

Deferred Tax (cont'd)

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

Current and deferred tax for the period

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

Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit liability recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses through statement of other comprehensive income.

Provision for unused vacation

This provision stated under short-term employee benefits (Note 26).

Statement of cash flow

Current period statements of cash flows are categorized and reported as operating, investing and financing.

Cash flows from operating activities show that cash flows provided from Group's operations.

Cash flows from investing activities summarize the Group's cash flows used in or generated from investing activities (fixed and financial investments).

Cash flows from financing activities summarize the Group's cash flows from liabilities and the back payments of these liabilities benefited in financing needs of the Group.

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

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Capital and Dividends

Common stocks are classified as equity. Dividends paid are recorded at the Board's payment decision date retained earnings balance less the dividend amount paid.

Segment Reporting

A reportable segment is a business segment or geographical segment information required to be disclosed. Industrial Sections are different from the other parts of the groups in terms of an individual product or service or a group of related products or services or risk and benefits. Geographical segments provide products or services within a particular economic environment of the Group and the risks and returns that are different from those of components operating in other economic environments are different.

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group manages and organizes the business activities based on geographical regions for management reporting. Group business activities divided in three main geographical regions based on where the assets located. The Group's geographical segments Turkey, Russia and other countries. There are no industrial reportable segment due to the fact that Group's products does not differ from each other.

The Group prepares its segment reporting in accordance with IFRS 8. As of 31 December 2013 and 31 December 2012, the information about the Group's segments consists of revenues and profits, assets and liabilities. Financial information about the geographical segment is presented in Note 5.

2.6 Critical Accounting Estimates and Assumptions

In the process of applying the Group's accounting policies, which are described in Note 2.4 management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

- a) Reserve for retirement pay liability is determined by using actuarial assumptions such as discount rates, future salary increase and employee's turnover rates. The estimations include significant uncertainties due to their long term nature. The details about reserve for employee benefits are provided in Note 26.
- b) Provision for doubtful receivables is an estimated amount that management believes to reflect possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is explained in Note 10. The guarantee letters and mortgages are taken into consideration while provisioning for doubtful receivables. Provisions are booked for the unsecured portions of the receivables.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Segment Reporting (cont'd)

- c) During the assessment of the reserve for obsolete inventories, inventories are physically and historically analyzed, usefulness of the inventories are determined based on the view of the technical personnel and if it is necessary, provision is provided. Sales prices listed, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of these, the details of the provision for the inventory items whose net realizable value is below its cost are explained in Note 13.
- d) Deferred tax assets are recognized over temporary differences and accumulated losses when there is evidence that there is substantial future realizability in statutory tax accounts. In order to recognize the deferred tax assets in the consolidated financial statements, significant estimations and assumptions for statutory tax projections should be performed. The Group has recognized deferred tax assets on carried forward tax losses taking into account, estimation of taxable profit in future periods and the timing of taxable temporary differences (Note 37).
- e) Group management has made significant assumptions that could effect consolidated financial statements in determining the useful economic life of the buildings based on experiences of the technical team (Note 20).
- f) Group management has made significant assumptions that could effect consolidated financial statements in determining the fair values of land and buildings within the scope of IAS 16 (Note 20).
- g) Within the scope of IAS 36 Group management has made significant assumptions to assess the potential impairment on assets held for sale (Note 36).

3. BUSINESS COMBINATIONS

None (31 December 2012: None).

4. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

The details of significant subsidiaries of the Group as of 31 December 2013 and 2012 are as follows:

Subsidiaries	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)	
			31 December 2013	31 December 2012
S.C. Pimapen Logistic Center S.R.L.	Marketing of PVC door and window section	Rumania	%100	%100
Enwin Rus Ltd	Production and marketing of PVC door and window section	Russia	%100	%100
EnWin Window Systems B.V. (*)	Managing associations	Netherlands	-	%100

(*) The entity have been liquidated.

a) Associates

None (31 December 2012: None).

a) Joint Ventures

None (31 December 2012: None).

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

5. SEGMENT REPORTING

In terms of management The Group organized business units on the basis of geographical segments, there are two reportable operating segments on the basis of the countries which it operates. The Group's operating segments are Turkey, Russia and other countries. Since there are no differences in terms of products, the Group does not have industrial reportable segment. The Group makes the operating segment reporting according to IFRS 8.

As at 31 December 2013, information about Group's operating segments as follows:

	31 December 2013				
	Turkey	Russia	Other	Elimination	Consolidated
Revenue	158.877.553	23.012.094	516.015	(10.678.786)	171.726.876
Gross profit	31.402.816	2.604.644	38.808	(64.704)	33.981.564
General administrative expense	(9.127.760)	(946.581)	(71.086)	-	(10.145.427)
Marketing expenses	(11.285.024)	(1.837.797)	(121.049)	-	(13.243.870)
Other income from operating activities	4.035.627	56.538	47.897	112.786	4.252.848
Other expenses from operating activities	(3.423.210)	(1.345.015)	(238.803)	-	(5.007.028)
Operating profit / (loss)	11.602.449	(1.468.211)	(344.233)	48.082	9.838.087
Income from investing activities	3.141.727	-	-	-	3.141.727
Expenses from investing activities	-	-	-	-	-
Operating profit / (loss) before finance expenses	14.744.176	(1.468.211)	(344.233)	48.082	12.979.814
Finance expenses	(13.011.468)	(2.503.305)	-	-	(15.514.773)
Finance income	-	-	-	-	-
Continuing operations profit / (loss) before taxation	1.732.708	(3.971.516)	(344.233)	48.082	(2.534.959)
Period tax (expense) / income	(820.418)	-	-	-	(820.418)
Deferred tax (expense) / income	(418.643)	1.406.211	-	-	987.568
Profit / (loss) for the year	493.647	(2.565.305)	(344.233)	48.082	(2.637.809)

	31 December 2013				
	Turkey	Russia	Other	Elimination	Consolidated
Segment assets	212.505.523	33.426.167	1.621.635	(21.342.222)	226.211.103
Total assets	212.505.523	33.426.167	1.621.635	(21.342.222)	226.211.103
Segment liabilities	98.234.322	30.594.771	1.966.754	(11.773.817)	119.022.030
Total liabilities	98.234.322	30.594.771	1.966.754	(11.773.817)	119.022.030
Purchases of tangible and intangible assets	1.089.766	1.226.402	-	(210.050)	2.106.118
Depreciation and amortization expenses	2.596.522	2.223.552	-	-	4.820.074

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

5. SEGMENT REPORTING (cont'd)

As at 31 December 2012, information about Group's operating segments as follows:

	31 December 2012				
	Turkey	Russia	Other	Elimination	Consolidated
Revenue	157.860.711	31.401.801	1.479.351	(18.058.669)	172.683.194
Gross profit	25.191.919	4.199.881	179.071	64.455	29.635.326
General administrative expense	(8.421.616)	(763.109)	(62.248)	-	(9.246.973)
Marketing expense	(12.547.520)	(1.516.632)	(154.792)	-	(14.218.944)
Other income from operating activities	3.760.635	474.152	6.245	(597.904)	3.643.128
Other expenses from operating activities	(1.727.417)	(1.145.260)	(38.537)	-	(2.911.214)
Operating profit / (loss)	6.256.001	1.249.032	(70.261)	(533.449)	6.901.323
Income from investing activities	47.749	-	-	-	47.749
Expenses from investing activities	(99.490)	-	-	-	(99.490)
Operating profit / (loss) before finance expenses	6.204.260	1.249.032	(70.261)	(533.449)	6.849.582
Finance expenses	(3.858.675)	(794.917)	-	-	(4.653.592)
Finance income	2.561.880	2.170.801	-	-	4.732.681
Continuing operations profit / (loss) before taxation	4.907.465	2.624.916	(70.261)	(533.449)	6.928.671
Period tax (expense)/ income	(1.379.087)	-	-	-	(1.379.087)
Deferred tax (expense) / income	222.713	(137.352)	-	-	85.361
Profit / (loss) for the year	3.751.091	2.487.564	(70.261)	(533.449)	5.634.945

