TAT GIDA SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2015
(ORIGINALLY ISSUED IN TURKISH)

Akis Bağımsız Denetim ve
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(Convenience Translation into English of the Independent Auditors' Report Originally Prepared and Issued in Turkish)

To the Board of Directors of Tat Gıda Sanayi Anonim Şirketi,

Report on the Financial Statements

We have audited the accompanying financial statements of Tat Gıda Sanayi Anonim Şirketi ("the Company") which comprise the balance sheet as at 31 December 2015, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 20 February 2015.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 12 February 2016.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağimsiz Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Murat Alsan, SMMM
Partner
12 February 2016
İstanbul, TURKEY

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TAT GIDA SANAYİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2015

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated)

ASSETS	Notes	Audited 31 December 2015	Audited 31 December 2014
Current Assets		**491.480.612**	**501.427.175**
Cash and cash equivalents	4	17.844.634	95.098.784
Trade receivables		237.892.976	182.768.954
-Trade receivables from related parties	27	*198.144.076*	*124.935.047*
-Trade receivables from third parties	7	*39.748.900*	*57.833.907*
Other receivables		327.772	965.853
-Other receivables from third parties	8	*327.772*	*965.853*
Inventories	9	192.680.258	181.598.900
Prepaid expenses	10	26.549	962.564
Prepaid taxes	26	3.048.545	5.640.247
Other current assets	18	39.659.878	34.391.873
Non-Current Assets		**163.103.510**	**162.538.767**
Other receivables		83.528	76.207
-Other receivables from third parties	8	*83.528*	*76.207*
Financial investments	5	3.552.374	3.327.374
Investments accounted by equity method	11	--	9.156.530
Property, plant and equipment	12	135.984.291	130.506.378
Intangible assets	13	1.154.601	1.352.614
Prepaid expenses	10	3.463.141	163.957
Deferred tax assets	26	5.275.575	3.050.109
Other non-current assets	18	13.590.000	14.905.598
TOTAL ASSETS		**654.584.122**	**663.965.942**

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

TAT GIDA SANAYİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2015 (CONTINUED)

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated)

LIABILITIES	**Notes**	**Audited 31 December 2015**	**Audited 31 December 2014**
Short Term Liabilities		**205.536.127**	**253.169.591**
Short-term financial borrowings	6	18.490.854	56.182.743
Short-term portion of long-term borrowings	6	50.198.400	82.497.326
Trade payables		108.552.888	86.857.734
- Trade payables to related parties	27	*16.749.416*	*9.052.336*
- Trade payables to third parties	7	*91.803.472*	*77.805.398*
Employee benefit obligations	17	3.678.530	3.842.937
Other payables		11.172.609	6.561.573
- Other payables from related parties	27	*6.536.253*	*2.015.370*
- Other payables from third parties	8	*4.636.356*	*4.546.203*
Deferred income	10	6.525.568	6.940.554
Short-term provisions		6.917.278	10.286.724
- Short-term provisions for employment benefits	17	*900.000*	*1.800.000*
- Other short-term provisions	15	*6.017.278*	*8.486.724*
Long Term Liabilities		**30.774.304**	**60.833.747**
Long-term financial borrowings	6	20.000.000	50.000.000
Long-term provisions		10.774.304	10.833.747
- Long-term provisions for employment benefits	17	*10.774.304*	*10.833.747*
EQUITY		**418.273.691**	**349.962.604**
Equity attributable to equity holders of the parent company		**418.273.691**	**349.962.604**
Share capital	19	136.000.000	136.000.000
Inflation adjustment to share capital	19	21.601.088	21.601.088
Share premiums		10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		1.969.091	1.744.091
- Financial assets revaluation reserve		*1.969.091*	*1.744.091*
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		517.230	(250.666)
-Actuarial gains / (losses) in defined benefit plan		*517.230*	*(250.666)*
Restricted reserves	19	80.729.934	60.404
Prior years' profit		100.030.348	30.437.759
Profit for the period		67.318.191	150.262.119
TOTAL LIABILITIES		**654.584.122**	**663.965.942**

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

TAT GIDA SANAYİ A.Ş.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

		Audited	Audited
		1 January- 31 December 2015	1 January- 31 December 2014
Profit or loss	Notes		
Continuing operations			
Sales	20	910.554.577	817.038.173
Cost of sales (-)	20	(705.070.620)	(644.807.905)
Gross profit		**205.483.957**	**172.230.268**
Marketing expenses (-)	21	(109.259.884)	(97.318.420)
General administrative expenses (-)	21	(38.183.826)	(33.279.595)
Research and development expenses (-)		(22.438)	(12.429)
Other income from operating activities	22	18.345.680	22.007.506
Other expenses from operating activities (-)	22	(6.692.678)	(12.750.032)
Operating profit		**69.670.811**	**50.877.298**
Income from investing activities	23	3.056.132	11.118.416
Expenses from investing activities (-)	23	(3.806)	(666.535)
Share of loss of investments accounted by the equity method	11	(189.863)	(4.343.470)
Operating profit before finance expense		**72.533.274**	**56.985.709**
Finance income	24	6.194.440	--
Finance expense (-)	24	(14.636.572)	(21.543.612)
Finance expense, net		**(8.442.132)**	**(21.543.612)**
Profit before tax from continuing operations		**64.091.142**	**35.442.097**
Tax (expense) / income from continuing operations		**3.227.049**	**(7.704.721)**
Current tax expense	26	809.609	(8.303.094)
Deferred tax income	26	2.417.440	598.373
Profit for the period from continuing operations		**67.318.191**	**27.737.376**
Discontinued operations			
Profits after tax from discontinued operations	25	--	122.524.743
Profit for the period		**67.318.191**	**150.262.119**
Allocation of profit for the period			
Owners of the company		67.318.191	150.262.119
Net profit for the period		**67.318.191**	**150.262.119**
Earnings per share		0,49	1,10
Earnings per share from continuing operations		0,49	0,20
Earnings per share from discontinued operations		--	0,90
Other comprehensive income:			
Change in financial assets revaluation reserve		225.000	(1.237.500)
Actuarial gain / (loss) on employee benefits		767.896	(784.601)
Total other comprehensive income / (loss)		**992.896**	**(2.022.101)**
Total comprehensive income		**68.311.087**	**148.240.018**
Total comprehensive income attributable to			
Owners of the company		68.311.087	148.240.018
Total comprehensive income		**68.311.087**	**148.240.018**

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

TAT GIDA SANAYİ A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

				Items that may be reclassified subsequently to profit or loss	Items that will not be reclassified subsequently to profit or loss						
	Share capital	**Inflation adjustments to share capital**	**Share premium**	**Financial assets revaluation reserve**	**Actuarial gain/losses in defined benefit plans**	**Restricted reserves**	**Net profit for the period**	**Prior year's profit**	**Equity attributable to equity holders of the parent company**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2014	**136.000.000**	**21.601.088**	**10.107.809**	**2.981.591**	**533.935**	**60.404**	**2.494.069**	**27.943.690**	**201.722.586**	**20.091.204**	**221.813.790**
Transfers	--	--	--	--	--	--	(2.494.069)	2.494.069	--	--	--
Disposal of a subsidiary	--	--	--	--	--	--	--	--	--	(20.091.204)	(20.091.204)
Total comprehensive income	--	--	--	(1.237.500)	(784.601)	--	150.262.119	--	148.240.018	--	148.240.018
Balance at 31 December 2014	**136.000.000**	**21.601.088**	**10.107.809**	**1.744.091**	**(250.666)**	**60.404**	**150.262.119**	**30.437.759**	**349.962.604**	**--**	**349.962.604**
Balance at 1 January 2015	**136.000.000**	**21.601.088**	**10.107.809**	**1.744.091**	**(250.666)**	**60.404**	**150.262.119**	**30.437.759**	**349.962.604**	**--**	**349.962.604**
Transfers	--	--	--	--	--	80.669.530	(150.262.119)	69.592.589	--	--	--
Total comprehensive income	--	--	--	225.000	767.896	--	67.318.191	--	68.311.087	--	68.311.087
Balance at 31 December 2015	**136.000.000**	**21.601.088**	**10.107.809**	**1.969.091**	**517.230**	**80.729.934**	**67.318.191**	**100.030.348**	**418.273.691**	**--**	**418.273.691**

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TAT GIDA SANAYİ A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Audited 1 January- 31 December 2015	Audited 1 January- 31 December 2015
Profit before tax from continuing operations		64.091.142	35.442.097
Profit from discontinued operations		--	126.821.784
Adjustments to reconcile profit for the period:			
Adjustments related to obsolete inventory	9	(1.113.354)	(380.415)
Adjustments related to depreciation and amortization expenses	12-13	10.357.291	9.340.861
Adjustments related to provision for employee termination benefit	17	3.861.157	4.968.219
Bargain purchase gain		--	(9.324.023)
Gain on sale of non-current assets held for sale	25	--	(145.480.622)
Provision for doubtful receivables	7	(20.613)	865.853
Adjustments related to profit from sale of subsidiary	11	(2.919.233)	--
Gain on sales of property, plant and equipment	23	(133.093)	(1.127.858)
Adjustments related to other provisions	15	(2.469.446)	8.531.724
Share of profit of investments accounted by the equity method	11	189.863	4.343.470
Adjustments related to income accruals	7	(1.056.008)	(6.184.155)
Financial liabilities and assets unrealized foreign exchange differences (net)		--	(1.618.400)
Discount income		(1.049.415)	(907.723)
Interest income	24	(6.194.440)	--
Interest expense	24	11.538.772	21.543.612
Changes in working capital		**75.082.623**	**46.834.424**
Changes in trade receivables and other receivables		20.447.197	19.709.702
Changes in due from related parties		(73.209.029)	13.162.684
Changes in inventories		(9.968.004)	(19.874.379)
Changes in prepaid expenses		(2.363.169)	(471.630)
Changes in non-current assets held for sale		--	(5.318.750)
Changes in other current and non-current assets		(3.952.407)	(12.230.868)
Changes in trade payables		13.998.074	7.726.890
Changes due to related parties		12.217.963	3.481.016
Changes in deferred income		(414.986)	4.431.896
Changes in employee benefit payables		(164.407)	2.241.611
Changes in other current liabilities		90.153	(819.939)
Changes in provisions for employee benefit		(900.000)	(1.136.230)
Cash flows from operating activities		**30.864.008**	**57.736.427**
Employee termination benefits paid	17	(2.960.730)	(2.700.538)
Taxes refund / (paid)	26	3.401.311	(15.260.447)
Net cash flows from operating activities		**31.304.589**	**39.775.442**
Investing activities:			
Property, plant and equipment and intangible asset acquisitions	12-13	(16.730.416)	(16.887.300)
Cash generated from sale of property, plant and equipment and intangible assets		1.620.924	7.390.471
Acquisition of joint venture		--	170.615.686
Cash proceeds from disposal of associate		--	(13.500.000)
Dividend received	11	11.885.900	--
Cash inflows from short-term financial investments		--	(32.271.190)
Interest received		6.194.440	907.723
Net cash used in investing activities		**2.970.848**	**116.255.390**
Financing activities:			
Cash inflows due to loan received		226.198.589	55.200.000
Cash outflows due to loan received		(275.936.637)	(154.250.533)
Cash (paid) / provided from bond issue	6	(50.000.000)	50.000.000
Interest paid		(11.791.539)	(22.212.340)
Net cash generated used in financing activities		**(111.529.587)**	**(71.262.873)**
Net change in cash and cash equivalents		**(77.254.150)**	**84.767.959**
Cash and cash equivalents at the beginning of the period	**4**	**95.098.784**	**10.330.825**
Cash and cash equivalents at the end of the period	**4**	**17.844.634**	**95.098.784**

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

NOTE 1 – ORGANISATION AND OPERATIONS OF THE COMPANY

Tat Gıda Sanayi A.Ş. ("Tat Gıda" or "the Company") was established in 1967 with the name Tat Konserve Sanayii A.Ş., the name change of the Company was decided at the extraordinary assembly meeting on 30 October 2013 and registered on 15 November 2013. The Company is engaged in production, distribution, marketing, domestic and foreign trade and brokerage of semi- finished goods and finished goods of such products; merchandise goods, food, beverage, juice, agricultural and animal products, frozen foods, dried goods, including pulverized goods and raw and primitive form of materials recipient and additives, sweet and sugar free juice and canned goods. The Company is registered in Turkey and is operating in accordance with the Turkish Commercial Code.

The Company had 1.068 employees at 31 December 2015. (31 December 2014: 1.026).

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

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

The former subsidiary of the Company; Moova Gıda Sanayi ve Ticaret A.Ş. ("Moova") had operations in milk and dairy products till 31 May 2015. Based on the decision taken at the meeting of Board of Directors on 1 July 2014, the Company signed share purchase and sale agreement to acquire the shares of Moova that representing 100% of the capital from Söktaş Tekstil Sanayi ve Ticaret A.Ş, Muharrem Hilmi Kayhan, Eyüp Hilmi Kayhan, Nihat Fadıl Erten ve Mehmet Yılmaz ("Sellers") with amount of TL 32.271.190 ("Closing Payment") that were subject to price adoption. The acquisition was completed at 20 August 2014. The Company merged with Moova at 31 May 2015 and as a result of the merger Moova's legal entity had ended. Until the date of the merger the Company accounted Moova with full consolidation method so that the merger has no effect on the financial statements.

The jointly controlled entity of the Company, Tedi İçecek Sanayi A.Ş ("Tedi") which was sold at 29 May 2015, had operations in import and sale of fruit juice.

Based on the decision taken at the meeting of Board of Directors on 23 June 2014, the Company signed share transfer agreement to sell the all shares of Harranova Besi ve Tarım Ürünleri A.Ş. The sale transaction was completed at 1 October 2014. (Note 25)

The Company sold assets which were used in the production of meat and meat products and brand named "Maret". The sales process was completed and the sales price was collected at the date of 4 August 2014. (Note 25)

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

The registered office address of the Company is as follows:

Taşdelen Mah. Sırrı Çelik Bulvarı No:7
34788 Çekmeköy / İstanbul / Turkey

Approval of financial statements:

Financial statements are authorized for issue by Board of Directors meeting on 12 February 2016. The General Assembly has authority to amend these financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance to TAS

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation.

The considered financial statements and notes have been represented in accordance with the communique numbered II, 14.1 "Communique on the Principles of Financial Reporting in Capital Markets" ("the Communique") announced by Capital Market Boards ("CMB") on 13 June 2013 which is published on official Gazette numbered 28676. In accordance with article 5th of communique, Turkish Accounting Standards/Turkish Financial Reporting standards and interpretations ("TAS/TFRS") are applied.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Statement of Compliance to TAS (Continued)

Additionally, financial statements and footnotes have prepared in accordance with formats issued by CMB on 7 June 2013.

Principles of measurement

Financial statements have been prepared on the historical cost basis except for the available for sale financial asset that is measured at fair value. Fair value of considerations paid for the assets is considered in determining the historical cost.

Reporting and Functional Currency

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the functional and presentation currency of the Company is TL.

Correction of financial statements of hyperinflation periods

With the decision taken on 17 March 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with Turkish accounting standards. Accordingly, TMS 29 is not applied starting from 1 January 2005.

2.2 Financial Statements of Comparative Information and Restatement of Prior Period

In order to allow the determination of the financial position and performance of the Company's financial statements have been prepared comparatively with the prior period. In order to comply with the presentation of the financial statements of the current period necessary, comparative figures are reclassified, and significant differences are explained.

2.3 New and Revised Financial Reporting Standards

The following new and revised standards have been applied in the current year and have affected the amounts reported and disclosures in these financial statements. Details of other new and revised standards and interpretations applied in these financial statements that have had no material impact on the financial statements are also set out below.

(a) Standards issued but not yet effective and not early adopted

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option ("FVO") liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on the financial position or performance of the Company.

Clarification of acceptable methods of depreciation and amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 "Property, Plant and Equipment" explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 "Intangible Assets" introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 New and Revised International Financial Reporting Standards (Continued)

(a) Standards issued but not yet effective and not early adopted (Continued)

Accounting for acquisition of interests in joint operations (Amendments to TFRS 11)

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

TFRS 14 Regulatory Deferral Accounts

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

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognised when the assets transferred meet the definition of a “business” under TFRS 3 “Business Combinations”. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 “Presentation of Financial Statements” clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: Materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Equity method in separate financial statements (Amendments to TAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Agriculture: Bearer Plants (Amendments to TAS 16 and TAS 41)

Due to difficulties associated with the fair value measurement of bearer plants that are no longer undergoing biological transformation bearer plants are now in the scope of TAS 16 “Property, Plant and Equipment” for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under TAS 41 “Agriculture”. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 New and Revised International Financial Reporting Standards (Continued)

(a) Standards issued but not yet effective and not early adopted (Continued)

Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10, TFRS 12 and TAS 28)

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated. So where an investment entity's internal structure uses intermediates, the financial statements will provide less granular information about investment performance – i.e. less granular fair values of, and cash flows from, the investments making up the underlying investment portfolio.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to TFRSs – 2012–2014 Cycle

TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

TFRS 7 "Financial Instruments: Disclosures"

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by "Disclosures: Offsetting Financial Assets and Financial Liabilities" (Amendments to TFRS 7).

TAS 19 "Employee Benefits"

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

TAS 34 "Interim Financial Reporting"

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 New and Revised International Financial Reporting Standards (Continued)

(b) The new standards, amendments and interpretations that are issued by IASB but not issued by POA

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. This standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 15 Revenue from Contracts with customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognising revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. There is no significant change in accounting policies and estimations of the Company in the current period.

2.5 Principles of Consolidation

The financial statements include the accounts of Tat Gıda and the financial statements of its subsidiaries till the end of control/disposal. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the financial statements, and are prepared in accordance with Turkish Accounting Standards. The financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries till the end of control/disposal.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The table below sets out shareholding structure of the subsidiaries and joint ventures at 31 December 2015 and 2014:

	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company (%)	
Subsidiaries			**31 December 2015**	**31 December 2014**
Moova	Milk and dairy products	Aydın	--	100%
Joint Ventures			**31 December 2015**	**31 December 2014**
Tedi	Fruit juice import and sales	İstanbul	--	50%

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidation statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Shares in equity accounted investments

Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and one or more other parties. The joint venture of the Company, Tedi, was accounted by equity method until the date of sale in accordance with TFRS 11 “Joint Arrangements”.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies

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

Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 4).