	31 December 2012				
	Turkey	Russia	Other	Elimination	Consolidated
Segment assets	171.594.037	40.219.191	2.398.721	(37.845.576)	176.366.373
Total assets	171.594.037	40.219.191	2.398.721	(37.845.576)	176.366.373
Segment liabilities	100.550.286	27.980.780	2.344.354	(23.260.291)	107.615.129
Total liabilities	100.550.286	27.980.780	2.344.354	(23.260.291)	107.615.129
Purchases of tangible and intangible assets	4.437.088	1.071.301	-	(130.785)	5.377.604
Depreciation and amortization expenses	2.819.213	1.962.560	1.018	-	4.782.791

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

6. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash at banks		
- demand deposits	2.162.869	1.114.027
- time deposits	31.275.236	2.017.041
Cheques	1.828.156	3.298.665
Cash on hand	108.141	58.218
	35.374.402	6.487.951

As of 31 December 2013, Group's time deposit amounting TL 9.852.159 with 3 days maturity has an interest rate of 8%, time deposit amounting TL 15.019.931 with 7 days maturity has an interest rate of 9,70%, time deposit amounting USD 3.000.115 which is equal to TL 6.403.146 with 3 days maturity has an interest rate of 1,40% (31 December 2012: time deposit amounting TL 947.284 with 3 days maturity and interest rate of 7%, time deposit amounting USD 600.111 which is equal to TL 1.069.757 with 3 days maturity has an interest rate of 2%.)

As of 31 December 2013 and 2012, there is no restriction on the Group's cash and cash equivalents.

As of 31 December 2013, there is insurance coverage amounting TL 4.444.790 on the cash (31 December 2012: TL 3.149.150).

7. FINANCIAL INVESTMENTS

Available for sale financial investments

	31 December 2013		31 December 2012	
	TL	%	TL	%
Enka İnşaat	821.682	< 1%	621.995	< 1%
Türkiye Sınai Kalkınma Bankası (TSKB)	295.331	< 1%	311.072	< 1%
	1.117.013		933.067	

The fair values of available-for-sale financial assets that can be reliably measured are stated at their fair value, unrealized gains or losses are followed under "Financial Assets Value Increase Fund" in consolidated balance sheet.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

8. FINANCIAL BORROWINGS

a) Short Term Bank Loans

31 December 2013					
	Foreign Currency Amount		TL Equivalent	Interest Rate (%)	Maturity
Short-term loans					
US Dollar loans	12.405.192	(**)	26.476.401	3,10 -4,20	6 June 2014 – 18 December 2014
Euro loans	2.018.281	(*)	5.926.682	Libor-6 months +2 - 2,25	31 March 2014 – 8 October 2014
Euro loans	10.857.513	(**)	31.883.087	1,33 - 4,00	10 January 2014 – 18 December 2014
TL loans		(***)	236.545	0	3 January 2014
Total of the short-term loans			64.522.715		
Short-term portion of long term loans					
US Dollar Loans	1.006.530	(*)	2.148.237	Libor-3 months+5,08	16 May 2014
US Dollar Loans	4.804.259	(**)	10.253.730	3,20- 6,10	28 February 2014–1 September 2014
Euro Loans	201.324	(*)	591.187	Euribor-6 months+4	26 May 2014 –24 November 2014
TL Loans		(**)	1.378.447	13,20 -13,75	21 February 2014 – 30 April 2014
Total of the short-term portion of long term loans			14.371.601		
			78.894.316		

(*) Interest payment at maturity, once a month, every three or six months and loans with variable interest rates.

(**) Fixed interest rate and maturity date, interest paid once a month, every three or six months.

(***) Interest free revolving loan.

31 December 2012					
	Foreign Currency Amount		TL Equivalent	Interest Rate (%)	Maturity
Short-term loans					
US Dollar loans	501.546	(*)	894.056	Libor-6 months + 3,30-3,50	6 May 2013 –1 July 2013
US Dollar loans	8.992.436	(**)	16.029.916	4,53-6,50	25 February 2013 – 26 December 2013
Euro loans	2.133.375	(*)	5.017.058	Euribor-6 months + 2,75 – 3,90	1 February 2013 – 19 August 2013
Euro loans	2.525.479	(**)	5.939.169	4-5,50	20 May 2013-29 November 2013
Ruble loans	10.000.000	(**)	580.800	9,00	12 April 2013
TL loans		(**)	585.361	13,75	22 February 2013
Total short-term loans			29.046.360		
Short-term portion of long term loans					
US Dollar Loans	2.021.912	(*)	3.604.260	Libor-12 months + 2,85 / Libor-6 months + 5,20	26 April 2013 – 27 June 2013
US Dollar Loans	2.691.839	(**)	4.798.472	4,77-5,85	5 July 2013 – 16 October 2013
Euro Loans	4.652.751	(*)	10.941.875	Euribor-6 months +3 – 4,25/ Euribor-3 months+4,60-5,25	22 February 2013 – 29 November 2013
Euro Loans	2.836.195	(**)	6.669.880	5-7,30	2 July 2013 – 28 October 2013
TL Loans		(**)	2.116.889	12,80-13,75	22 May 2013-22 November 2013
Total of the short-term portion of long term loans			28.131.376		
			57.177.736		

(*) Interest payment at maturity, once a month or every six months and loans with variable interest rates.

(**) Fixed interest rate and maturity date, interest paid once a month or every six months.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

8. FINANCIAL BORROWINGS (cont'd)

a) Short Term Bank Loans (cont'd)

As of 31 December 2013, short-term loan amounting TL 20.287.091 (31 December 2012: TL 6.511.989) and short-term portion of long-term loan amounting TL 0 has been used by Enwin Russian, Ltd. which is a subsidiary of the Group (31 December 2012: TL 4.187.669).

As at 31 December 2013 and 2012, export commitment obligations related with Group's short term bank loans is disclosed in Note 25.

There are no guarantees given for the loans obtained. (31 December 2012: None).

b) Long Term Bank Loans

	31 December 2013			31 December 2012		
	Foreign Currency Amount	TL Equivalent	Interest Rate (%)	Foreign Currency Amount	TL Equivalent	Interest Rate (%)
Long-term loans						
Euro loans	100.000 (*)	293.650	Euribor 6 months + 4	1.050.000 (*)	2.469.285	Euribor 6 months + 4 - 4,70
US Dollar loans				-	-	-
US Dollar loans				4.000.000 (**)	7.130.400	5 - 6,10
TL loans				-	1.350.000	13,20 - 13,75
		293.650			10.949.685	

(*) Interest payments every six months with variable interest rates.

(**) Interest payments every six months with fixed interest rates.

As of 31 December 2013, long-term loans used by Enwin Russian Ltd. amount to 0 TL which is Group's consolidated subsidiary (31 December 2012: TL 1.763.775).

There are no guarantees given for the long term loans obtained.

As of 31 December 2013 and 2012, the redemption schedule of long-term loans of the Group is as follows:

	31 December 2013	31 December 2012
2013	-	28.131.376
2014	14.371.601	10.714.515
2015	293.650	235.170
	14.665.251	39.081.061
Short-term portion of long term loans	(14.371.601)	(28.131.376)
	293.650	10.949.685

9. OTHER FINANCIAL LIABILITIES

None (31 December 2012: None).

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

10. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables, net

	31 December 2013	31 December 2012
Cheques and notes receivable	62.637.965	64.955.231
Trade receivables	7.988.721	9.575.334
Accrued income	-	-
Doubtful receivables	6.572.916	6.022.154
	77.199.602	80.552.719
Less: Allowance for doubtful receivables	(6.572.916)	(6.022.154)
	70.626.686	74.530.565

As of 31 December 2013 and 2012, the movement of doubtful receivables of the Group is as follows:

	1 January – 31 December 2013	1 January – 31 December 2012
Balance at beginning of the year	6.022.154	6.255.728
Charge for the current year	589.024	1.041.386
Translation effect	(49.386)	(8.834)
Collections	397.195	(4.211)
Uncollectible doubtful receivables (*)	(386.071)	(1.261.915)
Balance at the end of year	6.572.916	6.022.154

(*) Uncollectible amounts which have been fully provisioned in prior periods were written off from the balance sheet.

As of 31 December 2013, doubtful receivables amounting TL 3.717.985 belong to Enwin Russian, Ltd. which is a subsidiary of the Group (31 December 2012: TL 3.443.135).

As of December 2013, average trade receivables maturity is 122 - 88 days (31 December 2012: 127-118 days).