Related parties

For the purpose of these financial statements, Koç Holding A.Ş., shareholders, key management personnel and Board members, in each case together with their families and companies, associates and joint ventures controlled by or affiliated with them are considered and referred to as related parties (Note 27).

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the 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 (Note 9).

The cost of inventories is based on weighted average method and includes expenditure incurred in acquiring inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, costs include an appropriate share of production overheads based on normal operating capacity.

Property, plant and equipment

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

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

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use.

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

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Intangible assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (4-8 years).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Corporate income taxes

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

Current tax

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

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

Deferred tax 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.

These types of investments and interest associated with the taxable temporary differences arising from the deferred tax asset in the near future taxable sufficient to obtain profit in the above mentioned differences can be utilized is probable and the future of the differences on the disappearance is probable that the conditions are calculated.

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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Financial instruments

Financial assets

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

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

The 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. Assets in this category are classified as current assets.

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Impairment of financial assets

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

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

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

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

Financial liabilities

Financial liabilities and equity instruments issued by the Company 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 Company 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.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities at FVTPL

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

Other financial liabilities

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

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

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

Share Capital

The ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company. Control occurs when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

The Company measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Provision for employee termination benefits

Employment termination benefits, represents the present value of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law, employment termination without due cause, call up for military service and death of the employees after at least one year work (Note 17).

Classified assets held for sale and discontinued operations

A disposal group is a separate part of the Company in terms of its operations and cash flows, which is classified as held for sale or disposed of by the Company. A disposal group can be a separate operational or geographical segment, a part of a separate plan for the purpose of sale or disposal, or a subsidiary acquired for purpose of sale. The Company measures a non-current asset or a disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell (Note 25).

Provisions, Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial tables and treated as contingent assets or liabilities.

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

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

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

Revenue

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

Sale of the products

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

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

Dividend and interest income

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Finance income and costs

Finance income is comprised of interest income and foreign exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs are comprised of interest expense on borrowings, transaction costs, coupon payments of bond, impairment losses recognized on financial assets (except for trade receivables). Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Discount, late payment and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Foreign currency differences arising on translation of foreign currency transactions are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

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

Earnings/ (loss) per share

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Discontinued operations

A discontinued operation is a part of the Company's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in income statement. Discontinued operation is a major line of business or geographical area of operations that is part of a single coordinated plan to be disposed of or is held-for-sale. Non-current assets or asset groups that meet the criteria of asset held for sale are measured at the lower of its carrying amount and fair value less cost to sell.

On 14 October 2013, the decision to cease the operations of Harranova Besi was taken and the power to sell the properties of Harranova Besi was given to Board of Directors on 26 December 2013. On 13 December 2013, the Company reclassified these items to non-current assets held for sale, except for the assets transferred to the Company.

With the decision taken by the Board of Directors on 20 June 2014, the land and all of the immovables on the land and the brand named "Maret" were sold amounting to USD 75.000.000 + VAT. The sales process was completed and the sales price was collected at the date of 4 August 2014. In this context, loss for the previous period are classified as loss from discontinued operations.

Statement of Cash Flows

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

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

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Company. Cash flows relating to finance activities express sources of financial activities and payment schedules of the Company.

Offsetting

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

2.7 Critical accounting estimates and assumptions

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

(a) Useful lives of property, plant and equipment

The depreciation on property, plant and equipment is provided using the useful lives discussed in Note 12 to the financial statements.

(b) Deferred tax assets

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. The Company has recognised provision for a certain portion of loss carry-forwards of Moova, the subsidiary purchased in 2014 and merged with in the current year, in accordance with its profitability projections (Note 26).

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

NOTE 3 – SEGMENT REPORTING

Primary reporting format - business segment

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

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

(*) Maret trademark was sold at 4 August 2014 as explained in Note 25.

The Company also evaluated disclosure of geographical distribution of revenues for the period in addition to industrial segments. However, the Company's concluded that there is no geographical reporting segments since the big chain groceries and Düzey is the main customer of the Company. The Company Management evaluates financial results and performance based of IFRS financial statements. Therefore, IFRS financial statements are the basis of segmental reporting.

Domestic selling and marketing activities are operated by the Düzey which is a member of Koç Group. Sales amount to the Düzey is TL 768.580.984 (31 December 2014: TL 733.094.199).

a) Revenue segmental analysis for the year ended 1 January - 31 December 2015 and 2014

	Continuing Operations		Discontinued Operations	
	1 January-31 December 2015	1 January-31 December 2014	1 January-31 December 2015	1 January-31 December 2014
Meat and meat products	--	--	--	61.889.554
Tomato paste and canned products	367.071.084	315.321.541	--	15.514.791
Milk and dairy products	491.756.506	441.328.632	--	--
Pasta and bakery products	51.726.987	60.388.000	--	--
	910.554.577	**817.038.173**	**--**	**77.404.345**

b) Segment assets

The assets of the entity that are directly employed in the operating activities of the segment can be allocated to the segment on a reasonable basis are defined as segment assets.

Sales network and property, plant and equipment and intangibles in terms of the organizational structure of Tat Gıda Sanayi A.Ş. is described as segment assets.

As of 31 December 2015 and 2014, the recorded amounts of the segment assets according to industrial segments are as follows:

	31 December 2015	31 December 2014
Tomato paste and canned products	47.838.131	46.020.549
Milk and dairy products	81.380.454	79.340.479
Pasta and bakery products	5.908.706	4.779.579
Assets that cannot be allocated to segments	2.011.601	1.718.385
	137.138.892	**131.858.992**

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

NOTE 3 – SEGMENT REPORTING (Continued)

c) Segment liabilities

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

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

d) Depreciation and amortization and capital expenditures

Depreciation and amortization of the industrial segment assets for the years ended 31 December 2015 and 31 December 2014 are as follows:

Depreciation and amortization	1 January-31 December 2015	1 January-31 December 2014
Tomato paste and canned products	3.869.911	4.343.759
Milk and dairy products	5.581.086	4.189.811
Pasta and bakery products	499.737	471.648
Depreciation and amortization charges that cannot be allocated to segments	406.558	335.643
	10.357.292	**9.340.861**

For the years ended 31 December 2015 and 31 December 2014, investment expenditures for the industrial segment assets are as follows:

Investment expenditures	1 January-31 December 2015	1 January-31 December 2014
Tomato paste and canned products	1.279.321	12.615.076
Milk and dairy products	13.122.201	32.491.457
Pasta and bakery products	1.626.588	968.277
Investment expenditures that cannot be allocated to segments	702.306	1.022.181
	16.730.416	**47.096.991**

NOTE 4 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Cash	--	--
Banks	17.844.524	95.098.674
-Time deposit - TL	*5.040.000*	*93.000.000*
-Demand deposit - TL	*113.355*	*590.184*
-Time deposit - foreign currency	*12.683.234*	*1.275.395*
-Demand deposit - foreign currency	*7.935*	*233.095*
Others	110	110
	17.844.634	**95.098.784**

Maturity of time deposit is 4 January 2016 and the interest rates are between 9,00%- 9,25% for TL, 0,50% for USD and 0,30 for EUR. (31 December 2014: Maturity of time deposits are between 1 January 2015 and 27 February 2015 and the interest rates are between 8,50% and 11,60% for TL and 0,50% for USD).

There is no blockage or restriction on the use of cash and cash equivalents as at 31 December 2015 (31 December 2014: None).

Nature and level of risks associated with Cash and Cash Equivalents have been explained in Note 28.

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

NOTE 5 – FINANCIAL ASSETS

The details of financial assets as of 31 December 2015 and 31 December 2014 are as follows:

	%	31 December 2015	%	31 December 2014
Available for sale financial investments				
Ram Dış Ticaret A.Ş.	7,5	3.000.000	7,5	2.775.000
Düzey Tüketim Malları Sanayi Pazarlama A.Ş.	1,1	544.641	1,1	544.641
Others		7.733		7.733
		3.552.374		**3.327.374**

NOTE 6 – FINANCIAL BORROWINGS

The details of financial borrowings as of 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Short-term borrowings	18.490.854	56.182.743
Short-term portion of long-term borrowings	105.575	32.418.341
Short-term portion of long-term bonds	50.092.825	50.078.985
Total short-term borrowings	**68.689.254**	**138.680.069**
Long-term borrowings	20.000.000	--
Bonds issued	--	50.000.000
Total long-term borrowings	**20.000.000**	**50.000.000**
	88.689.254	**188.680.069**

Company issued bonds on 25 December 2014 amounting to 50.000.000 TL with a maturity of 23 December 2016 and 9,68% interest rate.

There is no mortgage or collateral given related to the Company's financial liabilities (31 December 2014: None).