As of December 2013 and 2012, past due but not impaired trade receivables and outstanding trade receivables details are as follows:

	Past due but not impaired					
	Total	Outstanding Receivables	30 day past	30-60 day	60-90 day	Exceed 90 days
31 December 2013	7.988.721	4.453.080	604.706	192.504	39.082	2.699.349
31 December 2012	9.575.334	3.787.766	198.438	190.120	368.509	5.030.501

As of 31 December 2013, The Group has obtained guarantees for its receivables amounting to TL 80.172.472 (31 December 2012: TL 71.535.438) that consists of mortgages, letter of guarantees, guarantee certificates and guarantee checks. Additionally, The Group has obtained sequestered mortgages amounting to TL 582.953 for its receivables (31 December 2012: TL 988.353).

The effective interest rate used for trade receivables denominated in TL is 12% (31 December 2012: 12%), For trade receivables denominated in U.S. Dollar and Euro are Libor and Euribor rates.

As of 31 December 2013, the Group's long-term trade receivables amounting TL 984.551 (31 December 2012: TL 128.449) consist of the postdated check and notes payable amounting to TL 663.957 (31 December 2012: TL 128.499).

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

10. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade payables, net

	31 December 2013	31 December 2012
Trade payables, net	4.918.135	6.564.194
Early payment premiums and quota provision	1.975	48.461
Notes payable, net	11.537.416	14.004.127
	16.457.526	20.616.782

As of 31 December 2012, the average maturity of trade payables is 52 days (31 December 2012: 52 days), while the average maturity of debt securities is 179 days (31 December 2012: 169 days). The effective interest rate used for trade payables denominated in TL is 12% (31 December 2012: 12%), For trade payables denominated in U.S. Dollar and Euro are Libor and Euribor rates in accordance with the maturity of trade payables.

11. OTHER RECEIVABLES AND PAYABLES

a) Short-term other receivables

	31 December 2013	31 December 2012
VAT refund receivables	1.046.101	1.009.483
Receivables from employees	-	-
Other	2.944	2.944
Total	1.049.045	1.012.427

b) Long-term other receivables

	31 December 2013	31 December 2012
Deposits and guarantees given	85.162	1.513
VAT refund receivables	406.299	281.589
Total	491.461	283.102

c) Short-term other payables

	31 December 2013	31 December 2012
Deposits and guarantees received	7.229	5.713
Total	7.229	5.713

d) Long-term other payables

	31 December 2013	31 December 2012
Deposits and guarantees received	812.325	719.515
Total	812.325	719.515

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

12. RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES

None (31 December 2012: None).

13. INVENTORIES

	31 December 2013	31 December 2012
Raw materials	12.537.892	13.762.023
Work in process	1.397.877	1.336.807
Finished goods	11.300.456	10.214.244
Trading goods	1.934.980	2.391.626
Other inventories	3.264.389	4.905.529
Less: Allowance for impairment on inventory	(1.025.031)	(996.191)
	29.410.563	31.614.038

Movement of allowance for impairment on inventory is as follows:

	2013	2012
1 January	996.191	797.317
Charge for the year	28.840	198.874
31 December	1.025.031	996.191

Provisions for impairment amounting to TL 340.463, TL 450.558, TL 234.010 for finished goods, trading goods and other inventories are provided respectively (31 December 2012: Finished goods, trading goods and other inventories respectively TL 523.806, TL 262.944, TL 209.441).

As of 31 December 2013, insured value of inventories amount TL 32.248.090 (31 December 2012: TL 26.823.627).

14. BIOLOGICAL ASSETS

None (31 December 2012: None).

15. RECEIVABLES RELATED TO ONGOING CONSTRUCTION CONTRACTS AND PROGRESS PAYMENTS

None (31 December 2012: None).

16. INVESTMENTS ACCOUNTED BY EQUITY METHOD

None (31 December 2012: None).

17. INVESTMENT PROPERTIES

None (31 December 2012: None).

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

18. PREPAID EXPENSES AND DEFERRED INCOME

a) Short-Term Prepaid Expenses

	31 December 2013	31 December 2012
Advances given	506.358	846.082
Prepaid expenses	383.132	250.889
	889.490	1.096.971

b) Long-Term Prepaid Expenses

	31 December 2013	31 December 2012
Advances given	98.305	85.973
	98.305	85.973

c) Short-Term Deferred Income

	31 December 2013	31 December 2012
Order advances received	12.714.890	9.349.701
Toplam	12.714.890	9.349.701

19. CURRENT TAX LIABILITIES

	31 December 2013	31 December 2012
Other taxes and funds payable	1.467.227	1.497.828
	1.467.227	1.497.828

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

20. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2013, property, plant and equipment and related accumulated depreciation movements are as follows:

	1 January 2013	Additions	Disposals	Transfers	Net-off	Revaluation fund	Currency translation differences	31 December 2013
Cost or revalued amount								
Land and land improvement	1.914.551	-	-	-	-	-	-	1.914.551
Land	25.869.816	-	-	-	-	25.119.268	436.322	51.425.406
Buildings	24.281.271	-	-	-	(845.840)	1.152.760	1.925.147	26.513.338
Machinery and equipment	94.358.146	1.604.806	(38.707)	-	-	-	1.155.539	97.079.784
Vehicles	2.363.013	-	(22.720)	-	-	-	64.867	2.405.160
Furniture and fixtures	7.647.642	446.847	-	-	-	-	35.103	8.129.592
Other property, plant and equipment	1.445.402	-	(10.342)	-	-	-	24.324	1.459.384
Construction in progress	-	2.630	-	-	-	-	-	2.630
	157.879.841	2.054.283	(71.769)	-	(845.840)	26.272.028	3.641.303	188.929.845
Less: accumulated depreciation								
Land and land improvement	1.744.472	23.985	-	-	-	-	-	1.768.457
Buildings	3.476.632	1.028.461	-	-	(845.840)	-	401.207	4.060.460
Machinery and equipment	84.289.266	3.077.783	(27.979)	-	-	-	622.612	87.961.682
Vehicles	1.950.761	162.754	(16.393)	-	-	-	51.116	2.148.238
Furniture and fixtures	6.478.944	389.035	-	-	-	-	20.072	6.888.051
Other property, plant and equipment	1.329.319	20.019	(798)	-	-	-	13.938	1.362.478
	99.269.394	4.702.037	(45.170)	-	(845.840)	-	1.108.945	104.189.366
Net book value	58.610.447							84.740.479

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

20. PROPERTY, PLANT AND EQUIPMENT (cont'd)

During the year ended 31 December 2012, property, plant and equipment and related accumulated depreciation movements are as follows:

	1 January 2012	Additions	Disposals	Transfers	Revaluation fund	Currency translation differences	31 December 2012
Cost or revalued amount							
Land and land improvement	1.914.551	-	-	-	-	-	1.914.551
Land	25.435.667	-	-	-	500.342	(66.193)	25.869.816
Buildings	24.301.384	-	-	-	-	(20.113)	24.281.271
Machinery and equipment	89.489.110	4.619.511	(154.046)	403.779	-	(208)	94.358.146
Vehicles	2.186.150	180.599	(3.051)	-	-	(685)	2.363.013
Furniture and fixtures	7.200.884	446.964	(201)	-	-	(5)	7.647.642
Other property, plant and equipment	1.446.028	-	-	-	-	(626)	1.445.402
Construction in progress	598.543	36.784	-	(631.754)	-	(3.573)	-
	152.572.317	5.283.858	(157.298)	(227.975)*	500.342	(91.403)	157.879.841
Less: accumulated depreciation							
Land and land improvement	1.714.227	30.245	-	-	-	-	1.744.472
Buildings	2.467.597	1.006.137	-	-	-	2.898	3.476.632
Machinery and equipment	81.193.897	3.113.663	(21.972)	-	-	3.678	84.289.266
Vehicles	1.787.377	163.121	(286)	-	-	549	1.950.761
Furniture and fixtures	6.131.526	347.640	(201)	-	-	(21)	6.478.944
Other property, plant and equipment	1.301.302	27.964	-	-	-	53	1.329.319
	94.595.926	4.688.770	(22.459)	-	-	7.157	99.269.394
Net deffer değeri	57.976.391						58.610.447

(*) The amount is transferred to Intangible Fixed Assets.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

20. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Valuation of land and buildings

Group's land and buildings in Turkey have been revalued as of 31 December 2013 by independent valuers licensed by the Capital Markets Board ("CMB"). For the assets located abroad, valuation reports for land only and other assets have been prepared in 2013 only for land and in 2008 for other asset respectively by independent valuers located in these countries. These valuations are based on local and foreign market prices. Accumulated depreciation of the revalued building has been eliminated against the gross carrying amounts of related buildings and the net amount is carried. Revaluation difference is netted off with the related deferred tax and classified as revaluation surplus under equity.

Details of the Group's land and buildings and information about the fair value hierarchy as at 31 December 2013 are as follows:

	31 December 2013	Fair value level as of balance sheet date		
		Level 1	Level 2	Level 3
		TL	TL	TL
Pimaş Manufacturing Plant in Gebze Land				
Land	48.271.520	-	48.271.520	-
Buildings	7.899.570	-	7.899.570	-
Enwin Rus Manufacturing Plant in Rostov Land				
Land	1.940.118	-	1.940.118	-
Bina	18.613.588	-	18.613.588	-
SC Pimapen Manufacturing Plant in Rumania Land				
Land	1.213.768	-	1.213.768	-

There were no transfers between Level 1 and Level 2 during the year.

If land and buildings that are stated as revalued assets had been carried at cost less accumulated depreciation, the carrying amounts of land and building in the consolidated financial statements as of December 31, 2013 and 2012 would be as follows:

	Land and buildings	
	31 December 2013	31 December 2012
Cost	153.304.388	152.700.802
Accumulated depreciation	(146.920.432)	(146.574.524)
Net book value	6.383.956	6.126.278

The amount of insurance on property, plant and equipment

As of 31 December 2013, insurance on property, plant and equipment's amount to TL 59.055.782 (31 December 2012: TL 45.806.086).

Pledges and mortgages on assets

As of 31 December 2013, mortgages given as collateral on property, plant and equipment amount to TL 3.500 (31 December 2012: TL 3.500).

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

21. INTANGIBLE FIXED ASSETS

As of 31 December 2013 and 2012 intangible assets' movements are as follows:

	1 January 2013	Additions	31 December 2013
Cost			
Rights	898.382	51.835	950.217
	898.382		950.217
Accumulated amortization			
Rights	(529.104)	(118.037)	(647.141)
Net book value	369.278		303.076
	1 January 2012	Additions	31 December 2012
Cost			
Rights	576.662	321.721(*)	898.382
	576.662		898.382
Accumulated amortization			
Rights	(435.083)	(94.021)	(529.104)
Net book value	141.579		369.278

(*) TL 227.975 of the related amount is the amount transferred from construction in progress.

Intangible assets consist of computer software rights.

22. GOODWILL

None (31 December 2012: None).

23. GOVERNMENT GRANTS AND INCENTIVES

None (31 December 2012: None).

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

24. PROVISIONS AND CONTINGENT ASSET AND LIABILITIES

Guarantees, pledges and mortgages given by the Group	31 December 2013	31 December 2012
A. GPM given on behalf of its own legal entity	3.643.550	547.032
B. GPM given on behalf of subsidiaries that are included in full consolidation (*)	20.231.680	12.376.950
C. GPM given in order to guarantees third parties' debts for the routine trade operations	-	-
D. Total amount of other GPM given:	24.498.112	20.641.947
- Total amount of given on behalf of parent Group (**)		
- Total amount of given on behalf of other group companies that are not included group B and C		
- Total amount of given on behalf of third parties that are not included group C	-	-
	-	-
Total	48.373.342	33.565.929
Ratio of the GPM given by the Group to the Group equity	22,85%	30,02%

(*) Given to banks in favor of Enwin Russian, Ltd. Euro 5.000.000 (TL 14.682.500), USD 2.600.000 (TL 5.549.180) includes guarantees.

(**) Given to banks in favor of the parent company Enka Construction Euro 36.813 (TL 108.101), USD 10.905.650 (TL 23.275.929 equivalent) and TL 1.110.582 amount guarantees includes TL 3.500 of mortgages.

Letter of Guarantees

As of 31 December 2013 and 2012, letters of guarantee and certificates given by the Group are as follows:

	31 December 2013	31 December 2012
Bank letters of guarantee given to the customs and various public institutions	3.643.550	547.032
Mortgages given on behalf of partners	3.500	3.500
Guarantees given to shareholders	24.494.612	20.638.447

As of 31 December 2013 and 2012, the amount of guarantee given to shareholders refers to the amount of the guarantees given with other related parties of the Group.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

25. COMMITMENTS AND CONTINGENCIES

Export commitments

Commitments type	31 December 2013		31 December 2012	
	Commitment currency amount	Commitment amount (TL)	Commitment currency amount	Commitment amount (TL)
Export commitments - foreign currency - Euro	3.700.000	10.865.050	5.750.000	13.522.275
Export commitments - foreign currency - Usd	5.750.000	12.272.225	4.500.000	8.021.700

26. EMPLOYEE BENEFITS

a) Payables due to employee benefits

	31 December 2013	31 December 2012
Payables to employees	760.150	92.904
Social security premiums payable	376.157	417.749
Total	1.136.307	510.653

b) Provisions for short term employee benefits

	31 December 2013	31 December 2012
Performance based bonus accruals	82.638	293.766
Unused vacation accruals	1.109.465	972.282
Total	1.192.103	1.266.048

c) Provisions for long term employee benefits

Retirement Pay Provision

Pimaş, is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause excluding resignation under Turkish Labor Law. As of 31 December 2013 the amount payable consist of one gross wage for each year of service limited to TL 3.254 (31 December 2012: TL 3.034).

Retirement pay ceiling increased to TL 3.438 from the date of 1 January 2014 (1 January 2013: TL 3.129).

According to IAS 19, actuarial calculations are necessary to calculate liabilities of Pimaş. The Group calculated of the employee termination benefit provision using "Projection Method", the personnel service period completion of previous years of Pimaş and using the basis of retirement issues and realizations and has reflected to the accompanying consolidated financial statements. Employment termination benefits are calculated by estimating present value of the future probable obligations arising from the retirement of the employees. As of 31 December 2013 reel discount rate for calculation of provision is 3,78%. (31 December 2012: 4,66%)

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

26. EMPLOYEE BENEFITS (cont'd)

As of 31 December 2013 and 2012, the liability for employee termination benefits for the years ended are as follows:

	2013	2012
1 January	2.403.372	2.160.633
Interest expense	90.740	216.064
Provision for the current year	506.525	435.191
Actuarial gain / (loss)	331.517	(43.483)
Payments	(677.054)	(365.033)
31 December	2.655.100	2.403.372

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

2013

- If the discount rate had been 1% higher / (lower), provision for employee termination benefits would decrease by TL 238.883- (increase by TL 284.587).
- If the anticipated turnover rate had been 1% lower / (higher) while all other variables were held constant, provision for employee termination benefits would increase/(decrease) by TL 27.163.

2012

- If the discount rate had been 1% higher / (lower), provision for employee termination benefits would decrease by TL 182.497- (increase by TL 214.961).
- If the anticipated turnover rate had been 1% lower/(higher) while all other variables were held constant, provision for employee termination benefits would increase/(decrease) by TL 22.681.

27. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2013	31 December 2012
Deferred VAT	162.277	84.967
Other VAT	107.661	48.314
Other	49.681	43.787
	319.619	177.068

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

27. OTHER ASSETS AND LIABILITIES (cont'd)

b) Other current liabilities

	31 December 2013	31 December 2012
Other	83.632	326.928
	83.632	326.928

c) Other non-current assets

	31 December 2013	31 December 2012
Other deferred VAT	972	190.793
	972	190.793

28. SHAREHOLDER'S EQUITY

Capital

As of 31 December 2013 and 2012, the Company is not subject to the registered capital system. The Group's historical paid in capital amount is TL 36.000.000 (31 December 2012: TL 18.000.000), and this amount comprises 3.600.000.000 shares (31 December 2012: 1.800.000.000) at 1 Piastre per value.