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

NOTE 6– FINANCIAL BORROWINGS (Continued)

The Company has foreign currency and local currency unsecured loans with fixed interest rates. The details of financial liabilities at 31 December 2015 are as follows:

	The weighted average interest rate	Original Amount	31 December 2015 (TL)
Short term financial borrowings			
TL borrowings	11,20%	18.490.854	18.490.854
			18.490.854
Short-term portion of long-term borrowings			
TL borrowings and interest	10,25%	105.575	105.575
Bonds issued	9,68%	50.000.000	50.000.000
Interest of bonds issued		92.825	92.825
			50.198.400
Long term financial borrowings			
TL borrowings	10,25%	20.000.000	20.000.000
			20.000.000

The details of financial liabilities at 31 December 2014 are as follows:

	The weighted average interest rate	Original Amount	31 December 2014 (TL)
Short term financial borrowings			
TL borrowings	10,08%	56.182.743	56.182.743
			56.182.743
Short-term portion of long-term borrowings			
TL borrowings and interest	7,27%	16.186.041	16.186.041
USD borrowings	4,25%	7.000.000	16.232.300
Bonds issued	7,31%	50.000.000	50.000.000
Interest of bonds issued		78.985	78.985
			82.497.326
Long term financial borrowings			
Bonds issued	9,68%	50.000.000	50.000.000
			50.000.000

As of 31 December 2015 and 31 December 2014, long-term loans denominated in TL currency payment plan is as follows:

	31 December 2015	31 December 2014
2015	--	50.000.000
2016	--	--
2017	6.153.846	--
2018	6.153.846	--
2019	6.153.846	--
2020	1.538.462	--
	20.000.000	**50.000.000**

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

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Trade receivables

The details of trade receivables are as follows as of 31 December 2015 and 31 December 2014:

	31 December 2015	31 December 2014
Trade receivables from related parties (Note 27)	198.144.076	124.935.047
Notes and cheques receivable	25.938.188	39.081.882
Trade receivables	9.155.881	15.173.815
Income accruals	7.240.163	6.184.155
Provisions for doubtful receivables	(2.585.332)	(2.605.945)
	237.892.976	**182.768.954**

Movement of provision for doubtful receivables as of 31 December 2015 and 31 December 2014 are as follows:

The nature and level of risk in trade receivables are given in Note 28.

	1 January - 31 December 2015	1 January - 31 December 2014
Opening balance	(2.605.945)	(1.921.371)
Provisions made during the year	(752.794)	(865.853)
Collections	773.407	181.279
	(2.585.332)	**(2.605.945)**

Trade Payables

As of 31 December 2015 and 31 December 2014, details of trade payables are as follows:

	31 December 2015	31 December 2014
Suppliers	91.803.472	77.805.398
Trade payables to related parties (Note 27)	16.749.416	9.052.336
	108.552.888	**86.857.734**

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

As of 31 December 2015 and 31 December 2014, other receivables and payables are as follows:

	31 December 2015	31 December 2014
Short term other receivables		
Other receivables	327.772	965.853
	327.772	**965.853**

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

NOTE 8– OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2015	31 December 2014
Long term other receivables		
Deposits and guarantees given	83.528	76.207
	83.528	**76.207**

	31 December 2015	31 December 2014
Current liabilities:		
Accrual for selling expenses	1.974.236	2.047.748
Taxes and funds payable	2.535.227	2.267.862
Outsource services	--	59.374
Others	126.893	171.219
	4.636.356	**4.546.203**

NOTE 9 – INVENTORIES

As at 31 December 2015 and 31 December 2014 details of inventories are as follows:

	31 December 2015	31 December 2014
Raw material	40.562.832	50.931.787
Semi-finished goods	711.591	2.453.985
Finished goods	151.325.122	127.886.092
-Tomato paste and canned products	*130.744.519*	*108.515.068*
-Milk and dairy products	*16.604.221*	*14.588.162*
-Pasta and bakery products	*3.976.382*	*4.782.862*
Other inventory	80.713	1.440.390
Provision for inventory destruction (-)	--	(1.113.354)
	192.680.258	**181.598.900**

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

NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME

As at 31 December 2015 and 31 December 2014, details of prepaid expense and deferred income is as follows:

Short-term prepaid expenses	**31 December 2015**	**31 December 2014**
Advances given for the purchase of stock	595	168.281
Expenses related to future months	25.954	794.283
	26.549	**962.564**

Long-term prepaid expenses	**31 December 2015**	**31 December 2014**
Advances given for fixed asset purchases	2.925.617	--
Expenses related to future years	537.524	163.957
	3.463.141	**163.957**

Short-term deferred income	**31 December 2015**	**31 December 2014**
Income related to future months	217.709	151.816
Sales advances received	6.307.859	6.788.738
	6.525.568	**6.940.554**

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

NOTE 11 – INVESTMENTS ACCOUNTED BY EQUITY METHOD

As of 31 December 2015 and 31 December 2014, the details of investments accounted by equity pick up method are as follows:

Joint Ventures	Principal Activity	Place of incorporation and operation	31 December 2015	31 December 2014
Tedi	Fruit juice import and sales	İstanbul	--	50%

The company sold its shares in its joint venture, Tedi on 29 May 2015, with an amount of EUR 4.100.000 (TL 11.885.900). The details of sales movements are as follows:

	2015
As of 1 January 2015, the Company's shares in joint venture net assets	**9.156.530**
Loss for the current period	(189.863)
As of date of sale, the Company's shares in joint venture net assets	**8.966.667**
Price of sale	11.885.900
As of 31 December, income from sale of joint venture	**2.919.233**

	31 December 2015	31 December 2014
Total assets	--	20.583.529
Total liabilities	--	(2.270.469)
Net assets	**--**	**18.313.060**
The Company's share in net assets of investment in joint venture	**--**	**9.156.530**

	1 January- 31 December 2015	1 January- 31 December 2014
Revenues	2.155.485	8.253.362
Loss for the financial year	**(379.726)**	**(8.686.940)**
The Company's share in loss of investment in joint venture	**(189.863)**	**(4.343.470)**

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment and depreciation as of 31 December 2015 and 31 December 2014 are as follows:

	1 January 2015	Additions	Disposals	Transfers	31 December 2015
Cost:					
Land	16.850.999	--	--	--	16.850.999
Land improvements	6.216.851	263.979	--	--	6.480.830
Buildings	56.449.945	361.125	--	--	56.811.070
Machinery and equipment	340.720.679	5.703.849	(1.370.947)	3.536.403	348.589.984
Vehicles	1.015.975	18.863	(7.797)	--	1.027.041
Furniture and fixtures	35.146.464	2.975.210	(109.087)	1.150.692	39.163.279
Leasehold improvements	8.498.452	41.360	--	29.935	8.569.747
Construction in progress	634.392	7.098.060	--	(4.780.146)	2.952.306
	465.533.757	**16.462.446**	**(1.487.831)**	**(63.116)**	**480.445.256**

Accumulated depreciation:	1 January 2015	Additions	Disposals	Transfers	31 December 2015
Land improvements	2.058.227	160.150	--	--	2.218.377
Buildings	25.928.942	1.446.500	--	--	27.375.442
Machinery and equipment	282.886.878	7.028.669	(321.950)	--	289.593.597
Vehicles	172.173	14.446	(6.317)	--	180.302
Furniture and fixtures	15.642.656	1.093.911	(66.340)	--	16.670.227
Leasehold improvements	8.338.503	84.517	--	--	8.423.020
	335.027.379	**9.828.193**	**(394.607)**	--	**344.460.965**
Net book value	**130.506.378**				**135.984.291**

Depreciation expense amounting to TL 6.980.679 (2014: TL 6.488.153) is recognised in the cost of goods sold, amounting to TL 1.024.484 (2014: TL 784.961) is recognised in general and administrative expenses, amounting to TL 1.823.029 (2014: TL 2.072.604) is recognised in inventory. The remaining amount of 2014 is recognised in discontinued operations.

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2014	**Acquisition of subsidiary**	**Additions**	**Disposals**	**Transfers**	**31 December 2014**
Cost:						
Land	4.787.811	13.762.350	--	(1.699.162)	--	16.850.999
Land improvements	6.209.061	178.000	124.151	(857.235)	562.874	6.216.851
Buildings	89.763.348	7.598.029	112.491	(41.181.866)	157.943	56.449.945
Machinery and equipment	378.681.679	6.657.099	1.213.559	(57.736.209)	11.904.551	340.720.679
Vehicles	1.254.130	--	75.288	(313.443)	--	1.015.975
Furniture and fixtures	44.351.522	1.637.310	1.231.152	(12.222.061)	148.541	35.146.464
Leasehold improvements	8.212.692	16.282	22.660	--	246.818	8.498.452
Construction in progress	265.563	--	13.389.556	--	(13.020.727)	634.392
	533.525.806	**29.849.070**	**16.168.857**	**(114.009.976)**	**--**	**465.533.757**

Accumulated depreciation:	**1 January 2014**	**Acquisition of subsidiary**	**Additions**	**Disposals**	**Transfers**	**31 December 2014**
Land improvements	2.434.738	--	136.215	(512.726)	--	2.058.227
Buildings	49.149.320	--	1.289.176	(24.509.554)	--	25.928.942
Machinery and equipment	332.964.674	--	6.685.395	(56.763.191)	--	282.886.878
Vehicles	642.142	--	13.719	(483.688)	--	172.173
Furniture and fixtures	31.265.104	--	844.760	(16.467.208)	--	15.642.656
Leasehold improvements	8.296.444	--	42.059	--	--	8.338.503
	424.752.422	**--**	**9.011.324**	**(98.736.367)**	**--**	**335.027.379**
Net book value	**108.773.384**					**130.506.378**

The estimated useful lives of tangible assets are as follows:

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

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

NOTE 13 – INTANGIBLE ASSETS

As of 31 December 2015 and 31 December 2014, intangible assets are composed of software licenses and the movements in intangible assets and accumulated amortisation as of these years ended are as follows:

	1 January 2015	Additions	Transfers	31 December 2015
Costs	24.547.058	267.970	63.116	24.878.144
Accumulated Amortization	23.194.444	529.099	--	23.723.543
Net Book Value	**1.352.614**	**(261.129)**	**63.116**	**1.154.601**

Total of amortization expenses amounted to TL 529.099 are included in general administrative expenses (2014: TL 329.537).