As of 31 December 2013 and 2012, the Company legal capital and shareholding structure are as follow:

Shareholders	31 December 2013		31 December 2012	
	TL	%	TL	%
Enka İnşaat ve Sanayi A.Ş.	29.394.345	81,65	14.697.173	81,65
Public shares	5.825.022	16,18	2.870.402	15,95
Other	780.633	2,17	432.425	2,40
Total historical amount TL	36.000.000	100,00	18.000.000	100,00
Inflation adjustment effect (*)	40.802.957		40.802.957	
Total	76.802.957		58.802.957	

(*) Residual of the difference between the restated amount of cash capital contributions to be presented by the equivalent of purchasing power as of end of 2004 by the use of restatement factors and the historical amount.

As at 31 December 2013 and 2012, there are no preferred shares.

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

28. SHAREHOLDER'S EQUITY (cont'd)

Parent company, makes dividend distributions as required by CMB as follows:

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

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital", "Issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

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

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in capital" and not added to capital;
- "Retained earnings/ accumulated loss", if such differences are arising from "Restricted profit reserves" and "Premium in capital stock" and has not been subjected to profit distribution or capital increase.

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

Capital restatement differences can only be included in capital.

Profit Distribution:

In accordance with the Capital Markets Board's (the "Board") Decree issued as at 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

"As of 31 December 2013, The Group has no any remaining profit for the financial year and other funds subject to profit distribution after deduction of accumulated losses in statutory records except mentioned paragraph above."

Special funds may not be distributed.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

28. SHAREHOLDER'S EQUITY (cont'd)

The amount of reserves held in the statutory financial statements which was prepared according to tax Laws by Pimaş, are as follows:

	31 December 2013	31 December 2012
Special funds (Profit on sale of tangible fixed assets)	5.883.119	5.883.119
Other reserves	241.883	241.883
Share premium	91.953	-
Accumulated losses	(16.850.618)	(20.772.614)
Net profit / (loss)	(1.284.546)	3.921.996

Inflation adjustment to shareholders' equity

Equity items are inflation-adjusted values as at 31 December 2013 and 2012. The inflation-adjusted values of share capital, share premium and legal reserves amount to respectively TL 69.842.987, TL 120.790 and TL 1.458.650 as of 31 December 2009. Furthermore, according to the Company's General Shareholders' Meeting decisions and considering the CMB board decision (30 December 2003, Law no: 1630), accumulated losses have been offset against share premium, legal reserves, and resulting capital amounts to TL 58.802.957. As a result of capital increase in year 2013, share capital and share premium amount have been respectively TL 76.802.957 and TL 91.953.

Foreign currency translation differences

Functional currencies of the Company's foreign subsidiaries', which are operating in non-highly inflationary economies in Romania (Pimapen Romania) and Russia (Enwin Russian Ltd.) are Euro and Ruble respectively. According to IAS 21 "Effects of Changes in Foreign Exchange Rates" during the consolidation, the assets and liabilities of Group's subsidiaries in foreign countries are translated to Euro and Ruble with respect to the exchange rates on the balance sheet date. Equity items are converted with the Euro and Ruble rate in the relevant dates of inputs and outputs. Translation gain and loss are located under the equity capital "Foreign currency translation reserve"

Financial assets revaluation fund

Financial assets revaluation fund, arises from changes on fair value of available for sale financial assets and deferred tax effect amounting TL 7.301 as of 31.12.2013 (31 December 2012: TL (14.216).

Revaluation reserve

Related to revaluation of land and buildings of the Group, TL 57.262.267 (31 December 2012: TL 32.981.684) of revaluation fund represents the difference between the book value and the fair value after the net off deferred tax effect of TL 4.902.141 (31 December 2012: TL 3.542.988). These funds could not be distributed to shareholders.

As at 31 December 2013, the depreciation difference calculation based on the revalued amounts of TL 505.833 (2012: TL 468.742), after the deduction of the deferred tax effect amounting TL 126.458 (2012: TL 117.186) was transferred to accumulated losses from revaluation fund.

Special funds consist of the profit on sale of subsidiaries and fixed assets amounting TL 5.883.119 (2012: TL 5.883.119). These funds cannot be distributed to shareholders.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

29. REVENUE AND COST OF SALES

a) Revenue

	2013	2012
Domestic sales	154.950.981	159.712.752
Foreign sales	16.775.895	12.970.442
	171.726.876	172.683.194

b) Cost of sales

	2013	2012
Direct material costs	96.549.229	102.444.056
Direct labor costs	5.078.449	4.461.064
Depreciation and amortization	4.031.473	4.059.575
Other production costs	23.452.982	25.214.773
Total cost of production	129.112.133	136.179.468
Change in finished goods	(1.086.212)	(545.318)
Finished goods at the beginning of the period	10.214.244	9.668.926
Finished goods at the end of the period	(11.300.456)	(10.214.244)
Change in work in process	(61.070)	(197.515)
Work in process at the beginning of the period	1.336.807	1.139.292
Work in process at the end of the period	(1.397.877)	(1.336.807)
Change in trade goods	9.751.621	7.412.359
Trade goods at the beginning of the period	2.391.626	2.616.249
Purchases	9.294.975	7.187.736
Trade goods at the end of the period	(1.934.980)	(2.391.626)
Change in the provision for inventory impairment	28.840	198.874
Provision for impairment on inventory at the beginning of the period	(996.191)	(797.317)
Provision for impairment on inventory at the end of the period	1.025.031	996.191
	137.745.312	143.047.868

c) Production and sales volumes

	2013		2012	
	Production	Sales	Production	Sales
PVC (kg)	33.924.633	34.307.452	37.226.977	36.837.917

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

30. MARKETING, SELLING AND DISTRIBUTION AND GENERAL ADMINISTRATIVE EXPENSES

a) Selling and marketing expenses

	2013	2012
Personnel expenses	5.535.914	5.706.034
Shipping costs	2.766.675	2.584.184
Fair expenses	295.394	718.384
Advertising expenses	555.919	757.934
Dealer incentives and meeting expenses	738.649	935.759
Depreciation and amortization expenses	581.831	531.808
Import / export expenses	197.357	99.853
Car rental expense	195.748	235.644
Rent expense	433.265	455.900
Travel expenses	274.101	446.568
Lawyer and consultancy expenses	121.176	288.325
Free of charge sales	285.110	440.672
Other sales and marketing expenses	1.262.731	1.017.879
	13.243.870	14.218.944

b) General administrative expenses

	2013	2012
Personnel expenses	4.984.404	4.721.803
Lawyer and consultancy expenses	1.544.921	1.277.375
Provision for doubtful receivables	589.024	1.041.386
Depreciation expenses	206.770	191.408
Travel expenses	35.257	87.460
Receivables written-off	911.536	375.303
Other taxes and fees	186.216	255.640
Communication expenses	65.738	69.572
Additional withholding tax expense	794.231	-
Other general administrative expenses	827.330	1.227.026
	10.145.427	9.246.973

31. EXPENSES BY NATURE

a) Depreciation and amortization

	2013	2012
Cost of goods sold	3.892.716	3.988.047
Sales and marketing expenses	581.831	531.808
General administrative expenses	206.770	191.408
Inventories	138.757	71.528
	4.820.074	4.782.791

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31. EXPENSES BY NATURE (cont'd)

b) Personnel expenses

	2013	2012
Wages and salaries	14.700.325	13.790.204
Other social expenses	3.592.949	3.173.198
Employer's share of social security	3.000.885	2.654.047
Provision for retirement pay (Note 26)	607.525	607.772
Provision for unused vacation (Note 26)	137.182	710.656
Performance based bonus accruals (Note 26)	82.638	293.766
	22.121.504	21.229.643

32. OTHER INCOME / EXPENSES FROM OPERATING ACTIVITIES

a) Other Income from Operating Activities

	2013	2012
Payables written-off	5.601	80.811
Fair participation income	159.252	467.898
Reversal of provisions	2.668	13.045
Income from sale of available for sale property	33.402	27.614
Insurance compensation income	7.137	73.313
Maturity date difference income	1.144.038	1.406.163
Interest income	670.332	497.205
Foreign exchange gain	1.533.226	753.432
Other	677.192	323.647
	4.252.848	3.643.128

b) Other Expenses from Operating Activities

	2013	2012
Resource Utilization Support Fund and penalty interests	681.680	862
Commission expenses	32.407	40.204
Special communication tax	16.830	18.941
Enka Foundation payments	67.011	-
The payments made under Law No. 6111	359.175	359.175
Custom expenses	10.699	289.178
Foreign exchange loss from operations	3.057.477	1.852.490
Other	781.749	350.364
	5.007.028	2.911.214

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

33. INCOME / LOSS FROM INVESTMENT ACTIVITIES

a) Income from Investment Activities

	2013	2012
Foreign exchange gain from investment activities	2.946.852	-
Dividend income from subsidiaries	54.912	47.749
Divident income from affiliates	139.963	-
	3.141.727	47.749

b) Loss from Investment Activities

	2013	2012
Loss on sale of fixed assets	-	99.490
	-	99.490

34. FINANCE INCOME

	2013	2012
Foreign exchange gains	-	4.732.681
	-	4.732.681

35. FINANCE EXPENSES

	2013	2012
Foreign exchange losses	11.727.060	-
Interest expense	3.477.638	4.473.119
Other	310.075	180.473
	15.514.773	4.653.592

36. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

	2013	2012
Non-current assets held for sale as of 1 January	846.194	592.244
Additions	29.700	360.150
Disposals	(71.150)	(106.200)
Asset classified as held for sale	804.744	846.194

As of 31 December 2013 and 2012, non-current assets held for sale consist of the land, the land and buildings received from customers against the doubtful receivables. These properties' market price are determined as TL 1.532.621 (31 December 2012: TL 1.540.646) as a result of the expert valuations performed in various years. The intention of the Group's management is to dispose these assets in a short period of time. There are no discontinued operations as at 31 December 2013. (2012: None)

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

37. TAX ASSETS AND LIABILITIES

The Group's activities, except for subsidiaries established outside of Turkey, is subject to taxation in accordance with tax regulations and laws in force in Turkey. Subsidiaries established outside of Turkey, is subject to the tax legislation in force in the countries in which it operates.

The corporation tax rate is 20% (31 December 2012: 20 %) in Turkey. The corporate income tax, on the twenty-fifth day of the fourth month following the end of the year required to be filed and paid in full before the end of the month. Based on earnings generated for each quarter in accordance with the tax legislation, 20% (2012: 20%) and paid advance tax calculated and paid based on earnings for the year are deducted from the tax.

According to the Law on Corporate Income Tax declaration period not exceeding 5 years of financial losses deductible from tax base. Declarations and relevant accounting records could be revised in five years by tax authorities.

Companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 15%. Dividend withholding taxes are not subject to resident corporations to resident corporations. Additionally, undistributed dividends incorporated in share capital are not subject to income withholding taxes

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. For exemption, the relevant gain is required to be held in a fund account in liabilities for at least five years. The cost of the sale should be collected until the end of the second calendar year following the year of the sale.

No deferred tax liability is allocated on the undistributed profits of subsidiaries. In accordance with the provisions of the current legislation in Turkey, the corporation tax distributions in the aforementioned subsidiaries are exempt from corporate tax.

In accordance with the "General Communiqué" (Serial no: 1) on "Disguised Profit Distribution Through Transfer Pricing" was published in November 2007, the forms should be prepared until the deadline of annual corporate tax return. The Group has completed its work and made the related declarations.

As of December 31, 2013 and 2012, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	31 December 2013	31 December 2012
Taxes payable	820.418	1.379.087
Prepaid taxes	(394.624)	(1.081.293)
Current income tax liabilities	425.794	297.794

31 December 2013 and 2012, total tax expense for the years ended are as follows:

	2013	2012
Corporate tax for current period	820.418	1.379.087
Deferred tax expense / (income)	(987.568)	(85.361)
Total tax expense / (income)	(167.150)	1.293.726

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

37. TAX ASSETS AND LIABILITIES (cont'd)

The reconciliation of the amount of corporate tax income and profit before tax is as follows:

	2013	2012
Continuing operations profit / (loss) before tax	(2.534.959)	6.928.671
Income tax charge based on 20% (2012: 20%)	(506.992)	1.385.734
Non-deductible expenses	947.264	791.655
Non-taxable income	(40.431)	(23.927)
Carried forward tax losses	-	(540.145)
Other	(566.991)	(319.591)
Tax (expense) / income	(167.150)	1.293.726

As of 31 December 2013 and 2012, temporary differences that are subject to deferred tax and the distribution of the net deferred tax liability is calculated using effective tax rates are as follows:

	Deferred tax assets / (liabilities)		Deferred tax effect	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Provision for employment termination benefits	531.020	480.674	50.346	48.548
The effect of temporary differences and revaluation of tangible fixed assets	(5.766.135)	(4.213.478)	(1.552.657)	44.535
Tax losses carried forward	1.120.645	307.523	813.122	(603.018)
Discount on receivable / (payable), net	7.473	252.940	(245.467)	12.038
Other temporary differences	1.232.925	779.264	453.661	323.889
Deferred tax (liabilities) / asset, net	(2.874.072)	(2.393.077)	(480.995)	(174.008)

The net deferred tax movement for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
Balance at 1 January	(2.393.077)	(2.219.069)
Deferred tax income that is charged to income statement	987.568	85.361
Deferred tax expense that is charged to the revaluation funds under equity, net	(1.492.912)	(14.216)
Currency translation reserves	(41.954)	(245.153)
Deferred tax effect of actuarial gain / (loss) on pension benefit plans that is defined in equity	66.303	-
Balance at 31 December	(2.874.072)	(2.393.077)

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

37. TAX INCOME AND EXPENSES (cont'd)

Tax implementations in other countries

As of 31 December 2013 and 2012 effective tax rates in other countries are as follows:

	31 December 2013	31 December 2012
Russia	%20	%20
Netherlands	%25	%25,5
Romania	%16	%16

38. EARNINGS / (LOSSES) PER SHARE

Earnings per share, is calculated by dividing the weighted average number of common shares outstanding to the net profit for the year.

Companies distributing shares to existing shareholders from retained earnings ("Bonus Shares") to increase their capitals. The calculation of basic earnings per share, these shares are considered as issued shares. Therefore, the weighted average number of shares used in the calculation of basic earnings per share, issue of bonus shares is calculated by applying retrospectively.

Basic earnings per share is calculated divided by the weighted average number of issued ordinary shares to the net profit of the shareholders.

	31 December 2013	31 December 2012
Net profit / (loss) from continuing operations	(2.367.809)	5.634.945
Shareholders' net profit / (loss) (TL)	(2.367.809)	5.634.945
Weighted average number of ordinary shares in issue	1.924.000.000	1.800.000.000
Earnings / (loss) per share (TL)	(0,0012)	0,0031
Earnings / (loss) per share from continuing operations (TL)	(0,0012)	0,0031

39. RELATED PARTY DISCLOSURES

For the purpose of those consolidated financial statements, shareholders that have control or joint control over the Company, other individuals that have direct or indirect control over those shareholders, other group companies that are directly or indirectly controlled by these individuals, key management personnel and Board members. Pimaş's main shareholder is Enka İnşaat ve Sanayi Anonim Şirketi "Enka İnşaat". Enka İnşaat and their affiliates and subsidiaries and other Group companies balances are presented as separate line items within the consolidated financial statements.