	1 January 2014	Acquisition of subsidiary	Additions	Transfers	31 December 2014
Costs	23.726.387	360.621	718.443	(258.393)	24.547.058
Accumulated Amortization	23.123.300	--	329.537	(258.393)	23.194.444
Net Book Value	**603.087**	**360.621**	**388.906**	**--**	**1.352.614**

NOTE 14 – GOVERNMENT INCENTIVES AND GRANTS

The Company has been granted with investment tax credits (ITC) with respect to the certain investment expenditures. Such ITCs are evaluated within the scope of TAS 12 Income Taxes standard and are recognised as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused ITCs can be utilized.

As at 31 December 2015, the ITC amount to be reduced from future income tax payments is TL 7.158.727. The Company has not recognized a deferred tax asset with respect to ITCs since the proportion of investment with ITC is very low (approximately 2% to 3%) and there is unused tax losses.

NOTE 15 – COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2015 and 31 December 2014, the details of the provisions are as follows:

Provisions	**31 December 2015**	**31 December 2014**
Provisions for lawsuits	1.741.345	1.683.014
Sales return allowances	--	207.774
Other provisions	4.275.933	6.595.936
	6.017.278	**8.486.724**

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

NOTE 15– COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

The movements of provisions as of 31 December 2015 and 31 December 2014 are as follows:

	1 January - 31 December 2015	**1 January - 31 December 2014**
Opening balance	8.486.724	55.000
Additions during the period	137.756	8.431.724
Provisions no longer required	(2.607.202)	--
	6.017.278	**8.486.724**

NOTE 16 – COMMITMENTS AND CONTINGENCIES

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

	31 December 2015	**31 December 2014**
A. On the behalf of legal entity	53.981.932	60.696.351
B. On the behalf of associations that included in full consolidation	--	--
C. On the behalf of third parties' liabilities within the context of business operations	--	--
-Given on the behalf of parent company	--	--
-Given on the behalf of other group companies which are not included in B and C clauses	--	--
-Given on the behalf of third parties which are not included in C clause	--	--
D. Others	--	--
	53.981.932	**60.696.351**

The Company has miscellaneous guarantee letters given to tax authorities (related to VAT return receivables), T. İhracat Kredi Bankası A.Ş. and customs which are amounting to TL 53.981.932 (31 December 2014: TL 60.696.351).

All guarantees are given by the company are in local currency and there is no any pledges and mortgages given.

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

NOTE 17 – EMPLOYEE BENEFITS

Short term employee benefits

Employee benefit payables	**31 December 2015**	**31 December 2014**
Due to personnel	2.687.070	2.809.215
Social security withholdings payable	991.460	1.033.722
	3.678.530	**3.842.937**

Short-term provisions for employment benefits:	**31 December 2015**	**31 December 2014**
Provision for unused vacation	900.000	900.000
Staff bonus accruals	--	900.000
	900.000	**1.800.000**

Long-term employee benefits

<u>Severance pay liability:</u>

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

The amount payable consists of one month's salary limited to a maximum of 3.828,37 TL for each period of service at 31 December 2015 (31 December 2014: 3.438,22 TL).

Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2015, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of 5,50% and a discount rate of 10,35%, resulting in a real discount rate of approximately 4,60% (31 December 2014: 3,50%).

As the maximum liability is revised semiannually, the maximum amount of 3.828,37 TL effective from 31 December 2015 is taken into consideration in the calculation of provision from employment termination benefits.

Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

NOTE 17 - EMPLOYEE BENEFITS (Continued)

Long-term employee benefits (Continued)

Severance pay liability: (Continued)

The movement of employment termination provision as of 31 December 2015 and 31 December 2014 is presented below:

	31 December 2015	**31 December 2014**
Opening balance	10.833.747	10.550.732
Service cost	3.386.814	4.463.894
Interest cost	474.343	504.325
Paid in the period	(2.960.730)	(2.700.538)
Actuarial gains / (losses)	(959.870)	980.751
Disposal effect of assets held for sale	--	(2.965.417)
	10.774.304	**10.833.747**

NOTE 18 – OTHER ASSETS AND LIABILITIES

As of 31 December 2015 and 31 December 2014, other current / non-current assets and short / long-term liabilities are as follows:

	31 December 2015	**31 December 2014**
Other current assets		
Deferred value added tax “VAT”	27.080.886	25.268.704
Deductible VAT	9.173.870	6.152.170
VAT receivables arising from exports	3.027.598	2.850.505
Others	377.524	120.494
	39.659.878	**34.391.873**

	31 December 2015	**31 December 2014**
Other non-current assets:		
Deferred VAT	13.590.000	14.905.598
	13.590.000	**14.905.598**

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

NOTE 19 – SHAREHOLDERS' EQUITY

a) Share Capital

As of 31 December 2015 and 31 December 2014, the shareholders and paid-in capital with the historical values are as follows:

	%	31 December 2015	%	31 December 2014
Koç Holding A.Ş.	43,7	59.364.947	43,7	59.364.947
Shares publicly open in stock exchange	41,4	56.312.844	41,4	56.312.844
Kagome Co. Ltd.	3,7	5.071.168	3,7	5.071.168
Temel Ticaret ve Yatırım A.Ş.	3,3	4.427.889	3,3	4.427.889
Sumitomo Corporation	1,5	2.077.983	1,5	2.077.983
Others	6,4	8.745.169	6,4	8.745.169
Total Share Capital	100	**136.000.000**	100	**136.000.000**
Inflation adjustment to share capital		21.601.088		21.601.088
Adjusted share capital		**157.601.088**		**157.601.088**

The Company’s share capital of year 2015 consists of 13.600.000.000 number of shares and there is no preferred stock (2014: 13.600.000.000 number of shares).

b) Actuarial gain/losses in defined benefit plans

Comprised of actuarial gains and losses recognized in other comprehensive income, as a result of the adoption of standards IAS 19 (2011).

c) Restricted reserves

Details of restricted reserves are as follows:

	31 December 2015	31 December 2014
Legal reserves	10.814.231	60.404
Special reserves	69.915.703	--
	80.729.934	**60.404**

Legal Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

In accordance with the Communiqué No:XI-29 and related announcements of the CMB, effective from 1 January 2008, “Share capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences resulted due to the application of the requirements set out in the communiqué (such as, inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment to Share Capital”;

- if the difference is due to the inflation adjustment of “Restricted Reserves” and “Share Premium” and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under “Retained Earnings”.

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

NOTE 19 – SHAREHOLDERS 'EQUITY (Continued)

Dividend Distribution

In accordance with the Capital Markets Board's (the "Board"), minimum dividend distribution is not required for listed companies, and accordingly, dividend 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.

Non-Controlling Interests

The Company does not have any non-controlling interests (31 December 2014: None)

	31 December 2015	**31 December 2014**
Opening balance	--	20.091.204
Net profit/loss of non-controlling interests	--	(20.091.204)
	--	**--**

Special Reserves

The Company sold Maret assets in 2014 as described in note 25. The income from this sale was subjected to tax with exemptions as described in article 5/1-e of Corporate Tax Law No: 5520. According to the article 5/1-e of Corporate Tax Law No: 5520, 75% of the earnings from the sale of the properties and participation shares that corporations have kept among their assets for at least two full years, and from the sales of founders' shares, preference shares and preferred rights they have kept for same duration are exempted from corporate tax. This exception shall apply in the term the sale is made, and the part of the proceeds of the sale that benefited from the exception shall be kept in a special fund account of liabilities, until the end of the fifth year following the sale. However, the sale price must be collected until the end of the second calendar year following the year the sale is made.