The Group has no long-term receivables from related parties and long-term debt available as of 31 December 2013 and 2012. Short-term receivables from related parties, liabilities and transactions are made as follows:

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

39. RELATED PARTY DISCLOSURES (cont'd)

a) Trade receivables from related parties

	31 December 2013	31 December 2012
Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş)	697	-
	697	-

b) Trade payables to related parties

	31 December 2013	31 December 2012
Enka Pazarlama İhracat İthalat Anonim Şirketi (Enka Pazarlama)	7.859	99.519
Entaş Nakliyat ve Turizm Anonim Şirketi (Entaş)	-	778
	7.859	100.297

c) Sales of goods and services

None (31 December 2012: None).

c) Reflected Charges

	2013	2012
Main shareholder		
Enka İnşaat	100.725	-
	100.725	-

e) Goods and services purchased

	2013	2012
Main shareholder		
Enka İnşaat	108.934	96.000
Other		
Entaş	81.252	137.130
Enka Pazarlama	59.098	205.514
Enka Spor	18.558	19.734
	267.842	458.378

f) Donations and aids

	2013	2012
Enka Vakfi	67.011	-

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

39. RELATED PARTY DISCLOSURES (cont'd)

- f) Chairman and members of the Board of Directors, the general manager, general coordinator, assistant general managers received the total compensation in the current year; is TL 706.631 for the year ended 31 December 2013 (31 December 2012: TL 936.294), the total premiums paid to Social Insurance Institution is TL 19.225 (31 December 2012: TL 28.234) and as of 31 December 2013 the amount of accrued severance payment is TL 124.213 (31 December 2012: TL 112.764); the total compensation paid to other top executives except above-mentioned is TL 1.968.413 for the year ended 31 December 2013 (31 December 2012: TL 1.308.466), the total premiums paid to Social Insurance Institution is TL 76.565 (31 December 2012: TL 79.234) and as of 31 December 2013 the amount of accrued severance payment is TL 146.708 (31 December 2012: TL 144.110).
- g) Pledges and mortgages given to the Shareholders and other related parties by the Group amount to TL 24.494.612 and TL 3.500 respectively. (31 December 2012: TL 20.638.447 and TL 3.500).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are exposed to various financial risks, including the effects of interest rate changes debt and equity market prices, foreign currency exchange rates. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk. These risks are managed as described below. The Group also monitors the market price risk arising from all financial instruments.

Credit Risk

Credit risk involves the risk that counterparties may be unable to meet the terms of their agreements. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group also sets mortgages on real estate collateral on goods sold to secure a large part of receivables. Therefore, the Group does not expect significant losses on financial instruments.

Credit risk concentration is a result of similar business activities or operates in the same geographic region or has similar economic characteristics. Trade receivables consist of many customers that operate in various industries and locations. The Group seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. Trade receivables, are evaluated based on the Group's policies and procedures and as a result presented net of doubtful provision in the financial statements (Note 10).

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

	Receivables							Other
	Trade receivables	Receivable from related parties	Other receivables	Long-term trade receivable	Cheques in collection	Bank Deposit (Note 6)		
Current Year – 31 December 2013								
Maximum net credit risk of balance sheet date (A+B+C+D+E) (1)	70.626.686	-	2.944	984.551	1.828.156	33.438.105	-	-
- The part of maximum risk under guarantee with collateral(2)	46.188.622	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	67.091.045	-	2.944	984.551	1.828.156	33.438.105	-	-
B. Net book value of assets that would be over due impaired unless restricted	-	-	-	-	-	-	-	-
C. Net book value of assets that are past due but not impaired	3.535.641	-	-	-	-	-	-	-
- Secured portion via guarantee or etc.	2.501.536	-	-	-	-	-	-	-
D. Net book value of impaired assets	6.572.916	-	-	-	-	-	-	-
- Overdue (gross book value)	6.572.916	-	-	-	-	-	-	-
- Impairment (-) (Note 10)	(6.572.916)	-	-	-	-	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

(1) Excluding guarantees received which have a positive effect on the credibility.

(2) Guarantees consist of the leveraged buyouts, guarantee checks, record foreclosures and mortgages. This amount includes the portion of the collateral covering the relevant risk.

	Receivables							Other
	Trade receivables	Receivable from related parties	Other Receivables	Long-term Trade Receivable	Cheques in collection	Bank deposits (Note 6)		
Prior Year – 31 December 2012								
Maximum net credit risk of balance sheet date (A+B+C+D+E) (1)	74.530.565	-	2.944	128.499	3.298.665	3.131.068	-	-
- The part of maximum risk under guarantee with collateral(2)	45.317.770	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	68.742.997	-	2.944	128.499	3.298.665	3.131.068	-	-
B. Net book value of assets that would be over due impaired unless restricted	-	-	-	-	-	-	-	-
C. Net book value of assets that are past due but not impaired	5.787.568	-	-	-	-	-	-	-
- Secured portion via guarantee or etc.	4.254.724	-	-	-	-	-	-	-
D. Net book value of impaired assets	6.022.154	-	-	-	-	-	-	-
- Overdue (gross book value)	6.022.154	-	-	-	-	-	-	-
- Impairment (-) (Note 10)	(6.022.154)	-	-	-	-	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured net value via guarantee or etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

(1) Excluding guarantees received which have a positive effect on the credibility.

(2) Guarantees consist of the leveraged buyouts, guarantee checks, record foreclosures and mortgages. This amount includes the portion of the collateral covering the relevant risk.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity Risk

Companies should have sufficient to meet the obligations of the fund to be able to continue its operations. The related risk is reduced adhering to the borrowing limits of the qualified credit institutions coupled with the volume of cash in and out.

As of 31 December 2013 and 2012, according to the due dates, maturities, undiscounted commercial and financial liabilities of the Group are as follows:

31 December 2013

Contractual (or expected) maturity	Carrying Value	Total cash outflow according to contract (=I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and over (IV)
Non-derivative financial liabilities						
Bank loans	79.187.966	80.205.149	30.501.182	49.403.804	300.163	-
Trade payables	16.465.385	16.524.524	6.721.798	9.802.726	-	-

31 December 2012

Contractual (or expected) maturity	Carrying Value	Total cash outflow according to contract (=I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and over (IV)
Non-derivative financial liabilities						
Bank loans	68.127.421	70.718.073	12.762.008	46.438.218	11.517.847	-
Trade payables	20.717.079	20.801.773	8.611.593	12.190.180	-	-

Market Risk

a) Foreign currency position table and related sensitivity analysis

The Group is exposed to foreign exchange risk arising primarily from USD, Euro, Ruble and the Romanian Leu.

There is also foreign currency risk because of the transactions of the Group. These risks related with buying and selling of goods in currencies other than the Group's presentation currency and use of bank loans in foreign currencies

The Group uses a natural method of hedging foreign currency risk which manages foreign currency risk by maintaining the balance.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

The carrying amount of assets and liabilities held in foreign currencies by the Group are as follows:

31 December 2013	TL equivalent (functional currency)	Foreign currency position			
		US Dollar	Euro	Russian Ruble	Romanian Leu
					Current year
1. Trade receivables	4.405.821	811.912	658.702	9.999.660	138.999
2a. Monetary financial assets (including cash, banks)	8.692.115	3.187.064	57.811	23.406.777	311.806
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current Assets (1+2+3)	13.097.937	3.998.976	716.513	33.406.437	450.805
5. Trade receivables	320.595	-	109.176	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	320.595	-	109.176	-	-
9. Total Assets (4+8)	13.418.532	3.998.976	825.689	33.406.437	450.805
10. Trade payables	(13.361.029)	(6.240.581)	(5.424)	(287.079)	(11.059)
11. Financial liabilities	(77.279.325)	(18.215.981)	(13.077.118)	-	-
12a. Other monetary liabilities	(436.128)	-	-	(6.703.998)	(2.818)
12b. Other non-monetary liabilities	-	-	-	-	-
13. Short-term liabilities (10+11+12)	(91.076.482)	(24.456.562)	(13.082.542)	(6.991.077)	(13.877)
14. Trade payables	-	-	-	-	-
15. Financial liabilities	(293.650)	-	(100.000)	-	-
16a. Other monetary liabilities	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-
17. Long-term liabilities (14+15+16)	(293.650)	-	(100.000)	-	-
18. Total liabilities (13+17)	(91.370.132)	(24.456.562)	(13.182.542)	(6.991.077)	(13.877)
19. Net asset / (liability) position of off-balance sheet					
Derivative instruments (19a-19b)	-	-	-	-	-
19a. Total amount of hedged assets	-	-	-	-	-
19b. Total amount of hedged liabilities	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9 +18 +19)	(77.951.600)	(20.457.586)	(12.356.853)	26.415.360	436.928
21. Monetary items net foreign currency asset / (liability) position (= 1 +2 a +5 +6 a-10-11-12a-14-15-16a)	(77.951.600)	(20.457.586)	(12.356.853)	26.415.360	436.928
22. Total fair value of financial instruments used to hedging foreign currency	-	-	-	-	-
23. Export	14.346.264	3.954.188	2.697.078	-	-
24. Import	70.215.738	29.635.115	5.462.339	-	-