NOTE 20 – SALES AND COST OF SALES

As of 31 December 2015 and 31 December 2014, details of revenue and sales cost are as follows:

	1 January - 31 December 2015	**1 January - 31 December 2014**
Domestic sales	918.508.771	826.890.105
Foreign sales	81.432.278	83.103.627
Rebates and sales discounts	(89.386.472)	(92.955.559)
Total operating revenue	**910.554.577**	**817.038.173**
Raw material costs	(624.161.065)	(573.824.550)
Labor costs	(26.024.219)	(21.640.917)
General production expenses	(72.317.016)	(59.893.148)
Depreciation costs	(8.803.708)	(8.226.363)
Change in inventory	26.235.388	18.777.073
Cost of sales	**(705.070.620)**	**(644.807.905)**
Gross profit	**205.483.957**	**172.230.268**

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

NOTE 21 – EXPENSES BY NATURE

For the years ended 31 December 2015 and 31 December 2014, details of marketing, selling and distribution expenses are as follows:

	1 January- 31 December 2015	**1 January- 31 December 2014**
Marketing, Selling and Distribution Expenses:		
Sales incentive and gondola participation expenses	(38.428.822)	(33.592.767)
Transportation and insurance expenses	(33.056.514)	(31.355.414)
Advertisement expenses	(14.095.492)	(12.491.690)
Other sales expenses	(6.333.018)	(6.282.169)
Personnel expenses	(7.734.624)	(6.281.352)
Sales support expenses	(6.785.329)	(5.280.427)
Sales promotion and commission expenses	(1.611.186)	(922.819)
Others	(1.214.899)	(1.111.782)
	(109.259.884)	**(97.318.420)**

For the years ended 31 December 2015 and 31 December 2014, the details of general and administrative expenses are as follows:

	1 January- 31 December 2015	**1 January- 31 December 2014**
General and administrative expenses:		
Personnel expenses	(18.643.085)	(17.074.384)
Consultancy and lawsuit expenses	(6.583.446)	(3.296.795)
Employee termination benefits	(3.861.157)	(4.968.219)
Administrative expenses	(2.082.514)	(1.844.037)
Depreciation and amortization expenses	(1.553.583)	(1.114.498)
IT expenses	(1.479.125)	(1.100.532)
Repair and maintenance expense	(1.224.542)	(1.107.230)
Taxes and duties expenses	(588.412)	(409.030)
Transportation, travel expenses	(528.375)	(1.559.422)
Others	(1.639.587)	(805.448)
	(38.183.826)	**(33.279.595)**

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

NOTE 22 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

31 December 2015 and 31 December 2014 details of other income and profits are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Other Operating Income		
Exchange differences from commercial activities	5.144.437	2.176.256
Income from maturity differences	11.251.337	17.921.369
Provisions released	46.935	134.285
Others	1.902.971	1.775.596
	18.345.680	**22.007.506**

31 December 2015 and 31 December 2014, details of other expenses are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Other Operating Expense		
Exchange differences from commercial activities	(2.867.610)	(1.708.447)
Expense from maturity differences	(3.308.580)	(5.093.118)
Scrap expenses	--	(1.113.354)
Others	(516.488)	(4.835.113)
	(6.692.678)	**(12.750.032)**

NOTE 23 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

As of 31 December 2015 and 31 December 2014, investment income and profits from operations is as follows:

Income from Investing Activities	1 January- 31 December 2015	1 January- 31 December 2014
Gain on sale of property, plant and equipment	136.899	1.794.393
Bargain purchase gain	--	9.324.023
Gain on sale of joint venture (Note 11)	2.919.233	--
	3.056.132	**11.118.416**

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

NOTE 23 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES (Continued)

As of 31 December 2015 and 31 December 2014, investment loss and expense from operations is as follows:

Expenses from investing activities	1 January- 31 December 2015	1 January- 31 December 2014
Loss on sale of property, plant and equipment	(3.806)	(666.535)
	(3.806)	**(666.535)**

NOTE 24 – FINANCIAL INCOME AND EXPENSES

As of 31 December 2015 and 31 December 2014, financial incomes are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Interest income on bank loans	6.194.440	--
	6.194.440	**--**

As of 31 December 2015 and 31 December 2014, financial expenses are as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Foreign exchange expenses, net	(3.097.800)	--
Interest expense on bank loans	(11.538.772)	(21.543.612)
	(14.636.572)	**(21.543.612)**

NOTE 25 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

According to the decision taken by the Board of Directors on 29 June 2012, the Company decided to stop purchases of living assets, and then decided to stop breeding activities of Harranova Besi ve Tarım Ürünleri A.Ş. On 7 December 2012 the Company made an agreement with an independent and CMB licensed expertise firm to revalue Harranova Besi's property, plant and equipment related to breeding activities. Since the Company management made a sole plan, they are available for immediate sale and the sale of the assets are highly probable. The Company reclassed these items to non-current assets held for sale and discontinued operations. In addition, General Assembly and Competition Board approved the sale of these property, plant and equipments on 21 February 2013.

On 14 October 2013, the decision to cease the operations of Harranova Besi was taken and the power to sell the properties of Harranova Besi was given to Board of Directors on 26 December 2013. On 13 December 2013, the Company made an agreement with an independent and CMB licensed expertise firm to revalue Harranova Besi's property, plant and equipment. The Company reclassed these items ton on-current assets held for sale except the transfers to the Company.

Based on the decision taken at the meeting of Board of Directors on 23 June 2014, Company signed share transfer agreement to sell the all shares of Harranova Besi, already owned 10% shares in the Harranova Besi's capital, with The Morning Star Company ("Morningstar") which is stated in the State of California, United States of America. The transfer of shares acquisition took place following the approval of the Competition Board and decrease in the capital of Harranova Besi on 1 October 2014. General Assembly of Harranova Besi made meeting on 11 July 2014 to discuss change in articles of association that related to decreasing capital of Company by 92.000.000 TL from 115.000.000 TL to 23.000.000 TL. Change in articles of association that is related decrease in capital have been approved at the General Assembly meeting. Decrease of capital has been registered on 1 October 2014.The Company offset 13.837.053 payables to Harranova Besi and received 4.769.947 TL in return of the 18.607.000 TL capital decrease. After the capital decrease, sales price of the shares of whole Koç Group companies in Harranova representing 90% of the ownership was determined 7.740.000 TL and the Company provided 5.000.740 TL sales income in return of sales of Harranova shares representing 58,2% ownership.

With the decision taken on Board of Directors on 20 June 2014, the land and all of the immovables on the land consist of 4 section, parcels with the number 2025 and 2028 located in İstanbul İli, Tuzla İlçesi, Tepeören Köyü, Gölbayırı Mevkii ("Land") also, the machinery and equipments that are situated on the facility on the land and brand named "Maret" are sold amounting to USD 75.000.000 + VAT. With the purpose of recognition of sale, "Asset Sales Agreement" has been signed with the conditions which include approval of Competition Board and General Board and the sales advance amounting to 6 Million US Dollars has been collected from the buyer. In this framework, operations related to industrial segment of meat and meat products will be ceased following to completion of sales process. Sales process has been completed and the sales price is collected at the date of 4 August 2014. In this context, assets which have been used in production of meat and meat products and liabilities related to this assets are classified in this period as assets that held for sale and liabilities related to assets that held for sale; loss for the current period and previous period are classified as loss from discontinued operations.

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

NOTE 25 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

Profit/loss from discontinued operations for the year ended 31 December 2014 is as follows:

	1 January-31 December 2014
Revenue	77.404.345
Cost of sales	(82.301.325)
Gross profit	**(4.896.980)**
Operating expenses	(13.761.858)
Loss before tax from discontinued operations	**(18.658.838)**
Tax expense	(4.297.041)
Loss from discontinued operations	**(22.955.879)**
Income from the sale of non-current assets held for sales	170.615.686
Minus: Net asset value of non-current assets held for sale as at disposal date (Attributable to the Company)	25.135.064
Gain on sales of non-current assets held for sale (Attributable to the Company)	**145.480.622**
Net profit after tax from discontinued operations	**122.524.743**

NOTE 26 – TAX ASSESTS AND LIABILITIES

	1 January-31 December 2015	**1 January-31 December 2014**
Current tax income / (expense)	809.609	(8.303.094)
Current tax expense	--	*(8.303.094)*
Prior period tax income	*809.609*	--
Deferred tax income	2.417.440	598.373
Total tax income/ (expense)	**3.227.049**	**(7.704.721)**

	31 December 2015	**31 December 2014**
Current tax liability / (receivable)		
Current tax provision	--	11.187.889
Prepaid taxes and funds (-)	(3.048.545)	(16.828.136)
	(3.048.545)	**(5.640.247)**

NOTE 26 – TAX ASSESTS AND LIABILITIES (Continued)

Corporate Tax

The Company is subject to corporate tax applicable in Turkey.

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

The effective tax rate in 2015 is 20% (2014: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2015 (2014: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

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

Income withholding tax

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

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

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

NOTE 26 – TAX ASSESTS AND LIABILITIES (Continued)

Deferred Tax:

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

For calculation of deferred tax asset and liabilities, the rate of 20% (2014: 20%) is used.

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

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2015 and 2014 using the enacted tax rates is as follows.

Deferred tax assets / (liabilities):	**31 December 2015**	**31 December 2014**
Carry forward tax losses	25.086.547	24.195.000
Severance pay liability	2.154.861	2.166.749
Difference between tax base and carry value of Property, plant and equipment	(1.786.062)	(2.116.458)
Difference between tax base and carrying value of inventories	300.275	279.296
Doubtful receivables Provisions	47.816	57.203
Provision for unused vacation	180.000	180.000
Scrap provision	--	218.903
Sales expense accruals	304.133	409.546
Staff bonus accrual	--	180.000
Provision for lawsuits	168.078	178.483
Others	24.613	24.267
	26.480.261	**25.772.989**
Deferred tax provision for carry forward tax losses expected as not be recovered	(21.204.686)	(22.722.880)
	5.275.575	**3.050.109**

Carry forward tax losses are totally from the acquisition of Moova and expiry date schedule of carry forward tax losses for which provision has been recognised is as follows:

	31 December 2015	**31 December 2014**
2015	--	275.000
2016	--	14.700.000
2017	--	39.235.321
2018	23.965.670	41.662.273
2019	24.421.698	17.741.806
2020	1.055.949	--
	49.443.317	**113.614.400**

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

NOTE 26 – TAX ASSESTS AND LIABILITIES (Continued)

Movement of the deferred tax for the years ended 31 December 2015 and 31 December 2014 is as follows:

Deferred tax movements:	**1 January-31 December 2015**	**1 January-31 December 2014**
Opening balance as of January 1	3.050.109	2.727.174
Recognized directly in equity	(191.974)	196.150
Deferred tax income	2.417.440	598.373
Acquisition of subsidiary	--	1.472.120
Disposal effect of assets held for sale	--	(1.943.708)
	5.275.575	**3.050.109**

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

The reconciliation of tax:	**31 December 2015**	**31 December 2014**
Profit for the period from continuing operations	64.091.142	35.442.097
Net profit from discontinued operations (note: 25)	--	126.821.784
	20%	20%
Income tax rate20 % (2014: 20%)	(12.818.228)	(32.452.776)
Tax effect of:		
- Nondeductible expenses	(444.690)	(1.787.584)
- Tax - exempt income	136.733	22.539.678
- Effect of deferred tax assets and carry forward losses for which provision had been recognised in the previous periods	15.132.696	--
- Additional corporate tax charge for prior period	809.609	(301.080)
- Permanent differences	442.672	--
- Others	(31.743)	--
Tax expense in the income statement	**3.227.049**	**(12.001.762)**
-Tax expense from continuing operations	3.227.049	(7.704.721)
-Tax expense from discontinued operations	--	(4.297.041)

NOTE 27 – RELATED PARTY TRANSACTIONS

i) As of 31 December 2015 and 31 December 2014, the details of receivables and payables from related parties are as follows:

a) Bank deposits:

	31 December 2015	**31 December 2014**
Yapı ve Kredi Bankası A.Ş.	17.362.920	94.317.636
	17.362.920	**94.317.636**

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

NOTE 27 – RELATED PARTY TRANSACTIONS (Continued)

i) As of 31 December 2015 and 31 December 2014, the details of receivables and payables from related parties are as follows: (Continued)

b) Financial borrowings:

	31 December 2015	31 December 2014
Yapı ve Kredi Bankası A.Ş.	936.487	747.612
	936.487	**747.612**

c) Receivables from related parties:

	31 December 2015	31 December 2014
Düzey (*)	191.693.518	123.910.142
Sumitomo Corporation	3.344.106	655.143
Sc Foods	3.062.962	--
Tedi	--	177.581
Arçelik A.Ş.	--	160.001
Divan Turizm İşletmeleri A.Ş.	--	6.711
Others	43.490	25.469
	198.144.076	**124.935.047**

(*) Domestic sales and marketing activities of the Company are operated by Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş., which is a member of Koç Group.

d) Payables to related parties:

Trade payables	31 December 2015	31 December 2014
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14.146.036	6.864.440
Temel Ticaret ve Yatırım A.Ş	727.226	400.017
Otokoç Otomotiv Tic.ve San.A.Ş.	487.040	515.552
Koç Sistem A.Ş.	362.719	281.337
Setur Servis Turistik A.Ş	342.915	173.890
Opet Petrolcülük A.Ş.	36.081	39.548
Ram Sigorta Aracılık Hizmetleri A.Ş.	19.875	18.609
Eltek Elektrik Enerji. İth.İhr.Top.Tic. A.Ş.	--	662.010
Others	627.524	96.933
	16.749.416	**9.052.336**
Other payables		
Koç Holding A.Ş.	6.536.253	2.015.370
Total trade and other payables	**23.285.669**	**11.067.706**

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

NOTE 27 – RELATED PARTY TRANSACTIONS (Continued)

ii) For the years ended 31 December 2015 and 2014, the details of significant sales to related parties and purchases from related parties are as follows:

a) Sales to related parties:

	1 January- 31 December 2015	1 January- 31 December 2014
Düzey (*)	768.580.984	733.094.199
Sc Foods	25.153.895	--
Sumitomo Corporation	6.690.768	14.187.380
Türkiye Petrol Rafineleri A.Ş.	--	1.186.605
Divan Turizm İşletmeleri A.Ş.	--	233.052
Others	6.329	10.324
	800.431.976	**748.711.560**

(*) Domestic sales and marketing activities of the Company are operated by Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş., which is a member of Koç Group. Average maturity for the sales to Düzey Tüketim Malları Sanayi Pazarlama A.Ş. is 85 days.

b) Purchases from related parties:

	1 January- 31 December 2015	1 January- 31 December 2014
Zer Merkezi Hizmetler ve Ticaret A.Ş.	12.529.896	8.490.342
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	--	11.587
Koçtaş Yapı Marketleri Ticaret A.Ş.	--	55.883
	12.529.896	**8.557.812**

c) Service purchases from related parties:

	1 January- 31 December 2015	1 January- 31 December 2014
Zer Merkezi Hizmetler ve Ticaret A.Ş.	27.761.686	17.427.936
Aygaz A.Ş.	16.589.296	11.977.567
Koç Holding A.Ş. (**)	6.446.082	2.688.047
Entek Elektrik Enerjisi İth. İhr. Toptan Tic. A.Ş.	4.994.985	7.721.101
Temel Ticaret ve Yatırım A.Ş.	1.724.535	773.231
Otokoç Otomotiv Tic. ve San. A.Ş.	1.057.178	--
Koç Sistem A.Ş.	1.052.918	1.324.532
Setur Servis Turistik A.Ş.	799.295	553.787
Opet Petrolcülük A.Ş.	762.379	790.878
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	74.041	883.107
Others	368.281	361.964
	61.630.676	**44.502.150**

(*) Amount represents accrued premium amount as of 31 December 2015, which has been resulted from insurance policies signed with third party insurance companies with the intermediary of Ram Sigorta Aracılık Hizmetleri A.Ş.

(**)The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by the Company's parent company "Koç Holding A.Ş." regarding their related services according to the distribution described in Regulation No:11 "Intra Group Services" of "General Communiqué No:1 related to Disguised Profit Distribution via Transfer Pricing".

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

NOTE 27 – RELATED PARTY TRANSACTIONS (Continued)

iii) For the years ended 31 December 2015 and 2014, the details of financial income and expenses from/to related parties are as follows:

a) Interest expense:

	1 January- 31 December 2015	1 January- 31 December 2014
Yapı ve Kredi Bankası A.Ş.	450.691	923.000
	450.691	**923.000**

b) Interest income:

	1 January- 31 December 2015	1 January- 31 December 2014
Yapı ve Kredi Bankası A.Ş.	1.600.351	--
	1.600.351	**--**

iv) For the years ended 31 December 2015 and 2014, the details of other expenses to related parties are as follows:

a) Rent expense:

	1 January- 31 December 2015	1 January- 31 December 2014
Temel Ticaret ve Yatırım A.Ş.	714.426	548.294
	714.426	**548.294**

b) Payments to key management:

	1 January- 31 December 2015	1 January- 31 December 2014
Salaries and other short-term benefits (*)	6.900.305	7.894.512
	6.900.305	**7.894.512**

(*) TL 390.000 of the total amount belongs to termination payments (2014: TL 1.491.163).

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 6, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

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

As at 31 December 2015 and 31 December 2014 the debt to equity ratio is as follows:

	31 December 2015	**31 December 2014**
Total Liabilities	88.689.254	188.680.069
Negative: Cash and cash equivalents (Note 4)	(17.844.634)	(95.098.784)
Net Debt	70.844.620	93.581.285
Total Equity	418.273.691	349.962.604
Net Liability/Equity	0,1694	0,2674

b) Financial Risk Factors

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

Risk management is implemented by finance department according to the policies approved by Board of Directors. The Company's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. The written procedures are formed by Board of Directors to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity. There are not any changes in financial risk factors and credit risk management of the Company as compared to previous year.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company 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 Company manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits are monitored by the Company according to the customer's credibility is evaluated continuously. Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties are evaluated perpetually.