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

31 December 2012	TL equivalent (functional currency)	US Dollar	Foreign currency position		
			Euro	Russian Ruble	Romanian Leu
					Prior year
1. Trade receivables	5.558.011	813.130	1.050.158	10.087.397	2.001.926
2a. Monetary financial assets (including cash, banks)	3.153.044	784.651	111.775	23.899.191	196.580
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current Assets (1+2+3)	8.711.055	1.597.781	1.161.933	33.986.588	2.198.506
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-
9. Total Assets (4+8)	8.711.055	1.597.781	1.161.933	33.986.588	2.198.506
10. Trade payables	(17.035.046)	(9.343.912)	(106.083)	(2.124.639)	(10.863)
11. Financial liabilities	(54.475.485)	(14.207.733)	(12.147.800)	(10.000.000)	-
12a. Other monetary liabilities	(180.383)	-	-	(3.049.001)	(6.268)
12b. Other non-monetary liabilities	-	-	-	-	-
13. Short-term liabilities (10+11+12)	(71.690.914)	(23.551.645)	(12.253.883)	(15.173.640)	(17.131)
14. Trade payables	-	-	-	-	-
15. Financial liabilities	(9.599.685)	(4.000.000)	(1.050.000)	-	-
16a. Other monetary liabilities	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-
17. Long-term liabilities (14+15+16)	(9.599.685)	(4.000.000)	(1.050.000)	-	-
18. Total liabilities (13+17)	(81.290.599)	(27.551.645)	(13.303.883)	(15.173.640)	(17.131)
19. Net asset / (liability) position of off-balance sheet					
Derivative instruments (19a-19b)	-	-	-	-	-
19a. Total amount of hedged assets	-	-	-	-	-
19b. Total amount of hedged liabilities	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9+18+19)	(72.579.544)	(25.953.864)	(12.141.950)	18.812.948	2.181.375
21. Monetary items net foreign currency asset / (liability) position (= 1 +2 a +5 +6 a-10-11-12a-14-15-16a)	(72.579.544)	(25.953.864)	(12.141.950)	18.812.948	2.181.375
22. Total fair value of financial instruments used to hedging foreign currency	-	-	-	-	-
23. Export	12.823.211	1.292.161	4.560.228	-	-
24. Import	74.325.617	31.801.930	7.521.410	-	-

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

As of 31 December 2013 and 2012, the sensitivity analysis against the 10% changes in the U.S. Dollar, Euro, Russian ruble, Romanian Leu and Group's profit before tax when the other variables held constant are as follows:

			Foreign Currency Sensitivity Analysis Chart	
			Current Year	
			Profit / (loss)	Profit / (loss)
			Foreign currency appreciation	Foreign currency depreciation
<i>10% change in US Dollar/TL Parity:</i>				
1-	US Dollar net asset/(liabilities)		(4.366.263)	4.366.263
2-	US Dollar net hedged amount (-)		-	-
3-	US Dollar net effect (1+2)		(4.366.263)	4.366.263
<i>10% change in EURO/TL Parity:</i>				
4-	EURO net asset/(liabilities)		(3.628.590)	3.628.590
5-	EURO net hedged amount (-)		-	-
6-	EURO net effect (4+5)		(3.628.590)	3.628.590
<i>10% change in Russian Ruble/TL Parity:</i>				
7-	Russian Ruble net asset/(liabilities)		171.119	(171.119)
8-	Russian Ruble net hedged amount (-)		-	-
9-	Russian Ruble net effect (7+8)		171.119	(171.119)
<i>10% change in Romanian Leu/TL Parity:</i>				
10-	Romanian Leu net asset/(liabilities)		28.574	(28.574)
11-	Romanian Leu hedged amount (-)		-	-
12-	Ron net effect (10+11)		28.574	(28.574)
Total (3+6+9+12)			(7.795.160)	7.795.160

			Foreign Currency Sensitivity Analysis Chart	
			Prior Year	
			Profit / (loss)	Profit / (loss)
			Foreign currency appreciation	Foreign currency depreciation
<i>10% change in US Dollar/TL Parity:</i>				
1-	US Dollar net asset/(liabilities)		(4.626.536)	4.626.536
2-	US Dollar net hedged amount (-)		-	-
3-	US Dollar net effect (1+2)		(4.626.536)	4.626.536
<i>10% change in EURO/TL Parity:</i>				
4-	EURO net asset/(liabilities)		(2.855.422)	2.855.422
5-	EURO net hedged amount (-)		-	-
6-	EURO net effect (4+5)		(2.855.422)	2.855.422
<i>10% change in Russian Ruble/TL Parity:</i>				
7-	Russian Ruble net asset/(liabilities)		109.266	(109.266)
8-	Russian Ruble net hedged amount (-)		-	-
9-	Russian Ruble net effect (7+8)		109.266	(109.266)
<i>10% change in Romanian Leu/TL Parity:</i>				
10-	Romanian Leu net asset/(liabilities)		114.738	(114.738)
11-	Romanian Leu hedged amount (-)		-	-
12-	Ron net effect (10+11)		114.738	(114.738)
Total (3+6+9+12)			(7.257.954)	7.257.954

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

b) The interest rate position and sensitivity analysis

Interest rate risk

The Group's exposure to market risk for changes in cash flow interest rates relates to the Group's portfolio short-term and long-term financial liabilities. Group manages interest rate risk through natural hedges that arise from offsetting the same interest bearing assets and liabilities.

Due dates and distributions of interest sensitive assets and liabilities have been presented in related notes.

The interest rate position		31 December 2013	31 December 2012
	Fixed rate financial instruments		
Financial assets	Assets reflect fair value difference on profit / (loss)	-	-
	Available-for-sale financial assets	-	-
Financial liabilities		70.228.209	45.200.887
	Variable rate financial instruments		
Financial assets		-	-
Financial liabilities		8.959.757	22.926.534

The following table shows 0.5% rates of increase in interest at the level of profit before tax, shows the impact on floating rate credits.

	Impact on the profit before tax	
	31 December 2013	31 December 2012
Interest rate increases		
Libor	(4.032)	(9.185)
Euribor	(18.420)	(50.685)
Mosprime	-	-

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes cash and cash equivalents disclosed and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 28.

The Group's management reviews the capital structure of the Group collectively. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

In addition and consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	31 December 2013	31 December 2012
Total debt (*)	119.022.030	107.615.129
Less: Cash and cash equivalent (Note 6)	(35.374.402)	(6.487.951)
Net debt	83.647.628	101.127.178
Total shareholders' equity	107.189.073	68.751.244
Total capital	36.000.000	18.000.000
Debt / equity ratio	44 %	60 %

(*) As of 31 December 2013, advance received for orders within the total debt amounts TL 12.714.890 (31 December 2012: TL 9.349.701)

41. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

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.

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

The following methods and assumptions were used to estimate the fair value of the financial instruments.

Financial assets

The fair value of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial asset is considered to approximate their respective carrying value due to their short-term nature. The fair value of investment securities has been estimated based on the market prices at balance sheet dates.

PİMAŞ PLASTİK İNŞAAT MALZEMELERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

41. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Financial liabilities

Carrying values are estimated to approximate their fair values due to the trade payables and other monetary liabilities are short-term. Bank loans are expressed in discounted cost and transaction costs are added to the initial recording of loans. The fair value of credits considered to represent their carrying value in according to interest rates on changing market conditions. The carrying values are assumed to approximate their fair values due to their short maturity of fixed-rate credits and the rotative credits.

Fair value hierarchy table

As of 31 December 2013, the Group has liabilities from the following financial assets and liabilities at fair value:

The Group classified financial instruments recognized at fair value in the financial statements according to the source of valuation of each class of financial instruments by using a three-level hierarchy, are as follows:

Level 1: Identical assets and liabilities which are quoted in active markets.

Level 2: Monitoring of the inputs which has a significant impact over the fair value of represented in financial statements directly and indirectly.

Level 3: Determination of the inputs which has a significant impact over the fair value of represented in financial statements without observable market data.

Financial assets carried at fair value on the balance sheet	Level 1	Level 2	Level 3
Equity shares (Note 7)	1.117.013	-	-
Exchange transactions	-	-	-
Forward market transactions	-	-	-
Options	-	-	-
Other	-	-	-

Financial liabilities at fair value on the balance sheet			
Exchange transactions	-	-	-
Forward market transactions	-	-	-
Options	-	-	-
Other	-	-	-

42. EVENTS AFTER THE BALANCE SHEET DATE

None.

43. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

None (31 December 2012: None).