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2015	Related Party	Third Party	Related Party	Third Party	Deposits in Banks	Others
Maximum net credit risk as of balance sheet date	198.144.076	39.748.900	--	411.300	17.844.524	110
- The part of maximum risk under guarantee with collateral etc.	--	6.151.445	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	149.518.635	38.683.438	--	411.300	17.844.524	110
B. Carrying value of financial assets that are past due but not impaired	48.625.441	1.065.462	--	--	--	--
C. Net book value of impaired assets	--	2.585.332	--	--	--	--
- Past due (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	(2.585.332)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Off-balances sheet items with credit risk	--	--	--	--	--	--

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2014	Related Party	Third Party	Related Party	Third Party	Deposits in Banks	Others
Maximum net credit risk as of balance sheet date	124.935.047	57.833.907	--	1.042.060	95.098.674	--
- The part of maximum risk under guarantee with collateral etc.	--	8.950.237	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	116.172.304	55.381.427	--	1.042.060	--	--
B. Carrying value of financial assets that are past due but not impaired	8.762.743	2.452.480	--	--	--	--
C. Net book value of impaired assets	--	2.605.945	--	--	--	--
- Past due (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	(2.605.945)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Off-balances sheet items with credit risk	--	--	--	--	--	--

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

	Receivables			
31 December 2015	**Trade Receivables**	**Other Receivables**	**Deposits in banks**	**Others**
Past due 1-30 days	42.693.627	--	--	--
Past due 1-3 months	6.828.998	--	--	--
Past due 3-12 months	168.278	--	--	--
Total past due receivables	**49.690.903**	**--**	**--**	**--**

	Receivables			
31 December 2014	**Trade Receivables**	**Other Receivables**	**Deposits in banks**	**Others**
Past due 1-30 days	1.866.830	--	--	--
Past due 1-3 months	9.199.251	--	--	--
Past due 3-12 months	149.142	--	--	--
Total past due receivables	**11.215.223**	**--**	**--**	**--**

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

	31 December 2015	**31 December 2014**
	Nominal Value	Nominal Value
The part under guarantee with collateral	4.749.025	1.823.094

b.2) Liquidity risk management

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

The following table presents the maturity of Company's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.2) Liquidity risk Management (Continued)

31 December 2015

Contractual Maturity Analysis	**Carrying Value**	**Total Cash Outflows in accordance with contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank borrowings and issued bonds	88.689.254	93.257.256	17.877.246	54.922.518	20.457.492	--
Trade payables	91.803.472	91.803.472	91.803.472	--	--	--
Trade payables to related parties	16.749.416	16.749.416	16.749.416	--	--	--
Total liabilities	**197.242.142**	**201.810.144**	**126.430.134**	**54.922.518**	**20.457.492**	**--**

31 December 2014

Contractual Maturity Analysis	**Carrying Value**	**Total Cash Outflows in accordance with contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank borrowings and issued bonds	188.680.069	202.822.467	116.490.318	31.504.949	54.827.200	--
Trade payables	77.805.398	77.805.398	77.805.398	--	--	--
Trade payables to related parties	9.052.336	9.052.336	9.052.336	--	--	--
Total liabilities	**275.537.803**	**289.680.201**	**203.348.052**	**31.504.949**	**54.827.200**	**--**

b.3) Market risk management

The Company's activities expose it to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Company uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. Market risk exposures are also measured by sensitivity analysis and stress scenarios.

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

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.4) Foreign currency risk management

Transactions in foreign currencies cause foreign currency risk. Currency risk is managing by foreign currency purchase/sale contracts based on the approved policies.

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

31 December 2015	**TL Equivalent**	**USD**	**Euro**	**Others**
1. Trade Receivables	10.346.775	2.584.581	877.065	10.437
2.a Monetary financial assets	12.739.629	3.828.200	489.843	12.144
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	23.086.404	6.412.781	1.366.908	22.581
5. Trade Receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	**23.086.404**	**6.412.781**	**1.366.908**	**22.581**
10. Trade Payables	(570.219)	(149.858)	(35.391)	(5.123)
11. Financial Liabilities	--	--	--	--
12.a Other Monetary Financial Liabilities	(6.351.409)	(2.184.417)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(6.921.628)	(2.334.275)	(35.391)	(5.123)
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(6.921.628)**	**(2.334.275)**	**(35.391)**	**(5.123)**
19. Net asset /liability position of off-balance	--	--	--	--
sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off-balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	16.164.776	4.078.506	1.331.517	17.458
21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**16.164.776**	**4.078.506**	**1.331.517**	**17.458**
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.4) Foreign currency risk management (Continued)

31 December 2014	**TL Equivalent**	**USD**	**Euro**	**Others**
1. Trade Receivables	5.092.228	1.892.700	249.288	22
2.a Monetary financial assets	2.008.616	853.696	9.782	386
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	7.100.844	2.746.396	259.070	408
5. Trade Receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	**7.100.844**	**2.746.396**	**259.070**	**408**
10. Trade Payables	(2.022.586)	(871.202)	(835)	--
11. Financial Liabilities	(16.248.397)	(7.006.942)	--	--
12.a Other Monetary Financial Liabilities	(6.967.696)	(3.004.741)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(25.238.679)	(10.882.885)	(835)	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(25.238.679)**	**(10.882.885)**	**(835)**	**--**
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off-balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	(18.137.835)	(8.136.489)	258.235	408
21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**(18.137.835)**	**(8.136.489)**	**258.235**	**408**
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

Currency risk sensitivity

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

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

	31 December 2015	
	Profit / Loss	
	Appreciation of Foreign currency	Devaluation of Foreign currency
In the case of appreciation of US Dollar at 10% ratio compared to TL		
1 - US Dollar net asset / liability	1.185.867	(1.185.867)
2- Part of hedged from US Dollar risk (-)	--	--
3- US Dollar net effect	**1.185.867**	**(1.185.867)**
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	423.103	(423.103)
5 – Part of hedged from EURO risk (-)	--	--
6- Euro net effect	**423.103**	**(423.103)**
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	7.508	(7.508)
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	**7.508**	**(7.508)**
TOTAL	**1.616.478**	**(1.616.478)**

	31 December 2014	
	Profit / Loss	
	Appreciation of Foreign currency	Devaluation of Foreign currency
In the case of appreciation of US Dollar at 10% ratio compared to TL		
1 - US Dollar net asset / liability	(1.886.625)	1.886.625
2- Part of hedged from US Dollar risk (-)	--	--
3- US Dollar net effect	**(1.886.625)**	**1.886.625**
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	72.842	(72.842)
5 – Part of hedged from EURO risk (-)	--	--
6- Euro net effect	72.842	(72.842)
TOTAL	**(1.813.783)**	**1.813.783**

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

NOTE 28 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

Interest rate risk management

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

The following sensitivity analysis is determined on the exposure to interest rate risks of non-derivative instruments in the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The Company management expects a floatation in interest rates of 1%. The respective amount is used in reporting to the top management within the Company.

Interest rate statement of position	31 December 2015	31 December 2014
Fixed interest instruments		
Financial Liabilities	88.689.254	188.680.069

If the interest rates were higher/lower by 1%, the Company’s interest expenses before tax would be higher/lower by 95.228 TL (31 December 2014: 162.232 TL); and interest expenses after tax would be higher/lower by 76.182 TL (31 December 2014: 129.858 TL).

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

NOTE 29 – FINANCIAL INSTRUMENTS

Financial Instruments' Classification and Fair Value

31 December 2015	**Financial assets at amortized cost**	**Loans and Receivables (cash and cash equivalents included)**	**Available for sale financial assets**	**Financial liabilities at fair value through profit or loss**	**Financial assets at fair value through profit or loss**	**Carrying Value**	**Note**
Financial Assets							
Cash and cash equivalents	17.844.634	--	--	--	--	17.844.634	4
Trade receivables	--	39.748.900	--	--	--	39.748.900	7
Receivables from related parties	--	198.144.076	--	--	--	198.144.076	27
Other financial assets	--	--	3.552.374	--	--	3.552.374	5
Financial Liabilities							
Loans and borrowings	--	--	--	88.689.254	--	88.689.254	6
Trade payables	--	--	--	91.803.472	--	91.803.472	7
Payables to related parties	--	--	--	16.749.416	--	16.749.416	27

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

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial Instruments' Classification and Fair Value (Continued)

31 December 2014	Financial assets at amortized cost	Loans and Receivables (cash and cash equivalents included)	Available for sale financial assets	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	Carrying Value	Note
Financial Assets							
Cash and cash equivalents	95.098.784	--	--	--	--	95.098.784	4
Trade receivables	--	57.833.907	--	--	--	57.833.907	7
Receivables from related parties	--	124.935.047	--	--	--	124.935.047	27
Other financial assets	--	--	3.327.374	--	--	3.327.374	5
Financial Liabilities							
Loans and borrowings	--	--	--	188.680.069	--	188.680.069	6
Trade payables	--	--	--	77.805.398	--	77.805.398	7
Payables to related parties	--	--	--	9.052.336	--	9.052.336	27

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

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

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

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets

Carrying values of cash and cash equivalents and trade receivables are assumed to reflect their fair values due to their short-term nature.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Bank borrowings are measured at their amortized cost. It is estimated that the borrowings' fair values approximate to their carrying values.

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

1) First level: Financial assets and liabilities in active markets for identical assets and liabilities are valued at the quoted prices.
2) Second level: Financial assets and liabilities and the related assets or liabilities other than quoted prices in first level directly or indirectly observable market prices are used to determine valuation.
3) Third level: Financial assets and liabilities, assets or liabilities that are used in determining the fair value observed in the market valuation is based on the data.

The fair values of the financial assets and liabilities classification level are as follows:

	Level of fair value As of reporting date		
31 December 2015	1st Level	2nd Level	3rd Level
Financial Assets at fair value through profit or loss	TL	TL	TL
Available for sale financial assets	--	--	3.552.374
Total	--	--	**3.552.374**

	Level of fair value As of reporting date		
31 December 2015	1st Level	2nd Level	3rd Level
Financial Assets at fair value through profit or loss	TL	TL	TL
Available for sale financial assets	--	--	3.327.374
Total	--	--	**3.327.374**

NOTE 30 – SUBSEQUENT EVENTS

None.